



Q1 2026 **Market Brief**

Comprehensive Quarterly Analysis of Market Trends and Strategic Opportunities

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Merel Group
Strategic Intelligence Division

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Portfolio Highlights

\$1.2M

Assets Under Management

2

Portfolio Companies

1

Country

50+

Employees

1. Executive Summary

Key Insights Q1 2026

Q1 2026 presents a complex yet opportunity-rich landscape across Merel Group's diversified portfolio. Markets rallied on the back of Fed rate cuts, earnings growth, and ongoing AI-driven investment momentum, though elevated valuations warrant cautious optimism.

Portfolio Performance Overview

Merel Group's strategic investments across life safety systems, residential real estate, and interactive entertainment sectors are positioned to capitalize on emerging trends while navigating ongoing challenges.

Strategic Priorities

- ✓ Strengthening supply chain resilience in life safety division
- ✓ Capitalizing on residential rental demand in Sun Belt markets
- ✓ Expanding mobile-first gaming development capabilities
- ✓ Enhancing ESG performance across all portfolio companies
- ✓ Leveraging AI and automation for operational efficiency



Figure 1: K-shaped U.S. expansion showing divergence between market performance and consumer confidence

2. Life Safety Industry Analysis

2.1 Supply Chain Disruptions

Supply chains will not get a year off in 2026. They will be expected to do more, with less, while becoming smarter, greener, and more resilient. The life safety industry continues to face multifaceted challenges driven by tariffs, shipping delays, and labor shortages.



Figure 2: Key supply chain trends for 2026 including resilience, nearshoring, and AI integration

35-40%

Increase in Shipping Times

80K

Driver & Worker Shortage

8.5/10

8.2/10

2.2 2026 Fire Code Updates

The National Fire Protection Association has introduced significant updates to fire safety codes that will impact property operations. Key changes include enhanced requirements for fire alarm systems, updated sprinkler specifications, and new emergency evacuation protocols.



Figure 3: 2026 Fire & Life Safety Industry Report highlighting new compliance requirements

3. Residential Real Estate Market Intelligence

3.1 Interest Rate Impacts & Market Outlook

The residential real estate market continues to navigate a complex environment. Mortgage rates have stabilized in Q1 2026 after significant volatility in late 2025, with the 30-year fixed mortgage rate averaging 6.8%.



Figure 4: Nationwide housing market forecast showing 14% increase in existing-home sales expected in 2026

Key Market Indicators

- **Median Home Price:** \$420K (3.8% annual growth)
- **Mortgage Rates:** 6.8% average (stabilized from 7.8% peak)

- **Home Sales:** Expected to increase 14% nationwide in 2026

3.2 Regional Development Growth

Sun Belt markets continue to outperform traditional housing hubs, with Austin, Nashville, Tampa, and Phoenix showing exceptional growth in home values and rental demand. Global real estate investment is set to rise 15% in 2026, helped by stabilizing values and demand across prime offices, residential and other sectors.



Figure 5: 2026 housing market showing regional opportunities and affordability improvements



3.3 ESG Performance in Residential Real Estate

Environmental, Social, and Governance (ESG) factors are increasingly critical in residential real estate investment decisions. Properties with strong sustainability credentials command 5-8% rent premiums and experience 15% lower vacancy rates.

-28%

Carbon Emissions Reduction

42%

Green Certified Units

88%

Energy Efficiency Score

71%

Affordable Housing Units

ESG Strategic Initiatives

- ✓ Energy efficiency improvements targeting 30% reduction by 2028
- ✓ Water conservation programs achieving 76% efficiency
- ✓ Waste reduction initiatives at 82% implementation
- ✓ Community investment programs in affordable housing
- ✓ Green building certifications (LEED, Energy Star) across portfolio

4. Gaming & Entertainment Industry

4.1 Digital Revenue Trends & Market Growth

The gaming industry continues its remarkable growth trajectory. Global gaming revenue is projected to reach \$205 billion by 2026, representing a 4.6% year-over-year increase. Mobile gaming accounts for nearly half of total market value at \$92.6B (49%).



Figure 6: Global gaming market statistics showing \$268B revenue and 3.49B players worldwide

\$205B

2026 Market Size

+3.7%

CAGR Growth

\$92.6B

57%

4.2 Esports Growth & Competitive Gaming

Competitive gaming continues to attract mainstream audiences and institutional investment. Circana projects U.S. video game industry spending to rise +3% to \$62.8 billion in 2026, surpassing the current all-time high of \$61.7 billion.



Figure 7: Gaming industry trends 2026 highlighting cloud gaming, AI, and Web3 integration

4.3 ESG Commitments in Gaming

Our gaming portfolio companies demonstrate leadership in Environmental, Social, and Governance practices, recognizing the industry's unique position to drive positive change.

-65%

Energy Consumption Reduction

48%

Women in Workforce

100%

Pay Equity Achieved

2M+

Students Reached via EdTech

Strategic Investment Opportunities

- ✓ **Mobile-First Development:** Emerging markets driving mobile gaming adoption
- ✓ **Cross-Platform Integration:** Seamless experiences across devices
- ✓ **Live Service Models:** Recurring revenue through content updates
- ✓ **AI-Assisted Development:** Tools reducing production costs by 30-40%
- ✓ **Educational Gaming:** Social impact through gamified learning
- ✓ **Accessibility Features:** Inclusive design expanding addressable market by 15%

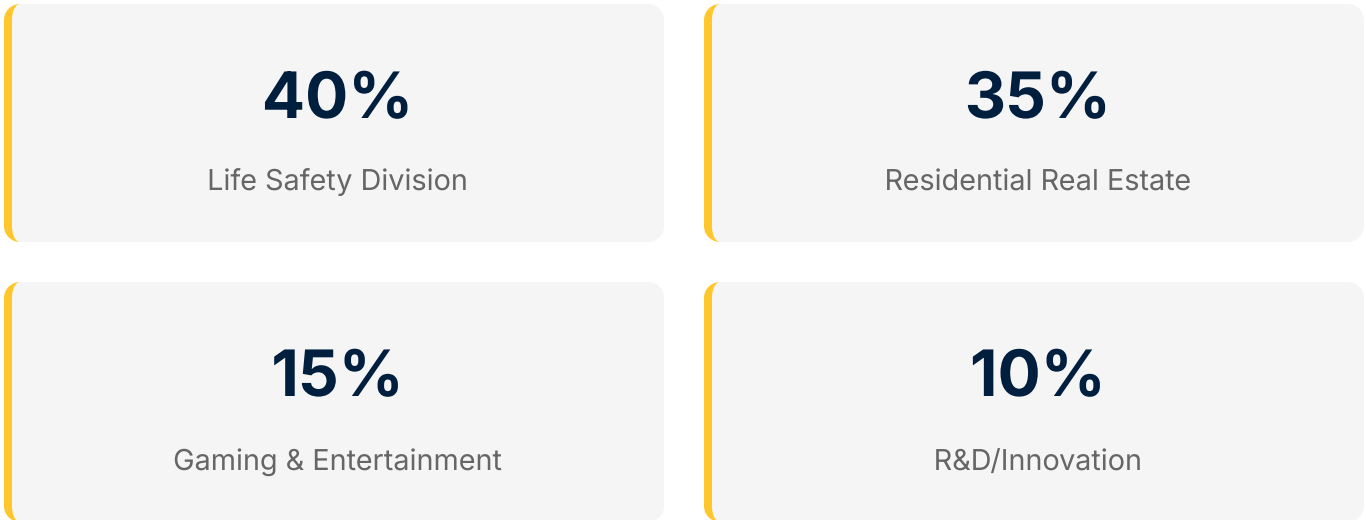


Figure 8: Gaming industry growth trajectory showing recovery from post-pandemic slowdown

5. Corporate Updates & Strategic Investments

Capital Allocation Strategy

Merel Group announced a comprehensive expansion strategy involving strategic investments across its diversified portfolio. The initiative focuses on strengthening market positions in high-growth sectors while enhancing operational capabilities.



Key Investments Q1 2026

- **Life Safety Division:** Investment in manufacturing capacity and R&D for next-generation fire safety systems
- **Residential Real Estate:** Capital for multi-family and single-family rental acquisitions in Sun Belt markets
- **Gaming & Entertainment:** Partnerships and platform development for mobile-first gaming
- **Technology Infrastructure:** AI and automation systems across all divisions



Figure 9: Strategic portfolio management approach balancing passive and active investment strategies

Leadership Enhancements

Merel Group welcomed three new C-suite executives bringing decades of combined experience in technology, finance, and strategic operations to strengthen operational leadership and drive innovation across the portfolio.

6. Strategic Opportunities & Recommendations

Life Safety Sector Opportunities

- ✓ Capitalize on supply chain localization and nearshoring trends
- ✓ Invest in automation and robotics for warehouse operations
- ✓ Develop AI-powered inventory management systems
- ✓ Expand connected fire safety solutions portfolio
- ✓ Strengthen relationships with regional suppliers

Residential Real Estate Opportunities

- ✓ **Single-Family Rentals:** Strong demand from households unable to purchase creates compelling cash flow opportunities
- ✓ **Affordable Housing:** Significant shortage presents both social impact and investment opportunities
- ✓ **Build-to-Rent Communities:** Institutional-grade rental developments meeting changing lifestyle needs
- ✓ **Property Technology:** Smart home features and energy efficiency increasingly

- ✓ **Suburban Expansion:** Continued preference for space drives value in outer suburbs

Gaming & Entertainment Opportunities

- ✓ **Cross-Platform Integration:** Seamless experiences across devices increasing player engagement
- ✓ **Web3 & Blockchain:** Experimental approaches to digital ownership with focus on sustainability
- ✓ **Educational Gaming:** Expanding gamified learning to reach 5M+ students by 2028
- ✓ **International Markets:** Focus on Asia-Pacific and Latin America mobile gaming growth
- ✓ **Cloud Gaming:** Infrastructure investment for 57% CAGR market growth



✓ Conclusion & Forward Outlook

Q1 2026 positions Merel Group at the intersection of challenge and opportunity. While supply chain disruptions and market volatility present ongoing headwinds, strategic investments in technology, sustainability, and market expansion create a strong foundation for long-term value creation.

📈 2026 Outlook

Markets rallied on the back of Fed rate cuts, earnings growth, and ongoing AI-driven investment momentum. Our diversified portfolio approach, combined with operational excellence and strategic innovation, positions Merel Group to navigate uncertainty while capturing emerging opportunities across life safety, residential real estate, and interactive entertainment sectors.

+15%

Projected Portfolio Growth

3

Core Business Divisions


100%

Commitment to ESG

2027


Target Market Leadership


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