GTEP Advisors

Early Innings

What the inflation, tax-shelter and liquidation cycles of 1970 to 2000 say about the post-pandemic decade

The commercial real estate industry's working intuitions were formed between 1982 and 2021, during a single forty-year decline in the cost of capital. That regime has ended. This paper sets the post-pandemic repricing against the three regimes that preceded the long compression — the inflation cycle of the 1970s, the tax-driven boom and bust of the 1980s, and the liquidation cycle of the early 1990s — and asks the only question that matters for allocation today: whether this is 1992, when the correct action was to buy aggressively, or 1980, when the correct action was to wait two more years.

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PREPARATION NOTE *This paper was researched, drafted, and produced in concert with generative artificial intelligence tools. The strategy, the analytical framework, and the conclusions are those of GTEP Advisors. Market data and third-party figures are attributed in Section 11 and should be independently verified before reliance. Historical figures for periods before 1997 are in several cases directional estimates drawn from third-party research rather than reconstructed primary series, and are identified as such where used.*

EXECUTIVE SUMMARY

Executive summary

The reference period is wrong. Almost every underwriting convention in use today was formed during a single, unusual regime: from 1982 to 2021 the cost of capital fell more or less continuously and capitalization rates compressed to a record low near 4.6%.[1] In that world, time was the investor's ally, leverage was rewarded, and terminal value could be assumed. Practitioners who trained in it — which is nearly everyone now active — carry assumptions that the preceding regimes would not have supported. Almost nobody working today was underwriting deals in 1979.

Three earlier regimes are more instructive. Between 1966 and 1981 capitalization rates rose from 8.4% to 13.4% while rents compounded near 7.9% a year, and the spread of cap rates to the ten-year Treasury inverted to roughly negative 280 basis points.[1] Between 1981 and 1986 the tax code, not the rent roll, drove a construction boom that took multifamily starts from 390,000 to roughly 670,000 in the teeth of double-digit mortgage rates.[2,3,4] Between 1986 and 1991 the subsidy was withdrawn, starts collapsed to 138,000, the savings and loan system failed, and values fell 30% to 50%.[3,4,5] Each regime rewarded a different behavior, and the behavior that worked in one destroyed capital in the next.

The 1990s built the modern industry out of the wreckage. The Resolution Trust Corporation resolved 747 thrifts holding roughly $400 billion of assets between 1989 and 1995, ultimately recovering about 87% of book value.[6] The firms that bought that paper from forced sellers, and the structures they used, became the institutional real estate business: nine equity REITs went public in 1991 and 1992 combined, and forty-four in 1993 alone;[7] listed real estate market capitalization grew roughly fourteen-fold between 1987 and 1997;[8] and the same legislation that created the RTC gave rise to the modern commercial mortgage securitization market.[8] The lesson is not that distress is profitable. It is that liquidation regimes are when the next generation of platforms and pricing conventions get set.

Where the post-pandemic cycle actually sits. Private commercial real estate values bottomed in the fourth quarter of 2024 by the NCREIF index, with office troughing in the second quarter of 2025.[9] Peak to trough, listed real estate fell about 33% and private values about 20%.[10] Banks have begun re-engaging after two years of balance sheet repair, transaction volume is forecast to rise 15% to 20% in 2026,[9,10] and construction has collapsed — national multifamily starts are roughly 73% below their 2022 peak.[11] On the classic measures, the cycle has turned.

But the 1980 case has not been disproved. Core PCE ran 3.1% in January 2026, the effective tariff rate has moved from roughly 2.1% to near 11.7%, energy prices have risen on the conflict with Iran, and at least one major dealer now forecasts rate increases rather than cuts.[12] The private decline of about 20% is materially shallower than the 30% to 50% of the early 1990s,[5,10] which admits two readings: either the system is structurally healthier, or the adjustment is unfinished. Institutional allocations to the asset class are still being revised down, not up.[9] And a respected view holds that private apartment capitalization rates will rise and values fall further through 2026 and 2027.[10]

Our reading, stated as a probability rather than a call. This looks more like 1992 than 1980 on supply, distress and valuation, and more like 1980 than 1992 on inflation and policy. That is not a contradiction; it is a description of an early-cycle environment with an unresolved macro overhang, and it argues for a specific behavior rather than a directional bet: acquire on the credit side where forced sellers set the price, insist on a basis that survives a further leg of cap rate expansion, take no acquisition leverage and no maturity, and buy optionality on time rather than on direction. That combination performed in both regimes. Leverage and terminal-value assumptions performed in neither.

The number that disciplines the whole discussion. A move in capitalization rates from 5.25% to 7.00% reduces value by 25% with no change in income; a move to 8.00% reduces it by 34%. To hold value flat against the first of those requires roughly 33% of cumulative net operating income growth.[13] Any thesis that depends on cap rates staying where they are is not a thesis about real estate. It is a thesis about the Federal Reserve.

/ 01 — THE CASE FOR THINKING IN REGIMES

The case for thinking in regimes

Real estate is conventionally analyzed in cycles of seven to ten years — recovery, expansion, oversupply, recession. That framework is useful for leasing and unhelpful for capital allocation, because it treats the cost of capital as a variable that oscillates around a stable mean. Over the last sixty years it has not oscillated. It has moved in long, one-directional regimes lasting a decade or more, and the regime has mattered far more to realized returns than the property cycle within it.

A regime, in this sense, is a period during which the dominant driver of returns is stable: inflation and rent growth in one, tax policy in another, forced liquidation in a third, and the falling discount rate in the fourth. The practical consequence is that a strategy calibrated to one regime is not merely suboptimal in the next — it is frequently the exact behavior that destroys capital. Leverage was correct from 1993 to 2021 and catastrophic from 1989 to 1992. Merchant development was correct from 1983 to 1986 and catastrophic from 1987 to

1991. Buying paper from banks was correct from 1991 to 1995 and unavailable for the twenty-five years that followed.

The forty-year anomaly. The period from 1982 to 2021 was the longest and most favorable regime in the history of the asset class, and it is the only one most practitioners have experienced. Capitalization rates fell from their early-1980s peak to a record low near 4.6%.[1] Every year of holding was rewarded, every refinancing was accretive, and terminal value could be assumed rather than underwritten. It is difficult to overstate how much of the industry's standard practice — the five-year hold, the fixed-term closed-end fund, the reliance on exit cap assumptions set at or below entry — is an artifact of that single regime rather than a general truth about real estate.

FOUR REGIMES AND WHAT ACTUALLY PRODUCED RETURNS

REGIME	YEARS	CAPITALIZATION RATES	WHAT MADE MONEY
Inflation	1970–1982	Rose from 8.4% to 13.4%	Owning hard assets unlevered; rents compounding near 7.9% a year
Tax shelter	1982–1990	Elevated, then falling	Depreciation and passive losses against ordinary income — not net operating income
Liquidation	1990–1997	Reached 12% in distressed markets	Buying loans and assets from forced sellers; recapitalizing through public markets
Compression	**1997–2021**	**Fell to a record low near 4.6%**	**The falling discount rate itself, amplified by leverage**
Post-pandemic	2022–	Prime near 5.25–5.50%; 8–12.5% in dislocated sectors[24]	Undetermined — the subject of this paper

Capitalization rate figures for periods before 1997 are directional, drawn from NCREIF-derived series and third-party research rather than independently reconstructed. Regime boundaries are interpretive. The post-pandemic figure is a prime, institutional-quality reference rather than a market average; see the discussion of dispersion below. Notes 1, 2, 5, 9 and 24.

One caution on that last row: there is no single cap rate. The 5.25% to 5.50% figure used as a reference throughout this paper is prime, institutional-quality product in liquid markets. It is not the market. CBRE's H1 2026 survey puts stabilized New York multifamily at 5.0% to 5.5% — and Class A suburban office in major Midwest markets at 10.0% to 12.5%.[24] Class B office nationally has expanded to roughly 8.5% to 11.0%, and implied cap rates on listed REITs run from 5.2% for industrial to 7.7% for office.[24,25] The dispersion between the best and worst of this market is now 300 to 700 basis points, which is wider than the entire move in prime cap rates from 2021 to today.

That dispersion is the most important fact in the table, and it cuts both ways. It qualifies the 1992 reading, because a market average that looks stabilized conceals sectors where the adjustment is still running. It also qualifies the 1980 reading, because parts of this market have already repriced to levels that took the entire 1966 to 1981 inflation regime to reach — Class A suburban office at 12.5% is inside the 13.4% peak of 1981, arrived at in four years rather than fifteen. Those assets are not waiting for a rate shock. They have had one. For an investor, the practical consequence is that "where we are in the cycle" is not a question with a single answer, and any allocation decision that rests on the aggregate is resting on a number that describes almost nothing in particular.

/ 02 — 1970 TO 1982: THE INFLATION REGIME

1970 to 1982: the inflation regime

The defining feature of the 1970s was not that rates were high. It was that inflation and nominal rates rose together while real rates were frequently negative, and that rents adjusted upward alongside. This produced a counterintuitive outcome that is directly relevant now.

Cap rates rose, but by less than bond yields. Between 1966 and 1981 capitalization rates climbed from 8.4% to 13.4% — roughly five hundred basis points. Nominal Treasury yields climbed further, with the result that the spread between cap rates and the ten-year inverted, averaging something close to negative 280 basis points. Investors accepted a running yield below the risk-free rate because they were underwriting rent growth rather than current income, and the rent growth arrived: rents compounded at about 7.9% annually across the period. Appreciation still averaged roughly 5.7% a year.[1]

The distinction that governs everything. If nominal rates rise because inflation expectations rise while real rates stay flat, values hold up reasonably: the same inflation that raises the discount rate raises net operating income and replacement cost. If real rates rise — tightening beyond what inflation alone requires — required returns increase with no offsetting income benefit, and values fall hard. The 1970s were substantially the first case. The 1979 to 1982 Volcker episode was emphatically the second, and that is when the damage occurred.

Development stopped. This is the part of the 1970s that is usually omitted. When rates actually spiked, construction did not become clever; it ceased. Multifamily starts fell from 587,000 in 1978 to 390,000 in 1981. Total housing starts fell from 2.0 million in 1978 to 1.06 million in 1982, the lowest level since the 1940s.[3,4] The thirty-year mortgage averaged 16.63% in 1981 and peaked above 18% that October.[14] High rates did not produce ingenuity. They produced a three-year halt.

What worked, and what did not. Unlevered ownership of well-located assets worked, because income inflated with the price level and the owner faced no refinancing event. Leverage with maturities inside the tightening worked very badly. Land and non-income-producing positions were the worst place to be, because they had no income to inflate and absorbed the full variance of the discount rate. The generalizable lesson is that inflation regimes reward duration of ownership and punish duration of liability.

/ 03 — 1982 TO 1990: THE TAX REGIME

1982 to 1990: the tax regime

The 1980s are routinely cited as evidence that development can pencil at high interest rates. That reading is wrong, and the correction matters, because it removes a mitigant that many investors implicitly assume is available today.

The Economic Recovery Tax Act rewrote the arithmetic. The 1981 act shortened the depreciation life of rental housing from thirty-two years to fifteen and front-loaded the recovery, against a top marginal individual rate of 50% and fully deductible interest.[2,15] Highly leveraged projects generated large early paper losses that limited partners could set against ordinary income. Multifamily starts rose from 390,000 in 1981 to roughly 670,000 by 1985 — a level not reached in the four decades since — while mortgage rates were still in double digits.[2,3,4,14] The return on many of those projects came from sheltering income rather than from producing it.

The withdrawal was as abrupt as the stimulus. The Tax Reform Act of 1986 restored a 27.5-year depreciation life, introduced the passive loss limitations, and cut the top individual rate to 28%.[2,15] The economic case for a large share of the construction pipeline disappeared in a single legislative act. Starts fell from roughly 576,000 in 1985 to 138,000 by 1991, a decline of 76%.[3,4] The 1990s went on to be the quietest decade for apartment construction in the modern series.[4]

The relevant conclusion for today. The mechanism that sustained development through a high-rate environment no longer exists. Depreciation is 27.5 years, passive losses are limited, and the top individual rate is 37%.[15] An investor underwriting today should not assume that a rate shock will be met by a tax-subsidized construction response. It will be met by a halt, as in 1980. That is a negative for anyone whose exit depends on selling to a developer, and a positive for anyone who already owns supply that cannot be replicated.

It also produced the oversupply that made the next regime possible. The 1984 to 1986 boom was built into markets that did not need it. Vacancy rose through the second half of the decade.[16] When the recession arrived in 1990, the sector was carrying both an inventory problem and a financing structure — thrifts funding long real estate assets with short deposits — that could not survive it. The distress of the early 1990s was manufactured in the mid 1980s.

/ 04 — 1990 TO 1997: THE LIQUIDATION REGIME

1990 to 1997: the liquidation regime

This is the regime that most closely resembles what a credit-side investor is trying to find, and it is worth being precise about what actually happened rather than repeating the folklore.

The scale. The Resolution Trust Corporation, created by FIRREA in 1989, resolved 747 thrifts — more than a quarter of the industry — holding roughly $400 billion of assets, and wound up at the end of 1995. It sold or collected assets with a book value near $445 billion and recovered approximately 87% of book. Taxpayer losses came to roughly $87.5 billion of the $105.1 billion it ultimately received.[6,17] Values across commercial real estate fell somewhere between 30% and 50% peak to trough.[5]

The folklore needs correcting in one respect. An 87% recovery on book value is not "cents on the dollar." The headline discounts were concentrated in the assets nobody wanted: raw and partially improved land, non-performing paper, and geographically stranded product. Colony Capital's joint venture with the RTC through the National Land Fund took 119 assets with a book value of $480 million, substantially finished residential lots[6] — precisely the category that had no bid. The extraordinary returns of that era were earned in the worst asset classes, not across the board, and by buyers who could underwrite what a forced seller could not.

The structural innovation mattered more than the discounts. The lasting consequence of the early 1990s was not that some investors bought cheaply. It was that the capital structure of the industry was rebuilt. Nine equity REITs went public across 1991 and 1992; forty-four went public in 1993 alone, enabled by the UPREIT structure.[7] Listed real estate market capitalization grew roughly fourteen-fold between 1987 and 1997,[8] and REITs raised close to $100 billion of new equity from 1993 to 1998.[18] The same legislation that created the RTC, by imposing risk-based capital requirements on thrifts, gave rise to the modern commercial mortgage securitization market.[8] Public equity and public debt replaced the balance sheets that had failed.

And it did not feel like an opportunity at the time. The industry slogans of the period were "survive till ’95" and "make do till 2002." Credit was unavailable on almost any terms; one participant recalls being told that posting cash collateral equal to the loan amount would still not produce a loan.[7,19] The recovery is obvious in retrospect and was not obvious in 1992. Any investor citing the early 1990s as a template should be honest that the template required capital that could wait years without a mark, and conviction in the face of a consensus that the asset class was finished.

/ 05 — 1997 TO 2021: THE COMPRESSION REGIME

1997 to 2021: the compression regime

The regime that followed is the one that formed the industry’s instincts, and its central feature was that the discount rate did the work.

Returns came from the denominator. Across roughly a quarter century, capitalization rates fell to a record low near 4.6%.[1] An asset bought at a 7% cap and sold at a 5% cap appreciates 40% with no change in income at all. Layer sixty-five percent leverage on that and the equity roughly triples.[13] A generation of track records was built on a mechanism that required no operational skill and could not, arithmetically, continue: capitalization rates cannot fall below zero, and they cannot fall much below the cost of debt for long without inverting the logic of ownership.

What it taught, and what it should not have. The regime taught that time is an ally, that leverage is a tool rather than a risk, that exit capitalization rates can be set at or near entry, and that the five-year closed-end fund is a natural structure. In the compression regime those were true. In the inflation regime and the liquidation regime, each of them was false. The convention that most deserves re-examination is the fixed-term vehicle, because it converts a market-timing question into a contractual obligation to sell.

The 2020 to 2021 coda made it worse. The final eighteen months of the regime — with policy rates at zero and enormous capital chasing a narrow set of assets — produced the vintage that is now generating the distress. Loans underwritten in 2021 and 2022 against terminal values that assumed the regime would continue are the ones maturing into a market that does not clear at those levels.[20,21]

/ 06 — 2022 TO 2026: THE POST-PANDEMIC REPRICING

2022 to 2026: the post-pandemic repricing

The current period has run four years and can now be described with reasonable confidence, which is a change from a year ago.

The measurable facts. Private commercial real estate values bottomed in the fourth quarter of 2024 on the NCREIF index; office, the last sector to turn, troughed in the second quarter of 2025.[9] Peak to trough, listed real estate declined roughly 33% and private values roughly 20%. The ten-year Treasury has held in a 4.0% to 4.2% range through much of the period.[10] National office vacancy stood at 18.7% in the third quarter of 2025 and has begun to improve marginally.[9] Banks have resumed commercial real estate lending after roughly two years of balance sheet repair, with life companies and the securitization market having filled the gap in the interim.[10] Transaction volume is forecast to rise 15% to 20% in 2026, a third consecutive year of growth.[9,10]

Supply has been withdrawn on a scale comparable to the early 1990s. National multifamily starts fell to approximately 55,000 units in the first quarter of 2026 — the lowest quarterly figure since 2011 and roughly 73% below the early-2022 peak — and the national pipeline has contracted more than half from its 2023 high to roughly 579,000 units.[11] This is the single strongest structural argument for the next several years, and it is the same argument that worked in the mid 1990s: the supply that is not started in 2026 is the supply that does not deliver in 2029.

Distress is real but is a lagging indicator. Roughly $875 billion of commercial real estate debt is scheduled to mature in 2026 against $5.0 trillion outstanding — a 9% decrease from the $957 billion 2025 cohort, of which industry estimates suggest only half to fifty-five percent actually paid off at maturity, the remainder having been extended forward.[20,21] Total distressed volume reached $126.6 billion in the third quarter of 2025, up 18% year over year.[22] That distress is arriving after the valuation trough, not before it, which is the normal sequence and the reason the credit side of the market is where entry prices are still being set by sellers with constraints rather than by buyers with conviction.

What has not happened. Institutional capital has not returned. Allocation targets have been revised downward in many portfolios, in several cases formally rather than through slower deployment.[9] The gap between stabilized valuations and capital behavior is the defining feature of the moment. In the early 1990s that gap was closed by a structural innovation — public equity and securitized debt — that channelled new capital into the sector.[7,8] There is no obvious equivalent today, unless private credit proves to be it.

/ 07 — IS THIS 1992 OR IS THIS 1980?

Is this 1992 or is this 1980?

The two analogues imply opposite behavior. In 1992 the correct action was to buy aggressively from forced sellers, because the monetary adjustment was complete and only the balance-sheet cleanup remained. In 1980 the correct action was to wait, because the monetary adjustment had not yet happened and everything bought in the interim was repriced by it. The evidence today points partly at each.

THE CASE THAT THIS IS 1992

SIGNAL	EVIDENCE
Values have bottomed	NCREIF private values troughed in Q4 2024; office in Q2 2025[9]
Supply has collapsed	Multifamily starts about 73% below the 2022 peak; pipeline down more than half[11]
Forced sellers are setting price	$875 billion of 2026 maturities; distressed volume $126.6 billion and rising[20,22]
Lenders are re-engaging	Banks returning after two years of balance sheet repair; third consecutive year of transaction growth expected[10]
Capital has not returned	**Institutional allocations still being revised down[9] — the condition that produces entry prices**

THE CASE THAT THIS IS 1980

SIGNAL	EVIDENCE
Inflation is unresolved	Core PCE 3.1% in January 2026; a sitting Fed governor described inflation in July as near its highest since 2023[12]
Policy could tighten again	Effective tariff rate from about 2.1% to near 11.7%; energy prices up on the Iran conflict; at least one major dealer forecasting increases rather than cuts[12]
The decline was shallow	Private values fell about 20% against 30% to 50% in the early 1990s[5,10] — either resilience or an unfinished adjustment
Prime cap rates remain historically low	Prime near 5.25–5.50% against a long-run range that spent most of the pre-1997 period between 8% and 13%[1] — though dislocated sectors already trade at 8–12.5%[24]
A credible dissent exists	**A respected view holds private apartment cap rates will rise and values fall further through 2026 and 2027**[10]

The honest resolution is that both are partly true. The supply, distress and valuation evidence looks like 1992. The inflation and policy evidence looks like 1980. That combination is not incoherent — it describes an early-cycle environment carrying an unresolved macro overhang, which is a common enough situation and simply a more demanding one than either pure case. It rules out the two comfortable conclusions: that the bottom is in and one should deploy without reservation, and that nothing should be done until the macro clears.

What it does rule in. A strategy that performed in both 1980 and 1992 rather than one optimized for either. In practice that means four constraints. Buy where a constrained seller sets the price rather than where a marginal buyer does, which today means the credit side. Insist on a basis that survives a further leg of capitalization rate expansion rather than one that requires the current level to hold. Take no acquisition leverage and accept no maturity, since forced sale is the mechanism that converted a bad decade into permanent loss in both prior episodes. And buy optionality on time — extension rights, funded carry, no contractual obligation to sell on a date — because the one thing both analogues share is that the recovery arrived later than the consensus expected.

/ 08 — THE ARITHMETIC THAT SHOULD DISCIPLINE ANY CYCLE VIEW

The arithmetic that should discipline any cycle view

Cycle narratives are cheap. The following is the constraint that any of them has to survive, and it is the reason we would rather own a low basis than a good story.

EFFECT OF A CHANGE IN EXIT CAPITALIZATION RATE ON VALUE, INCOME UNCHANGED

EXIT CAP RATE	CHANGE IN VALUE	CUMULATIVE NOI GROWTH REQUIRED TO OFFSET
4.50%	+16.7%	None
5.25% — today	**—**	**—**
6.00%	(12.5%)	14.3%

EXIT CAP RATE	CHANGE IN VALUE	CUMULATIVE NOI GROWTH REQUIRED TO OFFSET
7.00%	(25.0%)	33.3%
8.00%	(34.4%)	52.4%
13.40% — the 1981 level	(60.8%)	155.2%

Measured against a 5.25% baseline. The final column is the cumulative growth in net operating income required to hold nominal value flat at the stated exit capitalization rate. See note 13.

Read the seven percent row. A move to 7.00% — well inside the range that prevailed for most of the period before 1997[1] — takes a quarter off value and requires a third of cumulative income growth to offset. Over a five-year hold that is 5.9% a year, roughly double what consensus forecasts assume for most markets. This is not a prediction that cap rates will reach 7%. It is a statement that any strategy whose returns depend on capitalization rates remaining near 5.25% is a leveraged position on monetary policy wearing the costume of a real estate investment.

Which is why basis, and not the forecast, is the defensible variable. The 1970s reward for owning unlevered hard assets, the 1990s reward for buying from forced sellers, and the penalty in both regimes for carrying maturities all point to the same conclusion. An investor cannot control the discount rate, the inflation path, or the timing of the recovery. An investor can control the price paid, the presence of leverage, and whether a sale is ever compelled. In the two regimes that most resemble the present, those three variables explained most of the difference between the firms that were built and the firms that were liquidated.

/ 09 — WHAT WOULD FALSIFY THIS READING

What would falsify this reading

A cycle view that cannot be disproved is not analysis. The following would each require the argument above to be revised, and we would rather state them now than reinterpret them later.

- Capitalization rates expand a further hundred basis points or more without a corresponding acceleration in rents. This is the central risk and would indicate the adjustment is unfinished — the 1980 case, not the 1992 case.
- Construction costs inflate alongside a rate increase. In an inflationary regime, cost inflation running with rent growth is what destroys residual and development value; the 1970s went badly for developers for precisely this reason. Regional cost inflation running below headline is a load-bearing assumption.[23]
- The supply response arrives earlier than expected. If capital re-enters development quickly, the scarcity argument for 2029 and 2030 weakens materially. Watch permits rather than starts, since permits lead by roughly a year.[11]
- Distress resolves without transacting. If lenders extend for a further two or three years rather than sell, the entry prices this framework depends on never materialize, and the correct action is to wait rather than to lower standards.[21]

— Institutional allocations recover sharply. Capital returning faster than expected compresses entry pricing before deployment is complete — a good outcome for owners and a poor one for buyers still building a position.[9]

A note on the limits of analogy. Every historical comparison in this paper is retrofitted, and retrofitting is easy. The early 1990s look like an obvious opportunity now and looked like the end of the asset class at the time. The differences between then and now are as real as the similarities: the current banking system is far better capitalized than the thrift system was, there is no equivalent to the 1986 tax shock, the demand side is characterized by chronic housing undersupply rather than the overbuilding of the 1980s,[2] and there is no RTC — assets are being resolved bilaterally rather than through a single public liquidator. Analogy is a way of generating hypotheses, not a substitute for underwriting the asset in front of you.

/ 10 — CONCLUSION

Conclusion

The forty years that formed the industry's instincts were the exception, not the rule. Capitalization rates fell continuously, leverage was rewarded continuously, and terminal value could be assumed. That is not how the three preceding regimes worked, and there is no particular reason to expect the next one to resemble it.

The post-pandemic period looks, on the evidence available in mid-2026, like the beginning of something longer rather than the end of a correction. Values have bottomed, supply has been withdrawn on a scale not seen since the early 1990s, distress is arriving on schedule, and capital has not yet returned — which is the specific combination that has historically produced good entry prices. Against that, inflation is unresolved, policy could tighten again, and the decline to date has been materially shallower than the one that created the 1990s opportunity.

Both of those things being true at once is the actual situation, and it favors a particular kind of investor: one who buys from constrained sellers at a basis that survives being wrong about rates, takes no leverage and no maturity, and holds the right rather than the obligation to sell. That description would have worked in 1980, when patience was the entire strategy, and in 1992, when conviction was. It is the only posture that does not require a view on which of the two this turns out to be.

If this is the early innings, the returns will be earned by the firms that are positioned before the consensus forms, at prices set by people who have to sell. That was true in 1992, and the firms that acted on it built the industry that exists today.

/ 11 — SOURCES AND NOTES

Sources and notes

Superscript numerals in the text refer to the sources below. Market data is drawn from third-party sources believed to be reliable but has not been independently verified. Where a figure is directional or reconstructed from research rather than a primary series, that is stated.

01 NCREIF and Federal Reserve series as compiled by Crow Holdings Capital, together with industry research on pre-1980 real estate performance and on the early-1990s Boston market. Capitalization rates rising from 8.4% (1966) to 13.4% (1981); rent growth of approximately 7.9% per annum and

appreciation of approximately 5.7% per annum across that period; cap-rate spread to the ten-year Treasury inverting to approximately −280 basis points; and the subsequent compression to a record low near 4.6%. Figures for the pre-1997 period are directional and are drawn from third-party research rather than independently reconstructed.

02 Tax Policy Center, "Accelerated Depreciation for Multifamily Housing? Lessons From the 1980s," March 2026; Tax Foundation, "1980s Tax Reform, Cost Recovery, and the Real Estate Industry: Lessons for Today," 2024. Depreciation life shortened from 32 years to 15 under ERTA and restored to 27.5 years under TRA86; multifamily construction exceeding 650,000 units annually from 1984 to 1986; and the characterization of today's market as one of chronic undersupply rather than 1980s-style overbuilding.

03 U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction, historical series; HUD, "History of Multifamily Housing Finance in the United States," April 2026. Multifamily starts of 587,000 (1978), 550,000 (1979), 390,000 (1981), approximately 670,000 (1985) and 138,000 (1991); total housing starts of 2.0 million (1978) and 1.06 million (1982). Note that two different mid-1980s multifamily figures appear in this paper — approximately 670,000 and 576,000 — reflecting different underlying series and definitions; these should be reconciled to a single Census definition before external circulation.

04 James M. Poterba, "Tax Reform and the Housing Market in the Late 1980s," Federal Reserve Bank of Boston conference volume; industry analysis of fifty years of apartment construction. Total multifamily starts rising from 390,000 in 1981 to 670,000 in 1985 with virtually all of the increase in buildings of five or more units; the subsequent decline from 576,000 (1985) to 138,000 (1991); and the 1990s as the quietest decade for apartment construction in the modern series.

05 National Real Estate Investor / WealthManagement, "Real Estate Downturn of the Early '90s Differs From Today's Crash In Important Ways." Peak-to-trough valuation declines of 30% to 50% in the early 1990s; the withdrawal of traditional balance-sheet lenders; and the role of FIRREA risk-based capital rules in encouraging securitized rather than whole-loan holdings.

06 Congressional Research Service, "The Resolution Trust Corporation: Historical Analysis," RS22959, September 2008; Federal Deposit Insurance Corporation, RTC Review, June 1995. 747 thrifts resolved between August 1989 and mid-1995 holding approximately $394–403 billion of assets; assets sold or collected with a book value of approximately $445 billion; recoveries of approximately 87% of book value; and the Colony Capital joint venture through the RTC National Land Fund comprising 119 assets with a book value of $480 million, largely finished residential lots.

07 Nareit, "Open for Business," REIT Magazine, November–December 2013; Nareit, "Housing the Economy," May–June 2013. Nine equity REIT initial public offerings across 1991 and 1992 combined against forty-four in 1993 alone; the role of operating partnership units and the UPREIT structure; and contemporaneous accounts of credit unavailability, including the recollection that cash collateral equal to the loan amount would not produce a loan.

08 Wharton Real Estate Review, "The Past, Present, and Future of CMBS," Spring 2012. Listed REIT aggregate market capitalization increasing more than fourteen-fold between 1987 and 1997; and FIRREA's risk-based capital requirements — 6.4% initially, rising to 8.0% from December 1992 — giving rise to the modern CMBS market.

09 MetLife Investment Management, "A New Dawn in Real Estate: 2026 U.S. Commercial Real Estate Outlook," December 2025; Colliers 2026 transaction volume forecast; NCREIF Property Index. Private values bottoming in Q4 2024 with office troughing in Q2 2025; national office vacancy of 18.7% in Q3 2025; forecast transaction volume growth of 15% to 20% in 2026; and downward revisions to institutional allocation targets.

10 Cohen & Steers, "Building on Strength: Mid-Year 2026 U.S. Real Estate Perspective," July 2026. Peak-to-trough declines of 33% in listed real estate and 20% in private market values; the ten-year Treasury holding in a 4.0%–4.2% range; banks re-engaging in CRE lending after two years of balance sheet adjustment with life companies and CMBS having filled the gap; expectation of a third consecutive year of transaction growth; and the view that private apartment capitalization rates will rise and values decline through 2026 and 2027.

11 U.S. Census Bureau, New Residential Construction; national multifamily pipeline data as compiled by industry research. Q1 2026 multifamily starts of approximately 55,000 units, the lowest quarterly figure since 2011 and approximately 73% below the early-2022 peak; national pipeline of roughly 579,000 units, down more than 50% from the 2023 high.

12 Bureau of Economic Analysis, core PCE price index, January 2026; Federal Open Market Committee statements and minutes through mid-2026; U.S. effective tariff rate estimates as compiled by industry research; public remarks by a Federal Reserve governor, July 2026; dealer research. Market-implied hike probabilities move continuously and are as reported in the April 2026 minutes.

13 GTEP Advisors analysis. The capitalization-rate sensitivity table is arithmetic: value is the reciprocal of the exit capitalization rate applied to unchanged net operating income, and the offsetting NOI growth is the ratio of the new rate to the 5.25% baseline less one. The leverage illustration assumes a 7.00% entry capitalization rate, a 5.00% exit, and 65% loan-to-value, and is illustrative rather than drawn from a specific transaction.

14 Freddie Mac Primary Mortgage Market Survey; Federal Reserve Board, federal funds rate series. Thirty-year fixed mortgage rate averaging 16.63% in 1981 with an October 1981 peak above 18%.

15 Economic Recovery Tax Act of 1981 and Tax Reform Act of 1986, as enacted; Internal Revenue Code sections governing residential depreciation lives and passive activity losses; current top marginal individual rate of 37%.

16 Lynn E. Browne and Karl E. Case, "How the Commercial Real Estate Boom Undid the Banks," in Real Estate and the Credit Crunch, Federal Reserve Bank of Boston, 1992; Federal Reserve Bank of Richmond, "Commercial Real Estate Overbuilding in the 1980s," Working Paper 94-6. Rising vacancy through the second half of the 1980s and the interaction of tax policy with thrift lending behavior.

17 Yale Program on Financial Stability, "US Resolution Trust Corporation," Journal of Financial Crises. Total RTC funding of $105.1 billion with losses of approximately $87.5 billion, and an overall asset recovery rate of approximately 87%.

18 Wharton Real Estate Review and University of Southern California Lusk Center research on the 1990s revolution in real estate finance. REITs raising close to $100 billion of new equity between 1993 and 1998.

19 National Real Estate Investor, “The 1990s: Real Estate Goes Public,” and contemporaneous industry accounts. The “survive till ’95” and “make do till 2002” slogans and the credit conditions of the early 1990s.

20 Mortgage Bankers Association, 2025 Commercial Real Estate Survey of Loan Maturity Volumes, released February 9, 2026: $875 billion (17%) of $5.0 trillion outstanding scheduled to mature in 2026, a 9% decrease from $957 billion in 2025. MSCI has separately estimated the 2026 figure above $930 billion; the MBA series is used here as the primary reference.

21 Industry estimates that only 50–55% of the $957 billion maturing in 2025 was paid off at maturity, with the remainder extended into the 2026 and 2027 calendars, as compiled in Quinn Emanuel, Real Estate Update, May 2026.

22 MSCI Real Capital Analytics, U.S. Distress Tracker, Q3 2025: total distressed commercial real estate volume of $126.6 billion, up 18% year over year, with office the largest single component.

23 JLL construction cost research, July 2026, on labor shortages, tariffs and data-center demand as drivers of construction cost escalation; Engineering News-Record Building Cost Index historical series.

24 CBRE, U.S. Cap Rate Survey H1 2026, and associated reporting, August 2026. Stabilized New York City multifamily widening from 4.5%–5.0% in H2 2025 to 5.0%–5.5% in H1 2026; Class A suburban office cap rates in major Midwest markets such as Chicago at 10.0%–12.5%; approximately 60% of respondents expecting no change over the following six months, with more anticipating increases than in the December 2025 survey; and infill multifamily and lower-quality office carrying the most bearish outlook. Class B office range of approximately 8.5%–11.0% from industry cap rate compilations for 2026.

25 Nareit, Q1 2026 REIT Industry Tracker, implied capitalization rates for listed equity REITs derived by backing net operating income out of listed prices: industrial 5.2%, self-storage 5.9%, retail 6.2%, residential 6.4%, office 7.7%, all-equity average 5.9%.

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