

NOVEMBER 2026

Commercial Real Estate Market Insights Report

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Commercial Real Estate

An Overview

Economic growth continued in September, although hiring slowed and inflation picked up. Consumer and business spending remained strong. The Federal Reserve raised interest rates by a quarter percentage point, while long-term Treasury yields also rose. Higher borrowing costs continued to affect commercial real estate investment and refinancing activity.

Commercial real estate continued to improve in September, although conditions varied across property types. Some sectors improved further, while others remained mostly steady. Below is a summary of the performance of each major commercial real estate sector in September of 2026:

The **office** sector continued its gradual recovery in the third quarter, supported by strengthening demand and improving occupancy trends. Sustained positive absorption and firmer rent growth suggest that market conditions are becoming more constructive, although substantial excess inventory continues to limit the pace of recovery. Class A led demand despite elevated vacancy, while Class B saw moderating tenant losses. Class C maintained the lowest vacancy despite continued move-outs.

Multifamily fundamentals strengthened in the third quarter, supported by resilient demand and slowing new supply. Absorption outpaced deliveries, helping reduce excess inventory, ease vacancy, and support gradual rent growth, although pricing power remains constrained. With the construction pipeline at a decade low, supply pressures could moderate further. Class A benefited from a favorable supply-demand balance, while Class B maintained steady demand and improving fundamentals. Class C returned to positive absorption and retained the lowest vacancy among classes.

Improving demand supported the **retail** sector in the third quarter, narrowing the supply-demand gap while vacancy held near historic lows. Despite deliveries exceeding absorption, tight availability helped sustain pricing conditions, although rent growth moderated. General retail led demand and maintained the lowest vacancy, while Neighborhood Centers, Malls, and Power Centers returned to positive absorption. Neighborhood and Power Centers recorded the strongest rent growth, though new supply could place modest upward pressure on vacancy.

The **industrial** sector made further progress toward rebalancing in the third quarter as stronger demand narrowed the gap with new supply. Improving absorption is helping reduce excess inventory, although elevated vacancy and restrained rent growth continue to limit the recovery. Logistics remained the primary driver of demand, while specialized facilities maintained the lowest vacancy. Flex continued to lag, recording further tenant move-outs and the highest vacancy among major industrial property types.

Conditions across the **hospitality** sector showed limited change in September, with occupancy still below pre-pandemic levels amid persistent weakness in corporate travel and the impact of remote work. ADR and RevPAR continued to exceed 2019 levels, supporting operating performance despite softer occupancy. Meanwhile, elevated financing costs and economic uncertainty continued to constrain investment activity and temper investor interest.

Economy

Job growth (September 2026 compared to March 2020):5.4%
Inflation (September 2026): 3.7%
Gross Domestic Product Q2 2026(Final Estimate) : 2.2%

Payroll Growth Slows in September

Total nonfarm payroll employment increased by just 29,000 in September, below the 45,000 monthly average over the past year, signaling weak hiring momentum. Health care added 17,000 jobs, while construction and manufacturing gained 11,000 and 9,000, respectively. Financial activities lost 7,000 jobs. Revisions lowered July and August payroll figures by a combined 60,000, with July shifting from a gain of 21,000 to a loss of 10,000.

The unemployment rate edged up to 4.2%, with 7.1 million people unemployed, remaining within a narrow range since March. Long-term unemployment held at 1.9 million, accounting for 27.1% of unemployed workers, while labor force participation reached 61.8%. Overall, hiring remained weak despite relatively stable broader labor market conditions.

Number of Jobs

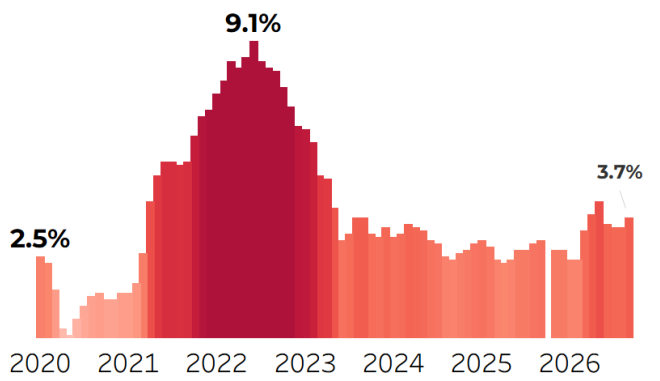
March 2020	**150.9 million**
September 2025	**158.5 million**
September 2026	**159.0 million**

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

Inflation Rises to 3.7% in September

Consumer prices rose 0.6% in September after increasing 0.4% in August, pushing annual inflation to 3.7% from 3.4%. Gasoline prices surged 9.1%, accounting for more than half of the monthly increase, while the broader energy index climbed 5.2%. Shelter costs rose 0.4%, while food prices were unchanged. Core CPI rose 0.3% for the second straight month, with annual core inflation accelerating to 2.6% from 2.4%, suggesting renewed upward pressure on underlying prices alongside rising energy costs.

Inflation



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

The Federal Reserve Raised Rates

The Federal Reserve raised its policy rate by 25 basis points to a range of 3.75% to 4.0% in September, citing persistent inflation despite solid economic activity and resilient domestic spending. Meanwhile, the 10-year Treasury yield climbed to 4.99% in September, reflecting broader upward pressure on long-term interest rates. Higher borrowing costs continue to constrain commercial real estate financing, potentially delaying investment activity and refinancing decisions.

GDP Growth in the 2nd Quarter

The third estimate showed real GDP increasing at a 2.2% annual rate in Q2 2026, revised up from 1.5% and below the revised 2.5% growth in the first quarter. The upward revision reflected stronger investment, consumer spending, and government spending, while rising imports partly offset growth. Underlying private demand was also revised higher, with real final sales to private domestic purchasers increasing 4.6%, up from the previous estimate of 4.2%. Inflation measures were revised lower, with PCE prices increasing 5.0% and core PCE inflation at 3.3%.

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Commercial Real Estate Lending

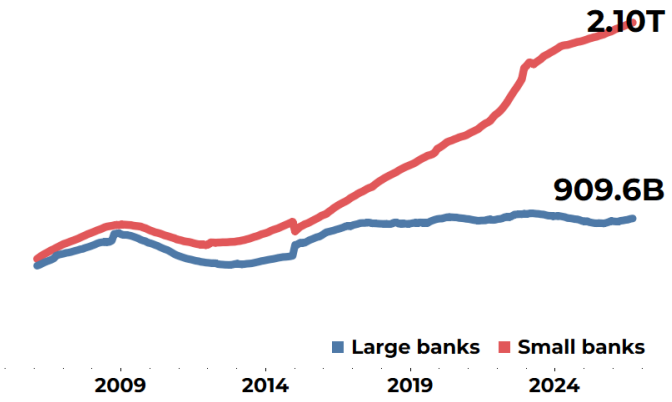
CRE loans (July 2026): $3.13 trillion
Delinquency rate of CRE loans (Q2 2026): 1.53%

CRE debt stayed at $3 trillion in September

Commercial real estate debt continued to expand in September, reaching approximately $3.13 trillion and suggesting further stabilization after a prolonged period of subdued growth. Financing conditions remain restrictive, but lending activity has stayed steady in recent months.

Smaller domestic banks remained the primary source of CRE loan growth, with balances rising to about $2.10 trillion in September 2026. Large U.S. banks also increased their exposure, with CRE loan balances reaching roughly $909.6 billion, though growth remained more modest than among smaller lenders.

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

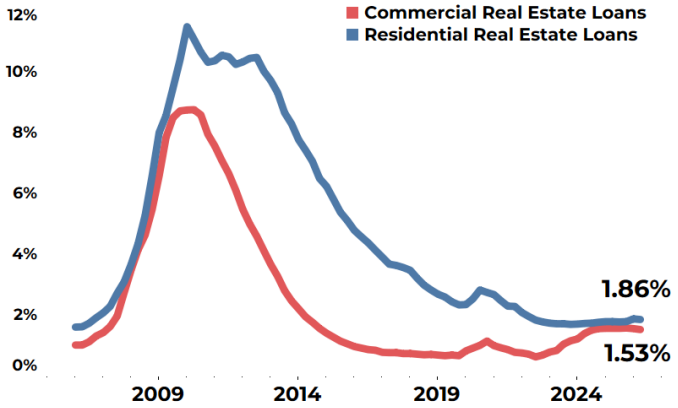


Source Federal Reserve

CRE Loan Delinquencies held tight

Commercial real estate loan delinquencies inched lower to 1.53% in Q2 2026, according to Federal Reserve data. After nearly three years of gradual increases, this decline may signal 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 (Q2 2026)



Source Federal Reserve

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Office

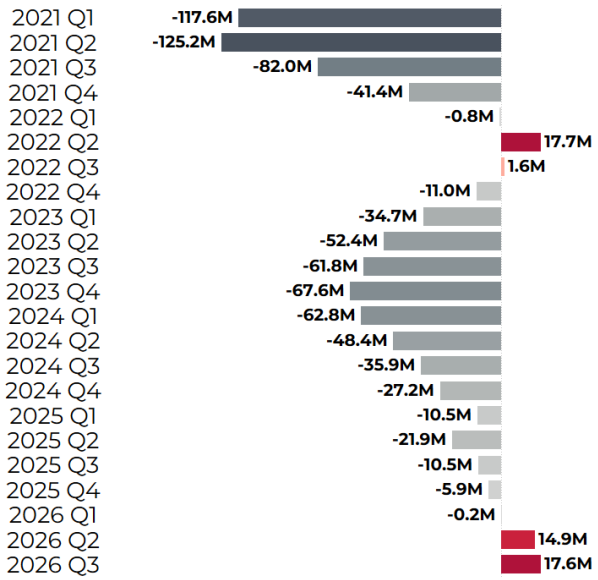
Net absorption in the last 12 months: 17.6 million sq. ft.
Rent growth in the last 12 months: 1.9%
Cap rate: 8.7%

The office market's recovery strengthened in Q3 2026, with annual net absorption reaching 17.6M SF, up from 14.9M SF in Q2 and a significant shift from 10.5M SF of losses a year earlier. Stronger demand stimulated annual asking rent growth to 1.9%, while vacancy edged down to 13.8%. Although substantial excess inventory continues to constrain the recovery, sustained absorption is gradually reducing available space and improving market fundamentals.

Class A continued to lead office demand, with 25.2M SF of annual net absorption, although vacancy remained elevated at 19.5% while rent growth reached 2.0%. Class B tenant move-outs narrowed annual occupancy losses to 5.2M SF from 15.9M SF a year earlier, while a 12.9M SF inventory reduction helped keep vacancy at 12.6%, well below Class A, and rent growth at 1.9%. Class C recorded 2.2M SF of tenant losses but retained the lowest vacancy at 5.5%, with rent growth at 1.9%.

Despite recording the highest vacancy rate at 20.2%, San Francisco overtook New York in trailing 12-month office absorption, reaching 5.7M SF, largely driven by AI-related demand.

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	1.58%	1.99%
Huntington, WV	1.64%	2.18%
Myrtle Beach, SC	1.78%	2.02%
Lafayette, LA	2.06%	1.76%
Wilmington, NC	2.24%	2.37%
Visalia, CA	2.34%	2.78%
Hickory, NC	2.39%	2.14%
Spartanburg, SC	2.42%	3.11%
Brownsville-Harlingen, TX	2.66%	3.24%

Top 10 areas with the highest Vacancy Rate

	2026 Q3	2025 Q3
San Francisco, CA	5.72M	2.10M
New York, NY	4.44M	6.49M
San Jose, CA	3.59M	-0.30M
Austin, TX	3.06M	0.95M
Dallas-Fort Worth, TX	1.59M	3.10M
Charlotte, NC	1.35M	1.25M
Raleigh, NC	1.25M	0.32M
Seattle, WA	1.24M	-2.67M
San Antonio, TX	1.15M	0.12M
Columbus, OH	1.05M	-0.90M

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 507,600 units
Rent growth in the last 12 months: 1.4%
Cap rate: 6.2%

The multifamily sector continued to strengthen in Q3 2026. Over the past 12 months, absorption rose 6.5% year over year to 507,600 units, while deliveries fell 24% to 435,000 units, leaving demand 17% ahead of new supply. This helped reduce vacancy to 7.8% from 8.3% a year earlier, while annual asking rent growth strengthened to 1.4%, although pricing power remains limited because of excess inventory. With demand outpacing deliveries and the construction pipeline at a 10-year low of 566,000 units, supply pressures could ease further, supporting a gradual recovery in occupancy and rent growth.

Class A recorded 159,700 units of 12-month absorption in Q3, remaining below last year but outpacing new supply by 62%. This favorable supply-demand balance helped reduce vacancy to 8.5%, while rent growth strengthened to 1.8%. Class B demand remained resilient, with absorption reaching 342,500 units, slightly exceeding new deliveries. Vacancy eased to 9.1%, while rent growth improved to 1.2%. Class C recorded 5,800 units of positive annual absorption, reversing substantial tenant losses from a year earlier. Vacancy stood at 6.2%, the lowest among classes, while rent growth reached 1.3%.

National rent growth strengthened to 1.4% in Q3, with excess inventory continuing to weigh on several Sun Belt markets. Fort Myers, FL, posted the largest decline, with rents falling 3.5%, while San Francisco, CA, led the nation with 12.8% growth.

Large urban markets continued to account for much of multifamily demand, with Dallas-Fort Worth, TX, New York City, NY, Phoenix, AZ, and Austin, TX each absorbing more than 20,000 units over the past year. This sustained activity points to continued resilience in major population centers.

Top 10 areas with the strongest 12-month absorption

	2026 Q3	2025 Q3
Dallas-Fort Worth, TX	30,611	25,144
New York, NY	26,286	31,504
Phoenix, AZ	22,625	16,066
Austin, TX	20,957	21,312
Atlanta, GA	17,629	20,704
Charlotte, NC	15,258	14,292
Denver, CO	13,970	8,143
Orlando, FL	9,990	9,319
Houston, TX	9,571	8,287
Nashville, TN	9,374	8,935

Top 10 areas with steepest 12 Mo rent rises

	2026 Q3	2025 Q3
San Francisco, CA	12.79%	6.07%
San Jose, CA	8.30%	3.83%
Boise, ID	6.14%	0.57%
Reno, NV	5.78%	2.69%
Fort Wayne, IN	5.75%	2.11%
Norfolk, VA	5.72%	3.23%
Peoria, IL	4.89%	2.90%
Rockford, IL	4.63%	4.91%
Mobile, AL	4.23%	0.23%
Huntington, WV	4.11%	3.00%

Source: NAR analysis of CoStar data

Retail

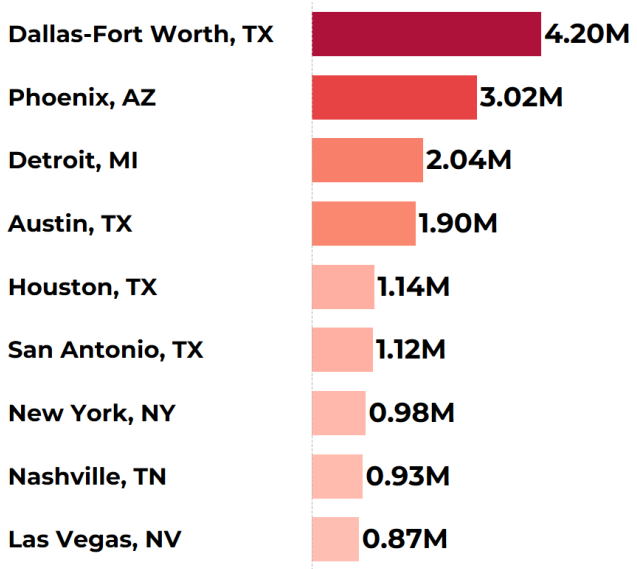
Net absorption in the last 12 months: 26.5 million sq. ft.
Rent growth in the last 12 months: 1.6%
Cap rate: 7.4%

Retail fundamentals remained relatively tight in Q3 2026 as stronger demand narrowed the gap with new supply. Annual net absorption reached 26.5 million square feet, reversing 6.7 million square feet of tenant losses the prior year, while deliveries exceeded absorption by 11%. Despite supply continuing to outpace demand, vacancy held near 4.3%, while annual asking rent growth moderated to 1.6%, reflecting restrained pricing power. With 58.5 million square feet under construction, additional supply could place modest upward pressure on vacancy, although improving demand should help offset some of that impact.

General retail continued to drive demand, absorbing 17.7M SF over the past year, more than double the level recorded a year earlier. Improvements also extended across other formats, with Neighborhood Centers reversing 9.9M SF of losses a year ago to post 3.6M SF of positive absorption. Malls and Power Centers likewise returned to growth, absorbing 2.2M SF and 1.7M SF, respectively.

General retail maintained the lowest vacancy at 2.7%, while Neighborhood and Power Centers led annual rent growth among major formats at 2.4% each, indicating relatively stronger pricing conditions.

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

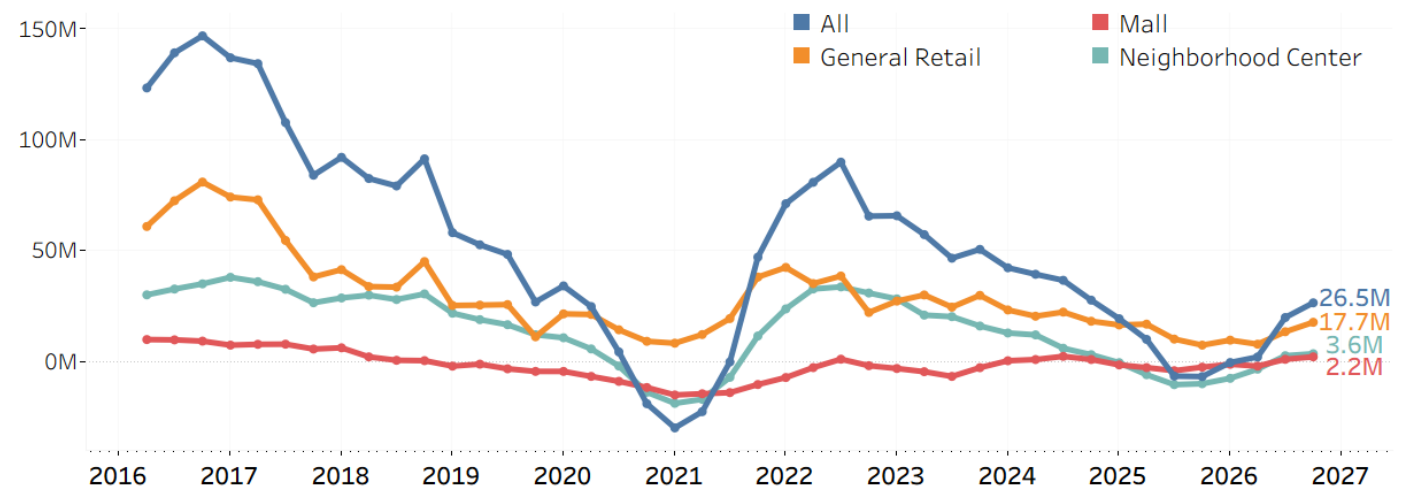


Source: NAR analysis of CoStar data

Cincinnati, OH, and Louisville, KY, posted the strongest rent growth in September, 6.2% and 5.3%, respectively. At the other end of the spectrum, rents declined 2.2% in Portland, OR, and 1.4% in Pittsburgh, PA.

Dallas-Fort Worth, TX, led retail demand with over 4 million square feet of net absorption, while Washington, DC, and Birmingham, AL, recorded occupancy losses of 0.95M and 0.86M SF, respectively.

Net Absorption 12 Mo by type (Q1 2016 – Q3 2026)



Source: NAR analysis of CoStar data

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Industrial

Net absorption in the last 12 months: 222.3 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 substantially. Over the 12 months ending in Q3 2026, net absorption more than doubled year over year to 222.3 million square feet, while completions exceeded absorption by just 10%, compared with more than 200% a year earlier. This narrowing gap suggests excess supply is being absorbed more effectively, although vacancy remained elevated at 7.4%, while annual asking rent growth slowed to 1.3%, reflecting persistent competition for tenants amid ample availability.

Logistics facilities continued to lead industrial demand, generating 187.1M SF of annual absorption, while specialized properties contributed 37.4M SF. Flex remained the weakest segment, with 2.2M SF of net tenant move-outs. Annual rent growth remained restrained across property types, at 0.7% for specialized facilities, 1.4% for logistics, and 2.1% for Flex. Specialized space maintained the lowest vacancy at 4.3%, compared with 8.2% for logistics and 8.4% for Flex.

Dallas-Fort Worth posted the strongest annual industrial absorption at 41.6 million square feet, with Phoenix following at 22.5 million square feet. In contrast, Boston, MA, and Portland, OR, recorded net move-outs of 3.4M and 2.4M square feet, respectively, highlighting continued divergence between stronger logistics hubs and slower-growth markets.

Rent trends also varied widely across metros in September. Cincinnati, OH, posted the strongest annual growth at 6.0%, followed by Savannah, GA, at 5.4%. Los Angeles moved in the opposite direction, with rents declining 4.0%. Vacancy also ranged widely, from 14.6% in Boulder, CO, 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	41.59M	24.67M
Phoenix, AZ	22.49M	16.10M
Houston, TX	21.17M	12.89M
Chicago, IL	13.13M	-1.36M
Indianapolis, IN	11.36M	2.42M
Washington, DC	10.95M	7.33M
Charlotte, NC	9.71M	4.25M
Cincinnati, OH	9.61M	1.93M
Columbus, OH	9.61M	11.66M
Atlanta, GA	8.30M	1.20M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q3	2025 Q3
Boston, MA	-3.44M	-3.62M
Portland, OR	-2.43M	0.78M
Rochester, NY	-2.04M	1.67M
Saint Louis, MO	-1.99M	1.21M
Seattle, WA	-1.72M	-0.58M
Little Rock, AR	-1.45M	0.33M
Brownsville-Harlingen, TX	-1.22M	0.50M
Asheville, NC	-1.19M	0.81M
Los Angeles, CA	-1.01M	-4.16M
Winston-Salem, NC	-0.95M	-0.69M

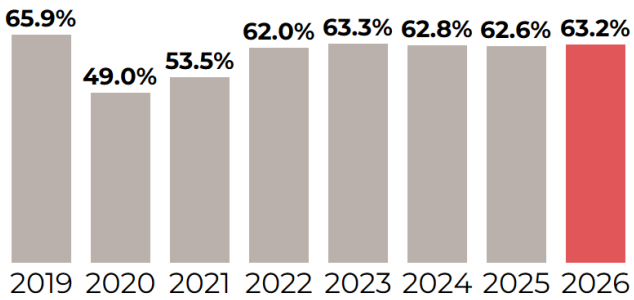
Source: NAR analysis of CoStar data

Hospitality

Occupancy rate in the last 12 months: 63.2%
Average daily rate in the last 12 months: $165/room
Revenue per available room in the last 12 months: $105/room

The hospitality sector remained broadly stable in September 2026, with occupancy at 63.2%, 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 September



Hotel ADR reached $165 in September, up 25% from March 2020, while RevPAR rose to $105, also up 25% over the same period, despite occupancy remaining below pre-pandemic levels.

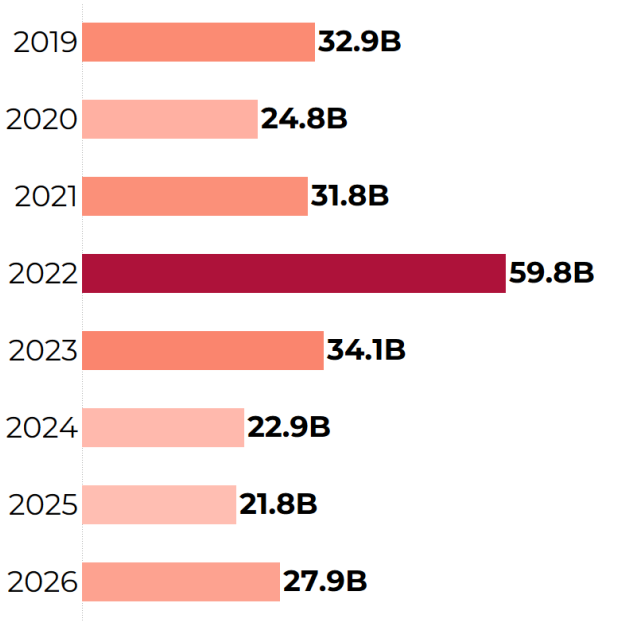
12-month ADR and RevPAR in September

	Average daily rate	Revenue per available room
2019	$131	$87
2020	$114	$56
2021	$116	$62
2022	$146	$90
2023	$155	$98
2024	$159	$100
2025	$160	$100
2026	$165	$105

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 September 2026 from $21.8 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 September



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, remained among the strongest hospitality markets, with ADR and RevPAR more than 67% above pre-pandemic levels and occupancy at 72%. Maui remained the national leader in pricing, posting the highest ADR at $533 and RevPAR at $363, 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 18% below pre-pandemic levels, respectively.

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