# MARKET MITIGATION



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# By mid-2026, the US economy has weathered a plethora of challenges to post the strongest growth of all G7 nations. Contributing factors, amplified by new tax benefits, continue to make US CRE an attractive investment for global institutions.

American economic exceptionalism remains on full display as the calendar flips to the second half of 2026. The US economy weathered a plethora of challenges and defied recession calls to post the strongest growth of all G7 nations,[1] buoyed by resilient consumer spending, a favorable business environment, and spending on AI.

These same factors, amplified by tax benefits from the One Big Beautiful Bill Act (OBBBA) ultimately support property fundamentals, making commercial real estate in the US an attractive investment for global institutions.

## GLOBAL COMPETITIVENESS

The US has long maintained its standing as a global economic leader, driven by its strong productivity growth, innovation, and business-friendly regulatory environment. The US also ranks highly internationally from a business competitiveness standpoint. According to the World Bank Group and its new Business Ready (B-READY) framework, the US scores above average in all three pillars: Regulatory Framework, Public Services, and Operational Efficiency. Moreover, the country places in the first quintile in the first two categories, led by its fifth best ranking in the Regulatory Framework pillar.

Against this backdrop, venture funding and business creation have boomed, making the US market the premier destination for public market listings and foreign direct investmtent. Indeed, the US total stock market capitalization comprises 49.3% of the entire global stock market, rising rapidly over the past decade from a 37% share at the end of 2015.

### EXHIBIT 1: US STOCK MARKET CAPITALIZATION AS A SHARE OF GLOBAL STOCK MARKETS




Source: Bloomberg; as of July 2026

Buttressing the US advantage is a deeply entrenched culture of innovation and risk-taking, especially in the technology industry, that has allowed company founders to grow and scale their businesses into massive global enterprises. Overall, 12 of the 15 global members in "trillion-dollar club" are American—that includes the top five, each with a market capitalization above $2.5 trillion.[2] Conversely, no European public company has a market cap above $700 billion, reflecting the continent's economic structure and policies.

High-growth entrepreneurship and risk-taking in the US have been historically guided by fiscal policy that incentivizes experimentation and private sector job creation, while offering rapid and targeted government support to businesses during downturns. Conversely, European fiscal policy is fragmented and constrained by deficit limits, leading to less spending on transformational ventures and more on redistribution and social safety nets.

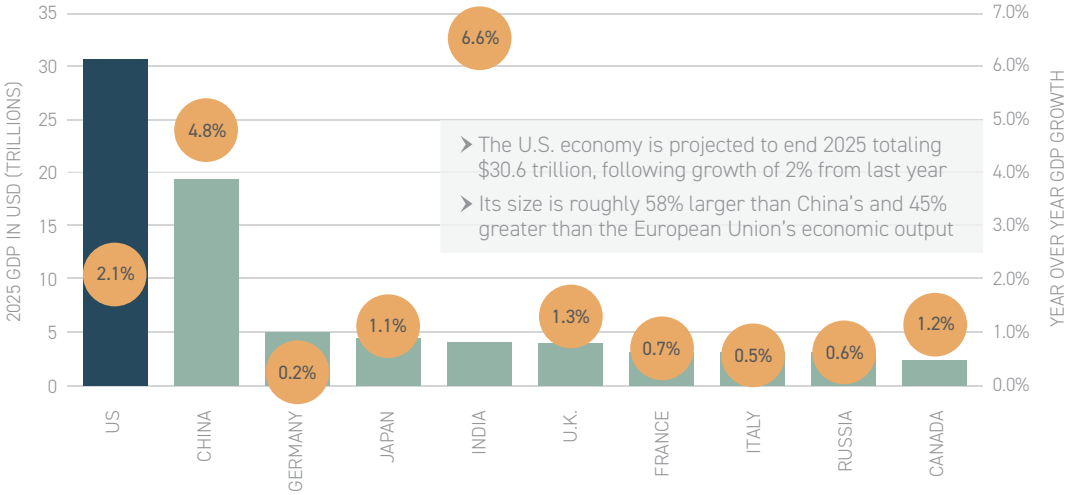
Over time, this has translated to a sustained edge for the US firms in terms of attracting global capital. Foreign direct investment flows into the US totaled $277 billion in 2025, the latest data available, nearly double the next closest country (Singapore).[3] Ultimately, apart from 2020, the US has been the top destination for foreign capital since 2006.

The American economy's size, measured by GDP, totals more than $30.6 trillion, nearly 58% larger than China's ($19.4 trillion).

## ECONOMIC OUTPUT

The US is an economic powerhouse, benefiting from global leadership in scientific infrastructure, international investment, and financial markets. Nonetheless, its economy remains consumption-driven, with consumer spending accounting for approximately 70% of total output. The American economy's size, measured by GDP, totals more than $30.6 trillion, nearly 58% larger than China's ($19.4 trillion).

### EXHIBIT 2: TOP 10 GLOBAL ECONOMIES IN 2025




Source: IMF, 2025 World Economic Outlook, October 2025. Washington, DC.

Real GDP grew 2.1% at an annual rate in the first quarter of 2026, following 0.5% growth in the fourth quarter, which was weighed down by a federal government shutdown. Despite geopolitical uncertainty, energy price disruptions stemming from the conflict with Iran, and lingering effects of tariffs, output growth is expected to persist, supported by resilient US consumers and the ongoing boom in AI-related investment.

To be sure, the long-term health of the US economy and its financial markets is not without its challenges. Most pressing is the country's total public debt as a percentage of GDP, with stands at 123% as of the first quarter of 2026.[4] Offsetting the risk of persistent indebtedness is the US dollar's status as the world's reserve currency, which channels global savings into American financial markets and allows the federal government to borrow at lower interest rates.

Other notable headwinds facing the economy—including income inequality, elevated consumer and student debt, and housing affordability challenges—are partly offset by strong productivity gains. At the same time, the AI boom has driven substantial investment in data centers and energy infrastructure, and record equity valuations have supported consumer spending.

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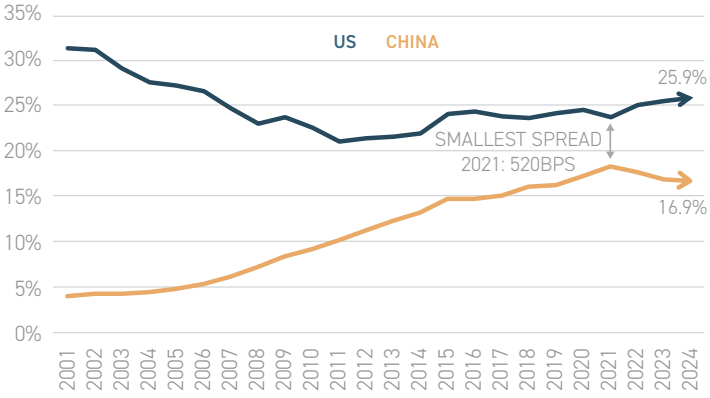
## CHINA'S RAPID ASCENT ON THE GLOBAL STAGE

World Bank data since 2001, when China joined the World Trade Organization, shows that the US share of the world economy has been greater than China's share by an average of 23% annually. The gap has narrowed considerably since 2017, when China's share first eclipsed 15%, averaging 7.5% over the past eight years through 2024. The difference in share of the world economy between the two superpowers was the smallest in 2021, at just 5.2%. Since then, the gap has widened to 9.0% in 2024, as the US share approaches levels last seen before the GFC.

### EXHIBIT 3: US AND CHINA SHARE OF WORLD ECONOMY

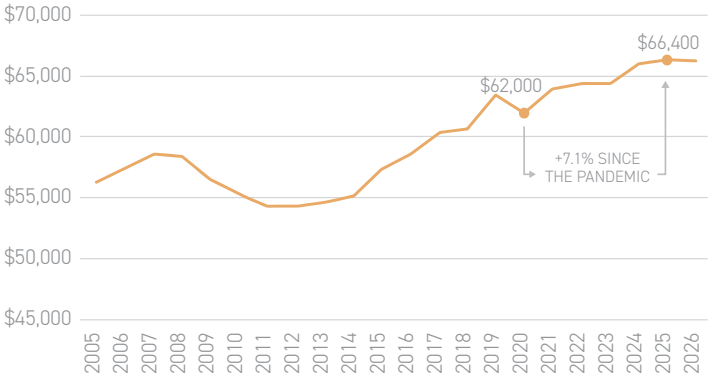



Source: The World Bank

China's slice of the world's aggregate economic output peaked in 2021 at 18.5%, before the country's property crisis triggered a sharp deceleration in growth that its leaders have been unable to stem to this day. A series of new regulations introduced in 2020 to address the country's property bubble ultimately led to the collapse of several large developers. A subsequent erosion in household wealth has weighed on domestic consumption, with GDP growth of 5% becoming the norm after double-digit expansion in the early 2000s.

Meanwhile, US economic prospects have rebounded since the sharp contraction during the pandemic. Real median household incomes, after declining by more than 2% during 2020, began rising again the following year. The figure ended 2025 at an estimated $66,400, ticking up 0.6% from the prior year and keeping American earnings among the highest in the world.[5]

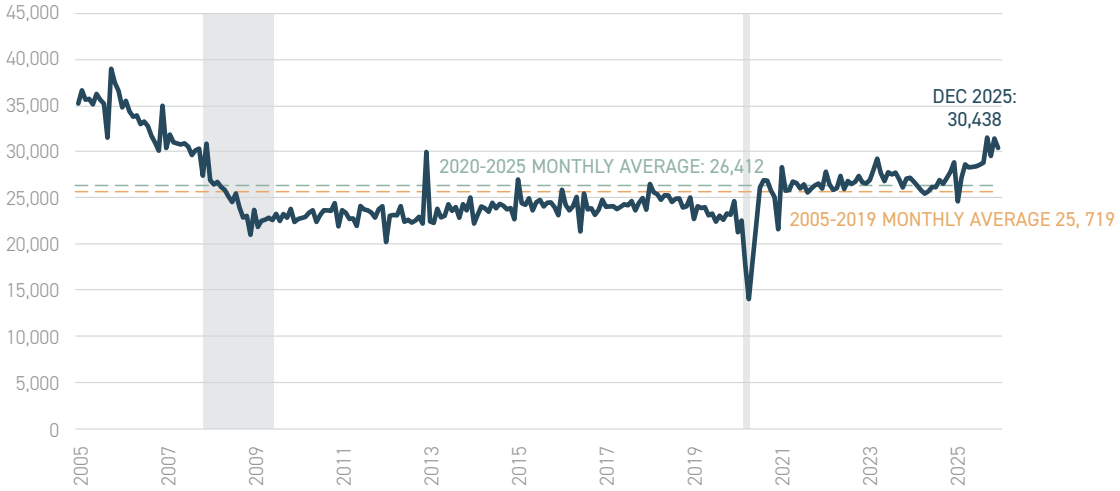
### EXHIBIT 4: US REAL MEDIAN HOUSEHOLD INCOMES HIT A NEW HIGH IN 2025




Source: US Census Bureau; Oxford Economics

Additionally, the latest Census Bureau data reveals new business formation in the US continues to gather steam following a dip early in 2025. Among the factors is the Small Business Administration helping underserved entrepreneurs access capital via the Community Navigator Pilot Program, as well as the agency's awarding of a record $261 billion in federal contracts to small businesses during fiscal year 2024. These recent initiatives are driving business formation to levels last seen immediately preceding the GFC, marking a significant vote of confidence for future business prospects among individuals and entities.

## EXHIBIT 5: MONTHLY US BUSINESS FORMATIONS (SEASONALLY ADJUSTED)




Source: US Census Bureau

## ECONOMIC ADVANTAGE OF THE US IN COMPETITION WITH EUROPE AND UK

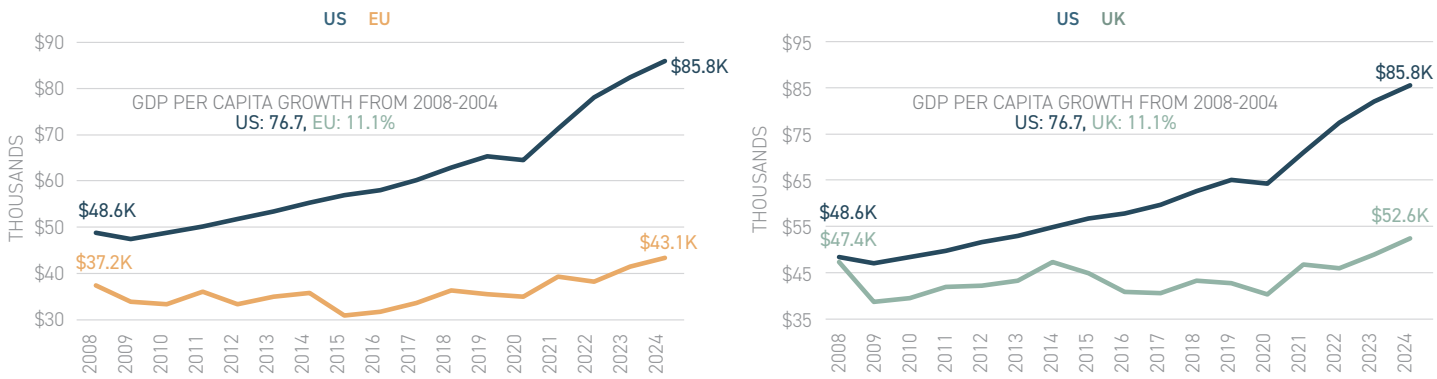
Although China is the largest long-term economic competitor to the US, due to its technological, economic, and military ambitions, Europe remains the biggest competitor for investor capital. Notably, the European Union, a political and economic bloc comprised of 27 nations, saw a combined $164 billion in foreign direct investment inflows during 2025, 41% lower than the US total, per the United Nations.

On their own, the economic output of each individual European country is dwarfed by the US. However, the European Union produces roughly $19.5 trillion in GDP.[6] Collectively, that output exceeds China and amounts to de facto the second largest global economy.

Yet, on a per capita basis, the US emerges as the clear leader. In 2008, US GDP per capita was roughly 31% larger than the European Union measure.

Eighteen years later, average economic prosperity in America is double the level across the Atlantic, reflecting robust growth following the pandemic driven by massive fiscal stimulus, flexible labor markets, and a surge in immigration and population growth, among other factors.

## EXHIBIT 6: GDP PER CAPITA: US VS. EU + US VS. UK

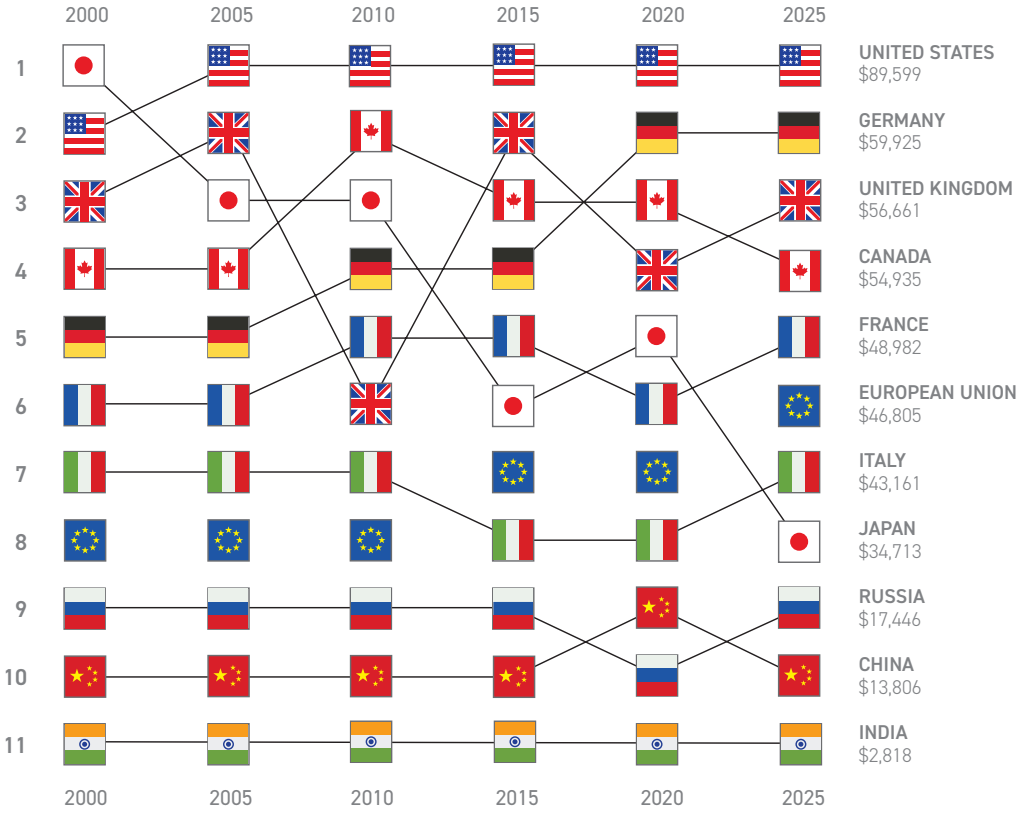



Source: The World Bank

In fact, recent IMF data reveals that the least wealthy US states have higher GDP per capita than the largest individual European economies.

Moreover, with a few exceptions, the majority of continental Europe has a lower standard of living than almost all US states, highlighting the broad productivity advantages American industries enjoy over their overseas counterparts.

## EXHIBIT 7: GDP PER CAPITA FOR THE LARGEST ECONOMIES




Source: IMF

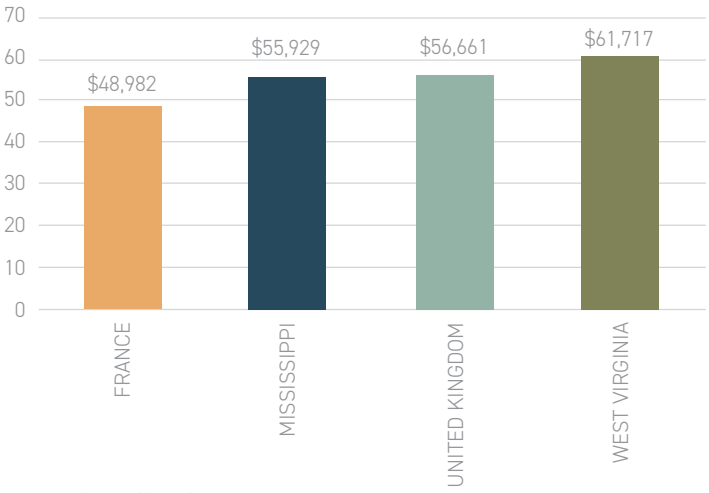
## EXHIBIT 8: GDP PER CAPTA: US STATES VS. EUROPEAN NATIONS

### GDP PER CAPITA
US STATES VS. EUROPEAN NATIONS

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | USA | District Of Columbia | $269,458 | 27 | USA | Georgia | $82,005 | 54 | EUR | Sweden | $62,036 |
| 2 | EUR | Luxembourg | $146,818 | 28 | USA | Ohio | $80,801 | 55 | USA | West Virginia | $61,717 |
| 3 | EUR | Ireland | $129,132 | 29 | USA | Tennessee | $80,781 | 56 | EUR | Austria | $61,694 |
| 4 | USA | New York | $123,021 | 30 | USA | Kansas | $80,652 | 57 | EUR | Belgium | $60,418 |
| 5 | USA | Massachusetts | $113,995 | 31 | USA | Pennsylvania | $80,235 | 58 | EUR | Germany | $59,925 |
| 6 | USA | Washington | $111,787 | 32 | USA | Oregon | $79,835 | | UK | United Kingdom | $56,661 |
| 7 | USA | Delaware | $110,041 | 33 | USA | North Carolina | $79,759 | 59 | EUR | Finland | $56,084 |
| 8 | USA | California | $107,198 | 34 | USA | Wisconsin | $78,956 | 60 | USA | Mississippi | $55,929 |
| 9 | USA | North Dakota | $102,738 | 35 | USA | Indiana | $78,312 | 61 | EUR | Malta | $49,277 |
| 10 | USA | Connecticut | $101,488 | 36 | USA | Arizona | $77,944 | 62 | EUR | France | $48,982 |
| 11 | USA | Alaska | $100,545 | 37 | USA | Florida | $77,534 | | EUR | European Union | $46,805 |
| 12 | USA | Nebraska | $97,905 | 38 | EUR | Denmark | $76,581 | 63 | EUR | Italy | $43,161 |
| 13 | USA | Colorado | $97,217 | 39 | USA | Rhode Island | $74,881 | 64 | EUR | Cyprus | $42,413 |
| 14 | USA | Illinois | $94,155 | 40 | USA | Missouri | $74,539 | 65 | EUR | Spain | $38,040 |
| 15 | USA | New Jersey | $92,543 | 41 | USA | Vermont | $74,189 | 66 | EUR | Slovenia | $37,178 |
| 16 | USA | Texas | $91,821 | 42 | USA | Louisiana | $73,616 | 67 | EUR | Czechia | $35,161 |
| 17 | USA | Minnesota | $91,248 | 43 | EUR | Netherlands | $73,174 | 68 | EUR | Estonia | $34,041 |
| 18 | USA | Maryland | $90,072 | 44 | USA | Maine | $73,060 | 69 | EUR | Lithuania | $32,982 |
| 19 | USA | Virginia | $89,957 | 45 | USA | Montana | $72,005 | 70 | EUR | Portugal | $31,415 |
| | USA | United States | $89,711 | 46 | USA | Michigan | $71,579 | 71 | EUR | Slovak Republic | $28,524 |
| 20 | USA | Wyoming | $89,495 | 47 | USA | New Mexico | $71,572 | 72 | EUR | Poland | $28,485 |
| 21 | USA | Utah | $88,837 | 48 | USA | South Carolina | $68,261 | 73 | EUR | Greece | $27,170 |
| 22 | USA | New Hampshire | $88,439 | 49 | USA | Idaho | $67,014 | 74 | EUR | Croatia | $26,958 |
| 23 | USA | South Dakota | $86,619 | 50 | USA | Oklahoma | $66,512 | 75 | EUR | Hungary | $25,916 |
| 24 | USA | Hawaii | $85,761 | 51 | USA | Kentucky | $66,506 | 76 | EUR | Latvia | $25,630 |
| 25 | USA | Nevada | $84,987 | 52 | USA | Alabama | $65,615 | 77 | EUR | Romania | $22,436 |
| 26 | USA | Iowa | $84,953 | 53 | USA | Arkansas | $63,914 | 78 | EUR | Bulgaria | $20,426 |

Source: IMF

### EXHIBIT 9: GDP PER CAPITA: AMERICA'S "POOREST STATE" VS. FRANCE + 2ND "POOREST" VS. THE UK




Source: The World Bank

In the long term, the US is expected to outpace its largest peers in population gains. In fact, by 2030, the United Nations estimates that the US population base should expand by nearly 2% from the 2026 level, trailing only India, Canada, and the United Kingdom among the world's 10 largest economies.

## OPPORTUNITY IN US COMMERCIAL REAL ESTATE

Commercial real estate is a reaction to the economy; thus, GDP growth is a broad-based benefit to the sector. Leading forecasters project that the US economy expanded at a faster pace in 2025 than the largest European economies and they expect a repeat this year.[7] Helped by lingering tax benefits from OBBBA and receding trade uncertainty, US property returns across most sectors should continue to outperform Europe's in the near term. The US CRE market benefits from significant liquidity, efficient capital markets, and a broad range of financing and resolution options.

Additionally, the momentum surrounding artificial intelligence is expected to remain a significant market catalyst over the coming months. Within the broader traditional economy, CRE may serve as a near-term hedge against concentrated AI-driven market exposures. We anticipate a stable outlook for commercial real estate fundamentals and valuations, with ample opportunities for investment and alpha generation in overlooked markets with strong growth potential. Investors should be positioned to take advantage of market pullbacks to add to positions.

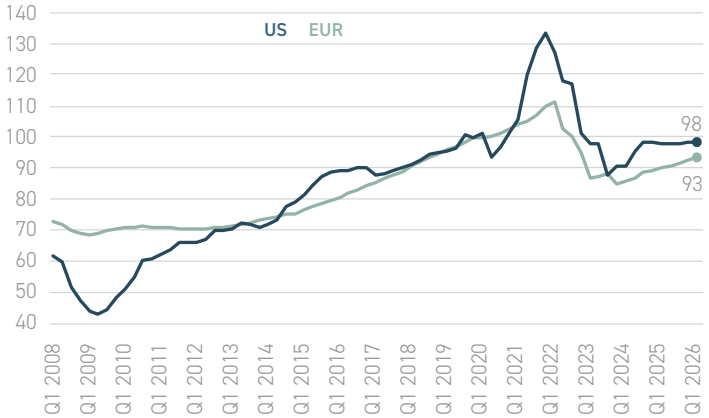
Opportunity abounds in numerous sectors, particularly in the apartment and retail arenas. Owners of mid-priced apartment properties and grocery-anchored shopping centers are expected to benefit most directly from an expanding population, particularly in the fast-growing Sunbelt markets. Although the US rate of growth declined last year to just 0.4% and is projected to moderate further in 2026, primarily because of sharply curtailed immigration, the US is projected to see steady 0.3% growth over the course of this year.

This growth, combined with a chronic housing shortage, should position global investors in American apartments to capture significant valuation upside in the coming years. And while elevated housing costs do weigh on the country's purchasing power on the global stage, the US is expected to remain the wealthiest country in the world on a per capita basis, supporting consumer spending that serves as the engine of the American economy.

Similarly, the retail sector remains undersupplied, particularly since the pandemic, presenting attractive opportunities in markets where affordable housing and lower taxes continue to power interstate migration. As a corollary, the industrial sector should eventually rebound once leasing stabilizes and fundamentals revert to historical means. The next growth frontiers for logistics assets are likely to be those same population hotspots, as retail-adjacent companies will look to bring their supply chains closer to their customers' doors.

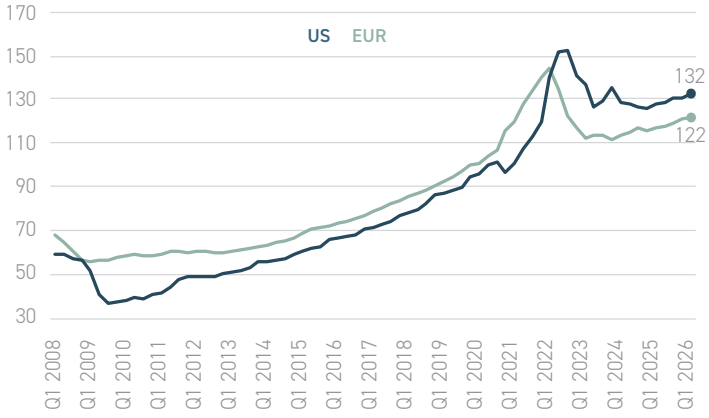
Notably, not all US real estate is on the road to recovery. Outside of a leasing surge in New York and a tech-fueled rebound in San Francisco, office owners are still navigating monumental challenges that are weighing on space demand and rent growth. The main culprits are hybrid working arrangements since the pandemic that have curtailed occupiers' space needs, as well as rapid technological advances that are weighing on employment growth in traditional office-using industries.

### EXHIBIT 10: COMMERCIAL PROPERTY PRICE INDEX – APARTMENT

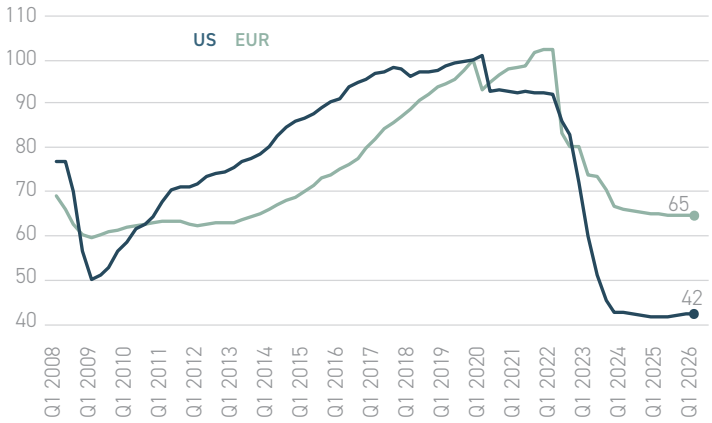



Source: Green Street

### EXHIBIT 11: COMMERCIAL PROPERTY PRICE INDEX – INDUSTRIAL



## EXHIBIT 12: COMMERCIAL PROPERTY PRICE INDEX – OFFICE




Source: Green Street

The willingness of the US federal government to incentivize risky ventures and spur job creation has over time steered productivity gains and livings standards far above its main economic competitors: the European Union and China.

Home offices are mostly an American staple, acting as a structural headwind to a sustained improvement in attendance. Accordingly, the US office market is likely to lag Europe in the near term from a valuation standpoint. Yet, a bifurcating market can still offer opportunities for investors, especially in New York, Florida, and Texas, where competition for financial firms is heating up. As values recalibrate and lenders and owners' needs for liquidity mount, generationally attractive office investment opportunities have manifested, and this dynamic should accelerate in 2026.

## THE OUTLOOK FOR EXCEPTIONALISM

American economic exceptionalism continues to position the US as a premier destination for commercial real estate investment, a trend expected to persist through 2026 and beyond despite regulatory, trade, and geopolitical uncertainties.

The resilience of the US economy was on full display in 2025, as robust business investment and healthy consumer spending guided aggregate output back to growth following a tariff-driven contraction early in the year. This rebound was accompanied by an acceleration in business formations, a beneficiary of long-standing fiscal policy support. The willingness of the US federal government to incentivize risky ventures and spur job creation has over time steered productivity gains and livings standards far above its main economic competitors: the European Union and China.

Additionally, the sheer size of the American economy helps to mitigate markets from regional conflicts, protectionist policies, and technological evolution. Amid rapid market disruption that reshapes return expectations and redirects capital across regions and asset classes, the US remains well positioned to offer investors access to the world's largest economy, supported by its competitive business environment and favorable demographic trends. Global investors should look to the US for stability in times of uncertainty and work with trusted investment partners to unlock opportunities in commercial real estate manifesting in traditional and emerging property types alike.

## ABOUT THE AUTHORS

Stewart Rubin is Senior Director, Head of Strategy and Research; Matt Wnek is a Director; and Marshall Swett is an Associate for New York Life Real Estate Investors.

## NOTES

[1] IMF. 2026. World Economic Outlook, January 2026. Washington, DC: International Monetary Fund. ©IMF. https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026; the Group of Seven (G7) includes the US, Canada, United Kingdom, France, Germany, Italy, and Japan.

[2] Data from companiesmarketcap.com

[3] United Nations' World Investment Report 2026

[4] US Department of the Treasury

[5] The Organization for Economic Co-operation and Development, data as of 2024.

[6] The World Bank: World Development Indicators. Data as of 2024. CC BY 4.0

[7] IMF. 2026. World Economic Outlook, January 2026. Washington, DC: International Monetary Fund. ©IMF. https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026
The World Bank: Global Economic Prospects, January 2026. CC BY 4.0