July 2026

Commercial Real Estate Market Insights Report

NATIONAL ASSOCIATION OF REALTORS®

Commercial Real Estate

An Overview

The U.S. economy continued to grow in June, but at a slower pace. Job creation moderated, inflation eased, and the labor market remained resilient with unemployment near historic lows. At the same time, interest rates stayed elevated as the Federal Reserve left policy unchanged, keeping financing costs high for commercial real estate. The result is a mixed economic environment that continues to support demand for commercial properties in many markets while making new investment and development decisions more challenging in others.

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

The **office** market moved into a more constructive phase in Q2, with annual demand turning positive after nearly four years of occupancy losses. Stronger absorption helped reduce vacancy and supported firmer rent growth, though the sector remains early in its adjustment and availability is still elevated. Class A continued to lead leasing, Class B posted its first quarterly gain in 4.5 years but remained negative on an annual basis, and Class C losses narrowed while tenant move-outs persisted.

The **multifamily** market remained resilient in June, with demand still above long-term norms despite moderating from last year. Slower deliveries narrowed the supply-demand gap, helping vacancy edge lower and rent growth improve modestly, though excess inventory continued to constrain pricing power. Class A showed the clearest stabilization, Class B fundamentals remained softer but improved, and Class C retained the lowest vacancy and strongest rent growth despite continued move-outs.

The **retail** sector remained comparatively resilient in June, with stronger absorption signaling broader improvement across property formats. Continued deliveries and limited inventory removal placed modest upward pressure on vacancy, while rent growth moderated but still outpaced other major property types. General retail continued to lead demand and maintained the lowest vacancy, while Neighborhood Centers, Malls, and Power Centers all returned to positive absorption.

The **industrial** market continued to rebalance in June, with demand improving substantially and the supply-demand gap narrowing as the sector worked through excess inventory. Completions still exceeded leasing, keeping vacancy elevated and rent growth restrained despite stronger absorption. Logistics remained the primary source of demand, specialized facilities showed selective strength, and flex continued to underperform with ongoing tenant move-outs.

Hospitality conditions remained broadly stable in June, though occupancy continued to lag pre-pandemic benchmarks as remote work and softer corporate travel weighed on business-oriented markets. ADR and RevPAR remained well above 2019 levels, supporting operating performance despite weaker occupancy. Investment activity stayed limited as elevated financing costs and economic uncertainty continued to restrain investor demand.

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Economy

Job growth (June 2026 compared to March 2020):5.4%
Inflation (June 2026): 3.5%
Gross Domestic Product Q1 2026: 2.1%

Payroll Growth Slows in June

Total nonfarm payroll employment increased by 57,000 in June, down from revised gains of 129,000 in May and 148,000 in April, but broadly consistent with the 36,000 average monthly increase over the prior 12 months. Professional and business services added 36,000 jobs, social assistance gained 25,000, and health care added 22,000. Leisure and hospitality lost 61,000 jobs amid weaker seasonal hiring, while most other major industries changed little. Revisions reduced April and May payroll gains by a combined 74,000. Average hourly earnings rose 0.3% to $37.64 and were up 3.5% over the year.

The unemployment rate changed little at 4.2%, with 7.1 million people unemployed. Long-term unemployment held at 1.9 million but remained 286,000 higher than a year earlier, accounting for 27.3% of all unemployed workers. Overall, the report points to slower labor market momentum, with limited payroll growth, declining participation, and continued wage gains.

Number of Jobs

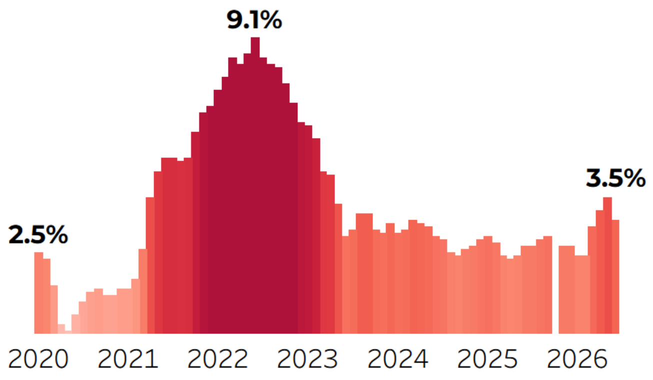
March 2020	**150.9 million**
June 2025	**158.5 million**
June 2026	**159.0 million**

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

Inflation Falls to 3.5% in June

Consumer prices declined 0.4% in June, reversing May's 0.5% increase and marking the largest monthly decrease since April 2020. The annual inflation rate slowed to 3.5% from 4.2%. Energy prices fell 5.7% and drove the monthly decline, more than offsetting increases in food and shelter, while food prices rose 0.2%. Core CPI was unchanged in June and increased 2.6% over the year, pointing to further moderation in underlying price 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 steady at a target range of 3.5% to 3.75% at its June meeting while continuing to evaluate incoming economic data. The 10-year Treasury yield remained at 4.47%, reflecting renewed market uncertainty amid geopolitical conditions. Elevated long-term yields indicate that external risks and investor sentiment continue to influence borrowing conditions alongside monetary policy. As a result, financial conditions remain restrictive, offering limited near-term relief for commercial real estate financing costs.

GDP Growth Revised Higher in the final estimate of the 1st Quarter

Real GDP increased at a 2.1% annual rate in Q1 2026, revised up from 1.6% and well above the 0.5% gain in Q4 2025. The revision primarily reflected lower imports, partly offset by weaker consumer spending. Growth was supported by investment, exports, government spending, and consumer spending, while higher imports continued to weigh on growth. Underlying private demand moderated, with real final sales to private domestic purchasers rising 1.7%. Inflation pressures remained elevated, with PCE prices up 4.6% and core PCE up 4.4%.

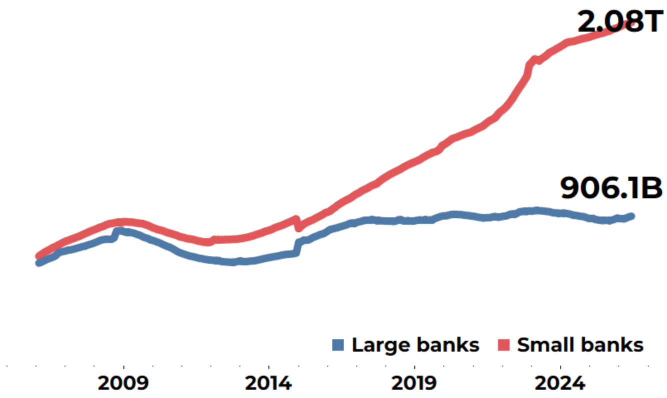
Commercial Real Estate Lending

CRE loans (June 2026): $3.11 trillion
Delinquency rate of CRE loans (Q1 2026): 1.58%

CRE debt stayed at $3 trillion in June
Commercial real estate debt continued to rise in June, reaching about $3.11 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, smaller domestic banks continued to drive CRE lending growth, with balances increasing to about $2.08 trillion in June 2026. Large U.S. banks also continued to expand their CRE exposure, with loan balances rising to roughly $906.1 billion, though at a slower pace than smaller lenders.

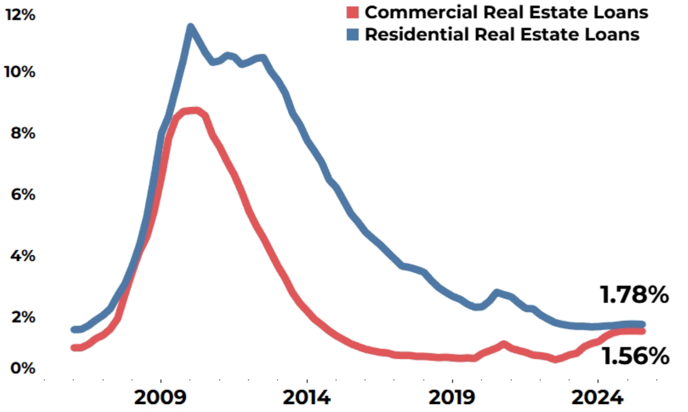
Commercial Real Estate Debt for Small and Large Banks (June 2026)



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

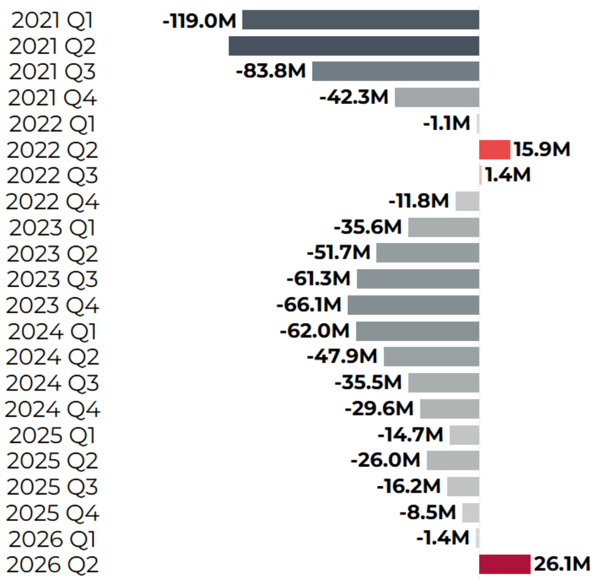
Net absorption in the last 12 months: 26.1 million sq. ft.
Rent growth in the last 12 months: 1.7%
Cap rate: 8.8%

With Q2 complete, the office market entered a more constructive phase, posting its first positive annual net absorption in nearly 4 years. Net absorption 12 Mo reached 26.1M sq. ft., marking a clear shift from the prolonged period of tenant losses, although the sector remains early in its adjustment. Stronger demand reduced vacancy to 13.8% and lifted rent growth to 1.7%.

Class A remained the main source of office demand, absorbing 10.1M SF in Q2 and lifting annual net absorption to 34.3M SF from -0.4M SF a year earlier. Vacancy improved to 19.7%, while rent growth rose to 1.5%. Class B posted 5.0M SF of absorption in Q2, its first quarterly gain in 4.5 years, but the rebound was not enough to offset earlier losses, leaving annual net absorption at -4.8M SF. Combined with 13.2M SF of inventory removal, this lowered vacancy to 12.5% and raised rent growth to 1.9%. Class C continued to lose tenants, with 3.0M SF vacated over 12 months, down from 7.0M SF a year earlier.

At the metro level, Q2 vacancy was lowest in Davenport, IA, at 1.5%, while San Francisco recorded the highest rate at 20.7%.

Net Absorption 12 Mo in sq. ft.



Top 10 areas with the lowest Vacancy Rates

	2026 Q2	2025 Q2
Davenport, IA	1.55%	2.81%
Gulfport-Biloxi-Pascagoula, MS	1.74%	1.95%
Huntington, WV	1.76%	1.85%
Myrtle Beach, SC	1.85%	2.15%
Lafayette, LA	1.97%	1.99%
Asheville, NC	2.22%	3.22%
Spartanburg, SC	2.44%	3.37%
Hickory, NC	2.61%	2.11%
Wilmington, NC	2.65%	2.06%
Savannah, GA	2.70%	2.37%

Top 10 areas with the highest Vacancy Rate

	2026 Q2	2025 Q2
San Francisco, CA	20.69%	22.83%
Houston, TX	19.55%	20.01%
Denver, CO	18.08%	18.22%
Washington, DC	17.28%	17.69%
Dallas-Fort Worth, TX	17.19%	18.25%
Seattle, WA	17.01%	16.95%
Chicago, IL	16.86%	17.20%
Los Angeles, CA	16.57%	16.44%
Atlanta, GA	16.41%	16.84%
Phoenix, AZ	15.73%	16.77%

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 449,475 units
Rent growth in the last 12 months: 0.8%
Cap rate: 6.2%

The multifamily sector maintained steady demand in June, with activity remaining above long-term norms despite moderating from last year. Over the past 12 months, absorption was 13% below the prior-year level but still exceeded the 10-year median. Deliveries declined 25% and now surpass absorption by only 3%. Vacancy edged down to 8.2%, while rent growth improved to 0.8% as the sector continued to digest excess inventory that constrained pricing power.

Class A recorded 167,800 units of 12-month absorption in June, 27% below a year earlier. However, with demand exceeding deliveries by 34%, conditions continued to stabilize gradually. Vacancy fell by 1.6% to 9.4%, while rent growth increased to 0.8%. Class B absorbed 304,000 units, just 3% below last year, as vacancy eased slightly to 9.5% and rent growth improved modestly to 0.6%, reflecting softer mid-tier fundamentals. Class C remained in negative absorption but posted the strongest rent growth at 1.0% and lowest vacancy rate at 6.3%.

National rent growth remained restrained at 0.8% in June, as excess inventory continued to pressure several Sun Belt markets. Sarasota and Fort Myers, FL, San Antonio, TX, and Asheville, NC recorded the steepest declines, with rents falling more than 3%. San Francisco, CA led all markets with 10.6% rent growth, followed by San Jose, CA at 6.6%, both substantially above the national rate.

Major urban markets remained the primary source 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 strength highlights continued resilience across large population centers. Winston-Salem, NC, by contrast, recorded net move-outs of more than 190 units.

Top 10 areas with the strongest 12-month absorption

	2026 Q2	2025 Q2
New York, NY	31,819	28,804
Dallas-Fort Worth, TX	26,179	25,689
Phoenix, AZ	21,599	16,698
Austin, TX	19,549	20,915
Atlanta, GA	18,990	20,542
Charlotte, NC	14,190	14,546
Denver, CO	11,399	8,984
Orlando, FL	9,982	10,428
Houston, TX	9,316	13,596
Boston, MA	8,747	5,429

Top 10 areas with steepest 12 Mo rent rises

	2026 Q2	2025 Q2
San Francisco, CA	10.63%	5.00%
San Jose, CA	6.64%	2.99%
Norfolk, VA	5.18%	2.82%
Rockford, IL	4.64%	5.19%
Fort Wayne, IN	4.17%	2.46%
Youngstown, OH	4.16%	3.67%
Reno, NV	4.04%	3.09%
Peoria, IL	3.95%	2.76%
Boise, ID	3.56%	1.28%
Albany, NY	3.55%	2.73%

Source: NAR analysis of CoStar data

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Retail

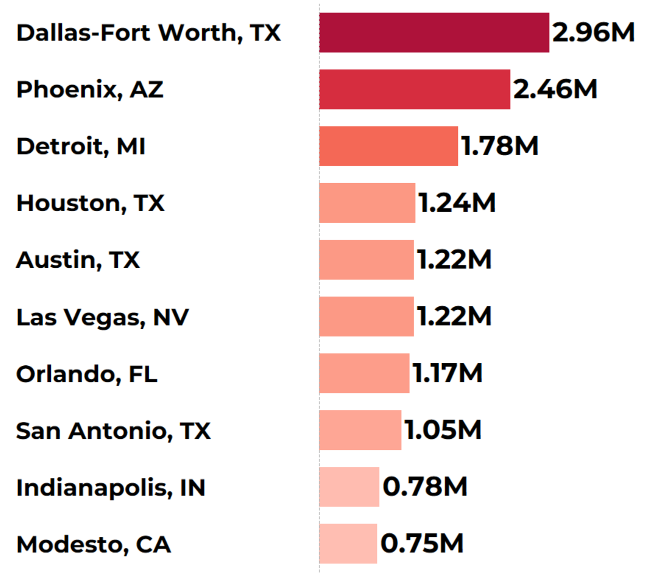
Net absorption in the last 12 months: 20.1 million sq. ft.
Rent growth in the last 12 months: 1.7%
Cap rate: 7.4%

Retail activity expanded strongly from 2014 through 2017, although e-commerce growth began to temper demand, a shift that accelerated during the pandemic. In June 2026, annual net absorption accelerated to 20.1 million square feet, while rent growth eased further to 1.7%, and vacancy edged up to 4.4%, reflecting 12-month deliveries of 31.1 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. Even with this modest upward pressure, retail fundamentals remained comparatively tight, preserving the sector's pricing advantage over other property types.

General retail continued to lead the sector, absorbing 14.8M SF over the past year, up from 11.0M SF a year earlier. Improvement was also visible across other formats, with Neighborhood Centers reversing 10.5M SF of losses to post 2.6M SF of positive absorption. Malls and Power Centers likewise returned to modest growth, each absorbing more than 300,000 SF.

General retail maintained the lowest vacancy at 2.7%, while annual rent growth was strongest in Neighborhood and Power Centers at 2.4% and 2.5%, respectively.

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

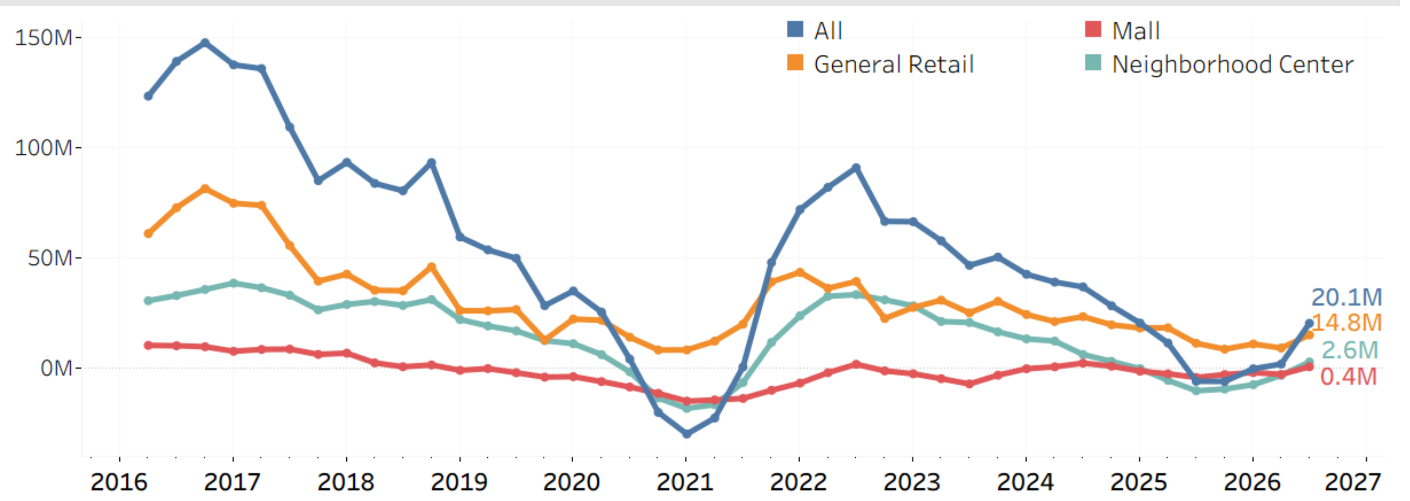


Source: NAR analysis of CoStar data

Tucson, AZ, and Charlotte, NC, posted the strongest rent growth in June, with both markets reaching 6.2%. At the other end of the spectrum, rents declined 1.8% in Pittsburgh, PA, and 1.0% in Los Angeles, CA.

Dallas-Fort Worth, TX, led retail demand by absorbing nearly 3 million square feet, while Atlanta, GA, and Boston, MA, each recorded losses of 1.0 million square feet.

Net Absorption 12 Mo by type (Q1 2016 – Q2 2026)



Source: NAR analysis of CoStar data

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Industrial

Net absorption in the last 12 months: 174.5 million sq. ft.
Rent growth in the last 12 months: 1.3%
Cap rate: 7.3%

The industrial sector continued to rebalance from its 2022 peak. Over the 12 months ending in June 2026, net absorption increased 85% year over year to 174.5 million square feet, although completions still outpaced leasing. Vacancy remained elevated at 7.5%, while rent growth slowed to 1.3%. Even so, the annual supply-demand gap narrowed from more than 300% a year ago to 30%, indicating meaningful progress as the market digests excess inventory and pricing power remains limited.

Logistics facilities continued to drive demand, accounting for 145.6M SF of annual absorption. Specialized properties added 34.1M SF, while flex space recorded 5.0M SF of net move-outs, reflecting continued softness in that segment. Rent growth varied by property type, slowing to 0.8% for specialized space, while logistics and flex rents increased 1.4% and 2.0%, respectively. Vacancy stood at 4.4% for specialized facilities, 8.3% for logistics, and 8.8% for flex.

Dallas-Fort Worth led annual industrial absorption with 28.7 million square feet, followed by Phoenix at 23.4 million square feet. By contrast, Saint Louis, MO, and Boston, MA, each posted 2.8 million square feet of net move-outs, underscoring the uneven pace of adjustment across logistics-oriented and slower-growth markets.

Rent performance also remained highly uneven across metros in June. Richmond, VA, led with annual growth of 6.1%, followed by Hagerstown, MD, at 5.8%. Los Angeles and Denver, CO, recorded declines of 4.3% and 2.4%, respectively. Vacancy ranged from 14.3% in Austin, TX, to 1.0% in Anchorage, AK, highlighting continued market-level divergence.

Top 10 areas with the strongest 12 Mo absorption

	2026 Q2	2025 Q2
Dallas-Fort Worth, TX	28.67M	25.78M
Phoenix, AZ	23.44M	14.22M
Houston, TX	18.20M	16.18M
Indianapolis, IN	15.58M	1.73M
Columbus, OH	12.75M	6.79M
Atlanta, GA	9.02M	1.86M
Chicago, IL	8.07M	2.90M
Washington, DC	7.04M	8.84M
Cincinnati, OH	7.02M	2.26M
Philadelphia, PA	6.63M	0.69M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q2	2025 Q2
Saint Louis, MO	-2.84M	3.69M
Boston, MA	-2.77M	-4.08M
Seattle, WA	-2.01M	1.28M
Portland, OR	-1.89M	1.53M
Rochester, NY	-1.76M	1.17M
South Bend, IN	-1.72M	1.31M
Lehigh Valley, PA	-1.54M	-1.04M
Trenton, NJ	-1.34M	-0.29M
Miami, FL	-1.10M	-3.20M
Brownsville-Harlingen, TX	-1.09M	0.29M

Source: NAR analysis of CoStar data

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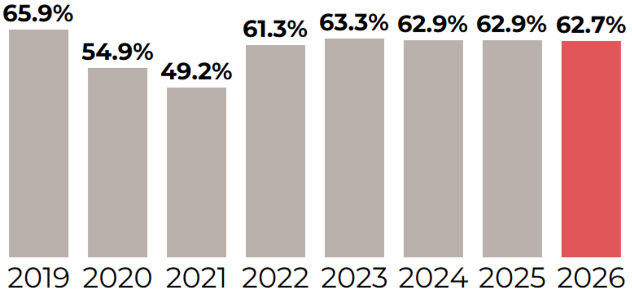
Hotel

Occupancy rate in the last 12 months: 62.7%
Average daily rate in the last 12 months: $163/room
Revenue per available room in the last 12 months: $102/room

The hospitality sector remained broadly stable in June 2026, with occupancy at 62.7%, 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 2020 levels, reflecting continued pricing resilience.

12-month Occupancy Rate in June



Hotel ADR reached $163 in June, up 25% from March 2020, while RevPAR rose to $102, a 23% increase over the same period despite occupancy remaining below pre-pandemic levels.

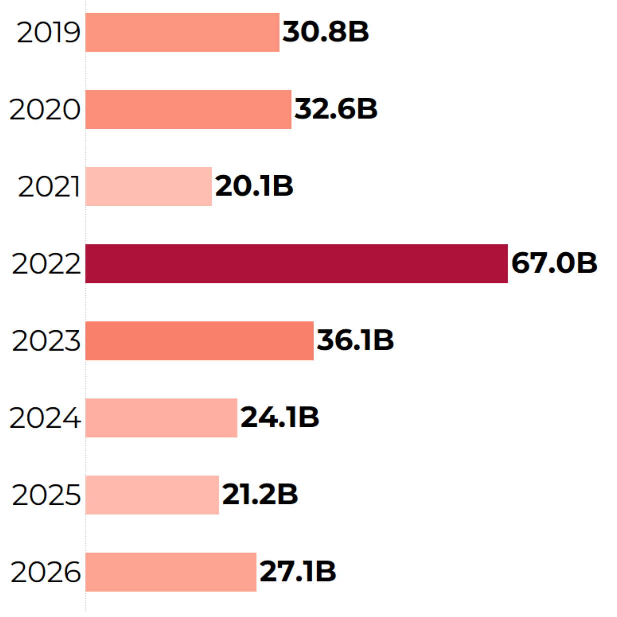
12-month ADR and RevPAR in June

	Average daily rate	Revenue per available room
2019	$131	$86
2020	$123	$68
2021	$105	$52
2022	$141	$86
2023	$154	$98
2024	$158	$99
2025	$160	$101
2026	$163	$102

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 $27.1 billion in June 2026 from $21.2 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 June



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, remained one of the strongest hospitality markets, with ADR and RevPAR more than 65% above pre-pandemic levels and occupancy elevated at 72%. Maui led the nation in pricing, with the highest ADR at $529 and RevPAR at $354, while New York City posted the strongest occupancy at 84%, supported by business and leisure demand.

In contrast, Texas West and Oakland, CA continued to lag, with RevPAR still 25.1% and 21.0% below pre-pandemic levels, respectively.

COMMERCIAL REAL ESTATE REPORT
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