February 2026

Commercial Real Estate Insights Report

NATIONAL ASSOCIATION OF REALTORS®

Commercial Real Estate

An Overview

Labor market conditions remained soft entering 2026, as subdued January hiring and sizable annual revisions revealed much weaker job growth throughout 2025 than previously reported. Inflation cooled to 2.4 percent in January, with shelter costs still driving much of the increase, though moderating rent trends suggest further easing ahead. After cutting rates three times late last year, the Federal Reserve paused in January, while long-term yields continued to rise, keeping financial conditions relatively tight. At the same time, economic growth slowed sharply in the fourth quarter, leaving 2025 as a year of more moderate expansion supported primarily by consumer spending.

Below is a summary of the performance of each major commercial real estate sector in January of 2026:

The **office** market showed continued but tentative stabilization in January, with demand trends improving from prior lows even as overall conditions remain fragile. Vacancy stayed elevated, and concessions remain common, though rent growth firmed modestly. Class A led leasing activity despite carrying the highest vacancy, Class B faced renewed softness but retained comparatively steadier fundamentals, and Class C continued to lose tenants while maintaining the tightest vacancy among the tiers.

The **multifamily** market continues to benefit from steady demand, though elevated supply from prior development cycles is still pressuring fundamentals, keeping vacancy high and rent growth subdued. Absorption has moderated but remains relatively stable, while deliveries continue to outpace demand, extending the imbalance. Class A and B conditions have softened with limited pricing power, while Class C maintains comparatively firmer rent growth despite ongoing tenant turnover. Overall, the sector remains in a gradual inventory digestion phase.

Retail remains in an adjustment phase following structural shifts tied to e-commerce and the pandemic. Demand has been negative for several quarters, and new supply continues to weigh on fundamentals, though rent growth still leads major property types and vacancy remains comparatively low. General retail has been the most resilient with the tightest vacancy, while neighborhood centers and malls have experienced the sharpest pullbacks despite selective rent strength across formats.

Industrial fundamentals continue to normalize following the sector's peak, with demand moderating and new supply still weighing on vacancy and rent growth. Although completions continue to exceed leasing activity, the imbalance has narrowed compared with prior quarters, pointing to gradual stabilization. Logistics properties remain the primary source of demand, while specialized facilities show selective growth, and flex space stays under pressure. Rent gains have slowed across segments, reflecting a market that is still adjusting but moving toward a more balanced phase.

Hospitality performance remained stable in January 2026, with occupancy at 62.2%, still roughly 4% below pre-pandemic levels and a percentage point lower than previous years, as remote work and softer corporate travel continue to weigh on major business markets. Even so, revenue fundamentals strengthened, with both ADR and RevPAR well above 2019 benchmarks, supporting healthy profitability. Investment activity cooled, however, as elevated borrowing costs and ongoing economic uncertainty tempered investor appetite.

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Economy

Job growth (January 2026 compared to March 2020): 5.1%
Inflation (January 2026): 2.4%
Gross Domestic Product Q4 2025(Advanced Estimate): 1.4%

Employment Growth Remains Subdued

January saw job gains of 130,000, while the unemployment rate held at 4.3 percent. Hiring was concentrated in health care, social assistance, and construction, offset by continued losses in federal government and financial activities. Revisions to prior months further softened the late-year trend, with November payrolls lowered from 56,000 to 41,000 and December revised from 50,000 to 48,000.

The annual benchmark revision painted a notably weaker picture of 2025 overall. Total job growth for the year was revised down from 584,000 to just 181,000, reflecting downward adjustments to payroll levels throughout the year. The unemployment rate remains higher than a year earlier, and long-term unemployment has increased, signaling persistent softness in labor market conditions.

Number of Jobs

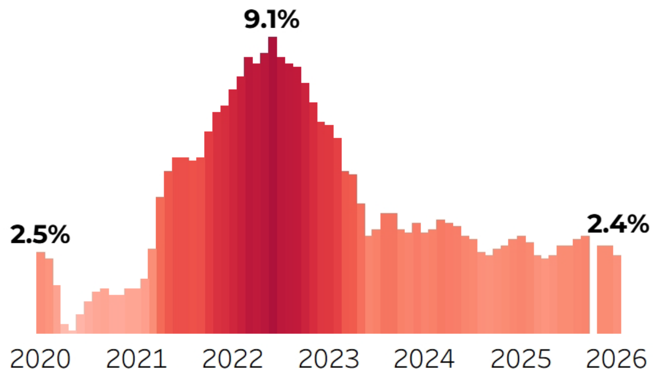
March 2020	**150.9 million**
January 2025	**158.3 million**
January 2026	**158.6 million**

Source: NAR analysis of U.S Bureau of Labor Statistics data

Inflation decreased to 2.4% in January

Inflation rose 0.2 percent in January, bringing the annual rate down to 2.4 percent from 2.7 percent in December. Shelter costs, which account for roughly 40 percent of CPI, increased 0.2 percent and remained the primary driver of price gains. Core inflation rose 0.3 percent over the month and 2.5 percent over the past year. Private market data suggests rent growth is slowing, which could further ease inflation pressures as those trends feed into official shelter measures in the months ahead.

Inflation



Source: NAR analysis of U.S Bureau of Labor Statistics data

The Federal Reserve Holds Rates

After cutting rates three times through December, the Federal Reserve paused at its January meeting, signaling a wait-and-see stance as it assesses economic conditions. Despite earlier easing, long-term rates have continued to rise, with the 10-year Treasury yield rising to 4.21% in January, marking its third increase since October, even as the Fed delivered two rate cuts over the same period. The divergence between policy rates and market yields suggests financial conditions remain tighter than the Fed's recent cuts alone might imply, limiting immediate relief for commercial real estate borrowing costs.

Growth Slows Sharply in the 4th Quarter

The advance estimate shows U.S. real GDP rising at a 1.4% annual rate in Q4 2025, down from 4.4% in Q3. Consumer spending and investment supported growth, while declines in government spending and exports weighed on activity. Real final sales to private domestic purchasers rose 2.4%, signaling steady underlying demand.

For 2025 overall, real GDP increased 2.2%, compared with 2.8% in 2024, marking a year of more moderate expansion.

Commercial Real Estate Lending

CRE loans (January 2026): $3.07 trillion

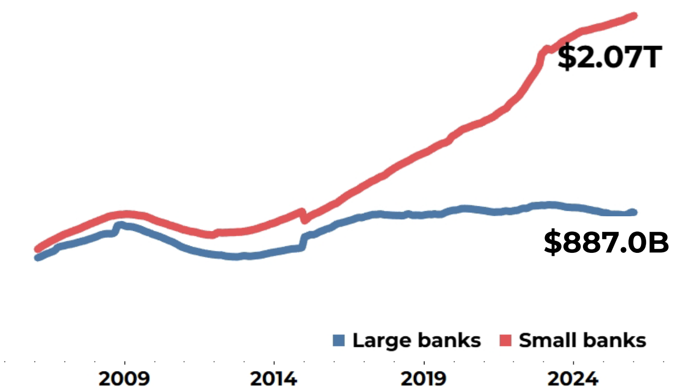
Delinquency rate of CRE loans (Q4 2025): 1.58%

CRE Debt Stayed at $3 Trillion in January

Commercial real estate debt continued to rise in January, reaching about $3.07 trillion and reinforcing signs of gradual stabilization after an extended period of muted growth. While borrowing conditions remain tight, recent months show a steady firming in lending activity.

By bank size, large U.S. banks began to re-expand CRE exposure, with loan balances rising to roughly $887.0 billion, rebounding from a recent low near $872 billion in September. Smaller domestic banks also continued to grow their CRE portfolios, with balances climbing to about $2.07 trillion, maintaining their role as the primary source of lending growth.

Commercial Real Estate Debt for Small and Large Banks (January 2026)

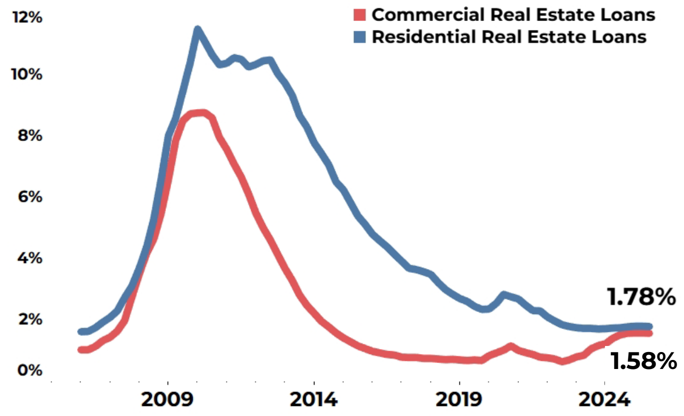


Source Federal Reserve

CRE Loan Delinquencies Increase

Federal Reserve data shows that commercial real estate loan delinquencies increased slightly to 1.58% in Q4 2025, continuing nearly three years of gradual increases. This is about 0.2 percentage points below residential loan delinquency rates. For comparison, delinquencies stood at 0.72% in Q2 2022. From a longer-term perspective, CRE loan delinquencies remain historically low, consistently staying below 3.5% over the past decade.

Delinquency rates Commercial vs Residential loans (Q4 2025)



Source Federal Reserve

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Office

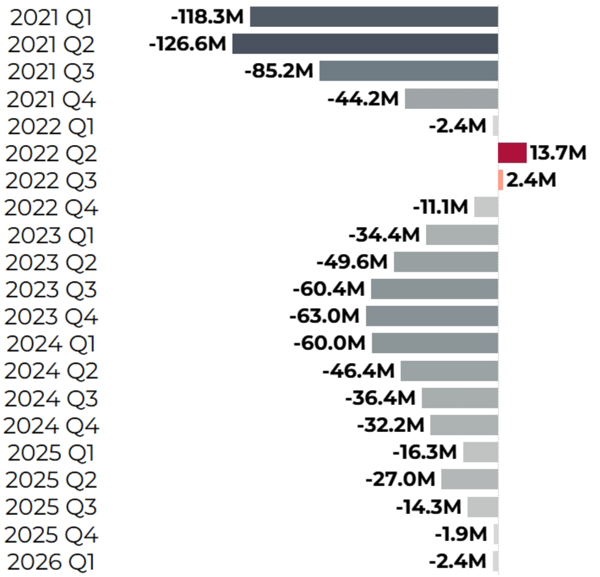
Net absorption in the last 12 months: -2.4 million sq. ft.
Rent growth in the last 12 months: 1.0%
Cap rate: 9.1%

The office sector continued to show some stabilization in January. Trailing 12-month net absorption posted a loss of 2.4M SF, a marked improvement from the 16.3M SF decline a year ago, suggesting demand is gradually firming from prior lows. Vacancy remained elevated at 14.1%, while rent growth edged up to 1.0%, though concessions continue to limit effective pricing power.

Class A continued to lead in leasing activity, absorbing 18.5M SF over the past year, up sharply from 2.1M SF a year ago, while vacancy improved to 20.2%, still the highest among classes. Class B saw annual losses widen from 12.0M to 15.5M SF, though vacancy remained lower at 12.5% and rent growth reached 1.3%, above the national average. Class C experienced similar tenant move-outs as last year, with 4.8M SF vacated, yet maintained the lowest vacancy rate at 5.5%.

At the metro level, Davenport, IA, and Myrtle Beach, SC, posted the tightest office markets, each with a vacancy rate of 1.9%. In contrast, San Francisco continued to record the highest vacancy rate at 21.5%, with Houston following at 19.5% in January.

Quarterly Net Absorption 12 Mo in sq. ft



Top 10 areas with the lowest Vacancy Rates

	2026 Q1	2025 Q1
Davenport, IA	1.91%	2.76%
Myrtle Beach, SC	1.93%	1.77%
Savannah, GA	2.15%	2.28%
Gulfport-Biloxi-Pascagoula, MS	2.16%	2.15%
Huntington, WV	2.28%	1.87%
Hickory, NC	2.29%	2.76%
Lafayette, LA	2.35%	2.49%
Asheville, NC	2.59%	2.52%
McAllen, TX	2.61%	3.06%
Visalia, CA	2.70%	3.08%

Top 10 areas with the highest Vacancy Rate

	2026 Q1	2025 Q1
San Francisco, CA	21.50%	23.55%
Houston, TX	19.51%	20.20%
Denver, CO	18.07%	17.48%
Dallas-Fort Worth, TX	17.93%	18.10%
Washington, DC	17.51%	17.29%
Chicago, IL	17.38%	16.65%
Seattle, WA	16.94%	16.42%
Atlanta, GA	16.85%	16.92%
Austin, TX	16.61%	16.51%
Phoenix, AZ	16.30%	16.77%

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 414,265 units
Rent growth in the last 12 months: 0.2%
Cap rate: 6.1%

The multifamily sector continues to benefit from steady demand, though elevated supply from earlier construction cycles remains a drag on performance, restraining rent growth and keeping vacancy elevated. Over the past 12 months, absorption declined 23% year over year but remained within a narrow range, while deliveries fell 24% and continued to exceed absorption by 22%. Vacancy rose to 8.5%, and rent growth slowed to a cycle low of 0.2% as leasing activity eased during the winter months.

Across asset tiers, Class A posted 12-month absorption of 187,000 units in January, down 21% year over year. Rent growth slipped to -0.1%, while vacancy held at 10.2%, reflecting soft but relatively stable conditions. Class B absorbed 278,000 units over the same period, a 13% annual decline, as vacancy increased to 9.8% and rent growth slowed to 0%, indicating moderating momentum in the mid-tier segment. Class C continued to experience net move-outs, though rent growth remained positive at 1.0%, and vacancy stayed the lowest among classes at 6.4%.

National rent growth decelerated further to 0.2% in January, as elevated supply continued to weigh on several Sun Belt markets. Sarasota and Fort Myers, FL posted the steepest declines, with rents dropping more than 6%. Conversely, San Francisco, CA, led the country with 6.1% rent growth, followed by Rockford, IL, at 4.6%, both significantly outperforming the national average.

In terms of absorption, major urban centers, including New York City, NY, and Dallas-Fort Worth, TX, each absorbed more than 20,000 units over the past year, highlighting sustained demand in large population hubs. By contrast, Jackson, MS and Brownsville-Harlingen, TX experienced net move-outs exceeding 100 units.

Top 10 areas with the strongest 12-month absorption

	2026 Q1	2025 Q1
New York, NY	26,652	26,944
Dallas-Fort Worth, TX	24,815	26,748
Atlanta, GA	19,417	19,479
Austin, TX	19,395	20,397
Phoenix, AZ	16,235	17,013
Charlotte, NC	13,969	13,579
Seattle, WA	9,293	12,118
Nashville, TN	8,495	10,307
Orlando, FL	8,433	11,872
Denver, CO	8,404	8,135

Top 10 areas with steepest 12 Mo rent rises

	2026 Q1	2025 Q1
San Francisco, CA	6.05%	3.38%
Rockford, IL	4.61%	4.20%
Springfield, MA	4.08%	4.80%
Peoria, IL	3.93%	2.73%
Akron, OH	3.89%	5.02%
Norfolk, VA	3.88%	3.06%
Springfield, MO	3.83%	4.12%
Rochester, NY	3.75%	4.38%
Honolulu, HI	3.60%	0.84%
Albany, NY	3.54%	2.66%

Source: NAR analysis of CoStar data

Retail

Net absorption in the last 12 months: -3.8 million sq. ft.
Rent growth in the last 12 months: 1.9%
Cap rate: 7.3%

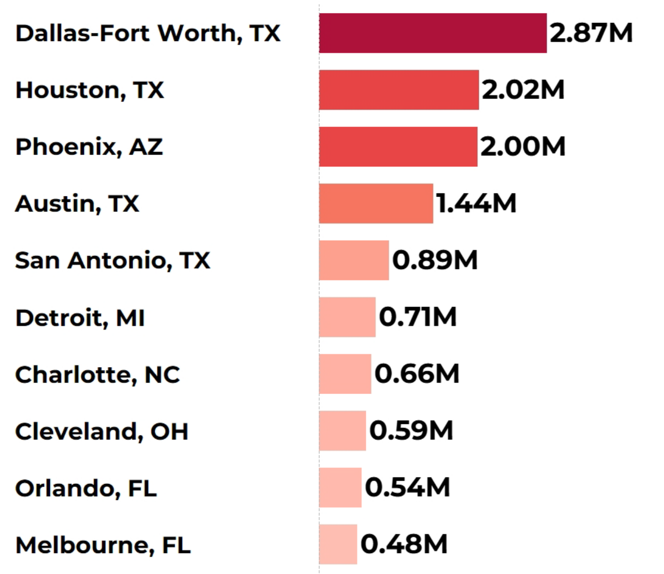
Retail saw strong expansion between 2014 and 2017, though accelerating e-commerce growth began to temper demand, a trend further amplified during the pandemic. The sector has now posted annual net losses for the fourth consecutive quarter, totaling -3.8 million square feet year over year, while rent growth eased to 1.9%. Even with these pressures, retail continues to outperform other major property types in rent growth and maintains the lowest vacancy rate among them.

Retail vacancy remained steady at 4.3% in January, although fundamentals continue to soften as absorption stays negative and 12-month deliveries increased to 26.4 million square feet. With limited inventory removal and ongoing new supply, vacancy pressure could build in the months ahead.

General retail remained the most resilient segment, absorbing 10.0M SF over the past year, down from 18.6M SF a year earlier. Neighborhood Centers recorded the largest pullback with 7.4M SF vacated, followed by Malls at 3.8M SF.

General retail continues to carry the lowest vacancy at 2.7%, while Neighborhood and Power Centers led rent growth at 2.5% and 2.6%, respectively.

Top 10 areas with the strongest net absorption in the last 12 months

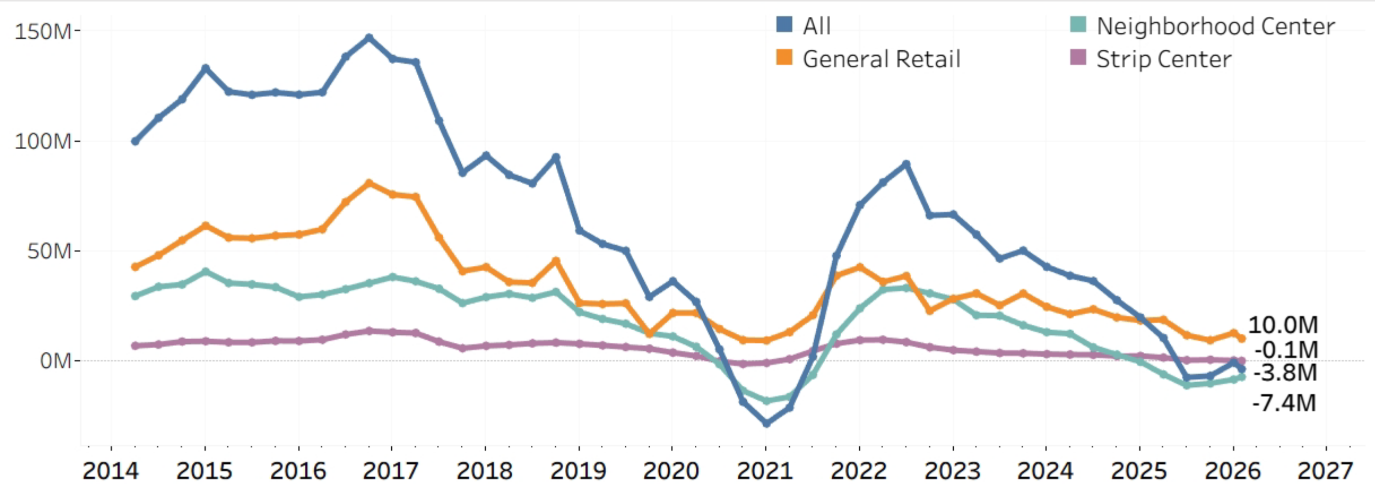


Source: NAR analysis of CoStar data

In January, Raleigh and Charlotte, NC, led the nation in rent growth at 7.3% and 7.0%, while Pittsburgh, PA, saw rent declines of more than 3.2%.

Dallas-Fort Worth, TX, and Phoenix, AZ, led retail absorption with gains exceeding 2 million square feet, while Atlanta, GA, and Chicago, IL, posted losses of 1.6 million and 1.3 million square feet, respectively, highlighting continued divergence in regional retail performance.

Net Absorption 12 Mo by type (Q1 2014 – January 2026)



Source: NAR analysis of CoStar data

Industrial

Net absorption in the last 12 months: 111.5 million sq. ft.
Rent growth in the last 12 months: 1.3%
Cap rate: 7.3%

After peaking in 2022, the industrial sector has continued to moderate. In the 12 months ending January 2026, net absorption declined 42% year over year to 111.5 million square feet, while completions outpaced leasing by roughly two to one. Elevated supply lifted vacancy to 7.5% and slowed rent growth to 1.3%. Still, the narrowing gap between deliveries and demand compared with prior quarters suggests conditions are gradually stabilizing.

Logistics assets continued to drive industrial demand, accounting for 94.0 million square feet of absorption over the past year. Specialized facilities also recorded gains, adding 25.4 million square feet, while flex properties underperformed with 7.9 million square feet of net move-outs. Rent growth moderated across all segments, with specialized space slowing to 0.6%, flex easing to 1.4%, and logistics softening to 1.6%.

Dallas-Fort Worth ranked first nationally in industrial absorption, adding 27.6 million square feet over the past year, with Phoenix close behind at 20.3 million square feet. Savannah, GA, also posted approximately 5 million square feet of absorption, though this marked a 78% slowdown following last year's surge tied to port infrastructure expansion. In contrast, Lehigh Valley, PA, and Detroit, MI experienced notable contractions, with more than 3.5 million and 3.3 million square feet vacated, underscoring the uneven pace of the sector's adjustment.

Rental performance varied considerably across metros in January. Columbus led with 5.5% annual rent growth, followed closely by Washington, DC at 5.2%, while Los Angeles and the Inland Empire saw declines of 3.5% and 3.1%. Vacancy rates showed similar dispersion, ranging from 14.8% in Charleston to just 1.1% in Anchorage.

Top 10 areas with the strongest 12 Mo absorption

	2026 Q1	2025 Q1
Dallas-Fort Worth, TX	27.58M	27.95M
Phoenix, AZ	20.25M	16.21M
Houston, TX	12.58M	18.00M
Columbus, OH	12.27M	7.67M
Indianapolis, IN	11.46M	1.89M
Kansas City, MO	9.82M	9.49M
Washington, DC	6.22M	7.08M
Spartanburg, SC	6.07M	4.04M
Charlotte, NC	5.95M	7.11M
Savannah, GA	4.97M	22.75M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q1	2025 Q1
Lehigh Valley, PA	-3.46M	-2.58M
Detroit, MI	-3.33M	-3.48M
Saint Louis, MO	-3.27M	4.84M
Cleveland, OH	-2.67M	0.26M
Stockton, CA	-2.55M	-0.40M
Boston, MA	-2.50M	-1.63M
Seattle, WA	-2.35M	1.77M
Memphis, TN	-2.15M	-4.15M
Baltimore, MD	-1.89M	-1.71M
Akron, OH	-1.62M	0.69M

Source: NAR analysis of CoStar data

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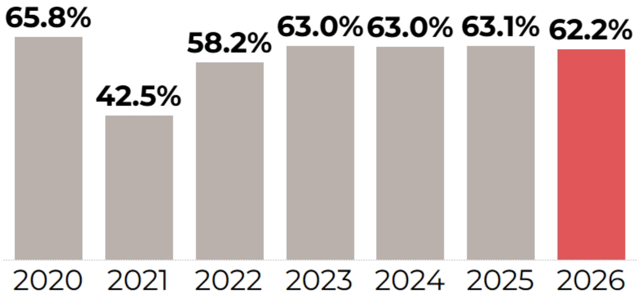
Hotel

Occupancy rate in the last 12 months: 62.4%
Average daily rate in the last 12 months: $160/room
Revenue per available room in the last 12 months: $100/room

The hospitality sector held relatively steady in January 2026, with occupancy at 62.2%, remaining slightly below both pre-pandemic levels and recent years. Continued remote work and subdued corporate travel are weighing on business-focused markets, resulting in an uneven recovery. Nevertheless, ADR and RevPAR continue to exceed 2020 levels.

12-month Occupancy Rate in January



The average daily rate (ADR) for hotel rooms hit $160, up 22% from January 2020. Meanwhile, revenue per available room (RevPAR) rose to $100, representing a 16% increase over the same period.

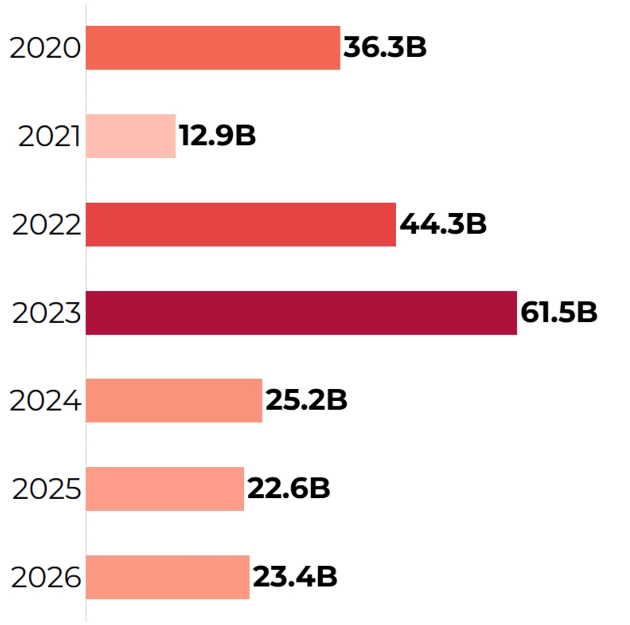
12-month ADR and RevPAR in January

	Average daily rate	Revenue per available room
2020	$132	$87
2021	$100	$42
2022	$127	$74
2023	$151	$95
2024	$156	$98
2025	$159	$101
2026	$160	$100

ADR is the total revenue/number of rooms.
RevPAR is ADR x occupancy rate.

Hotel investment activity showed modest improvement over the past year, with 12-month transaction volume rising to $23.4 billion in January 2026 from $22.6 billion a year earlier. The uptick suggests a gradual return of capital to the sector, even as elevated borrowing costs and broader economic uncertainty continue to temper deal activity despite generally stable operating fundamentals.

12-month Sales Volume as of January



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, continues to rank among the strongest hospitality markets, with ADR and RevPAR running more than 57% above pre-pandemic levels and occupancy remaining elevated at 74%. Maui sets the pace on pricing with the nation's highest ADR at $537 and RevPAR at $310, while New York City leads in occupancy at 86%, supported by both business and leisure travel.

By contrast, San Francisco/San Mateo and Oakland, CA, remain slower to recover, with RevPAR still more than 23% below pre-pandemic levels.

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