U.S. Research Report

2026 CRE OUTLOOK

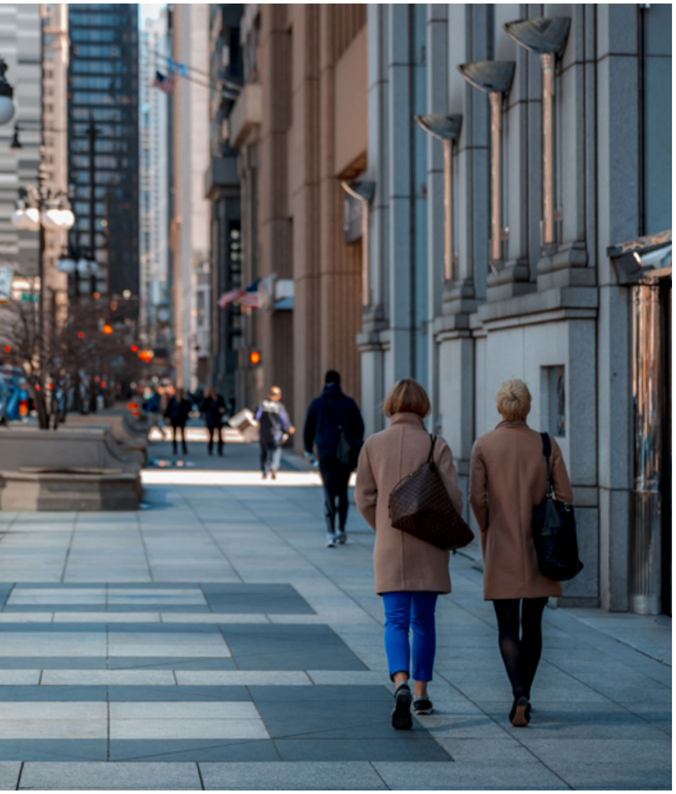
The 2026 CRE Reset: Stability Through Uncertainty

Accelerating success.

01

U.S. Economy

A year ago, we projected that 2025 would "show continued economic resilience fueled by consumer spending and easing inflation," while cautioning that "policy-driven headwinds, particularly those related to immigration and tariffs, could drive up inflation and tighten labor market conditions in the following years." Most economists believed at the time that the "soft landing" would carry into 2025 if inflation continued to ease, and that the Federal Reserve could begin gradually cutting rates.



That outlook began to shift as 2025 unfolded. Economic momentum slowed; real GDP growth declined from 2.8% in 2024 to roughly 2.1%, and real consumer spending flattened out. The labor market softened after April, when job growth stalled, unemployment rose to around 4.3%, and employment growth became increasingly concentrated in the healthcare and public services sectors. Meanwhile, manufacturers cut jobs, and construction leveled off.

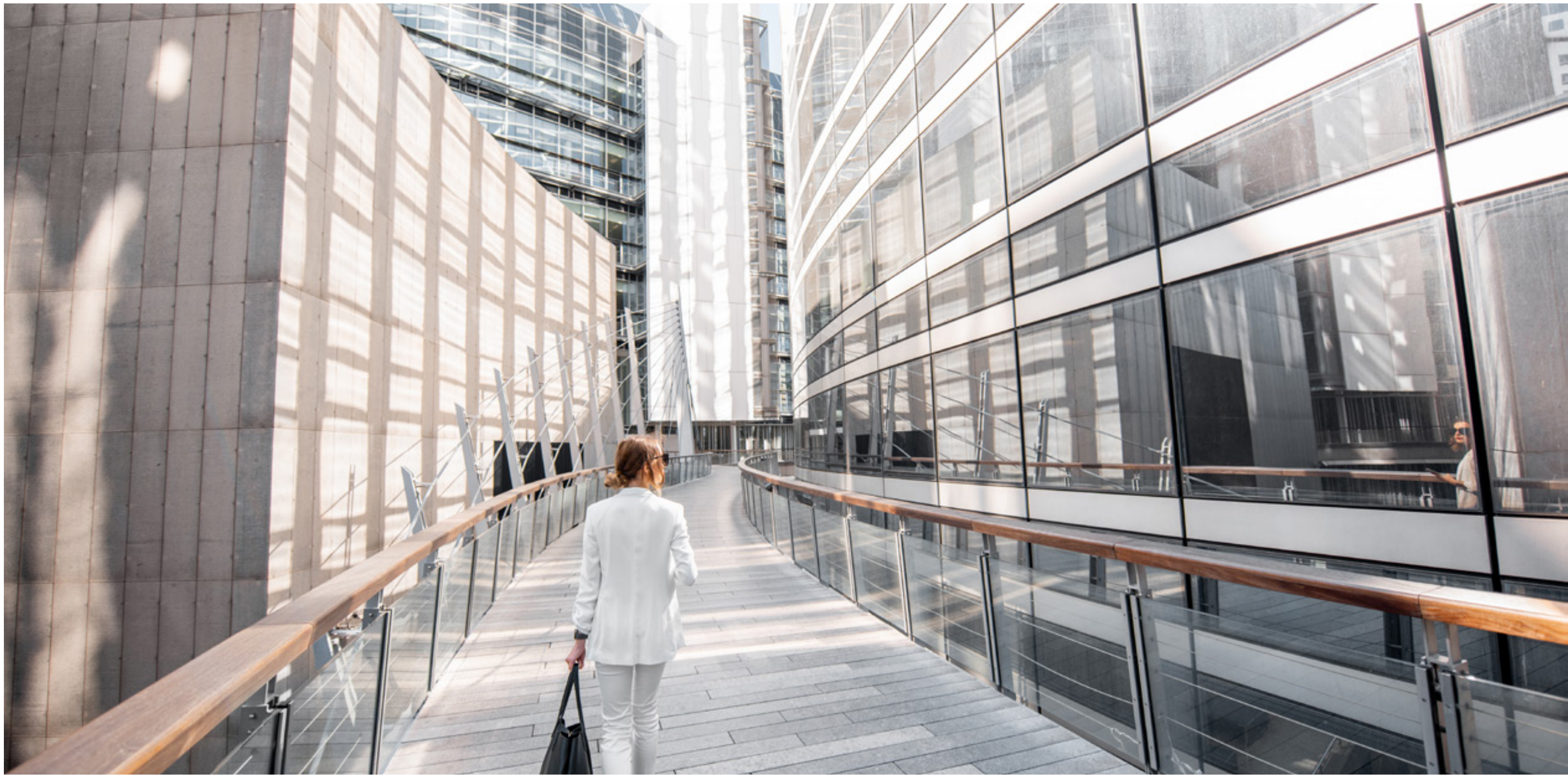
Two policy changes defined the year. First, tariffs: the effective rate of 2% jumped to double digits. Moody's says that the increase could add about 1.3 percentage points to inflation and subtract about one percentage point from GDP once it is fully passed through. Second, immigration restrictions have made labor force expansion even more difficult. The number of foreign-born workers decreased by more than a percentage point, resulting in an estimated two million fewer workers than a year earlier. These factors raised costs, limited capacity, and lowered the "break-even" job growth rate to about 50,000 per month, meaning even modest hiring shortfalls now lead to higher unemployment.

The Federal Reserve initiated a cautious easing cycle, reducing rates by 25 basis points in September and again in October; however, monetary policy was simply slightly less restrictive, rather than fully accommodative. Fed Chair Jerome Powell described the late-year cuts as "risk management moves" and emphasized that future adjustments would proceed cautiously, with rates now near the neutral range (3.75%–4.0%). The Fed also paused balance-sheet runoff, opting instead to replace maturing mortgage-backed securities with Treasury bills — a technical move to maintain liquidity rather than a signal of policy change. Long-term yields hovered between 4% and 4.5%, while wide mortgage spreads continued to weigh on housing.

Amid these headwinds, productivity growth emerged as a modest bright spot. Moody's believes that early adoption of Artificial Intelligence (AI) could add roughly 0.5 percentage points to growth over the next five to eight years. However, near-term gains are still limited because AI adoption is still in its initial stages, primarily in finance, technology, and professional services. Early effects include efficiency gains for experienced professionals but a growing risk of job displacement for entry-level workers. This exacerbates the gap between large, capital-rich companies and smaller, labor-intensive businesses.

Overall, 2025 marked a transition from broad-based resilience to narrower, policy-driven growth. Tariffs increased prices and squeezed margins. Immigration limits made it harder to find workers, and the housing market stayed weak, even though the Fed slowly moved toward easing.

As 2025 winds down, the U.S. economy stands at a crossroads, balancing the benefits of modest monetary easing against the drag from restrictive trade and labor policies. Growth is expected to hover near its historical trend, though it is shifting toward more investment- and productivity-led gains as consumer momentum eventually fades. Investment trends are becoming increasingly bifurcated, with AI-driven sectors expanding while traditional industries lose momentum. The labor market remains tight but is gradually cooling, and ongoing fiscal and trade uncertainty continues to shape inflation, interest rates, and corporate strategy. While we are not forecasting a recession, it remains a credible risk if policy missteps, renewed supply pressures, or tighter financial conditions disrupt momentum. The year ahead will test the nation's ability to sustain growth amid elevated borrowing costs, policy uncertainty, and accelerating technological change.



TRENDS TO WATCH IN 2026

Consumer Spending Will Drive GDP Growth

Following the tariff-induced downturn in 2025, GDP is expected to modestly rebound in 2026, primarily fueled by stronger consumer spending. Easing financial market conditions will help lift household outlays, supported by solid growth in real disposable income, a modest savings rate, and a likely pickup in mortgage refinancing. Moreover, retroactive provisions in the One Big Beautiful Bill Act (OBBBA) —eliminating taxes on tips and overtime, restoring state and local tax deductions, and expanding child tax credits — are expected to produce larger-than-usual early-year tax refunds, temporarily boosting consumer spending.

Labor Constraints and the "Jobless Expansion"

In 2026, the U.S. is likely to experience a "jobless expansion," with growth persisting despite limited job creation. Immigration restrictions and an aging population are slowing labor-force growth, allowing payroll gains of less than 100,000 per month to coexist with a stable unemployment rate, but leaving little margin for disruption. Ongoing worker shortages in construction, logistics, healthcare, agriculture, and hospitality will keep wages and operating costs high. Demographic changes, deportations, and the steep new $100,000 H-1B visa fee will further restrict labor availability, pushing companies to adopt automation and efficiency-enhancing technologies to bridge workforce gaps.

Monetary Easing Amid Fiscal Constraint

The Fed is expected to cut rates gradually through 2026, aiming for a 3% funds rate by year-end. However, persistent inflation could delay or limit monetary easing, while a sharper slowdown in hiring might prompt more aggressive cuts. At the same time, fiscal deficits and debt exceeding 100% of GDP are likely to continue exerting upward pressure on Treasury yields and long-term rates, even as policy loosens. Markets increasingly alert to deficit risks are reviving a degree of bond vigilance that could influence rate expectations and investor sentiment throughout the year.

Bifurcation of the Economy

The U.S. economy continues to resemble the pronounced diverging lines of a K-shaped pattern, a trend that has deepened since the pandemic and is expected to persist into 2026. The divide between higher- and lower-income households remains evident, with affluent consumers benefiting disproportionately from the One Big Beautiful Bill Act, alongside wealth gains from strong equity markets and appreciating home values. Meanwhile, lower-income households continue to face higher living costs, limited savings, and a cooling job market. This widening economic divide will continue to shape overall consumer behavior and spending patterns in 2026.

Policy Shifts Reshaping Inflation Trajectory

Headline inflation is expected to ease modestly through 2026, though sticky core services prices are likely to keep inflation well above the Fed's 2% target. The "last mile" of disinflation will be the most challenging, especially if tariffs or wage pressures reemerge midyear. Any escalation or expansion of tariffs could trigger further global retaliation, disrupt supply chains, and weigh on key investment sectors such as manufacturing and technology that rely on international trade and imported components.

02

U.S. Commercial Real Estate Market

After several years of uncertainty, 2026 could mark a turning point for the U.S. commercial real estate sector. A broad rebalancing of fundamentals is underway as financing conditions stabilize, occupier demand strengthens, and confidence returns. Leasing and sales are gaining momentum as capital re-engages and pricing expectations move closer to equilibrium. With investors and lenders adapting to a more disciplined yet steady environment, the industry can enter the year with renewed energy and a clearer path toward growth.

The office sector is nearing its bottom as employers and employees settle into more balanced work-life routines. Vacancy rates are approaching their cyclical peak, signaling stabilization on the horizon. In contrast, the industrial and multifamily markets are both moving toward equilibrium as new construction moderates and demand realigns with sustainable growth. Developers in both are showing greater discipline, and absorption is once again aligning with long-term fundamentals, helping restore balance after several years of volatility.

Retail continues to be resilient because of selective expansion, experiential formats, and the strength of well-capitalized tenants. Disciplined growth and limited new supply have made retail one of the most stable performers in commercial real estate.

Long-term changes underway in certain sectors of the economy are directly affecting real estate planning. For example, momentum in the digital economy remains strong, but exceptional growth in data centers fueled by AI and cloud computing is spurring mounting challenges in power, water, and zoning availability, creating new pressures.

Healthcare is moving toward outpatient care as convenience and cost efficiency reshape delivery models. At the same time, upscale hospitality is benefiting from spending by affluent travelers despite intensifying competition on value. The life sciences sector is also transforming as emerging technologies, AI-driven research, and shifting investment priorities redefine how and where innovation occurs. These dynamics underscore the industry's ongoing rebalancing, as each sector finds its footing within a more disciplined and resilient market.

While policy uncertainty, persistent inflation, and labor constraints will continue to influence decisions, the commercial real estate sector appears to be entering 2026 with greater clarity and growing confidence. Inflation is likely to remain above the Federal Reserve's long-term target, and workforce challenges such as skilled labor shortages and tighter immigration policies will continue to test growth and efficiency.

Meanwhile, evolving patterns in how people live, work, and consume are reshaping demand in all asset classes. The evolution of the office after the pandemic is now influencing multifamily design, retail strategy, hospitality experiences, and even the site selection of data centers. As flexibility, convenience, and digital integration become universal priorities, property types become more dynamic and interconnected. In 2026, macroeconomic forces, technological change, and demographic trends will define the key economic themes.

TRENDS TO WATCH IN 2026

Higher for Longer

Despite the Fed's pivot toward easing, long-term rates remain stubbornly high. Five cuts since late 2024 have barely dented borrowing costs, as fiscal concerns and heavy Treasury issuance keep yields anchored. With the 10-year Treasury projected to stay above 4%, elevated financing costs will continue to test deal feasibility and reinforce disciplined underwriting.

Prolonged Decision Paralysis

Policy uncertainty may remain a defining feature of 2026. Tariffs, immigration reform, and an evolving monetary landscape may cause corporate leaders and investors alike to continue delays in strategic planning, capital deployment, and expansion. For the real estate sector, uncertainty may lead to extended transaction timelines, more conservative underwriting standards, and restrained development. Many firms will favor flexibility and optionality over long-term commitments, slowing deal flow and muting investment until greater policy clarity emerges.

Artificial Intelligence Acceleration

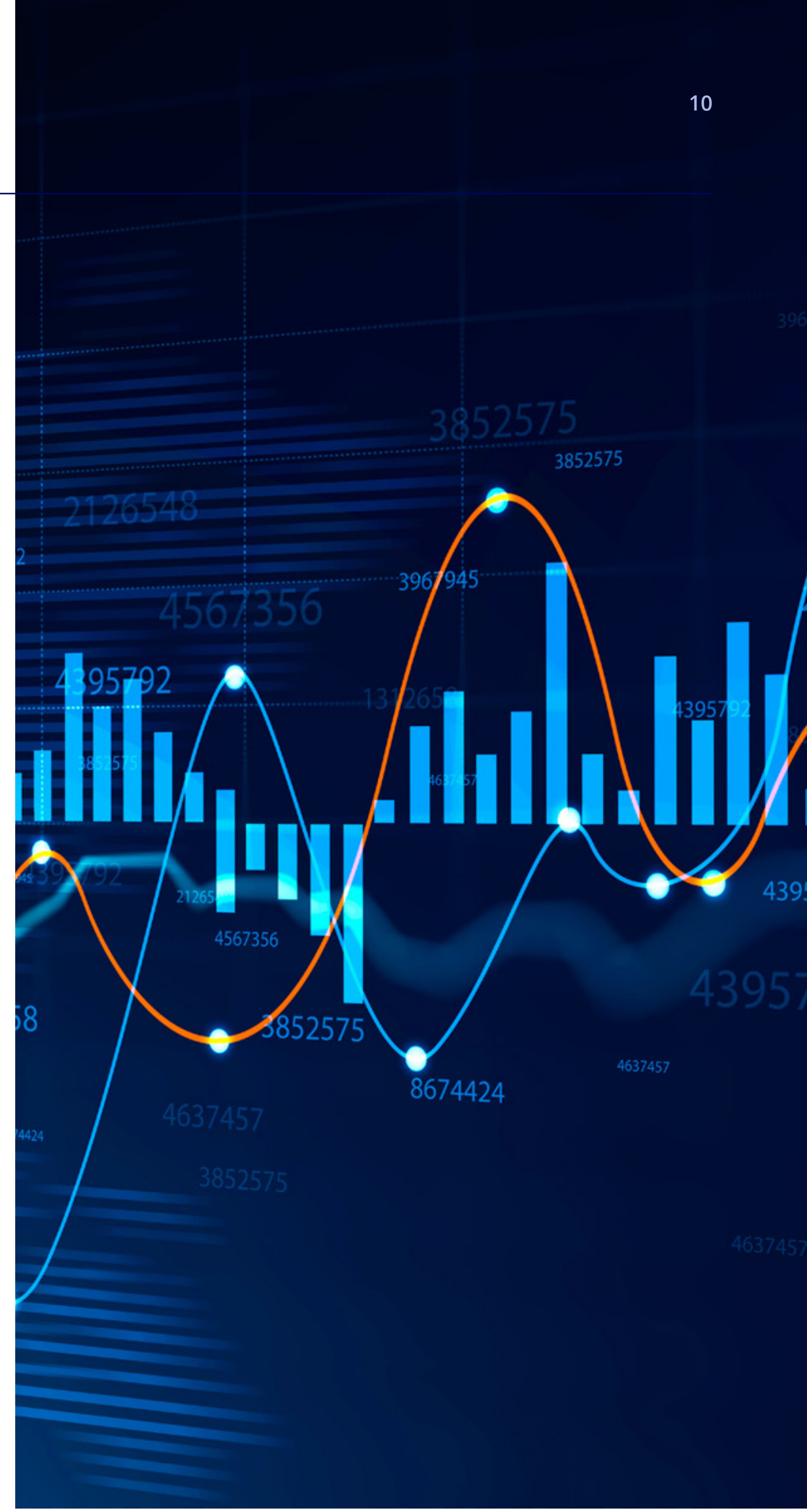
Artificial intelligence will continue to be one of the most powerful transformative forces shaping business strategy and investment decisions in 2026. Adoption is shifting rapidly from pilot projects to enterprise-scale integration as organizations chase efficiency, cost savings, and competitive advantage. Across industries, AI adoption will progress unevenly, widening the gap in productivity, profitability, and wage growth between technology leaders and sectors slower to adopt innovative technologies.

Secondary and Tertiary Market Momentum

People and capital are expected to continue migrating to high-growth secondary metros in 2026. Markets such as Phoenix, Nashville, Raleigh-Durham, and Columbus continue to benefit from strong population inflows, relative affordability, and business-friendly policies that attract both employers and investors. Meanwhile, emerging tertiary markets like Boise, Greenville-Spartanburg, and Reno are attracting institutional capital seeking higher yields and long-term growth potential beyond traditional gateway cities.

03

Capital Markets



TRENDS TO WATCH IN 2026

Cap Rate Segmentation Will Widen

The Fed has eased rates, and capital is readily available. The past cycle has driven market-level cap rates for industrial and multifamily properties closer together. Investors will focus on risk-adjusted returns and inherent underlying local dynamics, resulting in a widening of cap rate spreads between markets.

Reemergence of Cross-Border Capital

International investment in U.S. real estate has run at record lows as a share of total volume. Private capital has been the dominant source, but this will begin to change in 2026. Reset pricing will appeal to international buyers, opening opportunities for portfolio acquisitions and trophy office assets.

CMBS Continues Its Run

CMBS issuance set a post-GFC record in 2025. Investors continue to clamor for new deals, providing strong liquidity for cash-flowing assets, including quality office and large assemblages. SASB deals are dominating the market, with frequent $1 billion deals. Look for CMBS volume to exceed $100 billion for the third straight year.

Loan Maturities Set a Record

While distress works its way through the system, lenders hesitant to take back property are extending loans. A more dovish Fed stance could lead to lower rates in 2026 and some relief for those awaiting improved economic conditions. Expect loan maturities to top $1 trillion in 2026, with extensions a major contributor.

Volume

Sales have picked up, though not as much as expected. Volume remains below the pre-pandemic average (2015–2019) for most asset classes, though signs of increased velocity — the number of properties trading over a given period — are emerging. Sidelined capital is beginning to loosen, and fundraising is improving. Expect total sales volume to grow 15%–20% in 2026.

Pricing

Across most asset classes and quality levels, pricing has found a floor, and values are rising again. Gains will continue in 2026, though with borrowing costs and cap rate spreads remaining tight, don't expect a value pop. Low- to mid-single-digit gains are expected for most asset classes.

Office Regaining Traction

Office has led all asset classes with volume and price growth in 2025, and selective larger deals are occurring. These trends may repeat in 2026 if improved fundamentals, compelling pricing, and renewed interest from institutional and cross-border capital continue.

> *"Conditions are aligning for a stronger investment sales backdrop in 2026. Institutional investors are reentering the market, pressure is building to deploy sidelined capital, and fundraising is improving."*

David Amsterdam
President, Capital Markets | U.S.

04

Office

TRENDS TO WATCH IN 2026

AI's Impact Growing in Multiple Ways

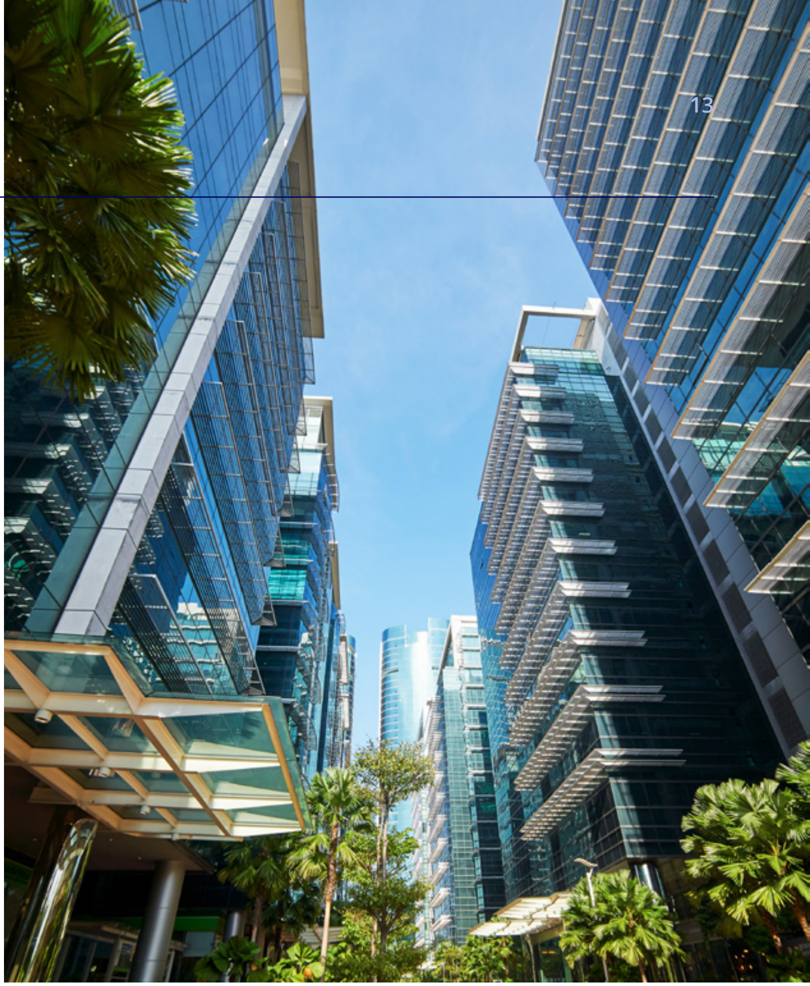
Artificial Intelligence (AI) companies are significantly influencing the U.S. office market. Since 2024, the industry has been a key driver of leasing in the San Francisco Bay Area, where several major tenants have absorbed large blocks of vacant space. However, nationwide, as recent college graduates are finding it harder to find jobs as AI capabilities begin to fulfill many entry-level job functions, which may lead companies to need less space.

Hospitality in the Workplace

The influence of hospitality on office design is not only evolving but will accelerate into 2026. To foster both productivity and collaboration, there is a sustained shift toward spaces that blend residential warmth with workplace functionality. Tenants increasingly want the comfort and flexibility of a home office, using natural lighting, abundant greenery, and adaptable furniture configurations. As this trend gains momentum, offices in 2026 will likely feel even more inviting, personalized, and conducive to employee well-being.

New Owners Bringing New Opportunities

As loan maturities and refinancing pressures mount, sales to new owners are reshaping the office market. Many owners have chosen to return properties to lenders or sell them at deep discounts, while allowing well-capitalized investors to reposition assets. Investing in upgrades, hospitality-focused amenities, and launching rebranding strategies, new owners are transforming underperforming buildings into lively, mixed-use environments. In 2026, this reinvestment trend is expected to revitalize these office properties as new ownership has funds to finance new lease transactions.



Rethinking the Corporate Campus

Hybrid work continues to redefine corporate real estate strategy, pushing companies to reimagine large, traditional campuses by consolidating space and creating adaptable, tech-enabled environments for flexibility and sustainability. Open layouts, collaborative zones, and energy-efficient systems are replacing static office models, aligning space with culture and ESG goals. In 2026, workplaces will begin to serve as engagement tools — designed to attract talent, inspire innovation, and reflect a company's values. This evolution, however, will bring excess space to the market, inviting creative redevelopment and new adaptive reuse opportunities.

U.S. NATIONAL OFFICE FORECAST

Vacancy

The U.S. office vacancy rate is projected to fall 30 basis points, to below 18%, by the end of 2026, driven by rising demand in key markets. The constrained construction pipeline is contributing to more leasing in existing properties, helping to lower vacancy rates in well-located buildings. Some vacant and obsolete properties will be gradually removed from inventory for conversion to alternative uses.

Lease Rates

Asking rents stabilized at the end of 2025, as many markets adjusted pricing. In 2026, a modest 1%–2% increase in asking rents is anticipated, driven by tightening vacancy rates, limited new construction, and reduced availability in the top-tier segment. Concession packages now at record levels could gradually decline as markets approach balance.

Demand

Leasing increased in 2024 and 2025 to the highest levels post-pandemic in most U.S. markets. More than 12M SF was absorbed in the first nine months of 2025. This is expected to continue into 2026 as tenants begin occupying leased space and more transactions occur. Many companies are actively seeking better agreements in the near term, with recovery progressing in various markets.

Construction

The construction pipeline was down to 31M SF as of the end of 2025, deterred by high material, labor, and financing costs in 2024 and 2025. However, new development is expected to pick up in 2026, with deliveries completing in 2028, as large tenants face limited options while developers pursue selective speculative projects amid rising demand.

“Leasing momentum and fundamentals are continuing to tighten and pushing the outlook for the U.S. office recovery. Activity is at post-pandemic highs and is expected to accelerate through 2026 as tenants capitalize on expiring leases and limited new supply.”

Matt Gannon
Executive Managing Director & Market Leader |Washington, D.C. Region, Head of Agency Leasing | U.S.

05

Industrial

TRENDS TO WATCH IN 2026

The U.S. Industrial Market is Approaching Its Next Growth Cycle

Despite broader uncertainty, industrial user demand and new supply are becoming increasingly aligned, though at varying speeds across markets. Industrial space under construction has fallen 62%, almost at its bottom before the next development wave begins. A more balanced industrial market lies ahead, supported by pent-up demand and strong fundamentals which point to steady, sustainable growth.

Industrial Occupiers are Shifting

As in recent years, third-party logistics, trucking, and transportation firms are expected to comprise roughly one-third of new bulk occupancies in 2026, with Asia-based 3PLs continuing to gain share. Manufacturing, data center, tech, and R&D users are also projected to expand, while e-commerce is expected to remain subdued, having declined to below 3% of new bulk occupancies in 2025. Reshoring and CHIPS Act initiatives have pushed manufacturing construction spending nearly 200% higher since 2020, though growth could level off in 2026. In contrast, data center construction spending is forecast to continue its rapid ascent, up nearly 400% since 2020.

Global Supply Chains are Being Restructured

Industrial occupiers will continue to reshape global supply chains in 2026 because of geopolitical, labor, technological, sustainability, and operational pressures. Companies are diversifying sourcing strategies and relocating production closer to end markets to reduce dependence on any single region. U.S. imports from Mexico surpassed those from China in 2023, as Mexican labor costs fell below China's. At the same time, Latin America and lower-cost Asian nations are emerging as key manufacturing hubs amid persistent U.S.–China trade tensions and a fragmented semiconductor supply chain.

Innovation is Accelerating but Constrained by Infrastructure Limits

Warehouse automation and AI are expanding rapidly across supply chains, but growth is limited by power and data infrastructure. Data center demand is expected to rise by 10%–12% annually, but faces mounting challenges from power, land, cooling, and connectivity constraints. In many major markets, limited grid capacity has become the top obstacle to the next wave of industrial and digital innovation.

Vacancy

Industrial vacancy has been rising in the U.S. for the past three years and could peak near 7.6% in early 2026 as demand strengthens and new supply remains limited. Over the past year, vacancy rates have decreased in 14 markets, six in the Midwest and five in the South. Even in markets where vacancy rates top 10%, increases have slowed and are nearing a cyclical peak. Excess new supply in these markets, however, will delay a return to historical vacancy levels.

Demand

After a slow 2024, net absorption remained sluggish in the first half of 2025 before surging in Q3 to its highest level since early 2023. Stronger leasing in all building sizes signals rising demand heading into 2026, with net absorption expected to exceed 220M SF, 37% higher than 2025 projections. Combined with high proposal volumes, industrial users are showing renewed confidence, revisiting supply chain strategies, and moving forward on leasing.

Construction

Since peaking at 711M SF in 2022, space under construction has fallen 63%, to 270M SF, the lowest level since 2018. This figure is expected to bottom out near 260M SF in 2026, with starts remaining below historical averages. Build-to-suit projects are increasing, but speculative construction will remain more measured until vacancy recovers and the gap between replacement-cost rents and market rents narrows. Stabilizing demand fundamentals will usher in the next wave of development.

Lease Rates

Rent growth has slowed sharply from the double-digit gains of 2021–2023. Warehouse and distribution rents increased only 2% over the past year and have retreated in several markets that had the steepest increases, falling from their highs a couple of years ago. In 2026, rent growth is expected to remain modest, at 1%–4%, unless strong local conditions prevail. Oversupplied markets may have even slower growth as tenants gain leverage.

"The U.S. industrial market is nearing an inflection point as construction bottoms out and demand strengthens, setting the stage for the next phase of renewed expansion."

Stephanie Rodriguez
National Director, Industrial Services

06

Retail

TRENDS TO WATCH IN 2026

The Great Space Squeeze

Higher construction and financing costs, plus rising cap rates and tariffs, continue to suppress retail development. With costs outpacing achievable rents, most new projects are limited to pre-leased pads or mixed-use ground-floor spaces. As speculative activity stalls, the supply-constrained pipeline is expected to sustain long-term performance despite uneven near-term demand.

Value Through Transformation

Besides working together on space design, retailers and landlords are redefining partnerships to align more with what consumers want. Marketing and leasing now collaborate to deliver premium events and engaging experiences, creating destinations to spark energy and connection. As growth slows and competition intensifies, success will depend on demonstrating value, driving loyalty, and protecting margins.

AI Gets Accountable

Retailers will continue to invest in AI to boost efficiency and future-proof operations, but expectations are shifting from innovation alone to measurable impact. Retailers will prioritize AI that clearly enhances productivity, reduces costs, and delivers tangible returns.

The Barbell Economy

Retail growth is increasingly polarized, with value and luxury brands gaining ground while mid-tier retailers face mounting pressure. More than one-third of consumers (34.4%) plan to spend less in 2026, yet a majority (65.6%) expect to maintain or increase spending. Retailers emphasizing affordability, private labels, and clear value, or catering to resilient high-income demand, will be best positioned to sustain momentum in this market.

U.S. NATIONAL RETAIL FORECAST

Vacancy

Vacancies are forecast to remain unchanged through 2026 because of the balance between limited new supply and steady tenant demand. Smaller formats, freestanding stores, and in-line spaces are expected to drive most leasing. At the same time, renewed interest in larger footprints signals selective expansion by retailers seeking prime locations in a still supply-constrained market.

Lease Rates

Market rents are projected to rise by approximately 1.5% in 2026 as space availability remains steady and retail sales growth moderates. Southern and Western metros, such as Austin, Dallas, and Orlando, are expected to outperform, with gains of 3%–5%. In contrast, rents are expected to lag behind in legacy and supply-heavy markets in the Northeast and Midwest.

Demand

Retail demand is projected to remain positive through 2026, supported by healthy leasing velocity and limited new supply. The median time to lease has reached a historical low of under seven months, with prime spaces filling in less than five. While some malls and shopping centers may have periods of negative absorption, steady demand for general retail is expected to keep overall net absorption positive.

Construction

New retail construction is projected to fall by 37% in 2026 as developers remain cautious amid persistent economic uncertainty. Most current projects stem from tenant-driven demand, including expansions by large-format and warehouse retailers. While total deliveries will stay below historical norms, ongoing redevelopment of existing centers and adaptive reuse projects will help modernize aging retail stock and sustain overall market strength.

"In 2026, the retail landscape will be shaped by discipline, creativity, and data-driven precision. With new construction at historical lows and consumers becoming more selective, retailers and landlords must focus on delivering value through transformation, curating experiences, optimizing efficiency through AI, and adapting to a polarized market where both affordability and aspiration drive demand."

Anjee Solanki
National Director, Retail Services & Practice Groups

07

Multifamily

TRENDS TO WATCH IN 2026

Sales Volume Leader, Yet Again

Multifamily has led investment sales volume since 2015, and there are no signs of this changing. However, its share of total volume is expected to ease somewhat as investors allocate more capital to office, data centers, and retail.

Housing Shortages

Despite the recent surge in development nationally, numerous markets lack available units, particularly in middle-market housing, priced at or below the median household income rather than for the luxury market. Investors are increasingly discussing selective development, a trend likely to gain momentum in 2026.

Distress Plays Increase

CMBS delinquency has increased over the year, signaling emerging stress. Anecdotal feedback suggests that special servicers remain busy and anticipate more assets coming to market. Transitional assets and those underwritten at the top of the market are facing refinancing challenges. More of these deals are expected to come to light over the next year.

Operations Matter

Rising costs have challenged landlords from coast to coast. Insurance, labor, materials, systems, and energy, among other factors, have all impacted the bottom line. Operational efficiency, resident retention programs, and other differentiators will become increasingly important for investors seeking to outperform their peers.

U.S. NATIONAL MULTIFAMILY FORECAST

Occupancy

Fundamentals have held up remarkably well given the multi-decade-high level of development across markets. Several metros still face sizable pipelines, but that pressure is easing quickly. As long as the job market remains stable, occupancies are expected to improve in 2026, setting the stage for stronger performance in 2027 and 2028.

Lease Rates

A midyear slowdown briefly softened rental momentum, though the effect is expected to be temporary. With improving fundamentals, rent growth in 2026 is expected to exceed that of 2025, and in a greater number of markets.

Demand

Absorption is anticipated to ease from recent highs. Strong support for rental demand includes rent-to-income ratios, elevated home prices, a less certain job market, and attractive concessions.

Construction

Few projects are moving forward today, allowing the market time to recalibrate. Starts are likely to bottom out in 2026, before fundamentals drive the need for more product in 2027 and beyond.

"Investors are finding opportunities across a wide range of markets. Historically slower-growing markets in the Midwest are among the leaders for rent growth, attracting investor attention. Meanwhile, strong demographic markets are expected to rebalance in short order, keeping a focus on the Sun Belt."

David Goodhue
Head of Multifamily Capital Markets | U.S., Executive Managing Director | Boston

08

Data Center

TRENDS TO WATCH IN 2026

Investors Are Full Throttle

Capital is searching for ways to play the AI boom, unlocking significant investment from private credit, infrastructure, banking, insurance, private equity, and public markets. Investors are becoming increasingly nimble and creative. Watch for increasing CMBS activity in 2026.

No Signs of a Slowdown

With nearly every quarterly earnings report, tech companies report that demand is outpacing available capacity, driving higher capital expenditures. Billions of dollars are being invested throughout the value chain, and this trend is expected to continue in 2026.

NIMBY Gains Traction

Friction is building as communities push back on data center development. A few projects have already been abandoned, and more are expected to be shelved in 2026.

Power Breakthrough

The scale of proposed data center expansion is unprecedented. Collaboration between local, state, and federal governments to expedite power capacity, along with direct power investment, has made headlines. Further advancements in technology and supportive legislation are expected to unlock new opportunities in 2026.

U.S. NATIONAL DATA CENTER FORECAST

Vacancy

Vacancies are anticipated to remain at, or near, all-time lows in 2026. Preleasing is strong, although spec development is expected to put upward pressure on the market. However, vacancies are likely to remain at historically low levels.

Lease Rates

Power costs are rising, and development costs are escalating, both driving up lease rates. Significant investment in infrastructure for data centers means that rents are now a smaller portion of overall operational costs. However, rents may rise by the end of 2026.

Demand

Space demand is insatiable at the moment. Tech companies are allocating ever-higher dollar figures to capital expenditures for future growth. Companies have committed to gigawatts of power, though it takes time for this capacity to become operational.

Construction

Supply chains are running at maximum capacity, though there are delays in sourcing key components. Power limitations are well known, suggesting that projects may be delayed, even though more starts will be announced over the coming 12 months.

"The lack of available power continues to be a headwind for the data center sector, but a newer challenge is finding the capital to fund all the projected demand. An unprecedented amount of capital will be needed to build more data centers as AI scales."

Raul Saavedra
Vice Chair, Head of Data Center Advisory, Americas

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Healthcare

TRENDS TO WATCH IN 2026

Decentralization of Care and the Impact on Rural Health

Hospital systems and healthcare providers are expected to further accelerate the construction of facilities closer to patient populations in 2026. The expansion of medical office buildings (MOBs), urgent care centers, stand-alone emergency departments, ambulatory surgery centers, and other off-campus facilities will continue to drive community-based convenience and accessibility. This trend underscores a strategic movement toward decentralized healthcare delivery, with timely local services reducing reliance on traditional hospital campuses. This will have a significant impact on rural healthcare, as nearly 14% of rural hospitals are at risk of closure in 2026.

Growth of Outpatient Procedures

The shift toward outpatient care continues to accelerate as procedural and revenue growth far outpaces that for inpatient services. Outpatient revenue has increased by 45% since 2020, compared to 16% for inpatient care, and is projected to expand by another 10.6% over the next five years. Complex specialties such as cardiology and spinal surgery are increasing the number of procedures performed in ambulatory settings; outpatient spine procedures increased by 193% over the past decade. This migration allows health systems to free inpatient capacity for acute cases while investing in outpatient facilities to improve efficiency, reduce costs, and enhance patient outcomes.

Increased Investor Demand

MOBs remain one of the most sought-after assets in healthcare, combining stable occupancy with reliable long-term income. Average occupancy reached 92.5% in 2025, with several markets surpassing 95%, driven by strong demand from hospitals and physicians. Investor demand is supported by aging demographics; the population aged 65 and above is projected to grow from 61 million in 2024 to 70 million by 2030, driving healthcare spending toward $2 trillion. With limited new supply and rents rising nearly 2% year-over-year, MOB fundamentals remain exceptionally strong, ensuring continued investor momentum throughout 2026.

Increasing Role of Technology

The integration of AI-assisted diagnostics, intelligent lighting, and climate control systems is significantly improving both design and operational efficiency and the patient experience. A growing number of healthcare systems are incorporating AI technology into back-office operations to boost efficiency as they offset the workforce shortages. In the coming years, AI is expected to continue advancing in patient care by analyzing lab and imaging results, streamlining communication between providers and patients, and powering surgical robots.

U.S. NATIONAL HEALTHCARE FORECAST

Vacancy

The U.S. vacancy rate for MOBs remains below 8% and is expected to stay steady in 2026. An aging population is accelerating demand for care, prompting many providers and practices to expand operations.

Lease Rates

Rent growth, which has averaged 0.8% per quarter since the start of 2022, is anticipated to persist due to sustained high demand and limited new supply. The difference between new construction and existing inventory, around $10/SF in most markets, is expected to remain significant in the short term; however, it will begin to narrow as availability diminishes.

Demand

Health systems and provider practices are consistently leasing space, and this trend should continue in 2026. Although there may be adjustments at the submarket level as they transition towards residential areas, the overall leasing volume is anticipated to remain robust.

Construction

The construction sector will face ongoing challenges from increased costs of materials and labor, as well as elevated interest rates. Nevertheless, new construction projects are projected to commence in several key markets where demand continues to surpass new supply. Health systems continue to evaluate capital investments in new buildings as part of overall strategic growth.

“Healthcare continues to be resilient. Providers are driving growth in the outpatient arena, delivering higher-acuity services and meeting patients’ desires for convenience. Investors recognize the strength of healthcare fundamentals and seek to deploy capital into the sector.”

Shawn Janus
National Director, Healthcare Services

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Life Sciences

TRENDS TO WATCH IN 2026

Venture Capital Flows Gain Steam

Public company valuations remain 30%–40% below their 2021 peaks, deterring venture capital (VC) investors seeking viable exit strategies. As a result, VC flows into the sector have declined, and fewer early-stage companies are securing funding. However, since April 2025, valuations have begun to recover. If sustained into 2026, this trend could enable more firms to pursue successful IPOs, restoring investor confidence and revitalizing VC activity.

Onshoring Momentum Continues

In 2025, billions in domestic investments were announced by firms such as AstraZeneca, Eli Lilly, Johnson & Johnson, and Biogen. This onshoring momentum is expected to continue in 2026 because of strategic, economic, and policy factors, including rising global tariffs, supply chain vulnerabilities exposed by the COVID-19 pandemic, national security concerns, and evolving federal incentives and regulations.

Favorable Leasing Conditions for Tenants

In many of the major life science hubs, tenants seeking space will be well positioned to do so. Double-digit vacancy rates are common in many cities due to an overhang of speculative supply and a decline in demand. As a result, many landlords are competing for tenants, giving potential tenants greater leverage.

Scientific & Technological Evolution

The life sciences sector continues to be reshaped by emerging technologies and changing research priorities. Technological advances, such as the rise of AI-driven drug discovery and development, alongside changes in which areas of research are the most promising and profitable, are prime examples. These shifts influence not only where growth occurs — favoring cities with specialized talent and ecosystems — but also the types of facilities companies require.

Vacancy

A vacancy recovery could gain steam in 2026. At the end of 2024, the Major Market Aggregate vacancy rate neared 19%. More deliveries in 2025 placed upward pressure on vacancies nationwide; however, most of the construction wave has passed, and new product will not have the same impact moving forward. If absorption can regain its footing, more landlords could begin increasing occupancy.

Lease Rates

Persistent vacancies in many cities could pressure landlords to pause rent hikes or lower rates. For distressed buildings trading at a notably lower basis, new owners may be able to undercut market rents in these assets.

Demand

Several constraints on space demand — such as company valuations, VC flows, and policy uncertainty — may ease in 2026. Given the long-term resilience of life sciences product demand, any improvement in these areas could drive stronger space absorption. Notably, demand for GMP facilities may rebound ahead of R&D space.

Construction

New groundbreakings will be limited, especially for speculative lab product in the largest life science hubs. Conditions for new construction have deteriorated in recent years on multiple fronts: construction costs have increased, financing hurdles have risen, vacancies are high, tenant activity has declined and rent growth prospects have suffered. Some developers are disposing of sites for previously planned projects.

“Despite historically high vacancy rates driven by newly delivered lab space and sublease availability, the fundamentals for Life Sciences real estate are improving. Slowed new deliveries, accelerating scientific innovation, growing utilization of AI, increased VC and M&A investment, and tariff-driven onshoring are contributing to an improved outlook for the sector in 2026.”

Joe Fetterman
Executive Vice President | National Life Sciences Steering Committee

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Hospitality

TRENDS TO WATCH IN 2026

Upper Upscale & Luxury Property Segments Outperform

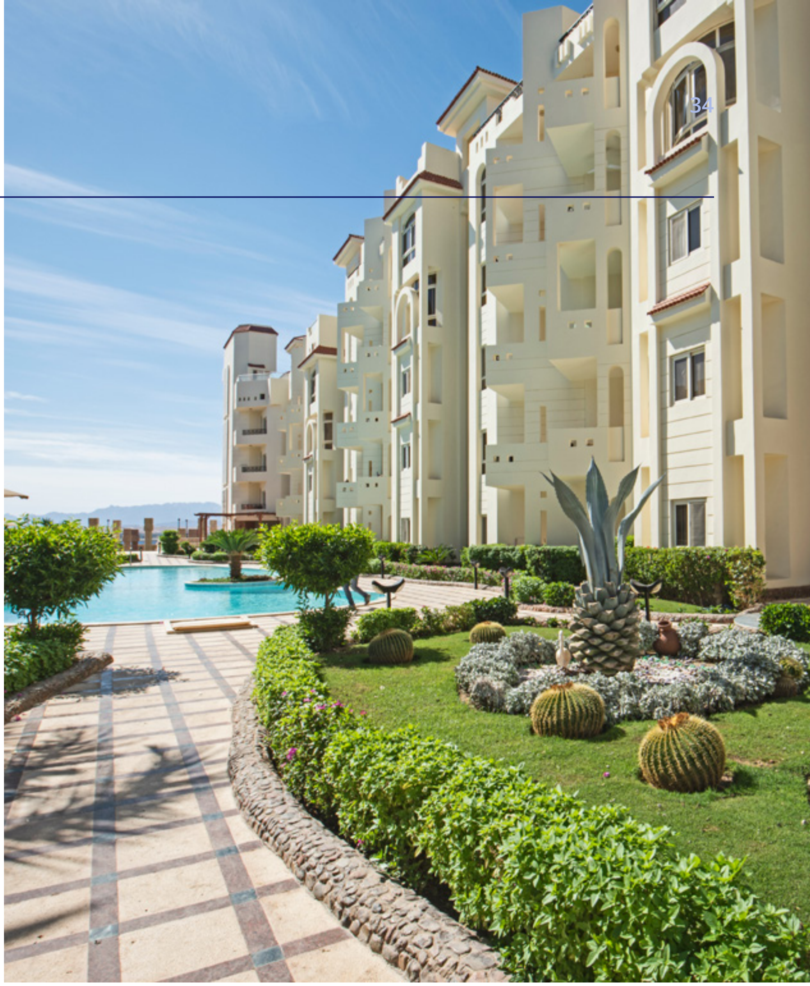
High-income earners — households earning the top 10% of incomes — will drive demand for hotel rooms in 2026. Since these travelers are affluent, revenue for Upper Upscale and Luxury properties is expected to outperform that of more economical brands. Inflation has hit lower-income households the hardest, with the price of goods higher relative to their wages. Travelers with lower incomes are moving away from global destinations and toward domestic value destinations, which will help occupancy at economy and midscale hotels.

Foreign Tourism Vacillates

Canada, Western Europe, and East Asia are sending fewer visitors to the United States, despite the U.S. dollar's relative strength, which supports stronger purchasing power. This will disproportionately impact the borders closest to those points of origin: Northern border states from Canada, the East Coast from Western Europe, and the West Coast from East Asia. Aside from economic motivations, tariff and immigration policies are deterring foreign visitors.

Generative AI Will Change How Hotels Are Booked

When online travel agencies (OTAs) emerged, that changed how consumers selected lodging, and by extension, how hotels allocated their advertising. Widespread access to generative artificial intelligence (AI) has started a new revolution; the use of AI tools for travel planning almost doubled from 2024 to 2025, increasing from 10% to 18%, according to Oxford Economics, led by Millennials and Generation Z. As consumers increasingly use AI for trip planning, AI-integrated platforms and hospitality marketers have a growing opportunity to capture market share.



Travel Preferences Diversify Opening Opportunities for New Markets

As leisure travelers increasingly seek unique experiences, traditionally less popular destinations are gaining attention. Vacationers seeking local experiences, wellness amenities, and authentic engagement are creating opportunities for hotels to expand ancillary revenue through tour packages and partnerships with local operators.

Demand

Green Street expects 1.3% quarterly growth in demand next year, likely driven by Upper Upscale and Luxury properties, although it could come at some cost to Average Daily Rate (ADR), as hotel operators moderate pricing to attract value-conscious travelers. Oxford Economics warns that hotels in markets heavily reliant on international travelers, such as New York, San Francisco, Los Angeles, and Miami, will have higher vacancy rates next year due to negative sentiment about tariff policies and political uncertainty.

Net Operating Income (NOI)

Hotel properties are likely to see declining NOI growth next year, from -3.6% in Q1 to -1.2% in Q4, according to Green Street. This trend is expected to temper investment pricing if capitalization rates remain steady. Continued stabilization in the rate environment, combined with greater economic clarity, could help rebuild investor confidence and encourage more active capital deployment in strategic markets.

Average Daily Rate

ADR growth was largely flat in 2025 as hotel operators faced more competition for increasingly price-sensitive travelers, which could continue into 2026. According to Oxford Economics, 90% of consumers cited "value for money" as their primary travel decision factor in 2025, rising from 83% in 2024 and underscoring sustained demand for midscale and economy brands, packaged offerings, and loyalty-based pricing strategies.

Construction

Materials, management, insurance, and labor costs are all rising. Near-term demand is softening, muting development ambitions. Green Street forecasts 2026 supply growth at 1.3%, a modest decline from 1.4% in 2025.

"Hotel performance in 2026 will hinge on luxury and value-conscious consumer behavior. The industry will have to navigate softer foreign tourism, and embrace AI-driven bookings—where resilience lies not in chasing yesterday's search habits, but in adapting to tomorrow's preferences. Rising investor appetite and debt capital availability may compress cap rates, cushioning valuation declines in cashflow constrained assets."

Mark Owens
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