October 2026

Commercial Real Estate Market Insights Report



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Commercial Real Estate

An Overview

Economic conditions were mixed in August. The economy continued to grow, but at a slower pace. The labor market remained relatively steady, while inflation was still elevated. At the same time, interest rates remained high, suggesting that borrowing costs are likely to stay elevated in the near term.

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

The **office** market continued to stabilize in August as positive annual absorption strengthened and vacancy edged lower. Improving demand and firmer rent growth suggest the sector is moving further from the prolonged period of occupancy losses, though the recovery remains uneven. Class A continued to lead leasing activity, while Class B remained pressured by tenant move-outs despite substantial inventory removal. Class C also recorded negative absorption, although its comparatively low vacancy continues to distinguish it from the rest of the market.

Multifamily conditions improved further in August as solid demand combined with a continued slowdown in new supply, allowing absorption to remain above deliveries. This rebalancing is helping the sector work through excess inventory, with vacancy declining and rent growth gradually strengthening, though pricing power remains limited. Class A continued to benefit from demand exceeding new supply, while Class B maintained resilient absorption and modestly improving fundamentals. Class C also improved, returning to slightly positive absorption while retaining the lowest vacancy among the three classes.

Fundamentals across the **retail** sector remained resilient in August as positive absorption broadened across major formats and vacancy stayed near historically low levels. General retail remained the largest source of demand, while Neighborhood Centers, Malls, and Power Centers all posted positive absorption. Supply growth continues to outpace demand, creating some risk of modest vacancy pressure as new space is delivered. Even so, limited availability continues to support rents, with Neighborhood and Power Centers posting the strongest growth among the major formats.

Conditions across the **industrial** sector continued to normalize in August as stronger absorption narrowed the gap with new supply and helped limit further vacancy pressure. Demand more than doubled from a year earlier, signaling continued progress in working through excess inventory, though rent growth remained restrained. Logistics accounted for most leasing activity, while specialized facilities maintained the tightest vacancy. Flex continued to lag the broader market, with negative absorption and the highest vacancy among the three major property types.

Hospitality performance remained relatively steady in August, 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 (August 2026 compared to March 2020): 5.4%
Inflation (August 2026): 3.4%
Gross Domestic Product Q2 2026(2nd Estimate) : 1.5%

Payroll growth rebounds in August

Total nonfarm payroll employment increased by 162,000 in August, marking a clear improvement in hiring after several months of weak growth. June payroll gains were revised up from 20,000 to 31,000, while July was revised from a 23,000 decline to a gain of 21,000. Together, the revisions added 55,000 jobs to previously reported employment. August gains were concentrated in food services and drinking places and local government education, while the information sector lost jobs.

The unemployment rate held at 4.1%, with 7.0 million people unemployed. Long-term unemployment changed little at 1.9 million, or 27.0% of unemployed workers, while labor force participation edged up to 61.6%. Overall, August showed a meaningful rebound in payroll growth, though broader labor market indicators continued to point to relatively moderate conditions.

Number of Jobs

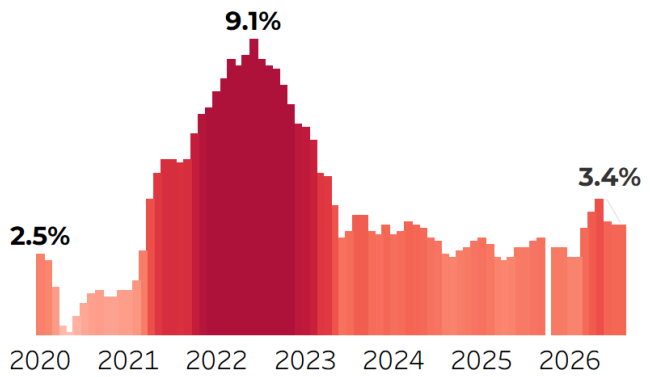
March 2020	**150.9 million**
August 2025	**158.5 million**
August 2026	**159.1 million**

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

Inflation Holds at 3.4% in August

Consumer prices rose 0.4% in August after increasing 0.1% in July, while annual inflation held at 3.4%. Gasoline prices increased 3.9% and accounted for more than one-third of the monthly increase, pushing the broader energy index up 2.1%. Shelter costs rose 0.3%, while food prices increased 0.1%. Core CPI advanced 0.3% in August, but annual core inflation eased to 2.4% from 2.5%, indicating that underlying price pressures continued to moderate despite the stronger monthly headline increase.

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 August, citing solid economic activity but inflation that remains above its 2% target. Meanwhile, the 10-year Treasury yield rose to 4.68% in August, 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

The second estimate showed real GDP increasing at a 1.5% annual rate in Q2 2026, unchanged from the advance estimate and down from 2.1% in the first quarter. The slowdown reflected weaker government spending and slower growth in investment and exports, partly offset by stronger consumer spending. Underlying private demand was revised higher, with real final sales to private domestic purchasers rising 4.2%, up from 1.7% in Q1. Inflation measures were also revised higher, with PCE prices increasing 5.3% and core PCE inflation at 3.6%.

Commercial Real Estate Lending

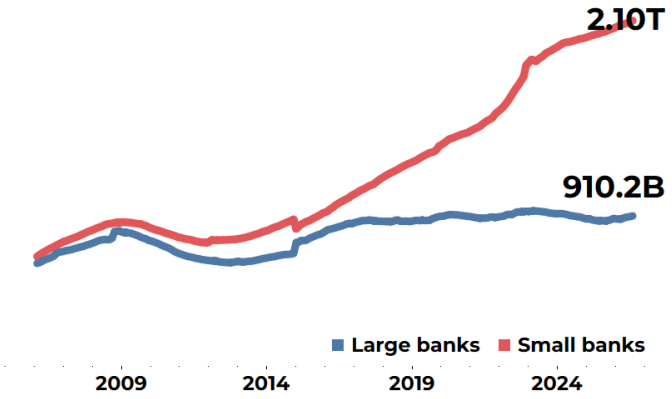
CRE loans (August 2026): $3.13 trillion
Delinquency rate of CRE loans (Q2 2026): 1.53%

CRE debt stayed at $3 trillion in August

Commercial real estate debt continued to expand in August, reaching approximately $3.13 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 $2.10 trillion in August 2026. Large U.S. banks also increased their exposure, with CRE loan balances reaching roughly $910.2 billion, though growth remained more modest than among smaller lenders.

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

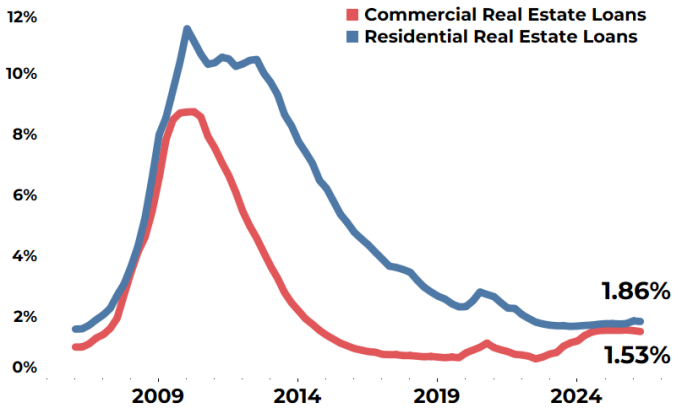


Source Federal Reserve

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

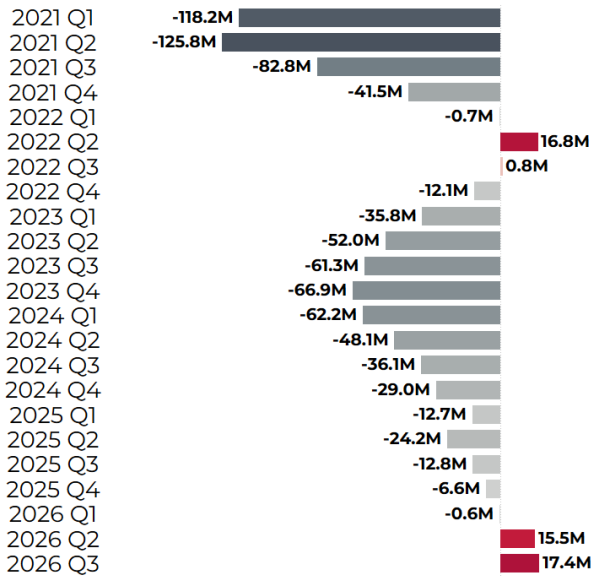
Net absorption in the last 12 months: 17.4 million sq. ft.
Rent growth in the last 12 months: 1.9%
Cap rate: 8.7%

The office market's recovery strengthened in August, with net absorption reaching 17.4M SF over the trailing 12 months, up from 15.5M SF in Q2. Demand improved further, reinforcing the sector's gradual shift toward stabilization following years of occupancy losses. Supported by stronger demand, vacancy inched down to 13.8%, while annual asking rent growth accelerated to 1.9%.

Class A remained the main source of office demand, with 27.8M SF of net absorption over the past 12 months, keeping the recovery concentrated at the higher end of the market. Vacancy stood at 19.6%, while rent growth reached 1.9%. Class B continued to experience tenant move-outs, with annual net absorption at -7.2M SF. However, 12.7M SF of inventory removal helped maintain vacancy at 12.6%, well below Class A's 19.6%, while rent growth reached 1.9%. Class C continued to lose tenants, with 3.0M SF vacated over 12 months, though vacancy remained lowest at 5.5%, while rent growth stood at 1.9%.

At the metro level, Q2 vacancy was lowest in Gulfport-Biloxi-Pascagoula, MS at 1.6%, while San Francisco recorded the highest rate at 20.2%.

Net Absorption 12 Mo in sq. ft.



Top 10 areas with the lowest Vacancy Rates

	2026 Q3	2025 Q3
Gulfport-Biloxi-Pascagoula, MS	1.60%	2.00%
Davenport, IA	1.61%	1.83%
Huntington, WV	1.65%	2.18%
Myrtle Beach, SC	1.80%	2.03%
Lafayette, LA	2.08%	1.77%
Wilmington, NC	2.34%	2.38%
Spartanburg, SC	2.44%	3.11%
Hickory, NC	2.52%	2.13%
Savannah, GA	2.70%	2.24%
Asheville, NC	2.77%	2.28%

Top 10 areas with the highest Vacancy Rate

	2026 Q3	2025 Q3
San Francisco, CA	20.16%	22.84%
Houston, TX	19.58%	19.72%
Denver, CO	18.32%	18.09%
Washington, DC	17.29%	17.73%
Chicago, IL	17.24%	17.06%
Seattle, WA	17.02%	17.40%
Dallas-Fort Worth, TX	16.93%	17.83%
Los Angeles, CA	16.47%	16.19%
Atlanta, GA	16.40%	16.87%
Phoenix, AZ	15.78%	16.55%

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 488,500 units
Rent growth in the last 12 months: 1.3%
Cap rate: 6.2%

The multifamily sector maintained solid demand in August as the supply-demand balance continued to improve. Over the past 12 months, absorption increased 2% year-over-year to 488,500 units, while deliveries fell 23% to 440,100 units. With demand continuing to outpace new supply, the sector is gradually working through excess inventory. As a result, vacancy declined to 7.9%, down from 8.3% a year earlier, while annual rent growth strengthened to 1.3%, pointing to improving, though still limited, pricing power.

Class A recorded 159,900 units of 12-month absorption in August, remaining below last year but outpacing new supply by 54%. This tighter supply-demand balance contributed to a decline in vacancy to 8.7%, while rent growth strengthened to 1.7%. Class B demand remained resilient, with absorption reaching 328,300 units, nearly matching new deliveries. Vacancy eased to 9.3%, while rent growth improved to 1.2%. Class C returned to slightly positive annual absorption at 751 units, 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 1.3% in August, with excess inventory continuing to weigh on several Sun Belt markets. Fort Myers, FL, posted the largest decline, with rents falling 3.9%, while San Francisco, CA led the nation with 12.7% growth.

Large urban markets continued to account for much of multifamily demand, with New York City, NY, Dallas-Fort Worth, TX, 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	31,158	25,161
New York, NY	27,473	31,638
Phoenix, AZ	22,526	15,971
Austin, TX	20,830	21,682
Atlanta, GA	17,771	21,577
Charlotte, NC	14,343	14,259
Denver, CO	13,277	8,233
Orlando, FL	10,680	9,533
Houston, TX	10,084	9,202
Nashville, TN	9,315	9,027

Top 10 areas with steepest 12 Mo rent rises

	2026 Q3	2025 Q3
San Francisco, CA	12.68%	6.08%
San Jose, CA	8.19%	3.79%
Boise, ID	5.97%	0.58%
Norfolk, VA	5.75%	3.22%
Reno, NV	5.60%	2.63%
Fort Wayne, IN	5.06%	2.11%
Rockford, IL	4.80%	4.97%
Huntington, WV	4.62%	2.90%
Peoria, IL	4.45%	2.85%
Mobile, AL	4.28%	0.21%

Source: NAR analysis of CoStar data

Retail

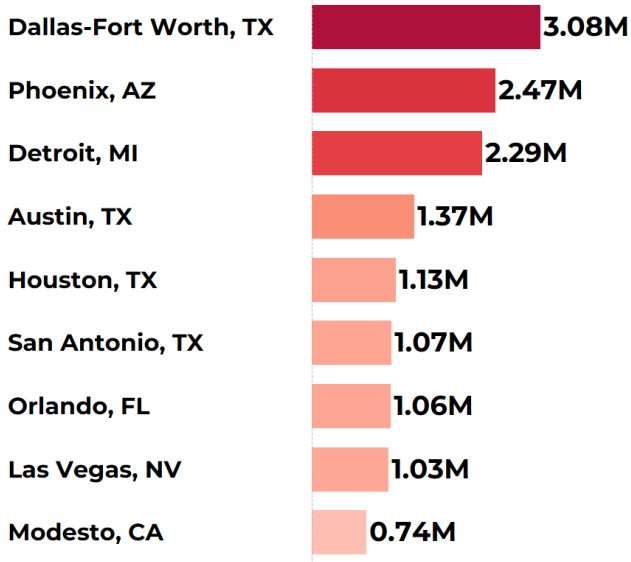
Net absorption in the last 12 months: 24.3 million sq. ft.
Rent growth in the last 12 months: 1.6%
Cap rate: 7.4%

Retail fundamentals remained relatively tight in August as stronger demand helped absorb much of the new supply entering the market. Annual net absorption reached 24.3 million square feet, reversing the tenant losses recorded a year earlier, while deliveries exceeded absorption by 18%. Even with supply still running ahead of demand, vacancy held near 4.3%, preserving relatively firm pricing conditions despite rent growth moderating to 1.6%. With 57.1 million square feet still under construction, new supply could continue to place modest upward pressure on vacancy, although the sector's low vacancy rate provides some support for rent growth.

General retail continued to drive demand, absorbing 16.8M SF over the past year, more than double the level recorded a year earlier. The improvement also broadened across other formats, with Neighborhood Centers reversing 10.0M SF of losses to post 3.3M SF of positive absorption. Malls and Power Centers likewise returned to growth, absorbing 1.1M SF and 2.0M SF, respectively.

General retail maintained the lowest vacancy at 2.7%, while annual rent growth was strongest in Neighborhood and Power Centers at 2.3% each, reflecting relatively firm pricing conditions across both formats.

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

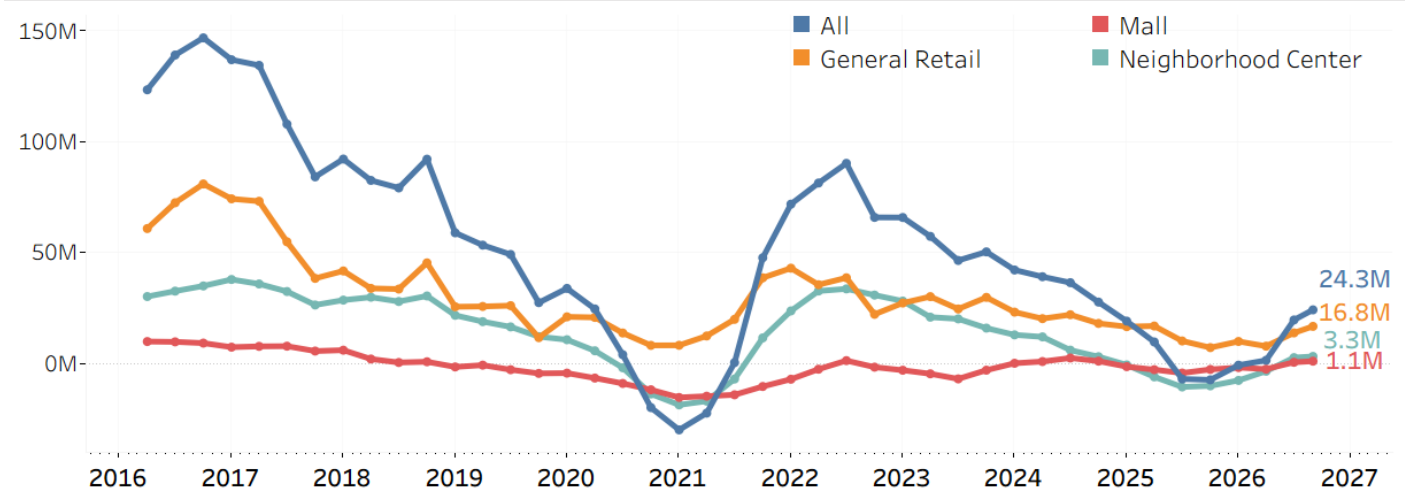


Source: NAR analysis of CoStar data

Milwaukee, WI, and Louisville, KY, posted the strongest rent growth in August, 6.0% and 5.1%, respectively. At the other end of the spectrum, rents declined 1.8% in Pittsburgh, CA, and 1.3% in San Diego, CA.

Dallas-Fort Worth, TX, led retail demand with nearly 3 million square feet of net absorption, while Washington, DC, and Birmingham, AL, recorded occupancy losses of 0.9M and 0.8M SF, respectively.

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



Source: NAR analysis of CoStar data

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Industrial

Net absorption in the last 12 months: 198.6 million sq. ft.
Rent growth in the last 12 months: 1.4%
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 August 2026, net absorption more than doubled year over year to 198.6 million square feet, while completions exceeded absorption by 19%, down sharply from more than 200% a year earlier. This narrowing gap indicates that excess supply is being absorbed more effectively, although vacancy remained elevated at 7.4%, while annual rent growth stayed restrained at 1.4% amid continued competition for tenants.

Logistics facilities continued to drive industrial demand, accounting for 166.3M SF of annual absorption, while specialized properties added 35.6M SF. Flex space remained the weakest segment, recording 3.3M SF of net move-outs. Rent growth remained modest across property types, at 0.9% for specialized facilities, 1.4% for logistics, and 2.1% 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 36.8 million square feet, with Phoenix following at 22.9 million square feet. In contrast, Boston, MA, and Portland, OR, recorded net move-outs of 3.4M and 2.7M square feet, respectively, highlighting continued divergence between stronger logistics hubs and slower-growth markets.

Rent trends also varied widely across metros in August. Cincinnati, OH, posted the strongest annual growth at 5.9%, followed by Savannah, GA, at 5.4%. Los Angeles moved in the opposite direction, with rents declining 3.9%. Vacancy also showed a wide range, from 14.0% in Austin, TX 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	36.78M	24.47M
Phoenix, AZ	22.90M	16.17M
Houston, TX	19.38M	12.89M
Indianapolis, IN	11.54M	2.42M
Columbus, OH	10.86M	11.66M
Washington, DC	10.28M	7.29M
Charlotte, NC	8.91M	4.25M
Cincinnati, OH	8.54M	1.93M
Chicago, IL	8.44M	-1.11M
Atlanta, GA	7.07M	1.12M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q3	2025 Q3
Boston, MA	-3.38M	-3.76M
Portland, OR	-2.66M	0.81M
Los Angeles, CA	-2.24M	-4.30M
Saint Louis, MO	-2.14M	1.26M
Seattle, WA	-2.07M	-0.72M
Rochester, NY	-1.86M	1.67M
Lehigh Valley, PA	-1.85M	-2.24M
Buffalo, NY	-1.56M	0.86M
Brownsville-Harlingen, TX	-1.24M	0.50M
Trenton, NJ	-1.17M	-0.06M

Source: NAR analysis of CoStar data

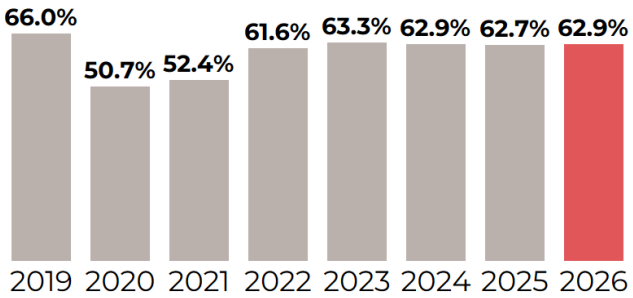
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Hotel

Occupancy rate in the last 12 months: 62.9%
Average daily rate in the last 12 months: $165/room
Revenue per available room in the last 12 months: $104/room

The hospitality sector remained broadly stable in August 2026, with occupancy at 62.9%, 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 $165 in August, up 25% from March 2020, while RevPAR rose to $104, a 25% increase over the same period despite occupancy remaining below pre-pandemic levels.

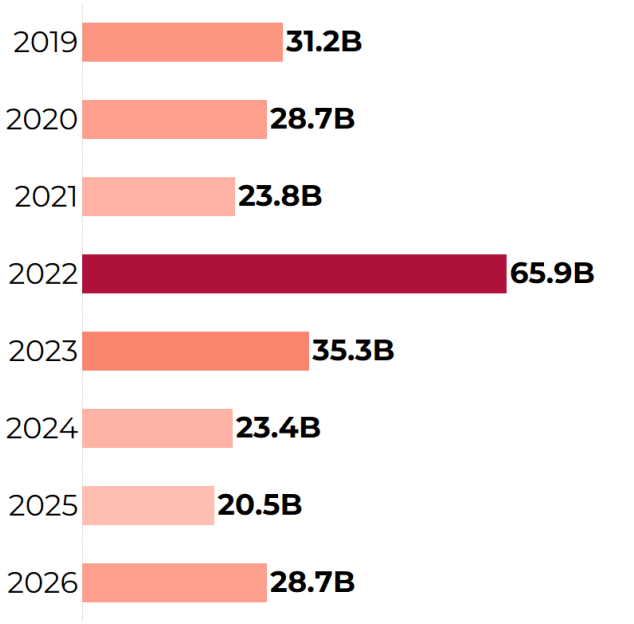
12-month ADR and RevPAR in August

	Average daily rate	Revenue per available room
2019	$131	$87
2020	$117	$59
2021	$113	$59
2022	$144	$89
2023	$155	$98
2024	$158	$100
2025	$160	$101
2026	$165	$104

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 $28.7 billion in August 2026 from $20.5 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 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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