March 2026

Commercial Real Estate Insights Report

NATIONAL ASSOCIATION OF REALTORS®

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Commercial Real Estate

An Overview

Economic momentum softened in February. The labor market weakened further, with job declines compared to the previous month. Inflation held at 2.4%, with shelter costs still driving pressures, though easing rent trends suggest potential easing ahead. After cutting rates late last year, the Federal Reserve has kept policy unchanged, while long-term yields remain above 4 percent, keeping financial conditions relatively tight. At the same time, economic growth slowed in the fourth quarter of 2025, indicating a loss of momentum heading into year-end.

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

The **office** market continued to stabilize gradually in February, with demand trends improving from prior lows even as overall conditions remain fragile. Vacancy stayed elevated, and concessions remain widespread, limiting effective rent gains despite a modest improvement in pricing. Class A led leasing activity while still carrying the highest vacancy, Class B experienced deeper demand softness but maintained comparatively healthier fundamentals, and Class C continued to lose tenants while retaining the tightest vacancy and relatively stronger rent performance among the tiers.

The **multifamily** market continues to reflect steady demand, though elevated supply from prior development cycles is still weighing on fundamentals, keeping vacancy elevated and rent growth subdued. Absorption has moderated from last year but remains relatively strong by historical standards, while deliveries continue to outpace demand, prolonging the supply imbalance. Conditions have softened across Class A and B properties with limited pricing power, while Class C maintains comparatively stronger rent performance despite ongoing tenant turnover. Demand remains concentrated in large urban markets, even as oversupplied Sun Belt metros continue to face pressure, leaving the recovery uneven across regions.

Retail remains the tightest sector in commercial real estate. Demand remains slightly negative and new supply is adding modest pressure, but vacancy rates are still relatively low, At the same time, rent growth continues to outperform other property types, helping maintain pricing power. General retail stands out as the most resilient segment, with the lowest vacancy, while neighborhood centers and malls face weaker demand despite selective rent strength in certain formats.

Industrial fundamentals continue to moderate following the sector's peak, with demand slowing while new supply keeps vacancy elevated and rent growth restrained. Completions still exceed leasing activity, leaving the supply-demand imbalance largely unchanged and the market in an ongoing normalization phase. Logistics properties remain the primary driver of demand, specialized facilities show selective strength, and flex space continues to face weaker conditions. Rent gains have cooled unevenly across segments, reflecting a market that is stabilizing but not yet fully rebalanced.

Hospitality performance remained stable in February 2026, with occupancy at 62.2%, still roughly 4% below pre-pandemic levels but also a percentage lower than previous years as remote work and softer corporate travel continue to weigh on major business markets. Even so, revenue fundamentals strengthened, with both ADR and RevPAR standing well above 2019 benchmarks and supporting healthy profitability. Investment activity cooled, however, as elevated borrowing costs and ongoing economic uncertainty tempered investor appetite.

Economy

Job growth (February 2026 compared to March 2020): 5.0%
Inflation (February 2026): 2.4%
Gross Domestic Product Q4 2025 (Second Estimate): 0.7%

Employment Growth Remains Subdued

February saw payroll employment decline by 92,000, partially reversing January's gains. Job losses were concentrated in health care due to strike activity, while employment in information and the federal government continued to trend downward. Social assistance posted modest gains, partially offsetting declines elsewhere. Meanwhile, the unemployment rate rose slightly to 4.4 percent, while the number of unemployed rose to 7.6 million.

The annual benchmark revision painted a notably weaker picture of 2025 overall. Total job growth for the year was revised down from 584,000 to just 181,000, reflecting downward adjustments to payroll levels throughout the year. The unemployment rate remains higher than a year earlier, and long-term unemployment has increased, signaling persistent softness in labor market conditions.

Number of Jobs

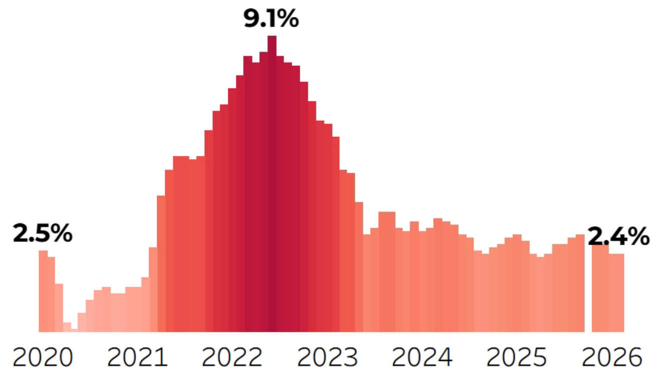
March 2020	**150.9 million**
February 2025	**158.3 million**
February 2026	**158.5 million**

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

Inflation Holds at 2.4% in February

Inflation rose 0.3 percent in February, leaving the annual rate unchanged at 2.4 percent. Shelter costs, which account for roughly 40 percent of CPI, increased 0.2 percent and remained the primary driver of monthly price gains. Private market data continues to indicate slowing rent growth, suggesting shelter inflation may ease further as these trends are reflected in official measures.

Inflation



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

The Federal Reserve Holds Rates

After cutting rates three times through December 2025, the Federal Reserve's policy rates remained unchanged in February at 3.5% to 3.75% range while assessing incoming economic data. Long-term rates have fluctuated within a narrow range above 4 percent, with the 10-year Treasury yield easing to 4.13 percent in February after rising in prior months. This limited movement reflects competing forces, as bond markets weigh the Federal Reserve's policy stance against economic uncertainty, preventing a sustained decline in yields. As a result, financial conditions remain tighter than the Fed's recent cuts alone might imply, limiting immediate relief for commercial real estate borrowing costs.

Growth Slows Further in the 4th Quarter

The second estimate shows U.S. real GDP rising at a 0.7% annual rate in Q4 2025, down sharply from 4.4% in Q3 and revised lower from the advance estimate. Consumer spending and investment continued to support growth, but declines in government spending and exports weighed on overall activity. The downward revision reflects weaker contributions from exports, consumer spending, government outlays, and investment than previously reported. Overall, the data point to a significant loss of economic momentum heading into year-end.

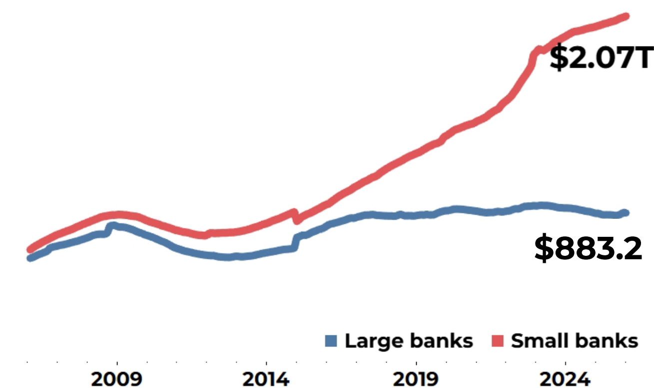
Commercial Real Estate Lending

CRE loans (February 2026): $3.08 trillion
Delinquency rate of CRE loans (Q4 2025): 1.58%

CRE debt stayed at $3 trillion in February
Commercial real estate debt continued to rise in February, reaching about $3.08 trillion and reinforcing signs of gradual stabilization after an extended period of muted growth. While borrowing conditions remain tight, recent months show a steady firming in lending activity.

By bank size, large U.S. banks began to re-expand CRE exposure, with loan balances rising to roughly $883.2 billion, rebounding from a recent low near $872 billion in September 2025. Smaller domestic banks also continued to grow their CRE portfolios, with balances climbing to about $2.07 trillion, maintaining their role as the primary source of lending growth.

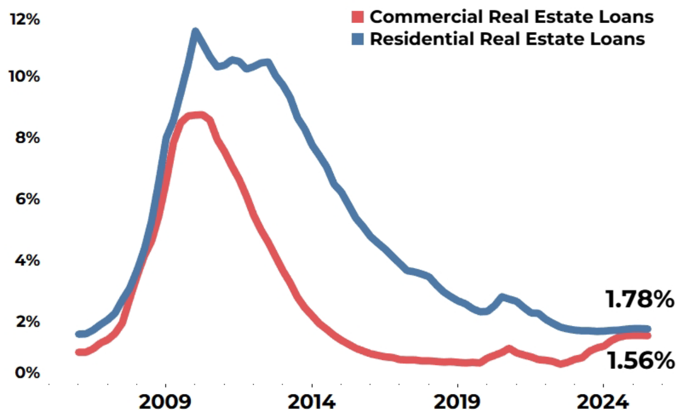
Commercial Real Estate Debt for Small and Large Banks (February 2026)



Source Federal Reserve

CRE Loan Delinquencies increase
Federal Reserve data shows that commercial real estate loan delinquencies increased slightly to 1.58% in Q4 2025 continuing nearly three years of gradual increases. This is about 0.2 percentage points below residential loan delinquency rates. For comparison, delinquencies stood at 0.72% in Q2 2022. From a longer-term perspective, CRE loan delinquencies remain historically low, consistently staying below 3.5% over the past decade.

Delinquency rates Commercial vs Residential loans (Q4 2025)



Source Federal Reserve

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Office

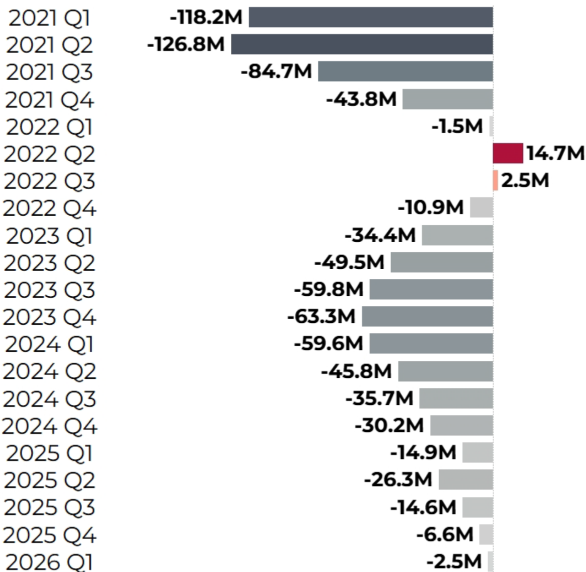
Net absorption in the last 12 months: -2.5 million sq. ft.
Rent growth in the last 12 months: 1.1%
Cap rate: 9.0%

The office sector showed continued stabilization in February. Annual net absorption remained negative at 2.5M SF but improved notably from 14.9M SF lost a year earlier, suggesting demand is gradually recovering. Vacancy held elevated at 14.0%, while rent growth edged up to 1.1%, though concessions continue to weigh on effective rents.

Class A continued to lead leasing activity, absorbing 19.4M SF over the past year, a sharp increase from 2.2M SF a year earlier. Vacancy improved to 20.1%, though it remains the highest among classes, while rent growth stayed modest at 0.9%. Class B losses deepened from 10.9M to 16.8M SF, but vacancy held lower at 12.5% and rent growth reached 1.3%, above the national average. Class C recorded 4.5M SF of tenant move-outs yet retained the lowest vacancy at 5.5% and the strongest rent growth at 1.3%.

At the metro level, Davenport, IA and Myrtle Beach, SC recorded the lowest office vacancy at 1.9%. By contrast, San Francisco posted the highest vacancy at 21.7%, followed by Houston at 19.9% in February.

Net Absorption 12 Mo in sq. ft.



Top 10 areas with the lowest Vacancy Rates

	2026 Q1	2025 Q1
Myrtle Beach, SC	1.85%	1.77%
Davenport, IA	1.90%	2.75%
Lafayette, LA	2.10%	2.49%
Gulfport-Biloxi-Pascagoula, MS	2.11%	1.91%
Hickory, NC	2.23%	2.76%
Savannah, GA	2.27%	2.27%
Huntington, WV	2.30%	1.87%
Asheville, NC	2.52%	2.56%
McAllen, TX	2.63%	3.05%
Spartanburg, SC	2.81%	2.44%

Top 10 areas with the highest Vacancy Rate

	2026 Q1	2025 Q1
San Francisco, CA	21.66%	23.60%
Houston, TX	19.87%	20.21%
Denver, CO	18.08%	17.48%
Dallas-Fort Worth, TX	18.03%	18.14%
Washington, DC	17.42%	17.25%
Chicago, IL	17.29%	16.63%
Seattle, WA	16.91%	16.42%
Austin, TX	16.72%	16.48%
Atlanta, GA	16.62%	16.86%
Phoenix, AZ	16.27%	16.77%

Source: NAR analysis of CoStar data

Multifamily

Absorption of units in the last 12 months: 393,804 units
Rent growth in the last 12 months: 0.1%
Cap rate: 6.1%

The multifamily sector continues to see steady demand, which remains above long-term norms despite some moderation from last year. Over the past 12 months, absorption declined by 27% but remained above the median of the past decade. Deliveries fell 24% yet continued to exceed absorption by 28%, extending the supply imbalance. Vacancy edged up to 8.6%, while rent growth slowed further to 0.1% as leasing activity remained subdued.

Across asset tiers, Class A recorded 12-month absorption of 180,000 units in February, a 24% decline from a year earlier. Vacancy fell by 1% to 10.2%, while rent growth turned negative at -0.3%. Even so, demand exceeded new deliveries by 13%, providing a supportive base for future improvement. Class B absorbed 268,000 units over the same period, down 16% year over year, as vacancy rose to 10.1% and rent growth slipped to -0.1%, reflecting softer conditions in the mid-tier segment. Class C continued to post net tenant losses but maintained the strongest rent growth at 0.9%.

U.S. rent growth slowed further to 0.2% in February as elevated supply continued to pressure several Sun Belt markets. Sarasota and Fort Myers, FL, recorded the largest declines, with rents falling more than 6%. In contrast, San Francisco, CA, posted the strongest growth at 6.1%, followed by Rockford, IL, at 4.5%, both well above the national average.

Large urban markets continued to lead multifamily demand, with New York City, NY, and Dallas-Fort Worth, TX each absorbing more than 20,000 units over the past year, underscoring resilient demand in major population centers. In contrast, Jackson, MS, and Little Rock, AR, recorded net move-outs of more than 200 units.

Top 10 areas with the strongest 12-month absorption

	2026 Q1	2025 Q1
New York, NY	28,177	27,098
Dallas-Fort Worth, TX	22,966	27,014
Austin, TX	19,471	20,138
Atlanta, GA	18,156	19,484
Phoenix, AZ	16,950	16,924
Charlotte, NC	12,603	13,591
Seattle, WA	8,489	12,062
Denver, CO	8,417	8,017
Philadelphia, PA	8,063	10,646
Nashville, TN	7,955	10,205

Top 10 areas with steepest 12 Mo rent rises

	2026 Q1	2025 Q1
San Francisco, CA	6.08%	3.93%
Rockford, IL	4.51%	4.28%
Honolulu, HI	4.15%	0.85%
Norfolk, VA	4.14%	2.94%
Springfield, MA	3.91%	4.91%
San Jose, CA	3.69%	2.93%
Rochester, NY	3.60%	4.45%
South Bend, IN	3.57%	6.45%
Springfield, MO	3.52%	4.01%
Lansing, MI	3.52%	3.65%

Source: NAR analysis of CoStar data

Retail

Net absorption in the last 12 months: -0.5 million sq. ft.
Rent growth in the last 12 months: 2.0%
Cap rate: 7.3%

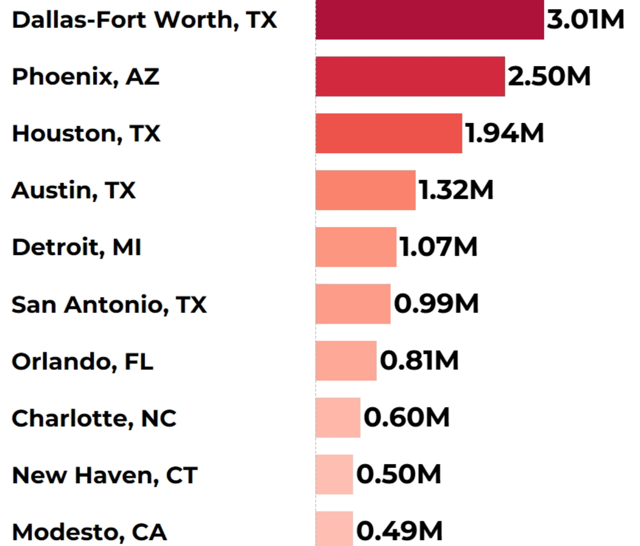
Retail expanded strongly between 2014 and 2017, though the rapid rise of e-commerce began to temper demand, a shift further reinforced during the pandemic. In February 2026, the sector recorded annual net absorption of -0.5 million square feet, while rent growth held at 2.0%, the strongest among major property types. Even as vacancy edged up to 4.4%, retail fundamentals remain comparatively tight, allowing the sector to retain a relative pricing advantage over other property types.

Retail vacancy edged up to 4.4% in February, as absorption remained negative while 12-month deliveries reached 27.9 million square feet. Continued supply additions, alongside limited inventory removal, could exert modest upward pressure on vacancy in the months ahead.

General retail remained the most resilient segment, absorbing 10.6M SF over the past year, down from 18.9M SF a year earlier. Neighborhood Centers recorded the largest pullback with 6.4M SF vacated, while Malls also posted losses totaling 2.4M SF.

General retail continues to carry the lowest vacancy at 2.7%, while Neighborhood and Power Centers led rent growth at 2.6% and 2.8%, respectively.

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

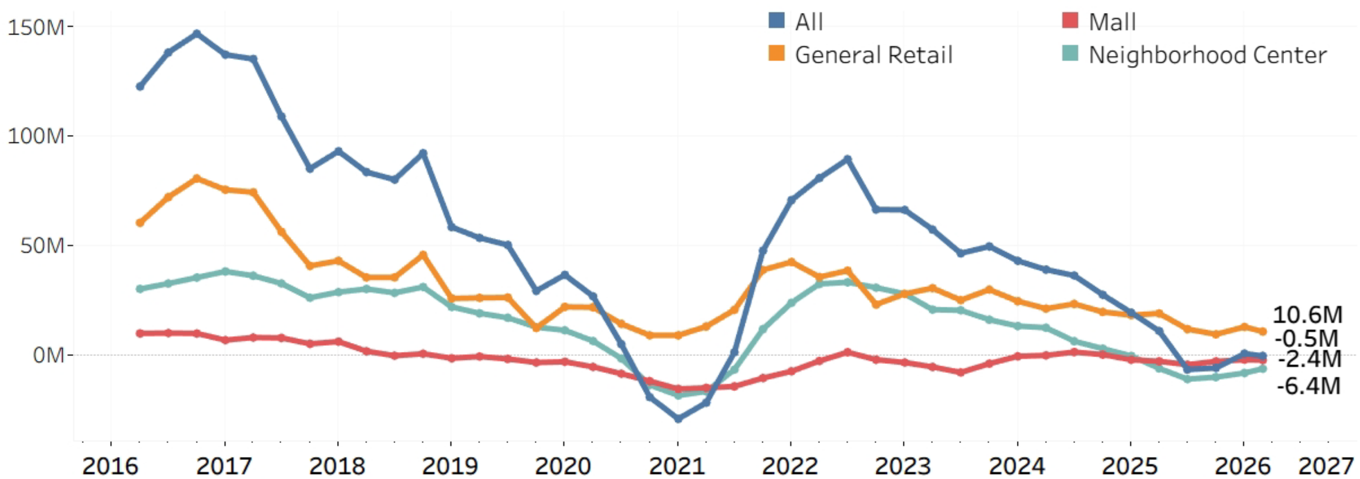


Source: NAR analysis of CoStar data

In February, Minneapolis, MN, and Charlotte, NC led the nation in rent growth at 6.7% and 6.3%, while Pittsburgh, PA saw rent declines of more than 3.5%.

Dallas-Fort Worth, TX, and Phoenix, AZ, led retail absorption with gains exceeding 2 million square feet, while Atlanta, GA, and Boston, MA, posted losses of 1.8 million and 1.5 million square feet, respectively, highlighting continued divergence in regional retail performance.

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



Source: NAR analysis of CoStar data

Industrial

Net absorption in the last 12 months: 114.2 million sq. ft.
Rent growth in the last 12 months: 1.3%
Cap rate: 7.4%

After peaking in 2022, the industrial sector has continued to moderate. In the 12 months ending February 2026, net absorption declined 27% year over year to 114.2 million square feet, while completions continued to outpace leasing. Elevated supply pushed vacancy up to 7.6%, and rent growth held steady at 1.3%. The persistent supply-demand gap suggests the market remains in a normalization phase rather than showing clear signs of improvement.

Logistics assets continued to anchor industrial demand, absorbing 87.8M SF over the past year. Specialized facilities also posted gains of 25.2M SF, while flex properties saw 7.8M SF of net move-outs, reflecting weaker demand in this segment. Rent growth slowed unevenly across segments, with specialized space easing to 0.8%, while logistics and flex rents held at 1.5%. Vacancy patterns were similarly mixed, ranging from a low of 4.4% for specialized facilities to 8.5% for logistics and 8.8% for flex space.

Dallas-Fort Worth ranked first nationally in industrial absorption, adding 24.5 million square feet over the past year, with Phoenix close behind at 20.4 million square feet. In contrast, Seattle, WA, and Lehigh Valley, PA experienced notable contractions, with more than 3.5 million square feet vacated, underscoring the uneven pace of the sector's adjustment.

Rental performance varied considerably across metros in February. Louisville, KY led with 5.6% annual rent growth, followed closely by Worcester, MA at 5.2%, while Los Angeles and Denver, CO saw declines of 3.7% and 3.7%. Vacancy rates showed similar dispersion, ranging from 14.8% in Charleston to just 1.1% in Anchorage.

Top 10 areas with the strongest 12 Mo absorption

	2026 Q1	2025 Q1
Dallas-Fort Worth, TX	25.51M	27.94M
Phoenix, AZ	19.81M	16.44M
Houston, TX	11.76M	18.04M
Indianapolis, IN	11.28M	1.89M
Columbus, OH	10.78M	7.64M
Kansas City, MO	7.14M	9.49M
Spartanburg, SC	6.49M	3.92M
Washington, DC	6.40M	7.36M
Atlanta, GA	5.91M	6.48M
Cincinnati, OH	5.20M	2.29M

Top 10 areas with the weakest 12 Mo absorption

	2026 Q1	2025 Q1
Seattle, WA	-3.60M	1.79M
Lehigh Valley, PA	-3.52M	-2.58M
Boston, MA	-3.22M	-1.50M
Los Angeles, CA	-2.47M	-6.78M
Saint Louis, MO	-2.41M	4.36M
Cleveland, OH	-2.09M	0.10M
Baltimore, MD	-1.95M	-1.75M
Miami, FL	-1.82M	-2.74M
New York, NY	-1.78M	2.58M
Youngstown, OH	-1.62M	0.18M

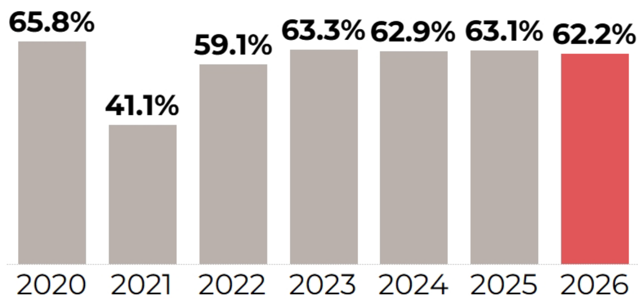
Source: NAR analysis of CoStar data

Hotel

Occupancy rate in the last 12 months: 62.2%
Average daily rate in the last 12 months: $160/room
Revenue per available room in the last 12 months: $100/room

The hospitality sector held relatively steady in February 2026, with occupancy at 62.2%, slightly below both pre-pandemic levels and recent years' levels. Continued remote work and subdued corporate travel are weighing on business-focused markets, resulting in an uneven recovery. Nevertheless, ADR and RevPAR continue to exceed 2020 levels.

12-month Occupancy Rate in February



The average daily rate (ADR) for hotel rooms hit $161, up 22% from February 2020. Meanwhile, revenue per available room (RevPAR) rose to $100, representing a 16% increase over the same period.

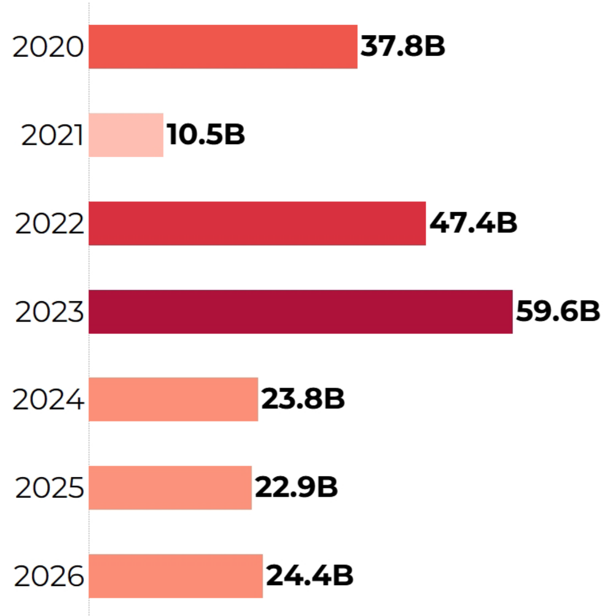
12-month ADR and RevPAR in February

	Average daily rate	Revenue per available room
2020	$132	$87
2021	$96	$39
2022	$129	$76
2023	$152	$96
2024	$157	$99
2025	$160	$101
2026	$161	$100

ADR is the total revenue/number of rooms.
RevPAR is ADR x occupancy rate.

Hotel investment activity showed modest improvement over the past year, with 12-month transaction volume rising to $24.4 billion in February 2026 from $22.9 billion a year earlier. The uptick suggests a gradual return of capital to the sector, even as elevated borrowing costs and broader economic uncertainty continue to temper deal activity despite generally stable operating fundamentals.

12-month Sales Volume as of February



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, continues to rank among the strongest hospitality markets, with ADR and RevPAR running more than 57% above pre-pandemic levels and occupancy remaining elevated at 74%. Maui sets the pace on pricing with the nation's highest ADR at $539 and RevPAR at $312, while New York City leads in occupancy at 86%, supported by both business and leisure travel.

By contrast, San Francisco/San Mateo and Oakland, CA, remain slower to recover, with RevPAR still more than 23% below pre-pandemic levels.

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