

View of the Market

Insight and Strategy for the Commercial Real Estate Industry

Paramount Capital Corporation

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FROM THE EDITOR

- **AI is rapidly moving from experimentation to practical deployment in CRE, with the highest-value applications in underwriting, document review, property operations, leasing support, portfolio surveillance, and development feasibility.**
- **The U.S. office market is showing credible stabilization, driven by improving four-quarter absorption, declining sublease availability, a sharply reduced construction pipeline, and continued flight-to-quality demand for Class A assets.**
- **REIT performance remains uneven across sectors, with data centers and retail showing strength while office and apartments continue to lag, making interest rates the key swing factor for a broader recovery.**
- **CRE capital markets remain constrained by elevated interest rates, but the newsletter anticipates lower rates ahead, which could improve financing conditions and support a stronger CRE recovery cycle.**

- Realty Income Corporation is presented as an attractive net-lease REIT investment opportunity, trading at an estimated 10% discount to NAV with low leverage, a 5.19% dividend yield, and a diversified global portfolio.

We are also pleased to announce the introduction of our new Financial App, Deal Maven. With the Deal Maven App (<https://dealmaven.lovable.app>), you are able to download on a confidential basis any private placement memorandum (PPM) or prospectus and get a confidential and comprehensive 7–10-page analysis with deal term comparisons, risk assessments, category benchmarks and more— in minutes, not days.



Joseph Ori
Editor, View of the Market

REAL ESTATE FOCUS

AI in the CRE Industry

KEY TAKEAWAYS

- **AI in commercial real estate is moving from experimentation to active deployment, with the greatest value in automation, underwriting support, tenant analytics, and operating efficiency.**
- **Owners are using AI primarily to improve leasing, tenant service, maintenance, and portfolio operations.**
- **Developers are using AI for site selection, design optimization, cost forecasting, and project execution.**
- **Investors and lenders are using AI to enhance market research, underwriting, risk detection, document review, and portfolio surveillance.**
- **The firms likely to benefit most from AI in CRE are those that combine strong data, disciplined human oversight, and practical use cases rather than relying on AI as a stand-alone replacement for real estate judgment.**

I. Executive Summary

Artificial intelligence is moving from experimentation to practical deployment across commercial real estate. In Deloitte's 2025 commercial real estate outlook, 76% of surveyed organizations said they were researching, piloting, or in early-stage implementation of AI processes and solutions. Jones Lang Lasalle (JLL) reported in late 2025 that 90% of companies were piloting AI, although only 5% had achieved all of their AI goals, which suggests that the industry is now past the awareness stage but still working through execution, governance, and data-quality constraints.

The most crucial point is that AI in CRE is not a single application. It spans document extraction, valuation support, asset management analytics, leasing workflow automation, site selection, construction planning, lender underwriting, and investor reporting. The current pattern is clear: firms are using AI first to compress labor-intensive processes such as lease abstraction, operating statement review, rent roll extraction, market research, pipeline triage, and

reporting. More advanced users are beginning to apply AI to predictive decision support, including occupancy forecasting, pro forma cash flow analysis, revenue management, capex planning, tenant churn risk, and portfolio strategy.

II. How AI is Being Used in CRE

For owners and operators, AI is largely an operating platform enhancement. It is being used to support property operations, predictive maintenance, tenant communications, work-order triage, utility and energy optimization, lease administration, and portfolio reporting. JLL states that firms in production are increasingly prioritizing property operations, while its AI platform positioning emphasizes portfolio strategy, space management, and compliance applications. In practical terms, AI allows owners to reduce manual back-office work, identify anomalies faster, and improve responsiveness at the asset level. The economic benefit is usually more about operating leverage and service quality than immediate rent growth.

For developers, AI is being used earlier in the value chain. Current applications include market and demographic screening, parcel and zoning analysis, test-fit and design iteration, entitlement document review, schedule risk identification, procurement support, and construction monitoring. JLL's 2025 design trends research found that organizations are planning to accelerate AI investment in design over the next five years, which is consistent with a development model where speed to decision and error reduction can materially improve project economics. Here, AI is most valuable when it compresses the time between concept, feasibility, underwriting, and execution.

For investors, AI is becoming an analytical multiplier. It can screen more deals, compare submarkets more rapidly, identify outliers in offering memoranda, summarize leases and legal documents, and improve portfolio surveillance. JLL reported that investors are pivoting from pure efficiency use cases toward growth and revenue-oriented applications and identified 28 AI use cases across the value chain. This shift matters because investors increasingly want AI to enhance capital allocation, not merely reduce analyst time.

For lenders, AI is one of the most immediately useful tools in the industry because CRE finance is heavily document driven. AI is able to extract data from rent rolls and operating statements, then combine it with property and loan datasets to accelerate underwriting. That use case is important because it directly addresses bottlenecks in origination, surveillance, covenant review, and portfolio monitoring. Lenders can use AI to reduce manual spreading, improve consistency, and evaluate more deals without proportionate increases in staffing.

III. Summary Tables

Table 1. CRE Owners

Stakeholder	Primary AI Uses	Main Benefits	Key Risks / Limits
Owners / Operators	Work orders, tenant communications, predictive maintenance, lease administration, utility optimization, reporting	Lower operating cost, faster response times, better portfolio visibility, improved data consistency	Poor source data, weak system integration, cybersecurity, overreliance on automated outputs

Table 2. CRE Developers

Stakeholder	Primary AI Uses	Main Benefits	Key Risks / Limits
Developers	Site screening, zoning review, design iteration, entitlement support, cost and schedule analysis, procurement	Faster go/no-go decisions, shorter planning cycles, earlier risk detection, improved project feasibility analysis	Local code complexity, model hallucination, incomplete cost data, need for human design and legal review

Table 3. CRE Investors

Stakeholder	Primary AI Uses	Main Benefits	Key Risks / Limits
Investors	Deal screening, OM and lease review, market research, valuation support, portfolio surveillance, investor reporting	Higher throughput, faster diligence, broader market coverage, better pattern recognition	False precision, biased training data, weak explainability, investment committee trust issues

Table 4. CRE Lenders

Stakeholder	Primary AI Uses	Main Benefits	Key Risks / Limits
Lenders	Rent roll and T-12 extraction, underwriting, covenant monitoring, surveillance, risk ranking, portfolio review	Reduced manual spreading, quicker underwriting, more consistent credit review, scalable surveillance	Regulatory scrutiny, model risk, inaccurate OCR or extraction, need for credit officer oversight

IV. Strategic Assessment

AI's near-term value in CRE is operational rather than revolutionary. It is best at reducing cycle time, structuring unstructured information, and increasing the volume of work that a team can handle. In that sense, AI is particularly well-suited to the CRE industry because the business is full of fragmented datasets, document-heavy workflows, heterogeneous assets, and repetitive analytical tasks. The firms that benefit most are likely to be those with strong internal data discipline, clear workflow design, and enough transaction or portfolio volume to generate measurable returns.

At the same time, AI should not be viewed as a substitute for judgment. CRE remains highly local, negotiated, and cyclical. Asset quality, sponsorship, submarket dynamics, legal structure, and capital markets conditions still require experienced human interpretation. Management consulting firm McKinsey's recent real estate analysis argues that value creation will come less from isolated pilots and more from redesigning entire operating domains around human and AI collaboration. That is a useful framework for CRE: the winning organizations will not simply buy AI tools; they will redesign underwriting, asset management, development review, and reporting processes around them.

V. Conclusion

AI is now an important enabling technology in commercial real estate, but the industry is still in the early-to-middle innings of adoption. Owners are using it to operate buildings more

efficiently; developers are using it to compress design and feasibility cycles; investors are using it to screen, diligence, and monitor assets; and lenders are using it to automate document-heavy underwriting and surveillance. The competitive advantage will accrue to firms that combine trusted data, disciplined workflows, human oversight, and targeted deployment rather than treating AI as a generic productivity overlay.

In summary, AI is most effective in CRE when it improves speed, consistency, and analytical breadth without displacing domain judgment. For institutional-quality organizations, the right objective is not full automation. It is augmented decision-making at scale.

A Review of the Office Market

KEY TAKEAWAYS

- **The office market is stabilizing, even though it has not yet fully recovered.**
- **Class A office continues to decisively outperform the broader market.**
- **The sublease overhang is being worked off faster than many expected.**
- **Oversupply is no longer the problem it was.**
- **Recovery is becoming broader by market and by industry.**

I. Executive Summary

The U.S. office market, per the Q-1, 2026 Office Market Report from Cushman & Wakefield, is showing increasingly credible signs of stabilization after a prolonged period of post-pandemic disruption. While the headline quarterly absorption figure remained negative in Q1 2026 at -4.0 million square feet, broader operating trends improved materially: four-quarter rolling net absorption exceeded 5.2 million square feet, the strongest post-pandemic level, leasing activity continued to rise, sublease space declined meaningfully, and vacancy appears to have reached or passed its cyclical peak. The market is not yet in full recovery, but it is no longer deteriorating in the broad-based manner seen in earlier stages of the cycle.

A major theme is that underlying demand is improving faster than the quarterly headline numbers suggest. Quarterly absorption can be volatile, and the rolling four-quarter measure is the better signal of true demand direction. On that basis, the market has clearly improved over the last two years. Even more importantly, demand is broadening beyond a narrow group of gateway or technology-heavy markets. Net absorption was positive in nearly half of all U.S. markets in Q1 2026, and Class A absorption was positive in 47 of the 91 markets tracked, indicating that tenant demand is no longer isolated to just a few outliers.

The flight to quality remains the defining structural feature of the market. Class A office materially outperformed the broader inventory base, with +1.4 million square feet of Class A net absorption in Q1 2026 and a four-quarter Class A absorption total of nearly +18.7 million square feet. This confirms that occupiers are still willing to pay for premier buildings that offer better location, amenities, efficiency, and employee experience. In practical terms, this means there is no single office market: high-quality institutional product is behaving much better than commodity or functionally obsolete space. This is a critical distinction for owners, lenders, and investors underwriting office exposure in 2026.

II. Sublease Space and New Construction

Another highly constructive signal is the continued contraction in sublease space. National sublease inventory fell to 101 million square feet, down 3.4% quarter-over-quarter and 13.6% year-over-year, marking the eighth consecutive quarter of decline. That is a notable change from the prior cycle stage, when companies were rapidly shedding excess space and adding to shadow supply. Today, more occupiers appear to be making firmer medium-term decisions about their footprints, and many are taking space back off the market. This tightening in sublease availability is significant because it reduces a major source of competitive pressure on direct landlords and helps support occupancy stabilization.

There is also a meaningful shift on the supply side, which is helping rebalance the market. The national construction pipeline fell to 18.6 million square feet, down 86% from its early-2020 peak of 136 million square feet and down 4.2% quarter-over-quarter. Deliveries in Q1 2026 totaled just under 3.0 million square feet, which Cushman describes as the third-lowest quarterly total in the past 14 years. At the same time, inventory itself is beginning to shrink through demolitions, conversions, and removal of obsolete product from the competitive office stock. Total U.S. office inventory is down 0.7% from its Q4 2024 peak of 5.5 billion square feet and has declined in each of the last five quarters. This is one of the most important medium-

term positives: the office market is not simply waiting for demand to solve excess supply; supply is actively being reduced.

III. Vacancy Trends

Vacancy trends now look materially better than they did a year ago. The overall national vacancy was 20.2% in Q1 2026, essentially flat over the past year, rising only 5 basis points since Q1 2025. More importantly, Class A vacancy declined 30 basis points year-over-year, suggesting that the best buildings are likely past peak vacancy. Vacancy fell quarter-over-quarter in roughly half of all U.S. markets, and 22 markets recorded declines of more than 100 basis points over the prior year, which suggests improvement is becoming more geographically widespread. Even so, a 20.2% national vacancy rate remains elevated by historical standards, so the market should still be viewed as stabilizing rather than fully recovered.

From a regional standpoint, conditions remain uneven. The Q1 2026 vacancy is 19.4% in the Northeast, 21.2% in the Midwest, 20.0% in the South, and 20.6% in the West. Asking rents were highest in the Northeast at \$46.99 per square foot and the West at \$41.87 per square foot, versus a national overall asking rent of \$38.37 per square foot and a national Class A rent of \$44.18 per square foot. In effect, pricing power still resides disproportionately in the major coastal and high-barrier markets, but the availability metrics show that recovery is spreading beyond those markets. The South remains the largest regional inventory base at more than 1.83 billion square feet, while the Northeast had the largest pipeline among regions at about 5.4 million square feet, although still modest by historical standards.

There are several markets where demand was particularly strong in Q1 2026. AI-linked demand benefited major tech ecosystems such as Manhattan (+1.7 million square feet) and San Francisco (+896,000 square feet). But the strengthening was not confined to tech: Orange County (+865,000 square feet), Detroit (+328,000 square feet), Las Vegas (+299,000 square feet), Phoenix (+280,000 square feet), and Dallas (+233,000 square feet) also posted strong positive net absorption. That breadth matters. It implies that the recovery is being supported by multiple industries including finance, hospitality, manufacturing, professional services, and distribution/logistics, rather than by one narrow leasing driver.

IV. Office Rents

On rents, the market is relatively firm despite elevated vacancy. Overall, U.S. asking rent was \$38.37 per square foot in Q1 2026, down just 0.1% year-over-year, which indicates that

landlords have largely avoided sharp headline rent correction at the national level. The more notable implication is likely in concessions rather than asking rents. Meanwhile, the outlook suggests that the cost of top-tier and Class A space may begin to reaccelerate because of limited new supply, ongoing conversion activity, and inflationary pressure on construction and fit-out costs. In other words, while commodity office may still face pressure, the best buildings may regain some pricing leverage sooner than many market participants expected.

Strategically, there is a selective recovery thesis for the U.S. office sector. The asset class remains bifurcated, and weaker buildings in challenged submarkets are still facing structural obsolescence risk. However, the combination of improving demand, shrinking sublease inventory, an anemic construction pipeline, and contracting inventory provides a much healthier setup for better-quality assets than the market had in 2023 or even early 2025. The data does not justify an “all clear” view on office, but it does support a more constructive stance on institutional-quality, well-located Class A assets in markets where supply is constrained and tenant demand is broadening. Artificial intelligence is also emerging as a meaningful long-term demand and capital allocation theme that could further differentiate markets and buildings over time.

Metrics	Q1 2026
Total U.S. office inventory (92 key markets in the US)	5.42 billion SF
Overall vacancy rate	20.2%
Direct vacancy rate	18.4%
Quarterly net absorption	-4.0 million SF
Four-quarter rolling net absorption	+5.2 million SF
Class A net absorption, Q1 2026	+1.4 million SF
Four-quarter Class A net absorption	+18.7 million SF
Leasing activity YTD 2026	77.1 million SF
National sublease inventory	101 million SF
YOY, change in sublease inventory	-13.6%
Space under construction	18.6 million SF
Construction pipeline vs. early-2020 peak	-86%
Deliveries in Q1 2026	2.96 million SF
Overall asking rent	\$38.37/SF
YOY, asking rent growth	-0.1%

Metrics	Q1 2026
Class A asking rent	\$44.18/SF

An Update on REIT Returns

KEY TAKEAWAYS

- **REIT performance has been uneven, not broad-based.**
- **Property-type fundamentals continue to diverge materially.**
- **Interest rates remain the critical swing factor for a broader REIT recovery.**

The bounce back in REIT stock returns has slowed during the first quarter of 2026 as the Federal Reserve has not been more aggressive in rate cutting. We don't believe that a 10-year Treasury note rate at 4.40% is appropriate for a sluggish CRE industry and a growing economy and would like to see the rate down to at least 3.50% by the end of this summer. This will help end the four-plus-year "Bear Market" in CRE and foster a new boom period for the industry. Below are the REIT returns per FTSE-NAREIT for the last two years and Q1-2026.

Sector	2024 Return	2025 Return	Q1-2026 Return
FTSE-NAREIT All Equity Index	4.92%	2.27%	3.76%
Office	21.50%	-13.99%	-16.54%
Retail	14.01%	5.05%	6.46%
Apartments	20.48%	-8.56%	-7.53%
Industrial	-17.78%	17.05%	2.56%
Lodging/Resorts	-2.00%	-5.14%	4.75%
Data Centers	25.22%	-14.20%	23.85%

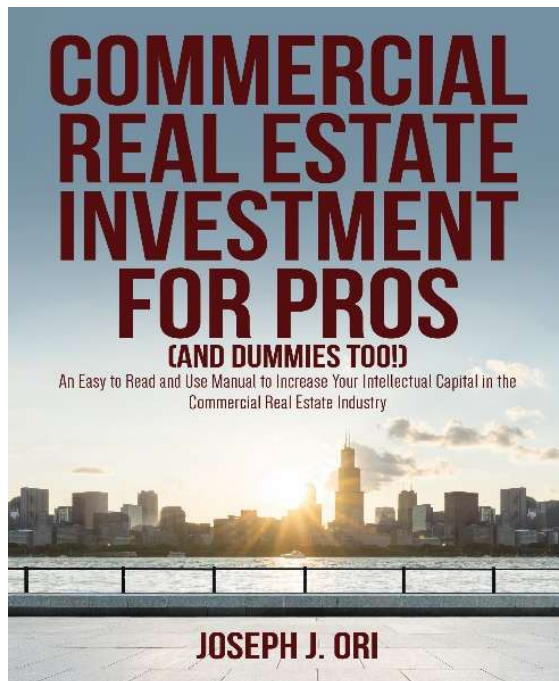
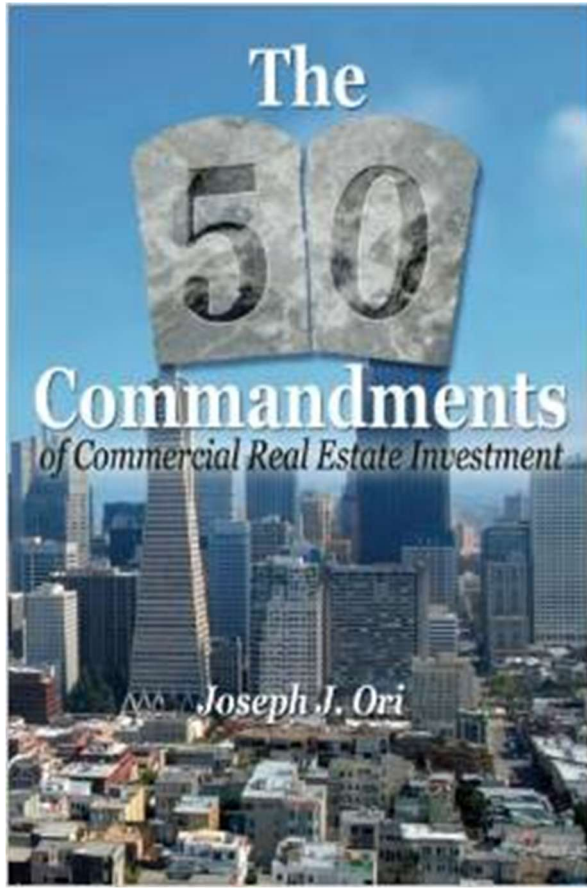
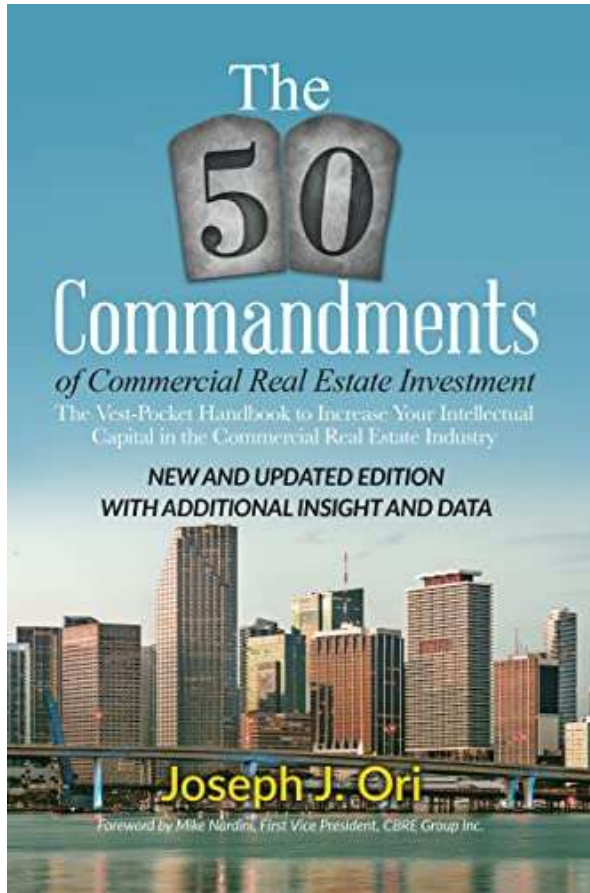
We believe that the FTSE-NAREIT All Equity Index will increase 12.0%-15.0%+ in 2026 due to the Federal Reserve finally lowering interest rates and inflation and a strong economy. We encourage all individual investors to allocate 10%-20% of their investment portfolio into a diversified equity REIT exchange-traded fund and see the historical returns below in the REIT Focus section.

Get Your Copy of Three Great CRE Books by Our Editor, Joseph Ori

The editor of this newsletter, Joseph Ori, is pleased to offer his three CRE books for sale: “The Fifty Commandments of Commercial Real Estate Investment,” Editions I and II, and “Commercial Real Estate Investment for Pros (and Dummies Too!).” All books are available on Amazon and other book outlets on Kindle, and soft and hardcover from \$8.99 to \$24.99.

Both editions of The Fifty Commandments of Commercial Real Estate Investment compile the choice pieces of advice Mr. Ori has amassed for over 40 years in the CRE industry. Mr. Ori lists essential dos and don'ts, mistakes, and successful strategies with a mixture of critical analysis and a keen sense of satirical humor, reinforced by his encyclopedic knowledge of the commercial real estate environment. Mr. Ori covers all areas of the industry. Commercial real estate investment, finance, development, capital markets, and management tactics are all given his full attention, as are leasing, financial analysis, and institutional investments. He applies his commandments to all property types, including apartments, office buildings, shopping centers, industrial warehouses, lodging properties, and senior housing.

Commercial Real Estate Investment for Pros (and Dummies Too!) discusses the history, the various financial players, legal and financial structures, property types, modern portfolio theory and the financial metrics of commercial real estate investment and the commercial real estate industry. The book includes numerous charts and analyses of the industry and a step-by-step breakdown of the commercial real estate analysis and investment process. The book is perfect reading for the experienced real estate pro and also understandable to the real estate novice or someone new to the industry.



CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	5.21%-8.75%+	30	10	70%
Conduit-CMBS	6.02%-7.88%+	30	10	70%
Bridge Loans	5.75%-12.75%+	Interest Only	1-3	80%
Construction Loans	5.50%-8.75%+	Interest Only	1-4	70%
Insurance Co. Loans	5.52%-8.68%+	30	10	70%
Fannie Mae/Freddie Mac	5.46%-6.26%+	30	10	80%

Index	Commercial Loan Index Rates
Prime Rate	6.75%
30-Day SOFR (secured overnight funding rate)	3.61%
1 Year Swap	3.71%
10 Year Swap	3.94%
5 Year Treasury	4.02%
10 Year Treasury	4.38%
Federal Funds Rate	3.50%



Interest rates inched up this month, with the 10-Year Treasury at 4.38%, however, we are expecting interest rates to decline under the new Federal Reserve Chairman, Kevin Warsh. The above financing rates and data are courtesy of Paramount Capital Corporation, and feel free to contact Joseph Ori, Founder and CEO, Paramount Capital Corporation, for your real estate capital needs.

CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
Blue Owl Capital	Sila Realty Trust	Purchase of the Healthcare REIT	\$2.4B	Purchase of the FL-based healthcare REIT.
The Bernstein Cos.	BXP REIT	Marriott Headquarters, Bethesda, MD	\$430M	A 734,000-square-foot office housing the Marriott

				Corporation.
Blackstone	Prologis	Industrial Portfolio, Boynton Beach, FL	\$195.9M	An eight-building industrial portfolio with 798,716 square feet.
Welltower Inc.	Bonaventure Senior Living	Two Senior Housing Properties in Colorado	\$153M	Two senior housing properties with 318 units.
Premiere Logistics and PCCP	Global Logistics Properties	Industrial Building, Las Vegas, NV	\$124M	A 813,120 square foot industrial property built in 2017.
Living Residential	Woodmont Properties	Woodmont Forge, Pennington, NJ	\$115.9M	A 300-unit apartment complex built in 2024.
Abacus Capital	601W Cos.	Abbey Lane, Danbury, CT	\$111.4M	A 470-unit apartment complex.
Bridge Capital Partners	AvanlonBay Communities, Inc.	Sunset Towers, San Francisco, CA	\$105M	A 243-unit apartment complex built in 1961.
Northeast Building LLC	DWS Group	Gateway North, Tukwila, WA	\$76.5M	A 266,476-square-foot industrial property built in 1991.
Levine Investments	Oaktree Capital Management	Rio West Business Park,	\$61.5M	A 296,663-square-foot

		Tempe, AZ		office property.
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CORPORATE FINANCE FOCUS

The Daily Drucker

One of the most popular corporate thinkers and management consultants in the last hundred years is Peter Drucker. He passed away in 2005 at 92 years old, but during his illustrious career, he published over thirty-five books, and his corporate and management ideas have had a profound impact on shaping the modern corporation and management science. For the next twenty-four issues of VOM, we will highlight some of his insights and motivations in corporate management, personnel, and the knowledge worker from one of his last books, The Daily Drucker.

I. Rules for Staff Work

Drucker argues that staff work is justified only if it improves the performance of operating managers and the organization as a whole, not if it merely produces studies or abstract knowledge. He says staff should focus on a very small number of high-priority assignments, especially those of lasting importance, because too many staff initiatives consume the scarcest resource of line managers: time. He also insists that staff work be governed by concrete objectives, measurable targets, and deadlines rather than vague ambitions or open-ended analysis. His test is practical and unforgiving: every few years, management should ask each staff unit what real contribution it has made that materially improved the enterprise.

II. Rules for Staff People

Drucker's core rule is that staff people need real operating experience before entering staff roles, otherwise line managers will see them as theorists with no practical credibility. He warns that people without operating responsibility tend to become arrogant about execution because actual operations always look simpler from the planner's desk than they are in reality. He is especially critical of placing young professionals directly into senior advisory or planning roles, arguing that this often produces both rejection by the operating side and poor results. He

concludes that staff work should be rotational rather than permanent: after several years in staff, people should return to operating roles, so they do not become detached backstage power brokers.

III. Role for Public Relations

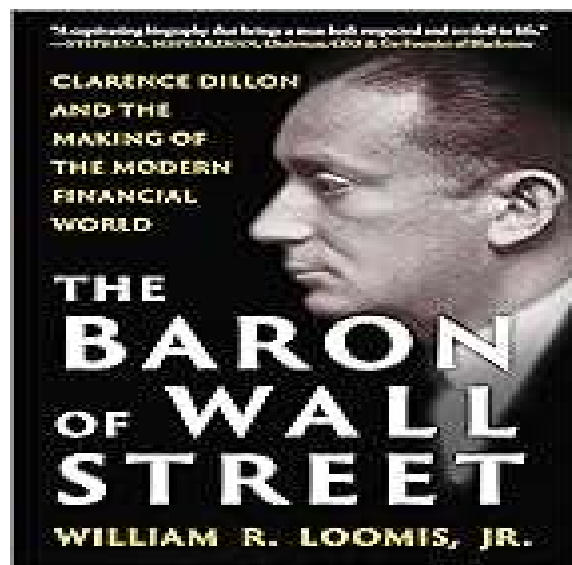
Drucker treats public relations as far more than publicity or corporate self-promotion. He says the real emphasis should be on helping the broader public understand the company's problems and on helping the company understand the public's concerns before trying to sell its own virtues. In his view, the effectiveness of major business decisions depends partly on how employees, customers, and citizens react to them, whether consciously or not. That makes PR a strategic interpretive function: it must inform management how the public sees the company and why.

IV. Control Middle Management

Drucker argues that organizations should actively reduce unnecessary middle-management layers rather than automatically refill vacant positions. His recommendation is to leave openings unfilled for a period and eliminate them if no genuine operational need emerges, because many posts prove nonessential once tested. He also proposes substituting job enlargement for promotion, giving strong people broader lateral responsibility and greater challenge instead of simply adding hierarchy. The broader objective is a flatter, more agile organization that uses information better and rewards contribution through expanded responsibility rather than title inflation.



Book Review: The Baron of Wall Street



The Baron of Wall Street, by William R. Loomis, Jr., is a brisk, ambitious biography of Clarence Dillon, the financier, the book presents as a major but underappreciated architect of modern Wall Street. It appears strongest when it frames Dillon’s career against the excesses and dealmaking culture of the 1920s, giving the narrative a “real-life Great Gatsby” quality while tracing his influence on bankruptcy, leveraged finance, and M&A.

The book’s main appeal is that it restores a shadowy but consequential figure to the center of financial history, which makes it especially interesting for readers who like business biography more than conventional market history. This book is a worthwhile read for anyone interested in Wall Street power, financial innovation, and the overlap between finance, politics, and elite social networks in early twentieth-century America.

REIT FOCUS

REIT Statistics

Current REIT statistics for 3/31/26 per NAREIT are included in the table below. Please note that the all-equity REIT return over 20 years includes three CRE downturns: the Great Recession, the retail and store closure meltdown, and the current higher interest rate regime.

<i>Period</i>	<i>All REITs</i>	<i>All Equity REITs</i>	<i>S&P 500</i>	<i>NASDAQ Composite</i>
3/2026	3.30%	3.76%	-4.33%	-6.96%
1-Year	2.10%	3.28%	17.80%	25.60%
5-Year	3.36%	3.95%	12.06%	11.08%
10-Year	5.26%	5.56%	14.16%	17.10%
20-Year	5.68%	6.04%	10.53%	11.75%
Market Capitalization	\$1.47T	\$1.40T	\$64.50T	\$46.65T
Dividend Yield	4.38%	4.00%	1.17%	.51%

REIT REVIEW

Summary

This REIT valuation is on Realty Income Corporation (“O”), a publicly traded REIT that is engaged in the ownership, operation, acquisition, and development of net-lease properties located in the U.S., the United Kingdom and eight other countries in Europe. O owns or controls over 15,571 properties with over 347.6 million square feet. The top three tenants are Dollar General (3.3% of annualized base rent), 7-Eleven (3.2% of annualized base rent), and Walgreens (3.1% of annualized base rent). The average occupancy as of 3/31/26 was 97%, and the same-store net operating income growth YoY was 11.7%.

Development

As of March 31, 2026, O had 37 projects under development in the U.S. and Europe, with a total cost of approximately \$89 million.

Corporate Data

O is traded on the New York Stock Exchange, is incorporated in Maryland, and is located in San Diego, CA. O has 932.4 million common shares outstanding and a market capitalization of approximately \$58.15 billion. O is rated A3 by Moody’s, and A- by Standard and Poor’s. O owns a 90.05% interest in its UpReit partnership, Realty Income, L.P.

Management

Sumit Roy, 56, President and CEO

As the President & Chief Executive Officer, Mr. Roy’s primary responsibility is to perform as a fiduciary for our shareholders in fulfilling our mission to provide monthly dividends that increase over time. This responsibility involves overseeing all of our operations, as well as creating and executing on the company’s strategy. The implementation of our strategy involves constant monitoring of the economic environment, analyzing factors that can impact our operations, and doing what is required to generate investor returns, while mitigating the risks that are taken to achieve those returns. Mr. Roy has served as Realty Income’s Chief Executive Officer since October 2018 and President since 2015. Mr. Roy previously served as Realty

Income's Chief Operating Officer from 2014 to 2018. As COO, Mr. Roy oversaw the Company's investments and business operations, including Investments, Dispositions, Asset Management, Portfolio Management, Information Technology, Internal Audit and Human Resources. He also serves as the Chairman of the Investment Committee and a member of the Executive Management Team. He joined Realty Income in 2011 and was promoted to Chief Investment Officer in 2013. Prior to joining the Company, Mr. Roy was an Executive Director at UBS Investment Bank, where he worked for seven years. Mr. Roy has a Bachelor's and Master's degree in Computer Science. He also holds a Master's in Business Administration in Finance and Economics from the University of Chicago, Booth School of Business. Mr. Roy serves as an independent member of Ventas, Inc.'s Board of Directors. He also currently serves as chairman of NAREIT.

Ownership

Top Institutional Holders	Shares (millions)	%
Blackrock, Inc.	105,780	11.34
Vanguard Portfolio Mngt, LLC	81,230	8.71
State Street Corporation	63,560	6.82
Vanguard Capital Mngt, LLC	60,120	6.45
Geode Capital Mngt, LLC	29,210	3.13

	Ownership Breakdown
% of Shares Held by All Insiders and 5% Owners	0.12
% of Shares Held by Institutional & Mutual Fund Owners	79.86
Number of Institutions Holding Shares	1,929

All amounts above per Yahoo Finance

Financial Analysis and Valuation

Select financial data for O per the Q-1 2026, 10-Q, and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	\$63,093
Total Assets	\$74,554
Property Debt (at weighted average interest rates of approximately 3.9%)	\$29,627
Stockholders' Equity	\$41,235
Revenue	\$1,548
Net Income (Loss)	\$311
Cash Flow from Operations	\$874
Unsecured Credit Facility (\$4B with \$1.8B drawn)	\$2,200
Market Capitalization	\$58,150
	Property Debt to:
Gross Real Estate Assets	47%
Market Capitalization	51%
Enterprise Value	34%
Dividend and Yield (\$3.24)	5.19%
Shares Sold Short (in millions per Yahoo Finance)	45,630

Valuation Methodology	
Q1-2026 Real Estate Revenue	\$1,548

Q1-2026 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, and impairment charges)	<u>\$174</u>
Q1-2026 Net Operating Income	\$1,374
Proforma Annualized Net Operating Income at 102%	\$5,606
Projected Average Cap Rate	<u>6.5%</u>
Projected Value of Real Estate Assets	\$86,246
Add: Net Operating Working Capital (at book value)	\$6,440
Investment in Unconsolidated Entities (at 1.25% of book value)	<u>\$1,650</u>
Total Projected Value of the Assets of the Company	\$94,336
Less: Total Debt per Above	<u>(\$29,627)</u>
Projected Net Asset Value of the Company	\$64,709
Common Shares Outstanding, 935.1M (932.4M Common Shares plus 2.7M partnership units)	
Projected NAV Per Share	\$69
Market Price Per Share on 5/15/26	\$62
Premium (Discount) to NAV	(10%)

Financial Metrics

The gross real estate assets, property debt, revenue, net income, funds from operations, return on invested capital, dividend coverage, and dividends per share for O for the years 2021 through Q1-2026 are shown in the table below.

(Millions except)	2021	2022	2023	2024	2025	Q1-2026
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dividend and per share amounts)						
Gross Real Estate Assets	\$35,908	\$42,656	\$49,586	\$58,295	\$62,192	\$63,093
Property Debt	\$15,444	\$18,109	\$21,818	\$26,225	\$28,792	\$29,627
Revenue	\$2,080	\$3,343	\$4,078	\$5,271	\$5,749	\$1,548
Net Income (Loss)	\$359	\$869	\$872	\$847	\$1,058	\$311
Funds from Operations (FFO)	\$1,407	\$2,471	\$2,822	\$3,467	\$3,860	\$993
Return on Invested Capital (1)	4.0%	6.3%	6.7%	7.0%	7.4%	NA
Dividend Coverage (2)	1.20	1.36	1.33	1.28	1.32	1.29
Dividends Paid Per Share	\$2.84	\$2.97	\$3.06	\$3.14	\$3.22	\$3.24(3)

(1) This ratio is cash provided by operations plus interest expense divided by stockholders' equity plus property debt and measures the return the REIT is earning on its invested capital.

(2) This ratio is funds from operations divided by common and preferred stock dividends and distributions to noncontrolling interests.

(3) The dividend in 2026 is \$.2705 per month.

The total return of O year to date and through five years is shown in the chart below per NAREIT:

O Total Return	Q1-2026	1-Yr	3-yr	5-Yr
	9.94%	11.93%	4.49%	5.09%

As shown above, our net asset value per share for O is \$69/sh., compared to a market price of \$62/sh. Current average cap rates for net lease assets, per our industry experience and CBRE's Cap Rate Survey, are in the 5.0% to 8.0%+ range, depending on the credit of the tenant and lease term of the property. We have used an average cap rate of 6.50% due to O's diversified portfolio of net lease assets.

Strengths:

- The stock is trading at a 10% discount to our NAV.
- A low debt to enterprise value of 34%.
- An attractive dividend yield of 5.19%
- A diversified portfolio of net lease assets.

Concerns:

- REIT prices will decline if interest rates increase.
- The dividend has only increased 14% since 2021.

Recommendation:

O is trading at a 10% discount to our NAV per share, and we recommend purchasing the stock.

A five-year price chart for O is shown below:





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