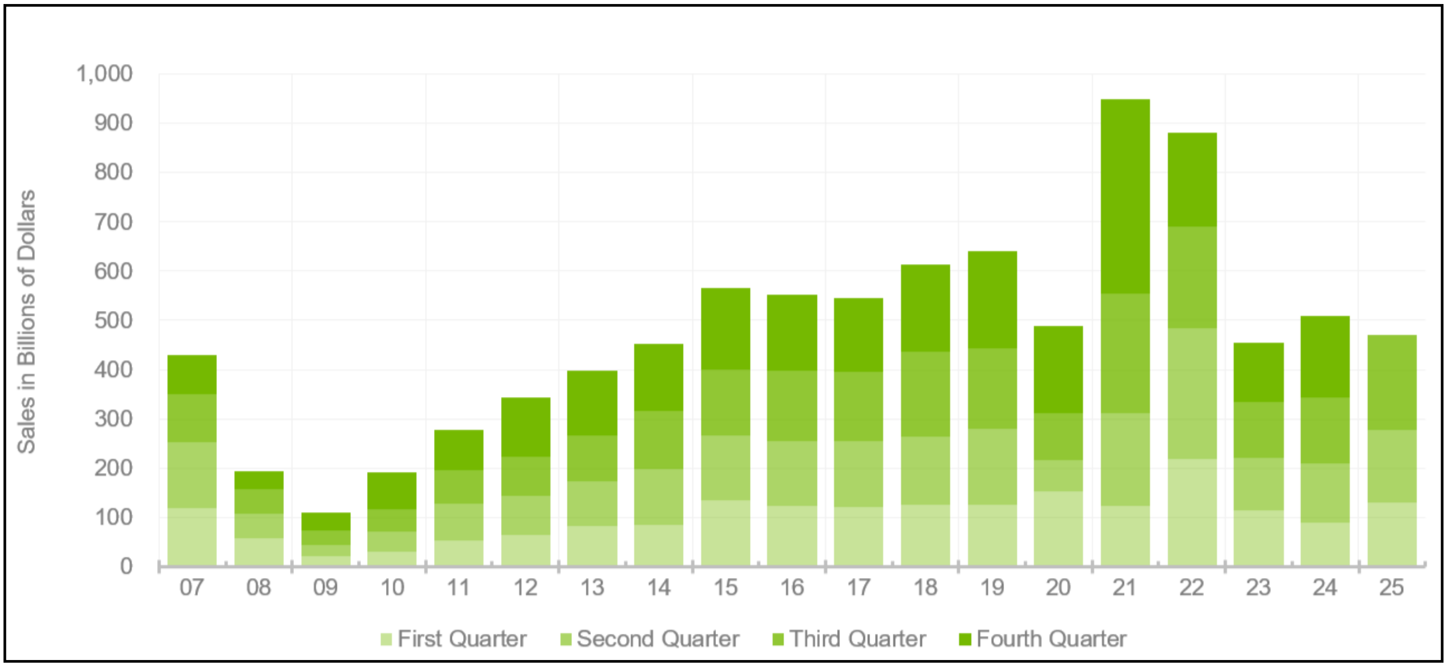
2026 OUTLOOK REPORT

ACTIVITY IS UP –
BUT TRANSACTION VOLUME NOT SO MUCH

Exhibit 1: Commercial Real Estate Sales Volume



Note: Includes Multifamily, Office, Retail, Industrial, and Hotel
Source: CoStar, November 2025.

EXECUTIVE SUMMARY

Investor and user interest levels have increased, but that hasn't translated into higher transaction volume. Barriers such as tariffs, interest rates, and elevated construction costs continue to present challenges to completing transactions. Sellers are not budging on price, especially if they have little debt and expect to have rent upside as quality tenants that pay top dollar are abundant. Owner/users will pay premiums or engage in bidding wars to secure space for growth.

Coldwell Banker Commercial® brand markets with strong population growth and marginal wage increases have seen prices go up significantly for small spaces across retail, office and industrial asset classes. Land transaction activity is elevated as developers bank sites for future residential development projects. They are competing with a wave of data center developers who require specific zoning and infrastructure requirements as well as large logistics users.

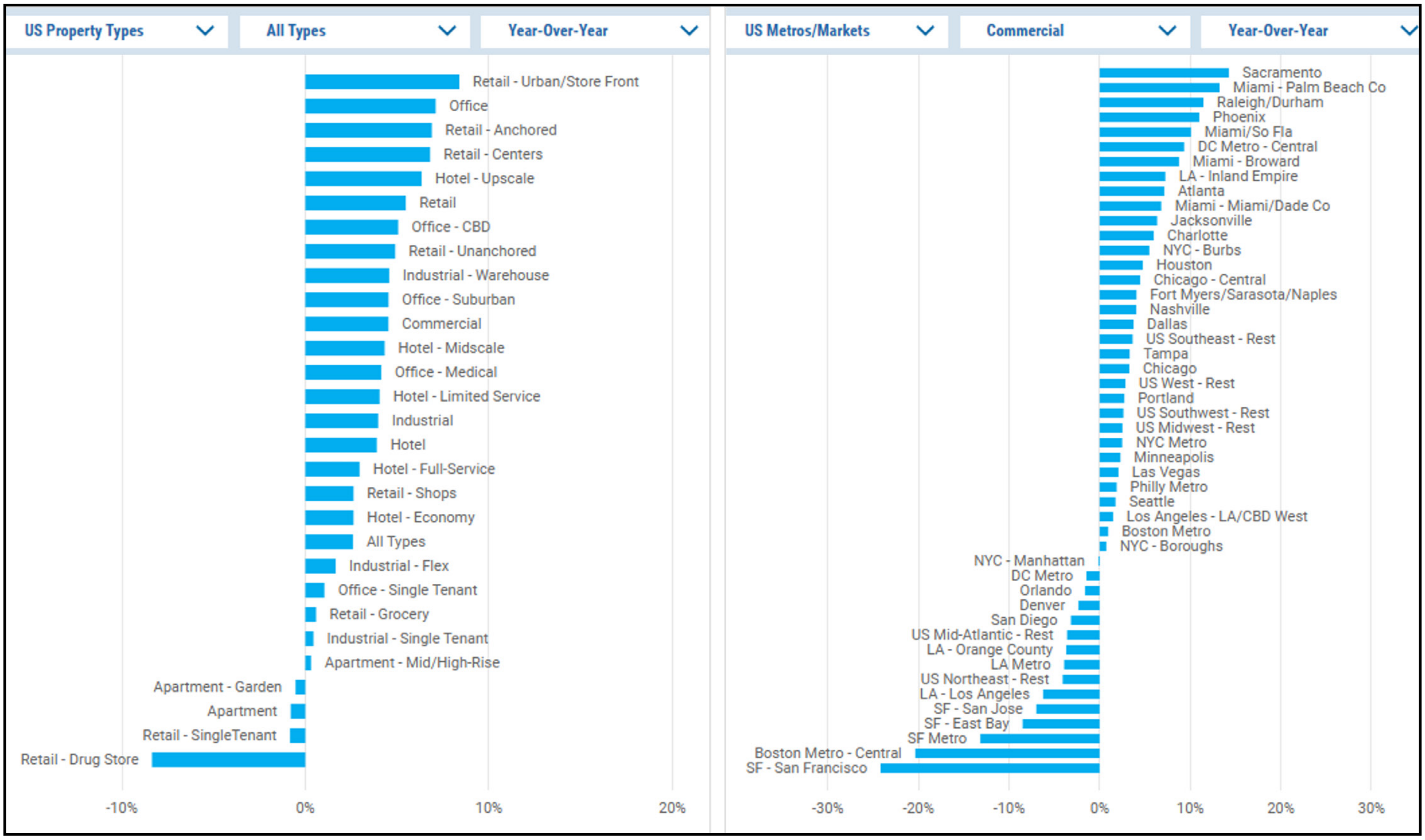
Unemployment ticked up slightly to 4.4% as of November 2025, which is the highest rate in nearly four years, according to the U.S. Bureau of Labor Statistics. Although consumer spending has remained strong, the University of Michigan Consumer Sentiment survey* shows that consumer confidence in November 2025 fell from October, which could be attributed to high personal debt and rising costs from persistent inflation.

**Each month, the University of Michigan conducts a minimum of 500 phone interviews across the U.S. The survey asks 50 core questions and covers three areas: personal finances, business conditions, and buying conditions.*

Total U.S. commercial real estate volume was $385.7 billion through October 2025, up 13% year-over-year. Development sites, office, retail and senior housing were the best performing assets while multifamily and industrial lagged behind, according to MSCI Real Assets data through October 2025.

Nationwide, average cap rates are lowest for multifamily properties at 5.6%, according to Real Capital Analytics data through October 2025. Industrial rates were 80 bps higher at 6.4% while office rates were the highest among major asset classes at 7.5%.

Exhibit 2: YOY % Change in Price (through 3Q25), by Sector and Market



Source: Real Capital Analytics (RCA).

COLDWELL BANKER COMMERCIAL® MARKET SENTIMENT

While activity is up in most Coldwell Banker Commercial® markets, transaction volume has lagged as buyers and sellers proceed cautiously. The driving factors are regional – local economies backed by an influx of new people and new businesses emerged as a catalyst for growth. The East Coast, South, Great Lakes and Mountain regions are among the strongest markets heading into 2026 – buyers have moved past tariffs and interest rates and want to make the numbers work. A general lack of inventory across all sectors has helped property owners hold steady on pricing.

Coldwell Banker Commercial® markets that are highly dependent on large industrial and office buildings are seeing buyers dictate terms because they are oversupplied. Demand for large spaces has declined due to two key trends: (1) industrial companies are favoring smaller warehouses amid uncertainty over how tariffs will affect long-term needs; and (2) big corporations are decentralizing into regional offices, reducing the need for large-format spaces. Sellers in these markets are lowering prices while landlords are taking loss leaders and giving significant rent reductions to keep tenants in the space. Markets that are able to convert large-scale properties are seeing better activity.

According to the Coldwell Banker Commercial® Broker Sentiment Survey (conducted from October to November 2025, with 65 respondents), our affiliated professionals expect cap rates to hold steady over the next six months. Professionals in coastal markets project that cap rates will increase over the next six months while brokers in smaller markets with strong job growth expect cap rates to compress.

FINANCING

Coldwell Banker Commercial® professionals across the country are seeing bank lending ease for owner/users, good shopping centers, and buildings with full occupancy. Lending for new construction, restaurants and small businesses remains tight. Some landlords are collateralizing their retail and multifamily portfolios to support the office portion that lags behind in terms of occupancy and rents.

Buyers in most markets are asking for seller financing, accelerating a trend that ticked up when interest rates spiked and investors sought alternative sources of capital. Seller financing has enabled transactions to close, especially for long-time owners seeking liquidity. Properties in some of the largest Coldwell Banker Commercial® markets are being financed by private equity, ultra-high-net-worth individuals, and developers.

SALES TRENDS

Across the country, there is a wide and deep buyer pool driven by 1031 exchanges, owner/users, private investor groups, homebuilders and high-net-worth investors. Recent tax law changes allowing bonus depreciation reversed the prior phase-down schedule and enabled business owners and investors to accelerate purchases of property and equipment.

Buyers have sought properties in neighborhoods with high wages and strong population growth, which could support higher rents and new development. Desirable property types include small office, medical, neighborhood retail, drive-thrus, auto maintenance, residential land, and land at intersections.

Overall vacancies are decreasing and rents have bottomed, particularly for office space, so expect cap rates to compress modestly from here and property prices to rise. While substantial cash remains on the sidelines, an increasing number of buyers are stepping in and making purchases now — either replacing tenants or redeveloping properties to maximize returns.

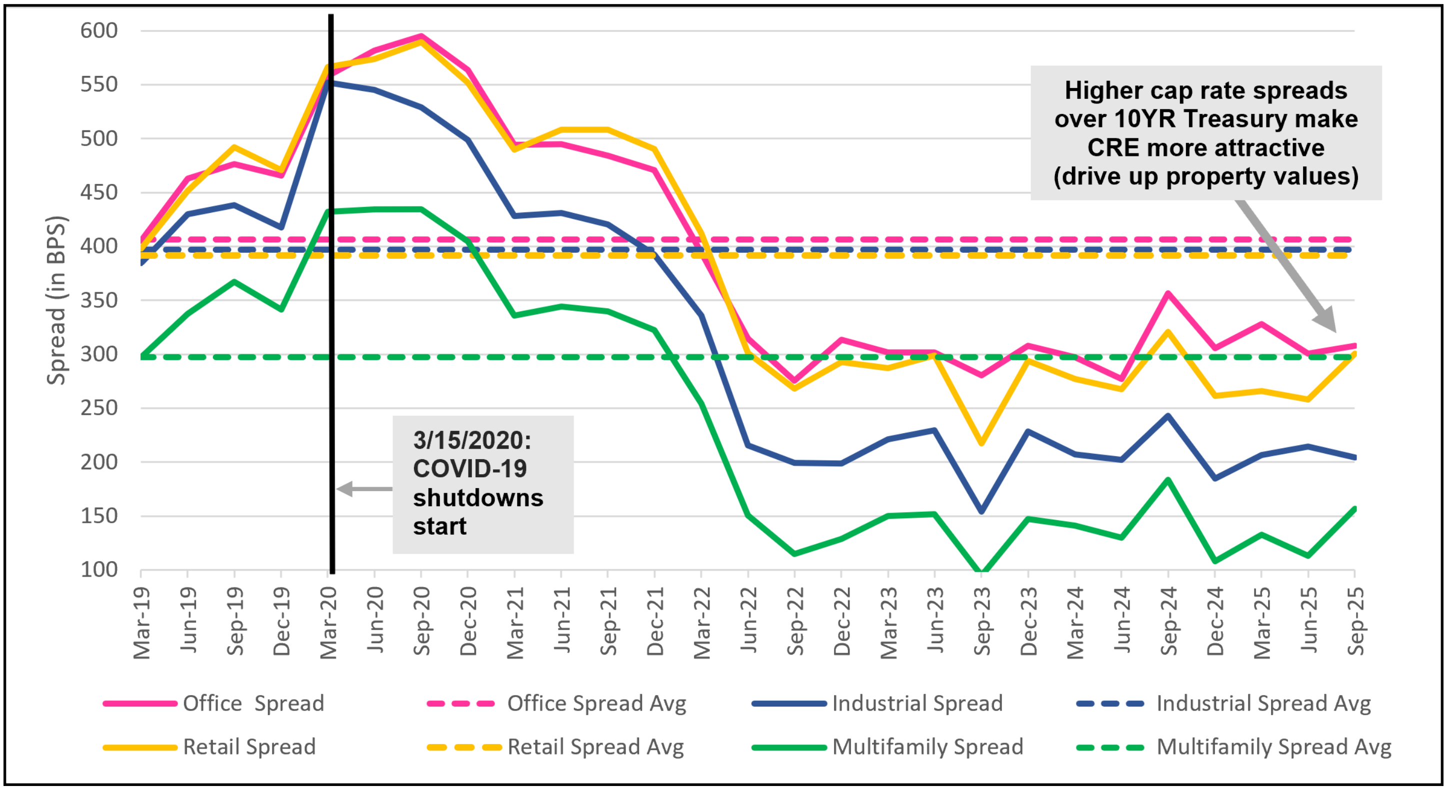
Exhibit 3: Cap Rates – CBC Markets vs US Average

CAP RATES – CBC MARKETS vs U.S. AVERAGE						
	Bank % Down Pmt	Bank % Interest	Office Cap Rates	Industrial Cap Rates	Retail Cap Rates	Multifamily Cap Rates
CBC AVG (18-Nov-25)	30%	6.81%	6.86%	7.23%	6.18%	5.66%
U.S. AVG			7.16%	6.13%	7.09%	5.65%
CBC AVG (30-May-25)	28%	6.96%	7.11%	6.82%	6.78%	5.96%
U.S. AVG			7.73%	6.59%	6.93%	5.60%
Change in BPS	230 bps	-15 bps	-25 bps	40 bps	-60 bps	-30 bps

Source: CBC Research; CBC Broker Sentiment Survey; RCA data through November 2025 for U.S. Averages.

Cap rates vary widely by market and product type. Over the last six months, cap rates have generally dropped: retail -60 bps; multifamily -30 bps; office -25 bps (per the CBC Broker Sentiment Survey). Following the pullback for large spaces, industrial cap rates have increased 40 bps. As cap rate spreads widen, expect CRE to remain an attractive investment.

Exhibit 4: Cap Rate Spread Over 10YR Treasuries, By Sector



Source: CBC Research, RCA, Federal Reserve through November 2025.

Refinancing properties with high vacancy is challenging in today's interest rate environment. While $957 billion in commercial real estate loans were set to mature in 2025, a 3% increase year-over-year (according to the Mortgage Bankers Association), distressed asset sales have been minimal. Banks and lenders have worked with owners to keep them in good standing. Refinancing could be the catalyst to trigger a wave of sales in many markets, as owners facing maturities are now looking at rates 150-200 bps higher than their existing loans and may need to inject additional equity.

LEASING TRENDS

Small spaces are highly coveted across property types. Retail, office and industrial landlords have been able to set pricing and offer hardly any concessions due to limited availability. Doctors, dentists, medspas, satellite offices, professional services and coffee shops are active and expanding. There is little new development due to high construction costs.

For large buildings, there are fewer companies willing to sign long-term leases; those that do are looking for premium amenities. To keep existing tenants, landlords have been aggressively lowering rents in exchange for extending the lease. Turnkey space such as office suites show tenants that landlords are willing to invest in their properties, but additional concessions such as free rent, TI and buildout allowances are still needed in most markets where vacancies remain elevated above pre-pandemic levels. In many major markets, the suburbs are faring better than downtown districts. In general, leasing activity has been strongest in the South and Midwest markets.

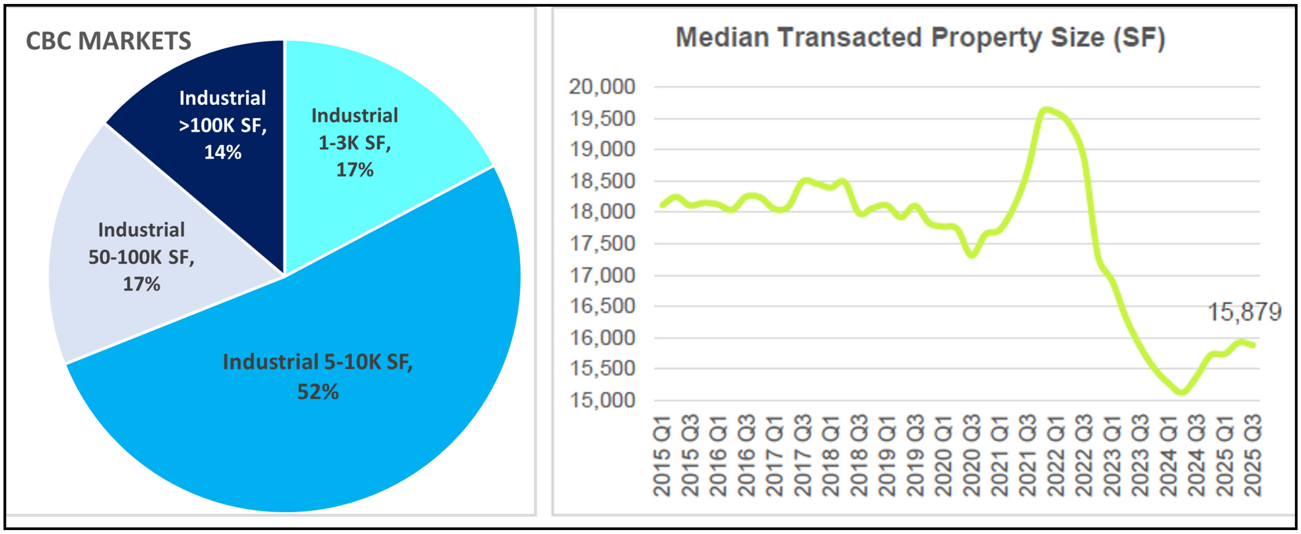
INDUSTRIAL SECTOR

Industrial development has slowed, with many projects on hold due to a combination of factors – including steep borrowing and construction costs and a growing preference for smaller flex spaces. In coastal markets, tariffs have dampened short-term demand. The slowdown at the ports created a ripple effect across industries that rely on logistics and distribution, reducing the need for services like trucking. Demand for data centers has accelerated, but the availability of industrial-zoned land with enough power supply is limited. Some municipalities have responded by restricting data center construction.

Demand is bifurcated – vacancies in large spaces (100K+ SF) have climbed while spaces under 25K SF are moving well and command higher rents year-over-year. Exceptions are markets where data centers and third-party logistics providers are actively expanding. Large warehouses (100K to 200K SF) are increasingly being repurposed for a variety of retail and office uses such as pickleball courts, climbing gyms, soccer clubs, hockey rinks, laboratories, medical clinics, indoor playgrounds, daycares, and high-end furniture showrooms. Buildings between 500K to 1M SF often need to be subdivided, as tenants that once occupied several hundred thousand square feet are now downsizing to just a few thousand.

Small industrial spaces (3K to 25K SF) are in extremely short supply, pushing prices higher and giving landlords the leverage to set terms and choose the best tenants. Much of the demand comes from businesses that started small, expanded, and now want to own or double their footprint, such as homebuilders, roofers, plumbers, and electricians.

Exhibit 5: Industrial Product Generating The Most Demand



Source: CBC Broker Sentiment Survey *Source: Altus Group Research*

LAND - DEVELOPERS & LAND BANKING

Land activity is strong, with residential land sales rising across most Coldwell Banker Commercial® markets. Growth is driven by developers focused on single-family homes, medium-density duplexes, and high-rise projects targeting the upper-middle-class segment. Demand for industrial land is surging in markets where data centers and big logistics operators are expanding. Developers are actively pursuing sites that can accommodate 1M+ SF facilities with sufficient power capacity, as companies like Amazon often engage in bidding wars to secure space for infrastructure growth. Suitable land for large-scale warehouses is extremely limited.

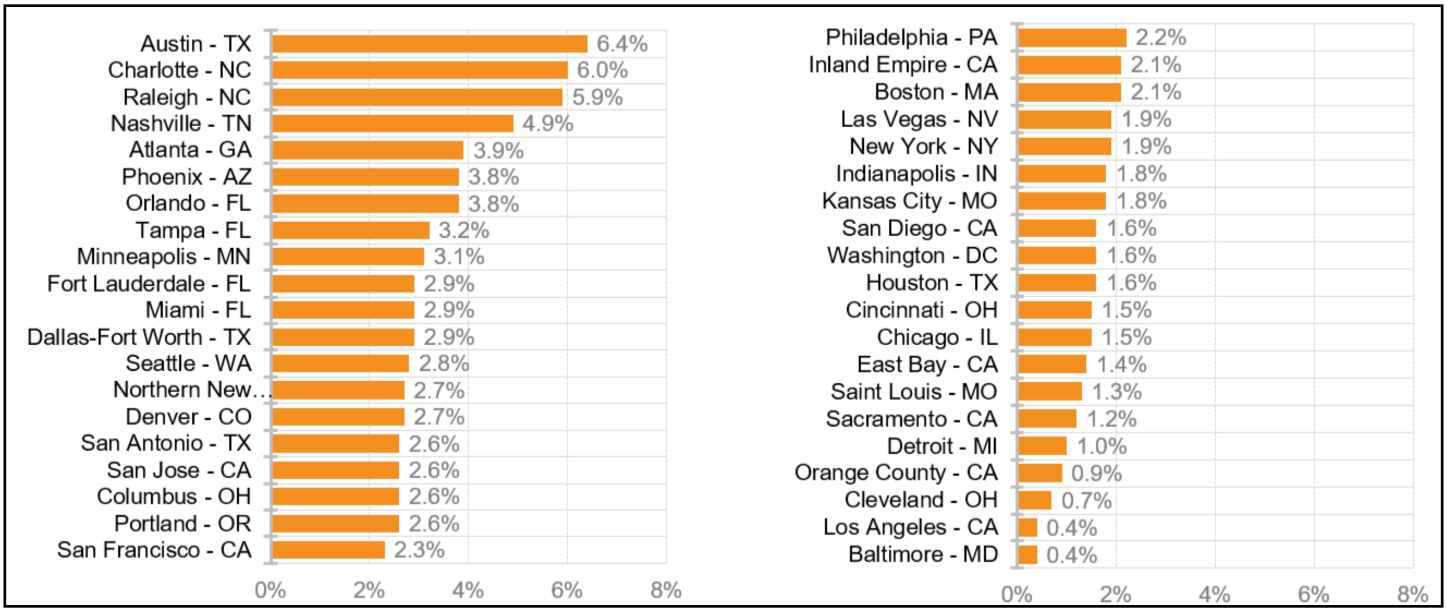
Other sizeable land deals are being driven by owner/users such as medical groups and hotels looking for new facilities. Land banking has become more prevalent across our markets, with homebuilders, data centers, retail developers, and private equity investors buying hundreds of acres of land with plans to build over the next 2-5 years. The expectation is that land activity will keep momentum going in 2026.

MULTIFAMILY SECTOR

Multifamily investors have slowly returned, but rents have plateaued in many markets as affordability and job uncertainty present challenges for tenants. This impact is most pronounced in the luxury segment; however job and wage growth are essential to support higher rates over the long term. Investors that were sidelined by high interest rates are looking for opportunistic acquisitions, although many long-term owners have not reduced pricing and do not have large debt burdens that would force them to dispose of assets.

Construction has increased for single-family starter homes, townhomes, and build-to-rent communities. Multifamily development follows with medium-density duplexes, garden-style apartments, and buildings that cater to households in between affordable and luxury. Developers are focused on neighborhoods that can support high rents to offset today's elevated construction costs – significant rate cuts would greatly boost multifamily activity. Meanwhile, affordable housing remains strong, supported by low-income tax credits that make these projects work.

EXHIBIT 6: Multifamily Net Absorption as a Percent of Inventory (12mo) – Top Markets



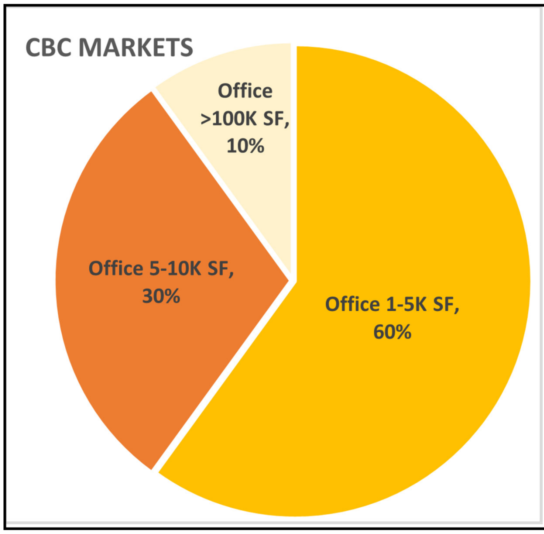
Source: CoStar, November 2025.

Small offices (under 10K SF) are in high demand as professional services and medical practices expand, while large occupiers continue to downsize. Many companies are also adopting a regional strategy – moving offices from central business districts to smaller suburban locations. Landlords in this size range are offering minimal concessions and achieving higher rents.

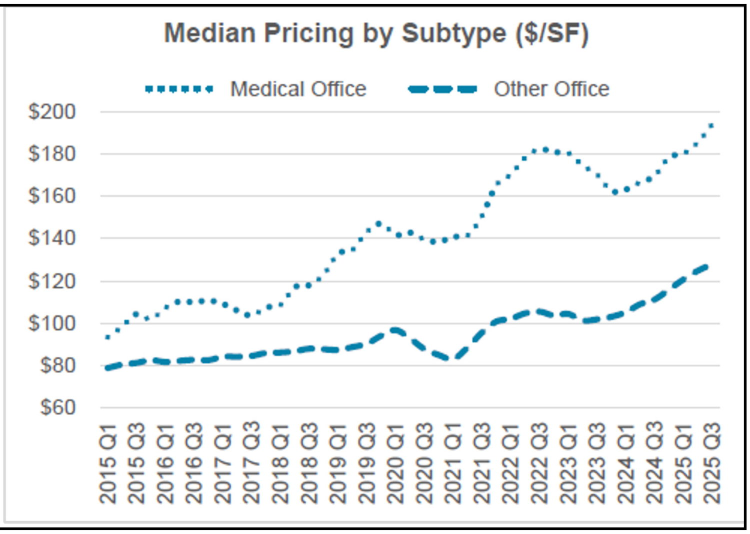
For some Coldwell Banker Commercial® markets, big office demand is starting to come back as companies mandate a return to the workplace. Class A properties are attracting the most interest, as tenants want to move into buildings that offer premium amenities. However, oversupply continues to pressure pricing, prompting sellers to cut prices by 20–30% and invest in upgrades. To fill vacancies and avoid loan defaults, many landlords are offering aggressive concessions – such as free rent, buildout allowances, turnkey spaces, and cosmetic improvements.

In larger Coldwell Banker Commercial® markets, conversions play a critical role, with offices being repurposed into multifamily housing and medical centers wherever feasible – funded largely by hospital systems and private equity groups. Well located multifamily conversions are filling up with empty nesters that want to stay in the area and workforce housing programs. For office buildings that cannot be converted, vacancies remain elevated. Developers and private equity firms are purchasing these properties at deep discounts, renovating them, and reducing rents by 30–40% to capture most of the tenants in the market.

EXHIBIT 7: Office Product Generating the Most Demand



Source: CBC Broker Sentiment Survey



Source: Altus Group Research

RETAIL SECTOR

Activity in smaller retail spaces has picked up, driven by grab-and-go concepts such as coffee shops, fast-food outlets, and convenience stores. Grocery-anchored shopping centers and medical offices in retail spaces have boosted property values and spurred new development. However, vacancies remain high for malls and big-box stores. Malls continue to be transformed into mixed-use communities with apartments, fitness centers, self-storage, entertainment and other nontraditional uses. Restaurants are looking for financing to offset rising costs driven by new minimum wage laws. These added expenses have stalled expansion plans and, in some cases, forced closures.

Retail rents are high and rising in many urban areas because there's not enough supply to meet demand. Strip centers are adapting to include doctors and medspas, reflecting growing demand from the health and wellness sector. Additional momentum is coming from fitness concepts and experiential retail, including recreational sports and entertainment venues. These trends are expected to remain robust through 2026.

MARKET OUTLOOK

Heading into 2026, optimism is growing that market fundamentals have strengthened. Much of the uncertainty tied to elevated interest rates, tariffs, construction and labor costs, elections, and lingering pandemic effects has been absorbed by investors. Still, economic uncertainty is prompting investors to proceed cautiously. On a positive note, wages have outpaced inflation for the past two years, providing some support for spending and overall economic stability.

Activity picked up considerably in the second half of 2025, though this has yet to translate into higher transaction volume. While buyers and sellers are hesitant to push deals forward without a clear catalyst, sentiment remains optimistic for 2026: interest rates may decline; lending conditions should improve; and small economic improvements would support outsized gains. Buyers increasingly recognize that pricing for multifamily, industrial, and retail assets is unlikely to fall further – particularly with interest rates remaining above historic lows.

CONCLUSION

Transaction volumes are expected to increase in 2026, but long-term investors who are less susceptible to economic swings may hold properties longer while investors who held out for lower interest rates may delay action while near-term market fundamentals strengthen. Markets that are not oversupplied should continue to see strong growth because consumers are still spending and investors are abundant and aggressively looking for deals. Markets that rely on industrial and multifamily development should see activity return as interest rates drop.

Jane Thorn Leeson is Director of Research at Coldwell Banker Commercial.
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