SEPTEMBER 2026

Commercial Real Estate Market Insights Report

NATIONAL ASSOCIATION OF REALTORS®

Commercial Real Estate

An Overview

Economic conditions held broadly steady in July. Hiring continued to slow, although unemployment eased to 4.1%. Inflation also moderated further to 3.4%, while the economy continued to grow at a modest pace. Real GDP increased at a 1.5% annual rate in the second quarter, with stronger consumer spending helping offset slower investment, exports, and government spending. Interest rates remained a challenge for commercial real estate. The Federal Reserve kept rates unchanged, but higher 10-year Treasury yields continued to put upward pressure on borrowing costs, limiting relief for commercial real estate financing despite signs of resilience in private demand.

With little change in the broader economy, commercial real estate also continued a similar path in July. Some sectors improved further, while others remained mostly steady. Below is a summary of the performance of each major commercial real estate sector in July of 2026:

The **office** market continued its gradual stabilization in July, with annual absorption remaining positive and signaling that demand is moving further away from the prolonged period of tenant losses. That improvement, however, remains concentrated in Class A, while elevated vacancy and modest rent growth continue to limit the recovery's breadth. Class B remained under pressure despite inventory removal, and Class C continued to lose tenants, reinforcing the uneven nature of the sector's adjustment.

Multifamily conditions improved further in July as steady demand met a sharper slowdown in new supply, allowing absorption to exceed deliveries for the first time in nearly five years. This shift is helping the sector work through excess inventory, with vacancy easing and rent growth gradually firming. Class A benefited most clearly as demand continued to outpace new supply, supporting lower vacancy and stronger rent growth. At the same time, Class B showed resilience through rising absorption and modest improvement in both vacancy and rents. Class C continued to post tenant losses, and regional performance remained uneven, with oversupplied Sun Belt markets still under pressure.

Conditions across the **retail** sector remained relatively steady in July, with stronger demand accompanied by continued supply additions and vacancy holding at 4.3%. General retail continued to lead absorption and maintained the lowest vacancy, while improvement broadened across Neighborhood Centers, Malls, and Power Centers. Even so, deliveries remained ahead of demand, and a sizable construction pipeline could place modest upward pressure on vacancy, while rent growth stayed comparatively firm.

Rebalancing in the **industrial** sector continued in July, with supply still running ahead of demand. Still, the gap narrowed substantially from a year earlier, helping stabilize vacancy while rent growth remained restrained. Logistics continued to drive demand, accounting for the bulk of annual absorption, while specialized facilities showed comparatively tighter fundamentals with the lowest vacancy. Flex remained the weakest segment, with continued tenant move-outs and the highest vacancy among the three property types.

Hospitality performance remained relatively steady in July, although occupancy continued to trail pre-pandemic levels as remote work and softer corporate travel constrained business-focused markets. ADR and RevPAR stayed well above 2019 benchmarks, helping support operating results despite weaker occupancy. Investment activity remained restrained as high borrowing costs and economic uncertainty continued to weigh on investor appetite.

Economy

Job growth (July 2026 compared to March 2020):5.3%
Inflation (July 2026): 3.4%
Gross Domestic Product Q2 2026(Advanced Estimate) : 1.5%

Payrolls edge lower in July

Total nonfarm payroll employment declined by 23,000 in July after revised gains of 20,000 in June and 63,000 in May. Payroll growth has averaged just 34,000 per month over the past year, pointing to continued cooling in hiring. Local government education lost 50,000 jobs, and retail trade declined by 19,000, while health care added 22,000. Financial activities also continued to weaken, shedding 14,000 jobs. Revisions lowered May and June employment gains by a combined 103,000, reinforcing the softer labor market trend.

The unemployment rate remained broadly stable, inching down to 4.1%, with 6.9 million people unemployed. Long-term unemployment edged down to 1.8 million, accounting for 25.5% of unemployed workers. Overall, the July report points to limited hiring momentum and moderating wage growth, while unemployment

Number of Jobs

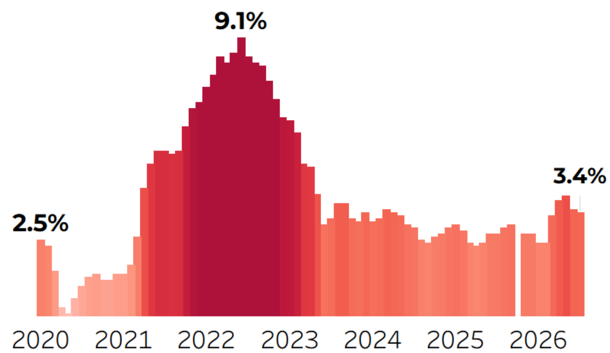
March 2020	**150.9 million**
July 2025	**158.5 million**
July 2026	**158.9 million**

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

Inflation Eases to 3.4% in July

Consumer prices rose 0.1% in July after declining 0.4% in June, while annual inflation eased to 3.4% from 3.5%. Shelter prices increased 0.1% and accounted for roughly two-thirds of the monthly increase, while food prices also rose 0.1% and energy prices fell 1.5%. Core CPI rose 0.2% in July but slowed to 2.5% over the year from 2.6%, indicating continued moderation in underlying inflation pressures.

Inflation



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

The Federal Reserve Holds Rates

The Federal Reserve held its policy rate at 3.5% to 3.75% in July, citing solid economic activity but inflation that remains above its 2% target. Meanwhile, the 10-year Treasury yield rose to 4.6%, consistent with persistent inflation concerns and expectations that interest rates may remain elevated for longer." Higher long-term yields continue to keep borrowing conditions restrictive, limiting relief for commercial real estate financing costs.

GDP Growth in the 2nd Quarter

Real GDP increased at a 1.5% annual rate in Q2 2026, slowing from 2.1% in the first quarter. The moderation reflected weaker government spending and slower growth in investment and exports, partly offset by stronger consumer spending. Despite softer headline growth, underlying private demand strengthened, with real final sales to private domestic purchasers rising 3.9%, up from 1.7% in Q1. Inflation pressures remained elevated, with PCE prices increasing 5.1%, although core PCE inflation eased to 3.4% from 4.4%.

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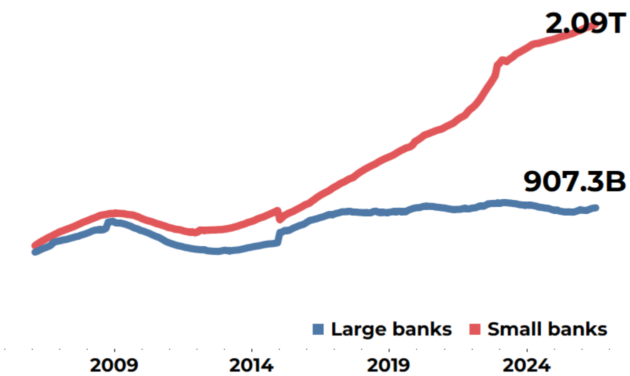
Commercial Real Estate Lending

CRE loans (July 2026): $3.12 trillion
Delinquency rate of CRE loans (Q1 2026): 1.58%

CRE debt stayed at $3 trillion in July
Commercial real estate debt continued to expand in July, reaching approximately $3.12 trillion and suggesting further stabilization after a prolonged period of subdued growth. Financing conditions remain restrictive, but lending activity has maintained a steady pace in recent months.

Smaller domestic banks remained the primary source of CRE loan growth, with balances rising to about $2.09 trillion in July 2026. Large U.S. banks also increased their exposure, with CRE loan balances reaching roughly $907.3 billion, though growth remained more modest than among smaller lenders.

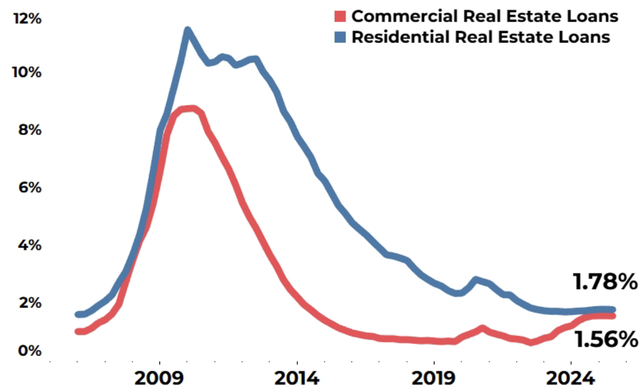
Commercial Real Estate Debt for Small and Large Banks (July 2026)



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

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Office

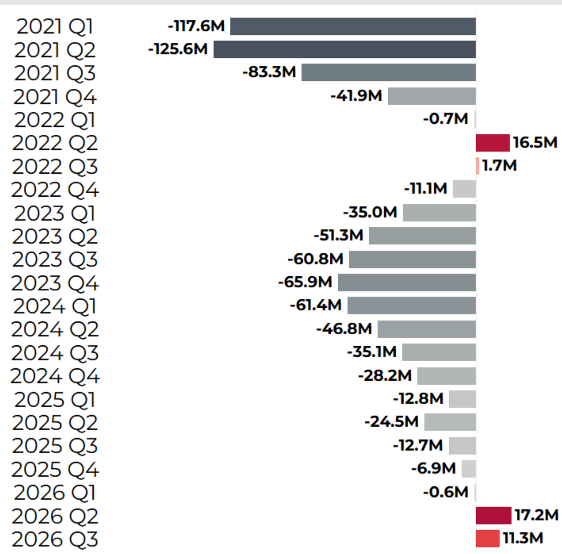
Net absorption in the last 12 months: 11.3 million sq. ft.
Rent growth in the last 12 months: 1.7%
Cap rate: 8.8%

The office market continued its gradual recovery in July, extending the sector's return to positive absorption. In the 12 months ending in July, net absorption totaled 11.3M sq. ft., signaling improved demand after a prolonged stretch of tenant losses, though the sector remains in the early stages of stabilization. Vacancy stayed elevated at 13.9%, while rent growth held at 1.7%.

Class A remained the main source of office demand, with 24.2M SF of net absorption over the past 12 months, keeping the recovery concentrated at the higher end of the market. Vacancy stood at 19.9%, while rent growth held at 1.5%. Class B remained under pressure, with annual net absorption at -9.4M SF. Combined with 13.3M SF of inventory removal, vacancy stood at 12.6%, well below Class A's 19.9%, while rent growth reached 1.8%. Class C continued to lose tenants, with 3.8M SF vacated over 12 months, though vacancy remained lowest at 5.5% and rent growth strongest at 2.0%.

At the metro level, Q2 vacancy was lowest in Davenport, IA, at 1.5%, while San Francisco recorded the highest rate at 20.5%.

Net Absorption 12 Mo in sq. ft.



Top 10 areas with the lowest Vacancy Rates

	2026 Q3	2025 Q3
Davenport, IA	1.53%	1.83%
Gulfport-Biloxi-Pascagoula, MS	1.70%	2.02%
Myrtle Beach, SC	1.81%	2.03%
Huntington, WV	1.86%	2.18%
Lafayette, LA	2.16%	1.78%
Asheville, NC	2.29%	2.28%
Brownsville-Harlingen, TX	2.31%	3.25%
Hickory, NC	2.53%	2.15%
Spartanburg, SC	2.59%	3.12%
Wilmington, NC	2.63%	2.38%

Top 10 areas with the highest Vacancy Rate

	2026 Q3	2025 Q3
San Francisco, CA	20.51%	22.85%
Houston, TX	19.68%	19.79%
Denver, CO	18.37%	17.90%
Dallas-Fort Worth, TX	17.52%	17.88%
Washington, DC	17.34%	17.66%
Chicago, IL	17.14%	17.01%
Seattle, WA	17.08%	17.30%
Los Angeles, CA	16.60%	16.24%
Atlanta, GA	16.54%	16.93%
Phoenix, AZ	15.83%	16.49%

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 472,200 units
Rent growth in the last 12 months: 1.1%
Cap rate: 6.2%

The multifamily sector maintained solid demand in July as the supply-demand balance continued to improve. Over the past 12 months, absorption remained stable at 472,200 units, down just 2% from a year earlier, while deliveries fell 21% to 451,051 units. For the first time in nearly 5 years, absorption exceeded deliveries, signaling that the sector is beginning to work through excess inventory more effectively. As a result, vacancy declined to 8.0%, while rent growth strengthened to 1.1%, pointing to gradually improving pricing conditions.

Class A recorded 165,100 units of 12-month absorption in July, remaining below last year but continuing to outpace new supply by 41%. This tighter supply-demand balance contributed to a decline in vacancy to 9.1%, while rent growth strengthened to 1.3%. Class B demand remained resilient, with absorption rising to 316,900 units, helping vacancy ease to 9.4% as rent growth improved to 1.0%. Class C remained in negative absorption, though tenant losses narrowed substantially from a year earlier. Vacancy held at 6.2%, the lowest among the classes, while rent growth reached 1.2%.

National rent growth strengthened to 1.1% in July, with excess inventory continuing to weigh on several Sun Belt markets. Naples and Fort Myers, FL, posted the largest declines, with rents falling more than 3%, while San Francisco, CA led the nation with 12.1% growth.

Large urban markets continued to account for much of 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. This sustained activity points to continued resilience in major population centers. Winston-Salem, NC, moved in the opposite direction, recording net move-outs of more than 100 units.

Top 10 areas with the strongest 12-month absorption

	2026 Q3	2025 Q3
New York, NY	29,689	31,660
Dallas-Fort Worth, TX	28,640	25,405
Phoenix, AZ	22,683	16,010
Austin, TX	19,581	21,448
Atlanta, GA	19,220	21,438
Charlotte, NC	13,907	14,319
Denver, CO	11,994	8,368
Houston, TX	10,969	10,030
Orlando, FL	10,730	9,563
Nashville, TN	8,369	8,948

Top 10 areas with steepest 12 Mo rent rises

	2026 Q3	2025 Q3
San Francisco, CA	12.09%	6.08%
San Jose, CA	7.65%	3.76%
Norfolk, VA	5.92%	3.12%
Reno, NV	5.71%	2.49%
Fort Wayne, IN	5.06%	1.94%
Rockford, IL	4.95%	5.04%
Boise, ID	4.69%	0.63%
Peoria, IL	4.53%	2.73%
Atlantic City, NJ	4.05%	0.71%
Albany, NY	4.02%	3.31%

Source: NAR analysis of CoStar data

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Retail

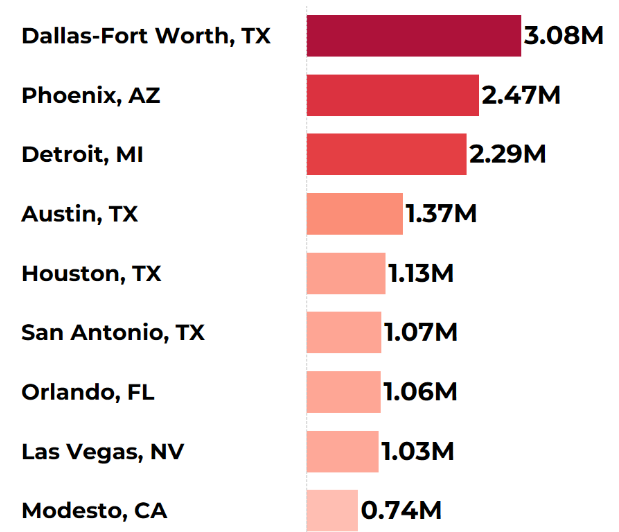
Net absorption in the last 12 months: 25.0 million sq. ft.
Rent growth in the last 12 months: 1.8%
Cap rate: 7.4%

Retail fundamentals remained relatively tight in July as stronger demand helped absorb much of the new supply entering the market. Annual net absorption reached 25.0 million square feet, reversing the tenant losses recorded a year earlier, while deliveries exceeded absorption by 23%. Even with supply still running ahead of demand, vacancy held essentially unchanged at 4.3%, helping preserve relatively firm pricing conditions despite rent growth moderating to 1.8%. However, with 57.1 million square feet still under construction, supply could continue to place modest upward pressure on vacancy, although the sector's low vacancy rate continues to support relatively firm pricing power.

General retail continued to drive demand, absorbing 16.1M SF over the past year, roughly double the level recorded a year earlier. The improvement also broadened across other formats, with Neighborhood Centers reversing 9.8M SF of losses to post 3.9M SF of positive absorption. Malls and Power Centers likewise returned to growth, absorbing 2.3M SF and 0.9M SF, respectively.

General retail maintained the lowest vacancy at 2.7%, while annual rent growth was strongest in Neighborhood and Power Centers at 2.5% and 2.6%, respectively.

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

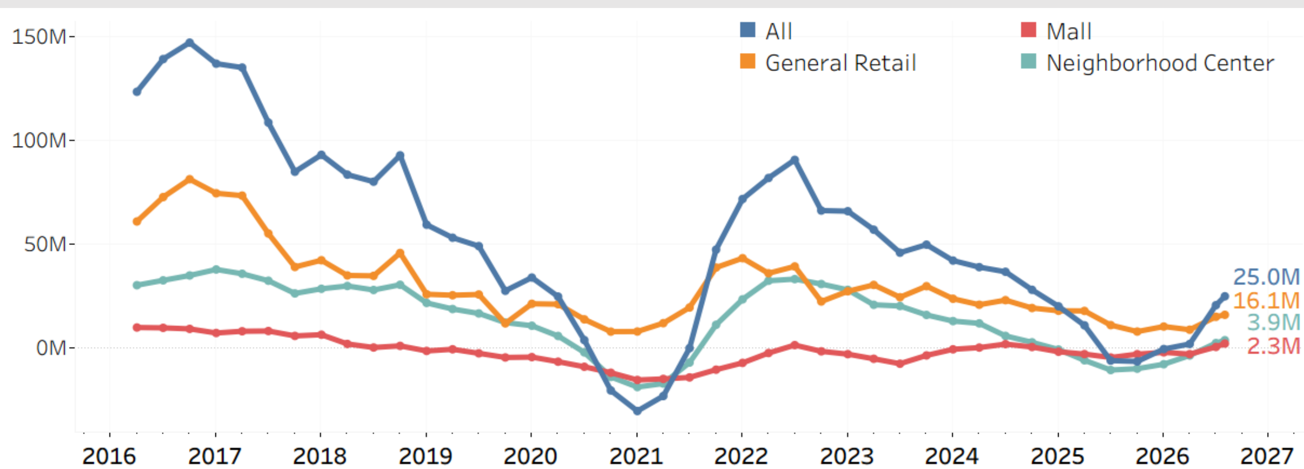


Source: NAR analysis of CoStar data

Louisville, KY, and Nashville, TN, posted the strongest rent growth in July, 6.5% and 5.7%, respectively. At the other end of the spectrum, rents declined 1.4% in Pittsburgh, PA, and 0.9% in Los Angeles, CA.

Dallas-Fort Worth, TX, led retail demand by absorbing nearly 3 million square feet, while Birmingham, AL, and Buffalo, NY, recorded losses of 0.7M and 0.5M SF.

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



Source: NAR analysis of CoStar data

Industrial

Net absorption in the last 12 months: 184.4 million sq. ft.
Rent growth in the last 12 months: 1.3%
Cap rate: 7.4%

The industrial sector continued to rebalance from its 2022 peak as demand strengthened and the supply-demand gap narrowed further. Over the 12 months ending in July 2026, net absorption more than doubled year over year to 184.4 million square feet, while completions exceeded absorption by 26%, down sharply from more than 200% a year earlier. This tightening gap between demand and new supply helped prevent further increases in vacancy, which remained elevated at 7.5% but stabilized, while rent growth stayed subdued at 1.3% amid continued competition for tenants.

Logistics facilities continued to drive industrial demand, accounting for 155.9M SF of annual absorption, while specialized properties added 33.8M SF. Flex space remained the weakest segment, recording 5.3M SF of net move-outs. Rent growth remained modest across property types, at 0.9% for specialized facilities, 1.2% for logistics, and 2.2% for flex. Vacancy was lowest for specialized space at 4.4%, compared with 8.3% for logistics and 8.5% for flex.

Dallas-Fort Worth posted the strongest annual industrial absorption at 34.5 million square feet, with Phoenix following at 22.9 million square feet. In contrast, Los Angeles, CA and Saint Louis, MO recorded net move-outs of 3.6M and 3.2M square feet, respectively, highlighting continued divergence between stronger logistics hubs and slower-growth markets.

Rent trends also varied widely across metros in July. Louisville, KY, posted the strongest annual growth at 4.7%, followed by Lehigh Valley, PA, at 4.6%. Los Angeles and Denver, CO, moved in the opposite direction, with rents declining 4.1% and 2.3%, respectively. Vacancy also varied widely, from 14.3% in Charleston, SC, to just 0.7% in Anchorage, AK, reinforcing the uneven nature of market conditions across regions.

Top 10 areas with the strongest 12 Mo absorption

	2026 Q3	2025 Q3
Dallas-Fort Worth, TX	34.49M	23.70M
Phoenix, AZ	22.89M	16.15M
Houston, TX	19.23M	12.78M
Indianapolis, IN	12.57M	2.59M
Columbus, OH	10.86M	11.55M
Chicago, IL	10.40M	-1.07M
Washington, DC	9.56M	7.22M
Cincinnati, OH	8.85M	1.83M
Philadelphia, PA	7.85M	-1.74M
Atlanta, GA	7.07M	1.21M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q3	2025 Q3
Los Angeles, CA	-3.36M	-4.12M
Boston, MA	-3.33M	-3.31M
Saint Louis, MO	-3.26M	1.32M
Seattle, WA	-2.05M	-0.72M
Portland, OR	-1.87M	1.37M
South Bend, IN	-1.83M	0.53M
Rochester, NY	-1.45M	1.67M
Lehigh Valley, PA	-1.26M	-2.25M
Buffalo, NY	-1.09M	0.89M
Trenton, NJ	-1.09M	-0.06M

Source: NAR analysis of CoStar data

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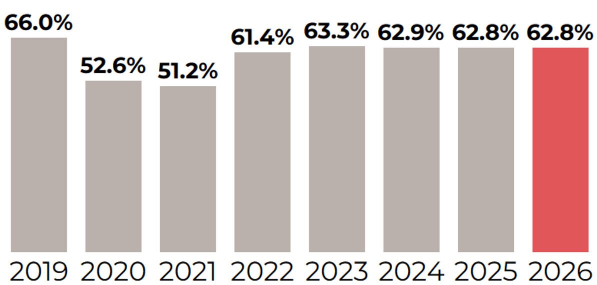
Hotel

Occupancy rate in the last 12 months: 62.8%
Average daily rate in the last 12 months: $164/room
Revenue per available room in the last 12 months: $103/room

The hospitality sector remained broadly stable in July 2026, with occupancy at 62.8%, still below pre-pandemic levels. Remote work and softer corporate travel continued to weigh on business-oriented markets, keeping the recovery uneven. Even so, ADR and RevPAR remained above 2019 levels, reflecting continued pricing resilience.

12-month Occupancy Rate in August



Hotel ADR reached $164 in July, up 25% from March 2020, while RevPAR rose to $103, a 24% increase over the same period despite occupancy remaining below pre-pandemic levels.

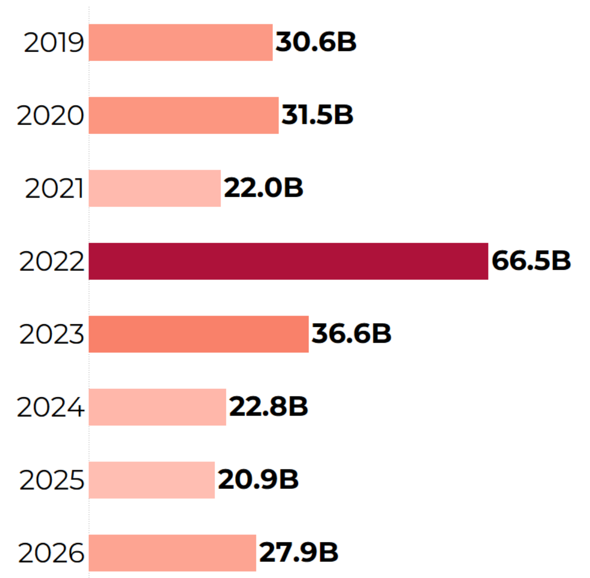
12-month ADR and RevPAR in August

	Average daily rate	Revenue per available room
2019	$131	$87
2020	$120	$63
2021	$110	$56
2022	$142	$87
2023	$154	$98
2024	$158	$99
2025	$160	$101
2026	$164	$103

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 $27.9 billion in July 2026 from $20.9 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 August



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, continued to rank among the strongest hospitality markets, with ADR and RevPAR more than 66% above pre-pandemic levels and occupancy at 72%. Maui remained the national leader in pricing, posting the highest ADR at $531 and RevPAR at $359, while New York City recorded the strongest occupancy at 86%, supported by both business and leisure demand.

At the other end of the spectrum, Texas West and Oakland, CA continued to underperform, with RevPAR remaining 23% and 19% below pre-pandemic levels, respectively.

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