

May 2026
**Commercial Real Estate
Insights Report**



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Commercial Real Estate

An Overview

Labor market conditions remained soft in April, as payroll growth slowed from March and employment showed little net change over the prior 12 months. The unemployment rate held at 4.3%, while wage growth remained positive but measured. Inflation rose to 3.8%, driven largely by energy prices, while shelter costs matched the monthly CPI increase but trailed overall inflation on an annual basis. The Federal Reserve kept rates unchanged as long-term borrowing costs moved higher, with the 10-year Treasury yield rising to 4.32% amid renewed geopolitical uncertainty. At the same time, GDP growth rebounded to 2.0% in Q1 after a weak year-end reading, supported by stronger investment, exports, and government spending. However, elevated inflation continued to weigh on the broader outlook.

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

The **office** market took a more meaningful step toward stabilization in April, with annual demand turning positive after an extended period of occupancy losses. Improved absorption helped lower the vacancy edge and supported modest rent growth, though the recovery remains gradual. Across classes, Class A continued to lead leasing despite elevated vacancy; Class B losses narrowed; and Class C maintained the tightest vacancy while still recording tenant move-outs.

The **multifamily** market continued to benefit from steady demand in April, with absorption still above historical norms despite moderating from last year. Supply remains the main constraint, as deliveries continued to outpace absorption, though the gap narrowed as new completions slowed. Vacancy edged lower, and rent growth improved slightly, but elevated supply continues to limit pricing power. Across classes, Class A showed gradual stabilization, Class B remained softer, and Class C retained the strongest rent growth despite continued tenant move-outs.

Retail continued to adjust to structural shifts tied to e-commerce and the pandemic, but fundamentals remained tight relative to other property types. Demand stayed positive in April, while rent growth continued to lead major sectors, preserving retail's pricing advantage despite a modest rise in vacancy. New supply and limited inventory removal could place mild upward pressure on vacancy if demand remains uneven. General retail remained the strongest segment with the lowest vacancy, while Neighborhood Centers and Malls continued to record weaker absorption.

Industrial fundamentals continued to normalize in April as the sector worked through supply that had been added after its 2022 peak. Demand improved from a year earlier but remained below new supply, keeping vacancy elevated and rent growth restrained. Logistics continued to drive absorption, specialized facilities showed selective strength, and flex space remained under pressure. Regional performance stayed uneven, with stronger gains concentrated in major logistics markets while several metros continued to post move-outs and wide variation in rent and vacancy trends.

Hospitality performance remained steady in April 2026, though occupancy continued to trail pre-pandemic levels and recent-year trends as remote work and softer corporate travel weighed on business-oriented markets. ADR and RevPAR stayed well above 2019 benchmarks, supporting operating performance. Investment activity remained tempered, as elevated borrowing costs and economic uncertainty continued to limit investor appetite.

Economy

Job growth (April 2026 compared to March 2020): 5.2%

Inflation (April 2026): 3.8%

Gross Domestic Product Q1 2026 (Advanced Estimate) : 2.0%

Employment Growth Slows in April

Total nonfarm payroll employment rose by 115,000 in April, slowing from March's revised gain of 185,000 after February's revised decline of 156,000. Job gains were concentrated in health care, transportation and warehousing, and retail trade, while federal government employment continued to decline. Health care added 37,000 jobs, transportation and warehousing gained 30,000 jobs, and retail trade increased by 22,000 jobs. Revisions to the prior two months were mixed, leaving February and March payrolls 16,000 lower than previously reported.

Despite April's gain, payroll employment showed little net change over the prior 12 months, pointing to a labor market that remains softer than the monthly headline suggests. The unemployment rate was unchanged at 4.3%, with 7.4 million people unemployed, and both measures changed little over the year. Wage growth remained positive, with average hourly earnings rising 0.2% in April and 3.6% over the year.

Number of Jobs

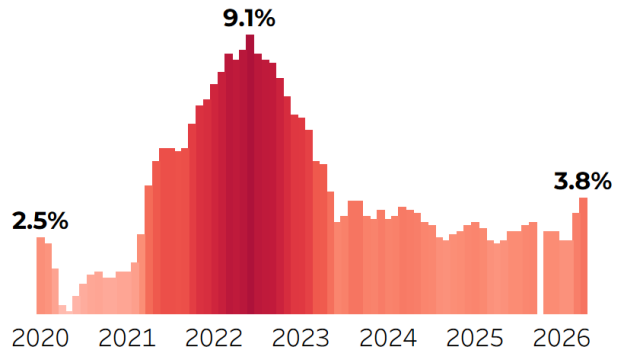
March 2020	150.9 million
April 2025	158.5 million
April 2026	158.7 million

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

Inflation Rises to 3.8% in April.

Inflation rose 0.6 percent in April, slower than the 0.9 percent increase in March, but the annual rate climbed to 3.8 percent from 3.3 percent. Energy prices increased 3.8 percent in April and accounted for over forty percent of the monthly gain, while food prices rose 0.5 percent. Shelter costs, a major component of CPI, also increased 0.6 percent over the month, matching the overall pace, though its 3.3% annual gain lagged overall CPI.

Inflation



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

The Federal Reserve Holds Rates

The Federal Reserve kept its policy rate unchanged in April at a target range of 3.5% to 3.75% while continuing to assess incoming economic data. Meanwhile, the 10-year Treasury yield rose to 4.32%, reflecting renewed market uncertainty following instability in the Middle East. The move higher in long-term yields suggests that external risks and investor sentiment continue to shape borrowing conditions alongside Fed policy. As a result, financial conditions remain tight, limiting near-term relief for commercial real estate borrowing costs.

GDP Rebounds in the 1st Quarter After Weak Year-End Growth

Real GDP growth accelerated to a 2.0% annual rate in Q1 2026, following a final Q4 2025 reading of 0.5%, which was revised down from the prior estimate and marked a sharp slowdown from 4.4% in Q3. For 2025, real GDP increased 2.1%, revised down 0.1 percentage point, with growth primarily supported by consumer spending and investment. In Q1, growth broadened as investment accelerated and government spending and exports turned positive, though consumer spending slowed and imports increased. Underlying private demand strengthened, with real final sales to private domestic purchasers rising 2.5%, even as inflation pressures stayed elevated.

Commercial Real Estate Lending

CRE loans (April 2026): \$3.09 trillion

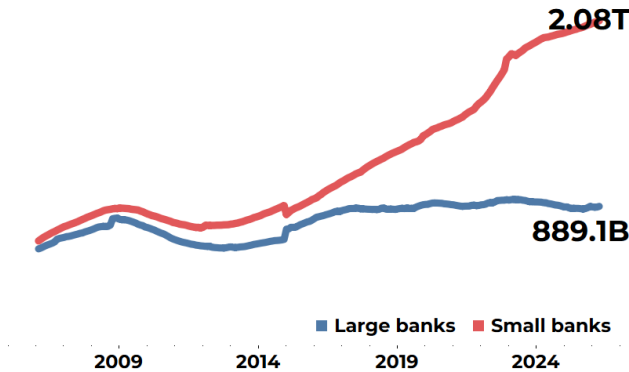
Delinquency rate of CRE loans (Q1 2026): 1.58%

CRE debt stayed at \$3 trillion in April

Commercial real estate debt continued to rise in April, reaching about \$3.09 trillion and reinforcing signs of gradual stabilization after an extended period of muted growth. While borrowing conditions remain tight, recent months show a steady pace of lending activity.

By bank size, large U.S. banks scaled back on their CRE exposure, with loan balances falling to roughly \$889.1 billion in April 2026. On the other hand, smaller domestic banks continued to grow their CRE portfolios, with balances climbing to about \$2.08 trillion, maintaining their role as the primary source of lending growth.

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

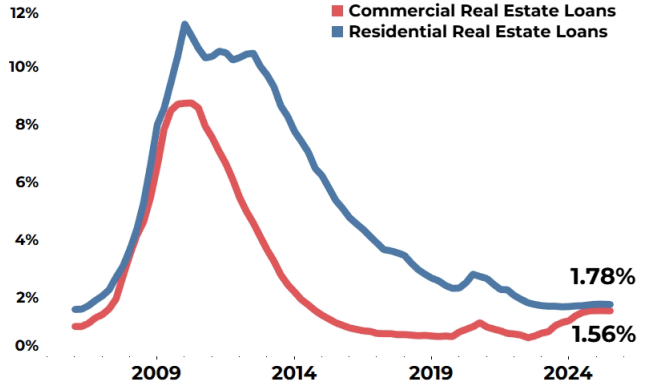


Source Federal Reserve

CRE Loan Delinquencies held tight

Commercial real estate loan delinquencies remained unchanged at 1.58% in Q1 2026, according to Federal Reserve data. After nearly three years of gradual increases, this pause may point to early signs of stabilization in CRE credit conditions. While CRE loan delinquencies have reached a 10-year high, the current rate remains far below the levels seen during the 2008 financial crisis, suggesting that credit stress is still relatively contained. Delinquencies also remain about 0.2 percentage points below residential loan delinquency rates.

Delinquency rates Commercial vs Residential loans (Q1 2026)



Source Federal Reserve

Office

Net absorption in the last 12 months: 8.5 million sq. ft.

Rent growth in the last 12 months: 1.3%

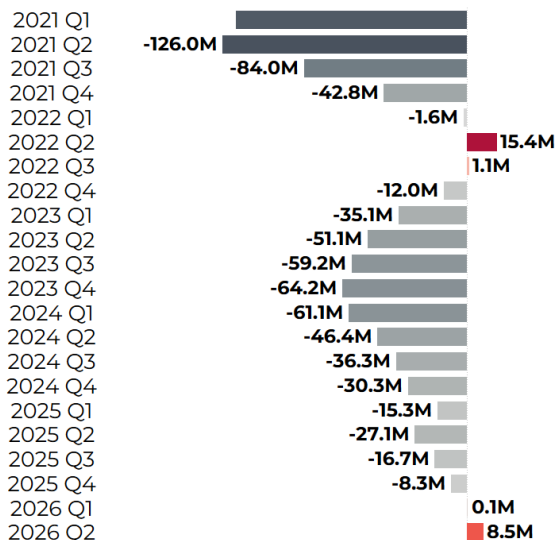
Cap rate: 9.0%

The office sector showed a more meaningful step toward stabilization in April. Annual net absorption rose to 8.5M SF, a sharp reversal from the 27.1M SF decline recorded a year earlier and a notable break from the sector's extended stretch of occupancy losses. The improvement in demand helped vacancy edge down to 13.9% and supported a slight increase in rent growth to 1.3%.

Class A remained the primary driver of leasing, with absorption rising to 25.5M SF for the year ending in April, up from -2.0M SF a year earlier. Vacancy improved to 20.0%, though it remained the highest among classes, while rent growth edged up to 1.1%. Class B losses narrowed from 16.9M SF a year ago to 13.5M SF, with vacancy lower at 12.5% and rent growth holding above the national average at 1.5%. Class C recorded 3.1M SF of move-outs but retained the lowest vacancy at 5.4% and the strongest rent growth at 1.6%.

At the metro level, April vacancy was lowest in Gulfport-Biloxi-Pascagoula, MS, at 1.7%, while San Francisco recorded the highest rate at 21.4%, followed by Houston at 19.5%.

Net Absorption 12 Mo in sq. ft.



Top 10 areas with the lowest Vacancy Rates

	2026 Q2	2025 Q2
Gulfport-Biloxi-Pascagoula, MS	1.73%	1.90%
Huntington, WV	1.83%	1.86%
Davenport, IA	1.88%	2.84%
Lafayette, LA	2.14%	1.99%
Myrtle Beach, SC	2.28%	2.14%
Savannah, GA	2.41%	2.48%
Asheville, NC	2.46%	3.24%
McAllen, TX	2.53%	2.86%
Spartanburg, SC	2.72%	3.37%
Hickory, NC	2.74%	2.12%

Top 10 areas with the highest Vacancy Rate

	2026 Q2	2025 Q2
San Francisco, CA	21.41%	22.84%
Houston, TX	19.50%	19.82%
Denver, CO	18.28%	18.23%
Dallas-Fort Worth, TX	17.81%	18.25%
Washington, DC	17.26%	17.62%
Chicago, IL	17.10%	17.15%
Atlanta, GA	16.71%	16.91%
Seattle, WA	16.63%	16.73%
Los Angeles, CA	16.41%	16.45%
Phoenix, AZ	16.33%	16.76%

Source: NAR analysis of CoStar data



Multifamily

Absorption of units in the last 12 months: 404,000 units

Rent growth in the last 12 months: 0.4%

Cap rate: 6.1%

The multifamily sector maintained steady demand in April, with activity still above long-term norms despite slowing from last year. Over the past 12 months, absorption fell by 22% but remained above the prior decade's median. Deliveries declined 23% yet continued to exceed absorption by 18%, although the supply-demand gap kept narrowing. Vacancy edged lower to 8.5%, while rent growth increased to 0.4% as elevated supply continued to limit pricing power.

By asset tier, Class A posted 12-month absorption of 167,000 units in April, down 28% from a year earlier. Vacancy declined by 0.9% to 9.9%, and rent growth turned positive at 0.2%. Demand still exceeded new deliveries by 20%, supporting gradual stabilization. Class B absorbed 278,000 units, an 11% annual decline, while vacancy held at 9.9% and rent growth rose slightly to 0.2%, pointing to softer mid-tier conditions. Class C continued to record net move-outs but maintained the strongest rent growth at 0.9%.

National rent growth remained limited at 0.4% in April as elevated supply continued to weigh on several Sun Belt markets. Sarasota, Naples, and Fort Myers, FL, posted the sharpest declines, with rents falling more than 5%. San Francisco, CA, led rent growth at 7.9%, followed by Fort Wayne, IN, at 4.5%, both well above the national average.

Large urban markets continued to anchor multifamily demand, with New York City, NY, Dallas-Fort Worth, TX, and Phoenix, AZ, each absorbing more than 20,000 units over the past year, underscoring resilience in major population centers. In contrast, Jackson, MS, continued to post net move-outs exceeding 170 units.

Top 10 areas with the strongest 12-month absorption

	2026 Q2	2025 Q2
New York, NY	29,533	28,042
Dallas-Fort Worth, TX	22,903	25,762
Phoenix, AZ	20,796	16,656
Austin, TX	19,159	21,129
Atlanta, GA	17,915	20,485
Charlotte, NC	12,808	14,610
Denver, CO	9,408	9,078
Orlando, FL	8,003	10,238
Nashville, TN	7,998	9,890
Philadelphia, PA	7,297	10,621

Top 10 areas with steepest 12 Mo rent rises

	2026 Q2	2025 Q2
San Francisco, CA	7.85%	5.09%
Fort Wayne, IN	4.47%	2.38%
Rockford, IL	4.45%	5.19%
Honolulu, HI	4.36%	0.77%
San Jose, CA	4.35%	2.96%
Norfolk, VA	4.30%	2.82%
Peoria, IL	4.19%	2.86%
Youngstown, OH	4.03%	3.63%
Reno, NV	3.81%	3.01%
Lansing, MI	3.75%	4.12%

Source: NAR analysis of CoStar data



Retail

Net absorption in the last 12 months: 4.4 million sq. ft.

Rent growth in the last 12 months: 2.0%

Cap rate: 7.3%

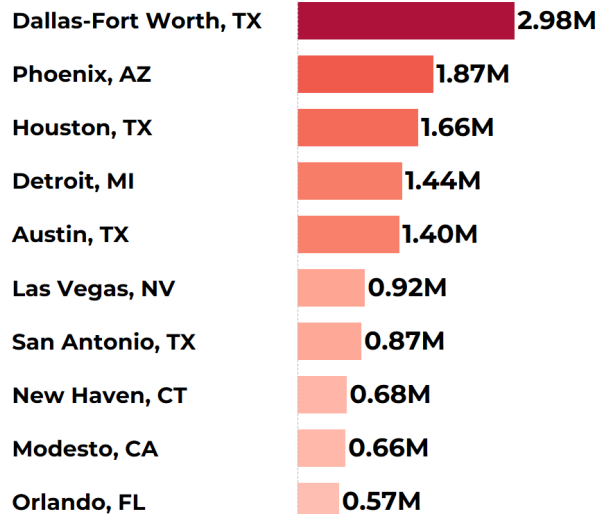
Retail activity expanded strongly from 2014 through 2017, although e-commerce growth began to temper demand, a shift that accelerated during the pandemic. In April 2026, annual net absorption reached 4.4 million square feet, while rent growth held at 2.0%, the strongest among major property types. Vacancy edged up to 4.4%, but retail fundamentals remained comparatively tight, preserving the sector's pricing advantage over other property types.

The vacancy increase reflected 12-month deliveries of 26.7 million square feet. Continued supply additions, combined with limited inventory removal, could place modest upward pressure on vacancy in the months ahead if demand remains uneven.

General retail remained the strongest segment, absorbing 8.9M SF over the past year, though activity moderated from 11.3M SF a year earlier. Neighborhood Centers recorded the largest pullback, with 2.7M SF vacated, while Malls also posted losses totaling 1.1M SF, underscoring uneven demand across formats.

General retail continued to post the lowest vacancy at 2.7%, while Neighborhood and Power Centers led rent growth at 2.7% and 2.8%, respectively.

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

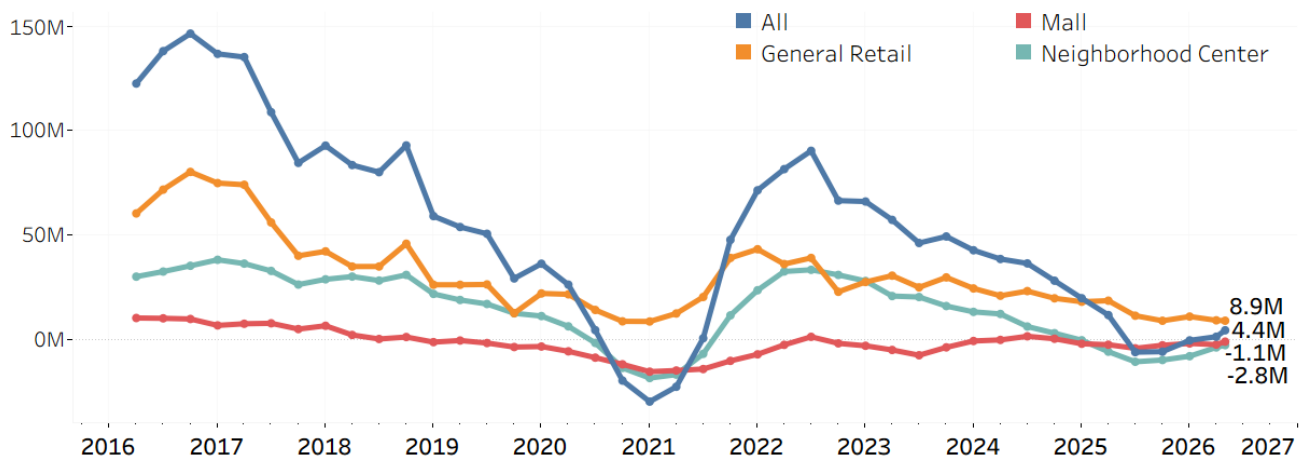


Source: NAR analysis of CoStar data

In April, Minneapolis, MN, and Charlotte, NC, posted the strongest rent growth, each at 6.5%, while Pittsburgh, PA, saw rents decline by more than 2.1%.

Dallas-Fort Worth, TX, led retail absorption, with gains exceeding 2 million square feet. Atlanta, GA, and Boston, MA, recorded losses of 1.7 million and 1.2 million square feet, respectively.

Net Absorption 12 Mo by type (Q1 2016 – April 2026)



Source: NAR analysis of CoStar data

Industrial

Net absorption in the last 12 months: 122.7 million sq. ft.

Rent growth in the last 12 months: 1.3%

Cap rate: 7.4%

Since its 2022 peak, the industrial sector has continued to normalize. In the 12 months ending in April 2026, net absorption increased 30% year over year to 122.7 million square feet, but deliveries still exceeded leasing activity by nearly twice as much. Continued supply pressure pushed vacancy to 7.6%, while rent growth slowed to 1.3%. The persistent supply-demand imbalance points to a market still working through excess inventory rather than entering a clear recovery, with pricing power likely to remain restrained until completions slow further.

Logistics properties remained the primary source of industrial demand, absorbing 105.9M SF over the past year. Specialized facilities added 24.2M SF, while flex space remained under pressure with 7.4M SF of net move-outs, reflecting weaker demand in that segment. Rent growth moderated unevenly, with specialized space slowing to 0.8%, while logistics and flex rents held at 1.4% and 1.6%, respectively. Vacancy ranged from 4.4% for specialized facilities to 8.4% for logistics and 8.8% for flex.

Dallas-Fort Worth led industrial absorption, adding 29.9 million square feet over the past year, followed by Phoenix at 18.1 million square feet. In contrast, Lehigh Valley, PA, and Saint Louis, MO, recorded notable declines, with 3.7 million and 3.2 million square feet of space vacated, highlighting uneven adjustment between logistics-heavy and slower-growth metros.

Metro-level rent performance remained highly varied in April. Louisville, KY, led with 5.9% annual rent growth, followed by Hagerstown, MD, at 5.7%, while Los Angeles and the Inland Empire, CA, posted declines of 3.8% and 2.6%, respectively. Vacancy ranged from 14.4% in Charleston, SC, to 1.0% in Anchorage, AK, underscoring continued market-by-market divergence.

Top 10 areas with the strongest 12 Mo absorption

	2026 Q2	2025 Q2
Dallas-Fort Worth, TX	29.87M	25.00M
Phoenix, AZ	18.06M	14.23M
Houston, TX	16.37M	15.93M
Indianapolis, IN	11.40M	1.61M
Columbus, OH	10.56M	7.02M
Washington, DC	7.07M	8.58M
Kansas City, MO	6.97M	8.50M
Chicago, IL	6.50M	3.52M
Spartanburg, SC	6.36M	3.67M
Cincinnati, OH	6.25M	2.26M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q2	2025 Q2
Lehigh Valley, PA	-3.70M	-1.00M
Saint Louis, MO	-3.21M	3.65M
Boston, MA	-2.47M	-4.17M
Los Angeles, CA	-2.16M	-5.85M
Seattle, WA	-1.93M	0.87M
Baltimore, MD	-1.84M	-3.12M
New York, NY	-1.78M	1.29M
Miami, FL	-1.66M	-3.20M
Hickory, NC	-1.45M	-0.35M
Rochester, NY	-1.34M	1.13M

Source: NAR analysis of CoStar data

Hotel

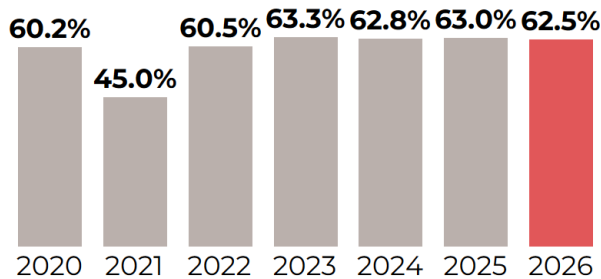
Occupancy rate in the last 12 months: 62.5%

Average daily rate in the last 12 months: \$162/room

Revenue per available room in the last 12 months: \$101/room

The hospitality sector remained relatively stable in April 2026, with occupancy at 62.5%, still slightly below both pre-pandemic levels and recent-year trends. Remote work and softer corporate travel continue to weigh on business-oriented markets, contributing to an uneven recovery. Even so, ADR and RevPAR remain above 2020 levels.

12-month Occupancy Rate in April



Hotel ADR reached \$162 in April, up 24% from March 2020, while RevPAR rose to \$101, a 17% increase over the same period despite occupancy remaining below pre-pandemic levels.

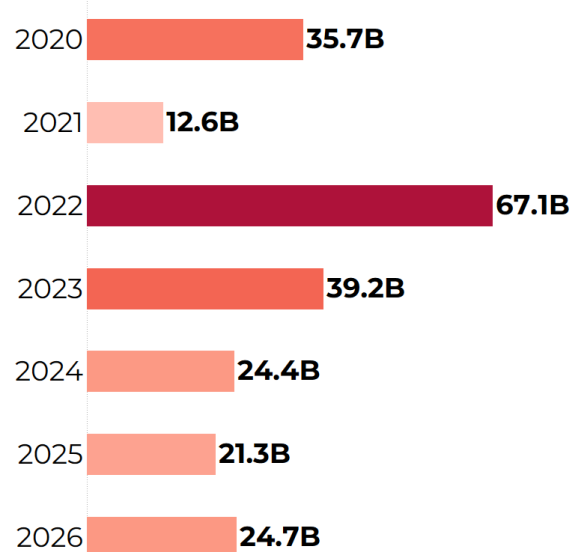
12-month ADR and RevPAR in April

	Average daily rate	Revenue per available room
2020	\$129	\$78
2021	\$98	\$44
2022	\$136	\$82
2023	\$153	\$97
2024	\$157	\$99
2025	\$160	\$101
2026	\$162	\$101

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

Hotel investment activity improved modestly over the past year, with 12-month transaction volume increasing to \$24.7 billion in April 2026 from \$21.3 billion a year earlier. The gain points to a gradual return of capital, though elevated borrowing costs and broader economic uncertainty continue to limit deal activity despite generally stable operating conditions.

12-month Sales Volume as of April



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, remained one of the strongest hospitality markets, with ADR and RevPAR more than 63% above pre-pandemic levels and occupancy elevated at 72%. Maui led the nation in pricing, with the highest ADR at \$529 and RevPAR at \$350, while New York City posted the strongest occupancy at 84%, supported by business and leisure demand.

In contrast, San Francisco/San Mateo and Oakland, CA, continued to lag, with RevPAR still 3.7% and 6.7% below pre-pandemic levels, respectively.

COMMERCIAL REAL ESTATE REPORT

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