

The Full Picture September 2026 Edition

CHARTBOOK

U.S. Quarterly
Outlook

ECONOMETRIC ADVISORS
September 3, 2026

Table of Contents



- 1 [Macroeconomic Backdrop](#)
- 2 [Capital Markets and Commercial Real Estate](#)
- 3 [Investment View](#)
- 4 [Industrial](#)
- 5 [Multifamily](#)
- 6 [Office](#)
- 7 [Retail](#)

1

Macroeconomic
Backdrop

Our Macro House View and how it has changed

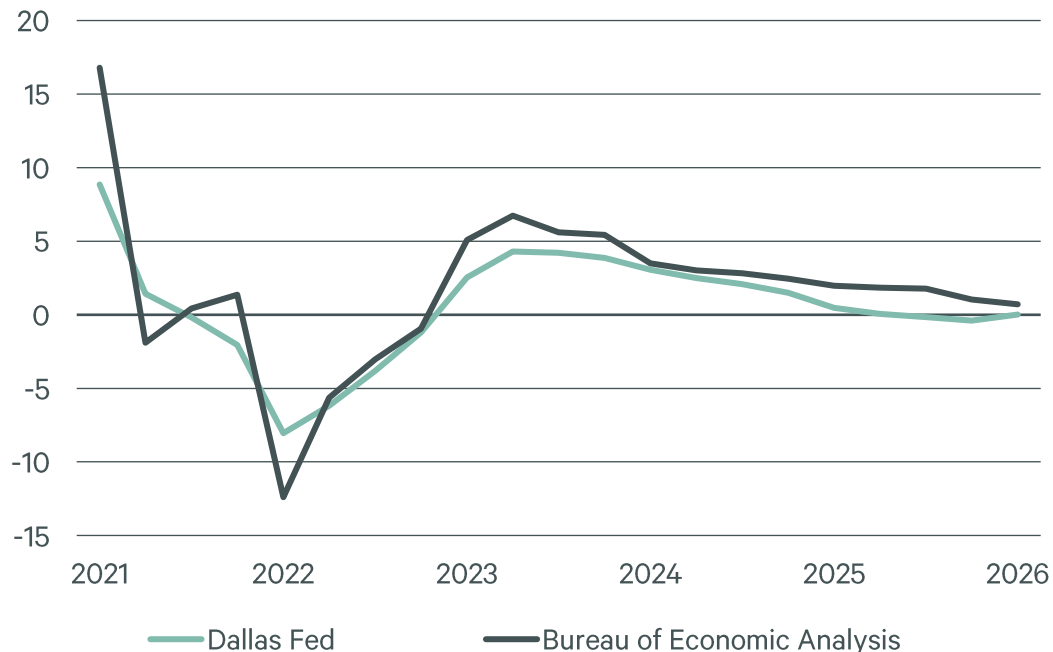
- Despite the volatile geopolitical backdrop, many of the macro assumptions we employed in recent quarters remain relevant. CBRE Econometric Advisors’ (CBRE EA) GDP growth projection held steady on the back of consistent business investment and personal consumption. Our inflation outlook has also been consistent.
- In recent months (and days) bond markets continue to price in a wider term premium. As of July, we expected the 10-year Treasury yield would end the year at 4.3%, but recent market movements challenge this view. Further, it is plausible that we could shift our Fed outlook from ‘No change’ to one hike for this fall.
- We revised our job growth outlook slightly upward as labor market data points were sanguine in Q2; however, recent downward revisions to the data challenge this view.

Headline Macroeconomic Assumptions and How They Have Changed In Recent Months

	2026 Outlook (July)	2026 Outlook (April)
GDP Growth (Annual Average)	2.1%	2.1%
CPI (Q4 / Q4)	3.6%	3.6%
Job Growth (Annual Average)	0.4%	0.3%
Unemployment Rate (Q4)	4.4%	4.4%
Treasury Yield (Annual Average)	4.3%	4.1%
FOMC Policy Moves	No change	1 cut

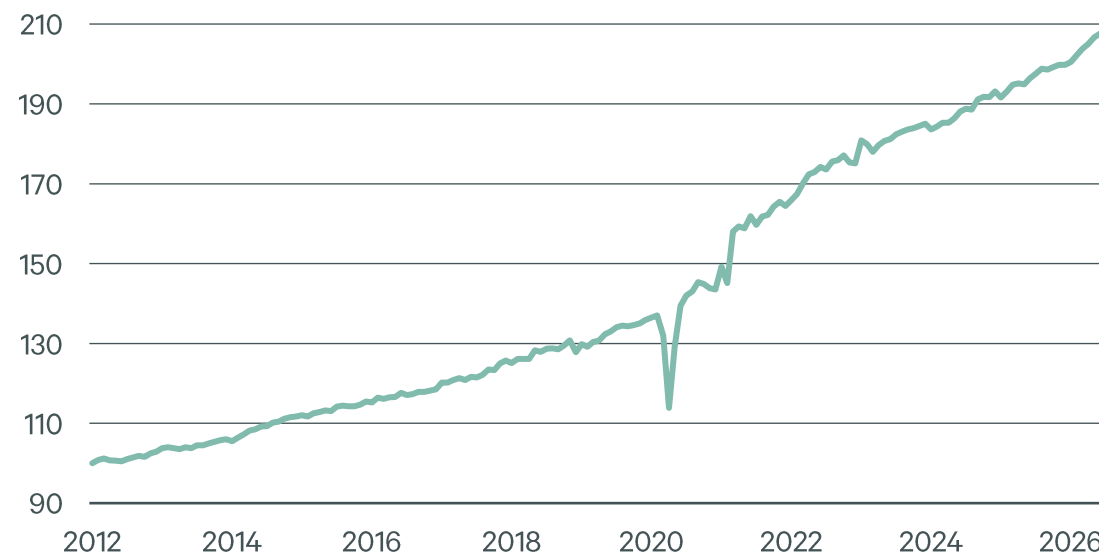
Despite price pressures consumers continue to spend

Real Personal Disposable Income Growth, Y-o-Y (%)



Source: Dallas Federal Reserve, U.S. Bureau of Economic Analysis

Core Retail Sales (Excl. Autos & Gas), Index (Jan 2012 = 100)

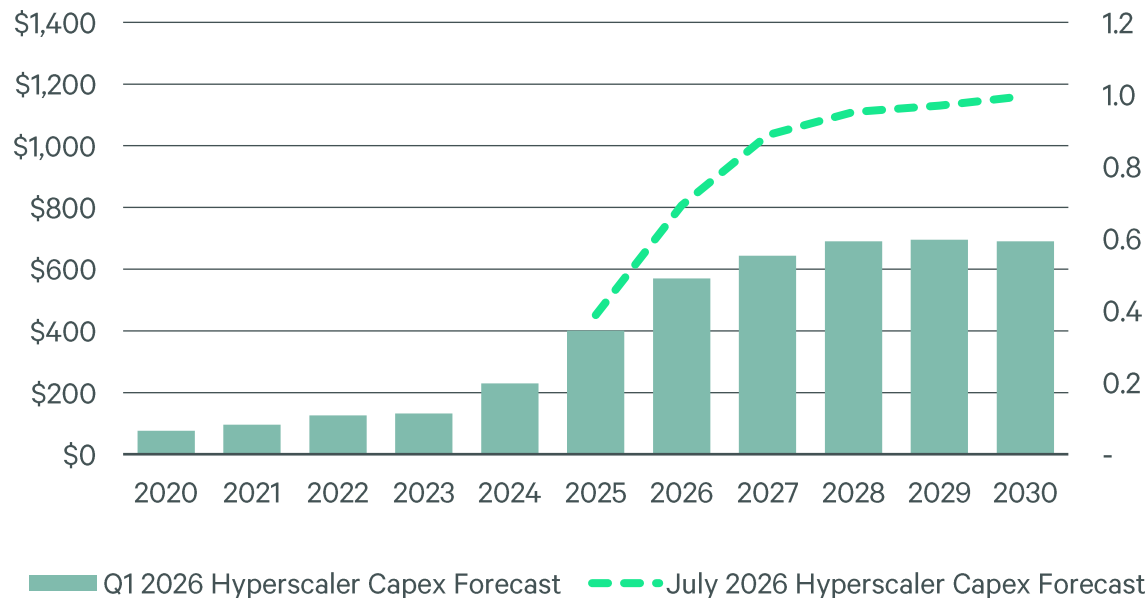


Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, July 2026.

- Although wage growth continues for households across income brackets, heightened price levels are eroding purchasing power and consumer sentiment.
- Headwinds aside, core retail sales grew 5.7% year-over-year in June 2026. Continued payroll and wage gains, household wealth held in equities, and manageable debt levels should keep spending on track.

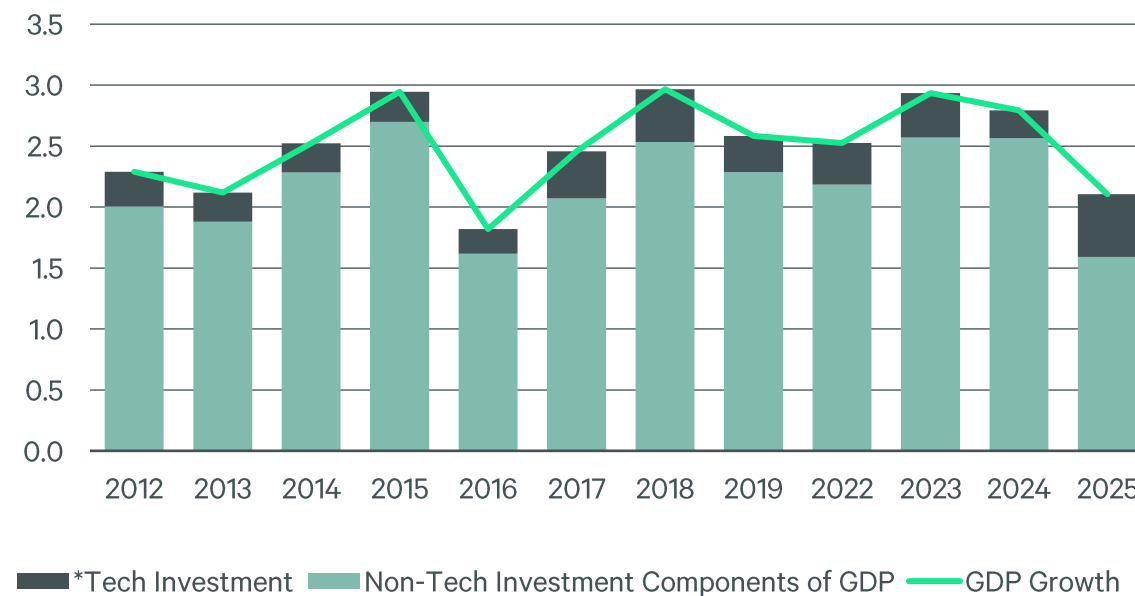
AI Capex is proving to be an important tailwind to growth

***Hyperscaler Capex Outlook (Billions, USD)**



Source: Bloomberg, CBRE Econometric Advisors, LPL Research *The group includes META, AMZN, GOOGL, MSFT, ORCL

High-Tech Contribution to U.S. GDP Growth (%)

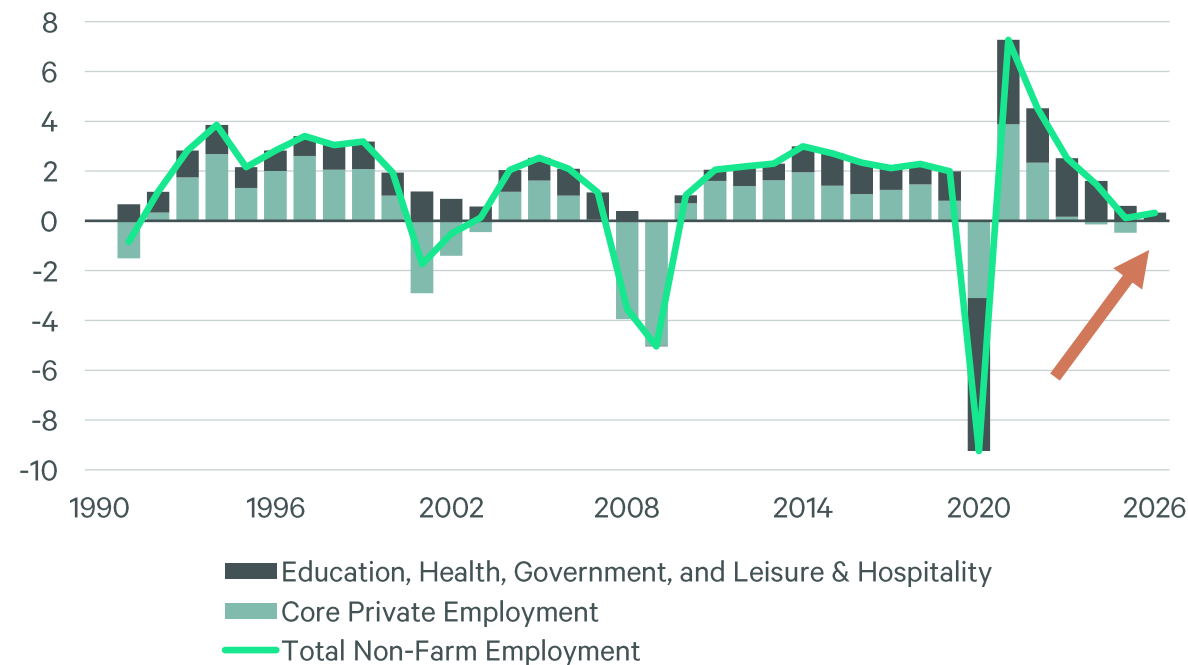


Source: Bureau of Economic Analysis *Tech investment includes Software and Information Processing Equipment
 **Years 2020-'21 were excluded from this chart.

- This year, AI Capex is expected to total \$806 billion, higher than Capex expectations during the first quarter. In fact, the entire future Capex spending curve has shifted upward. Concerns that future cash flow and operating efficiencies may not be enough to offset this significant capital outlay are mounting.
- The sustainability of the AI buildout and future U.S. economic growth levels are intertwined. In 2025, tech investment contributed to a record 50 basis points (bps) of the year's overall expansion of 2.1%. Although this headline figure is not adjusted for imported hardware it should be noted that the AI buildout has a notable multiplier on other sectors ranging from construction to manufacturing. Further, any distress in the AI space would likely tighten financial conditions amplifying the systemic impact.

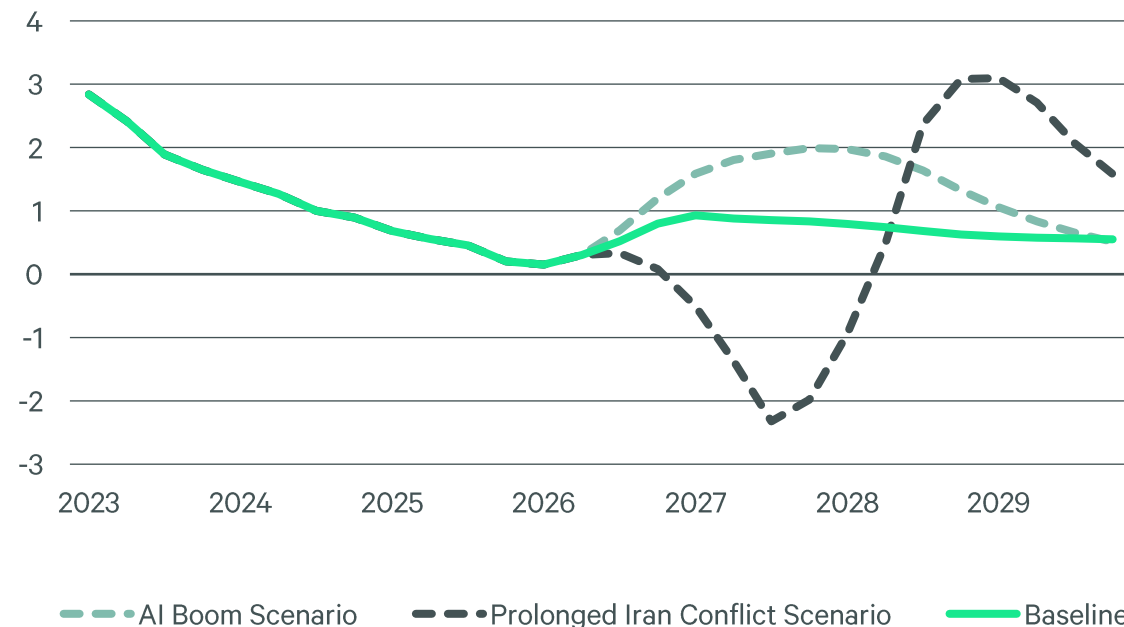
Private sector hiring remains soft

Annual Change In Employment by Sector Type (Millions)



Source: Oxford Economics, U.S. Bureau of Labor Statistics, CBRE Econometric Advisors

Employment Growth by Forecast Scenario, Y-o-Y (%)



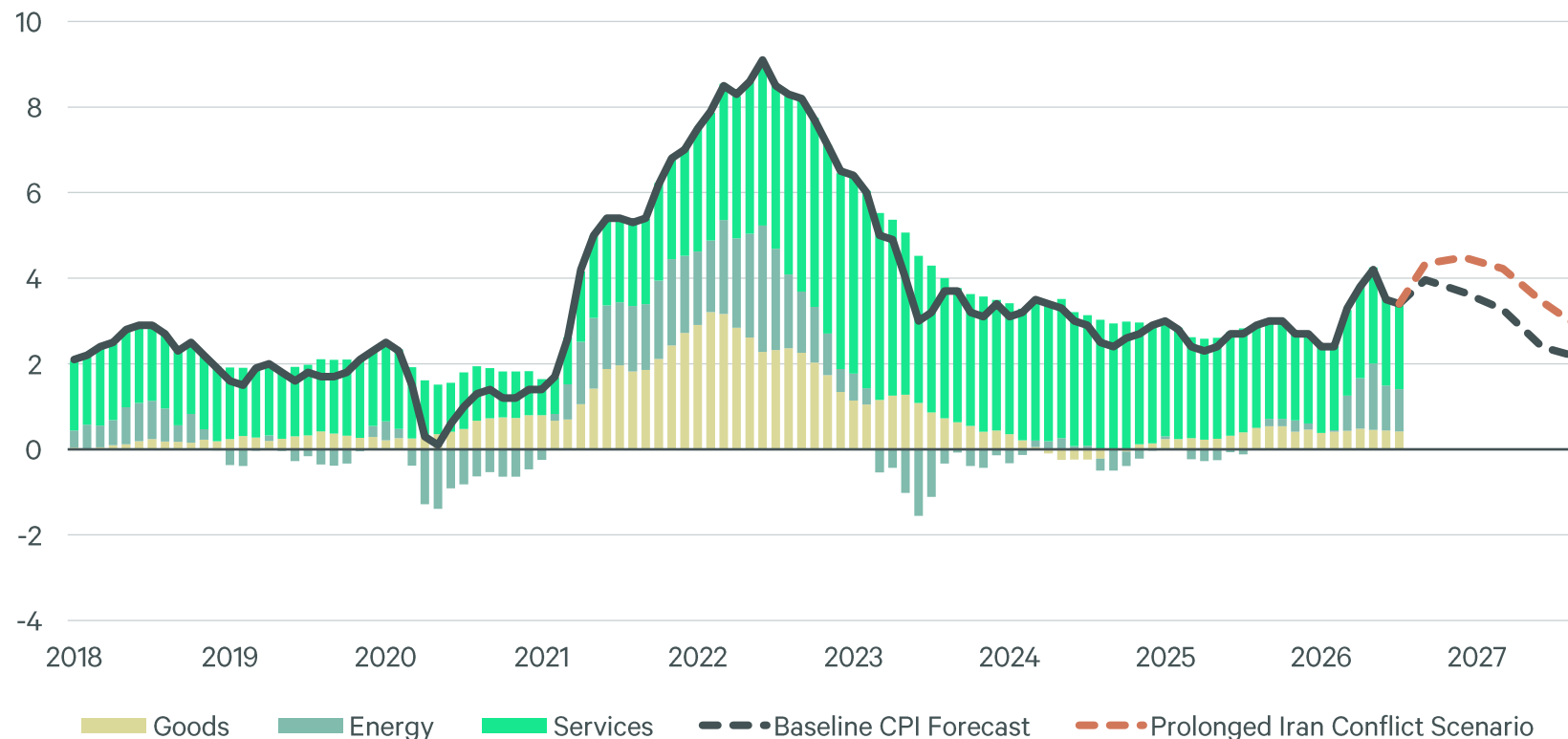
Source: U.S. Bureau of Labor Statistics, CBRE Econometric Advisors

- Core private employment (excluding leisure and hospitality) contracted in 2025 and has been flat this year. There are some signs that private employers are beginning to hire again, but the numbers are small. Despite minimal churn in the labor market conditions are balanced as job openings just slightly outnumber unemployment.
- While the impact of AI on headline employment is not completely certain, our AI Boom Scenario expects continued business investment, and wealth creation will be a net positive for job creation. Our Baseline Scenario expects an uptick in hiring for the remainder of the year, and especially from sectors that saw recent declines; however, it should be noted that with the bulk of 2026 behind us the window for an H2 2026 hiring bump is closing.

Inflation is hard to predict, but 'higher prices' is a safe bet for now

- The outlook for inflation changes with the news cycle and is not necessarily driven by traditional factors, such as economic capacity utilization. During the past quarter inflation has quickly turned upward, driven primarily by surging energy costs. Our Baseline forecast assumes that on-and-off-again fighting across the Middle East region will keep energy prices elevated. Higher fuel prices will keep upward pressure on U.S. inflation for the next few months, and disinflation will take over during 2027.
- The Prolonged Iran Conflict Scenario assumes the Strait of Hormuz remains inoperable for the remainder of the year and the kinetic warfare spreads to other parts of the region. This causes oil prices to hit \$150/bbl and inflation to hit the mid-4% range during late 2026. Importantly, this downside scenario would see higher oil prices creep into the core components of the Consumer Price Index.

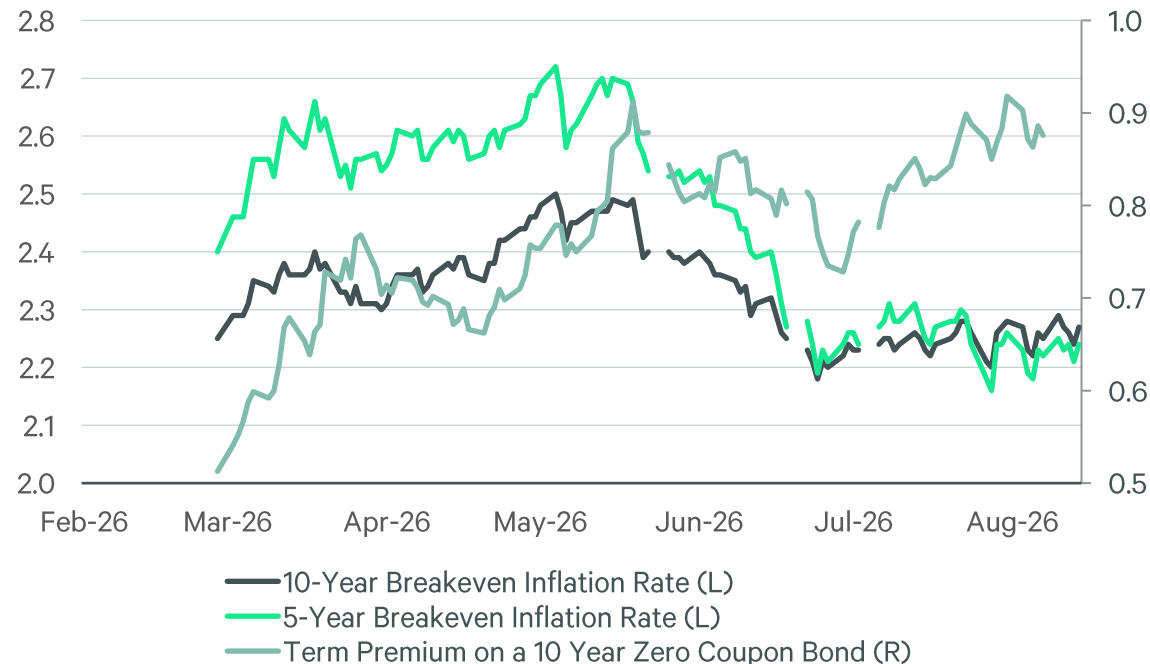
Components of CPI, Y-o-Y (%)



Source: Bureau of Economic Analysis, CBRE Econometric Advisors

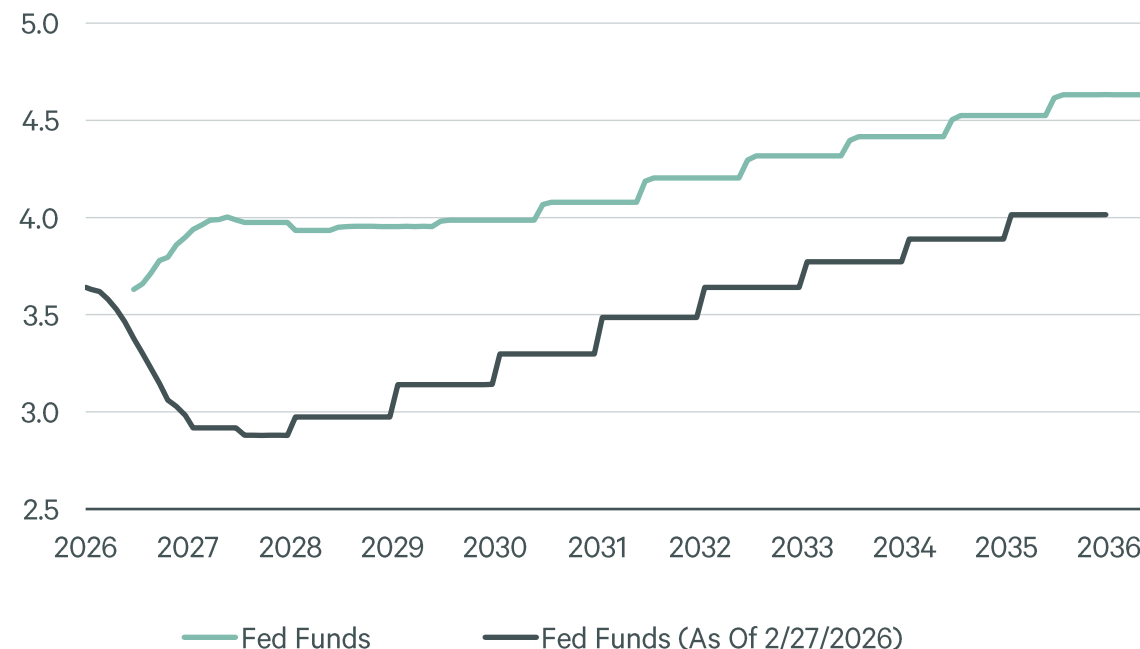
Financial markets expect higher inflation and real interest rates

Implied Inflation Expectations and Modeled Term-Premium (Percentage Points)



Source: Federal Reserve via FRED

Fed Funds Rate Forward Curve



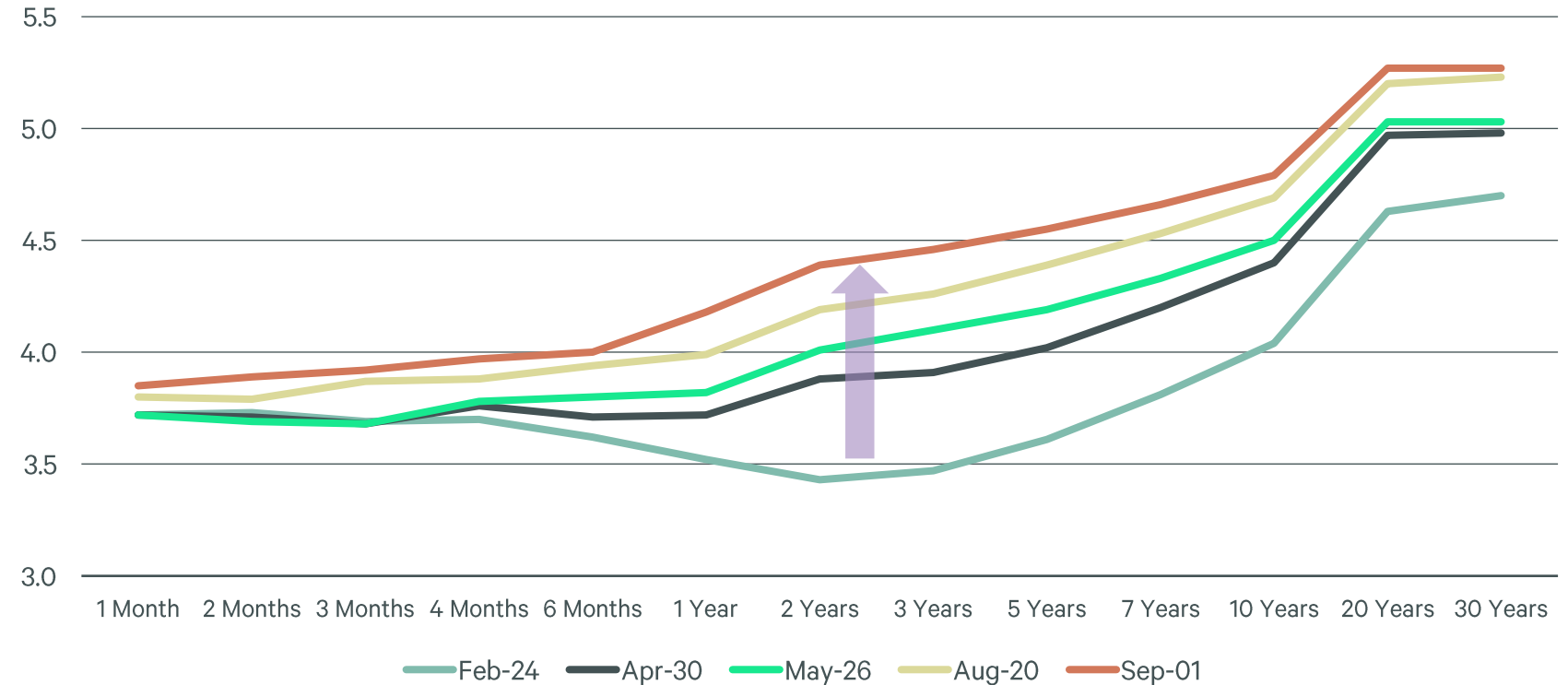
Source: [Pensford](#)

- The graphs above explain why Treasury yields, especially in the middle of the curve, have risen so dramatically since the conflict began.
- The graph on the left demonstrates that expected average inflation over the next five and ten years peaked in May, along with oil prices, but have since fallen. Also, the 10-year term-premium—the extra yield investors demand to hold long-term bonds—has risen from 46 bps to 83 bps.
- Beyond inflation expectations and term premia, another key determinant of interest rates is expected real interest rates throughout the life of the bond. The graph on the right shows how the market shifted and no longer expects further Fed cuts.

The yield curve continues to shift upward

- Since the U.S./Iran conflict began, Treasury yields have been rapidly increasing. This is especially true for the 5-year duration as markets initially began pricing in a greater prospect for inflation and Fed rate hikes.
- Inflation expectations have eased relative to last spring (see lower inflation breakeven rates on previous page) yet the yield curve has flattened. This suggests the more recent increase in yields is linked to both higher expected real interest rates and term premia. A key catalyst driving long-term yields is the run up in credit supply to fund the AI buildout.

How the Yield Curve Has Evolved This Year (%)

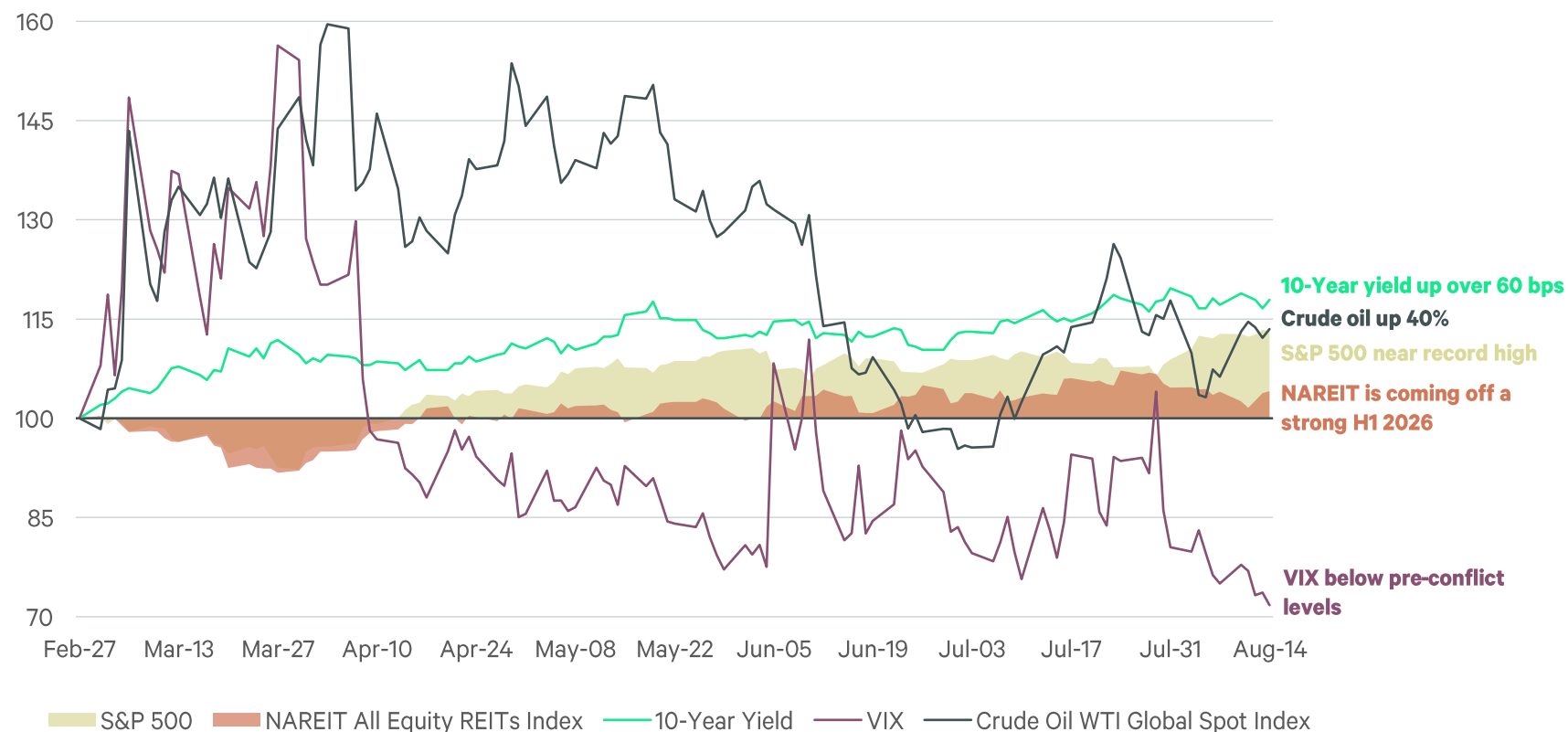


Source: [US Treasury Yield Curve](#)

Key factors driving real estate capital markets

- The U.S./Iran conflict, which began on February 28, 2026, sent shockwaves through commodity and financial markets. As discussed on previous pages, Treasury yields have crept upward despite fewer inflation concerns, due to wider term premia.
- Equity market volatility increased in the initial period after the U.S./Iran conflict. However, equities have since staged a resilient recovery. The VIX declined to its lowest level of the year in mid-August.
- REIT performance has risen with the broader equity market but has also benefitted from improved operating fundamentals and public CRE valuations marking to a higher private market valuation.

Key Financial Variables Relative to Day Before Start of Conflict (02/27/2026 = 100)



Source: Federal Reserve and NAREIT via Macrobond

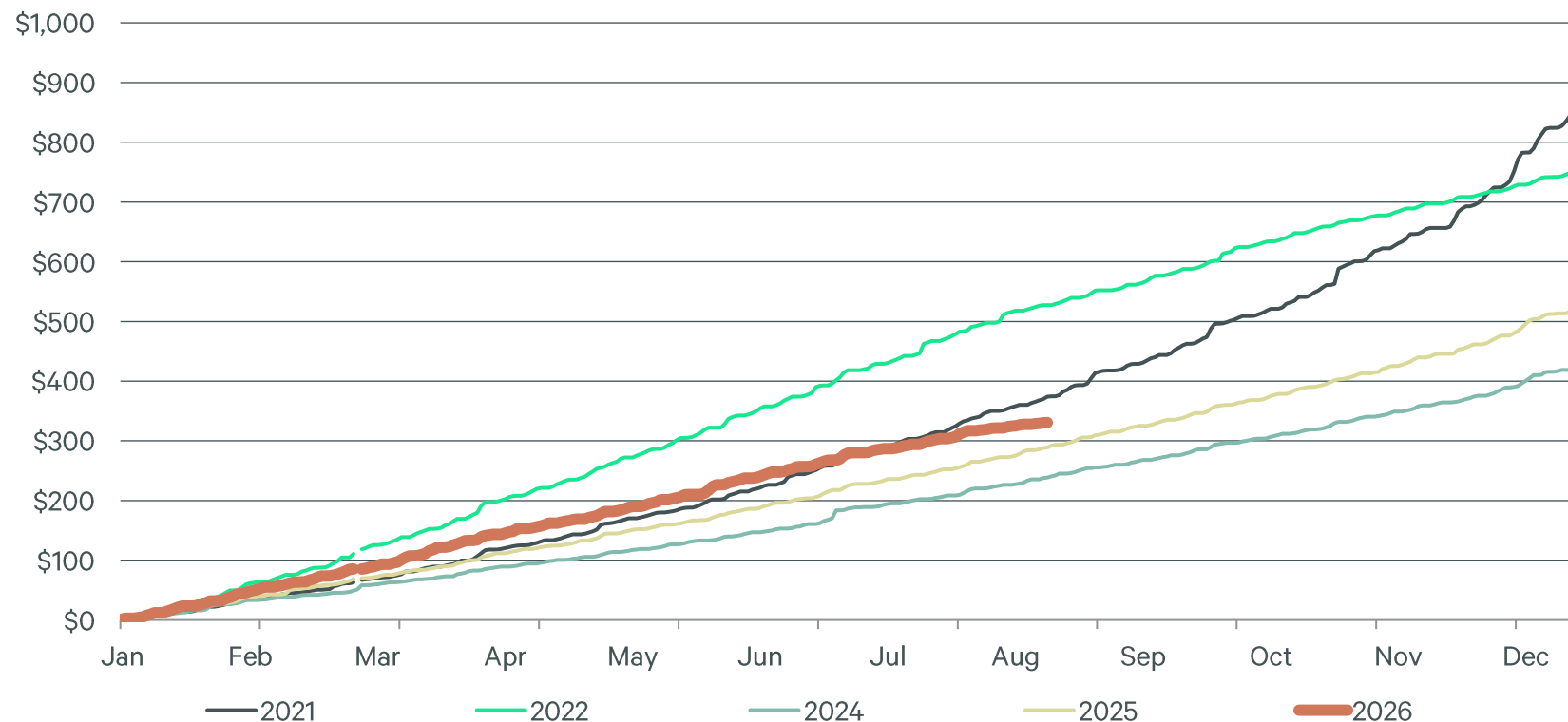
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Capital
Markets &
Commercial
Real Estate

CRE investment activity is seeing a summer cool down in '26

- 2026 began with expectations for lower interest rates, continued economic growth, and much stronger CRE sales volume relative to recent years. However, looking at deal flow through the prism of cumulative daily volume shows the pace of activity has trailed off in recent months and has fallen behind 2021 levels. All sectors except for hotel and office saw deceleration in sales volume during June 1 through August 20.

Cumulative Daily CRE Investment Volume by Year (Billions, USD)

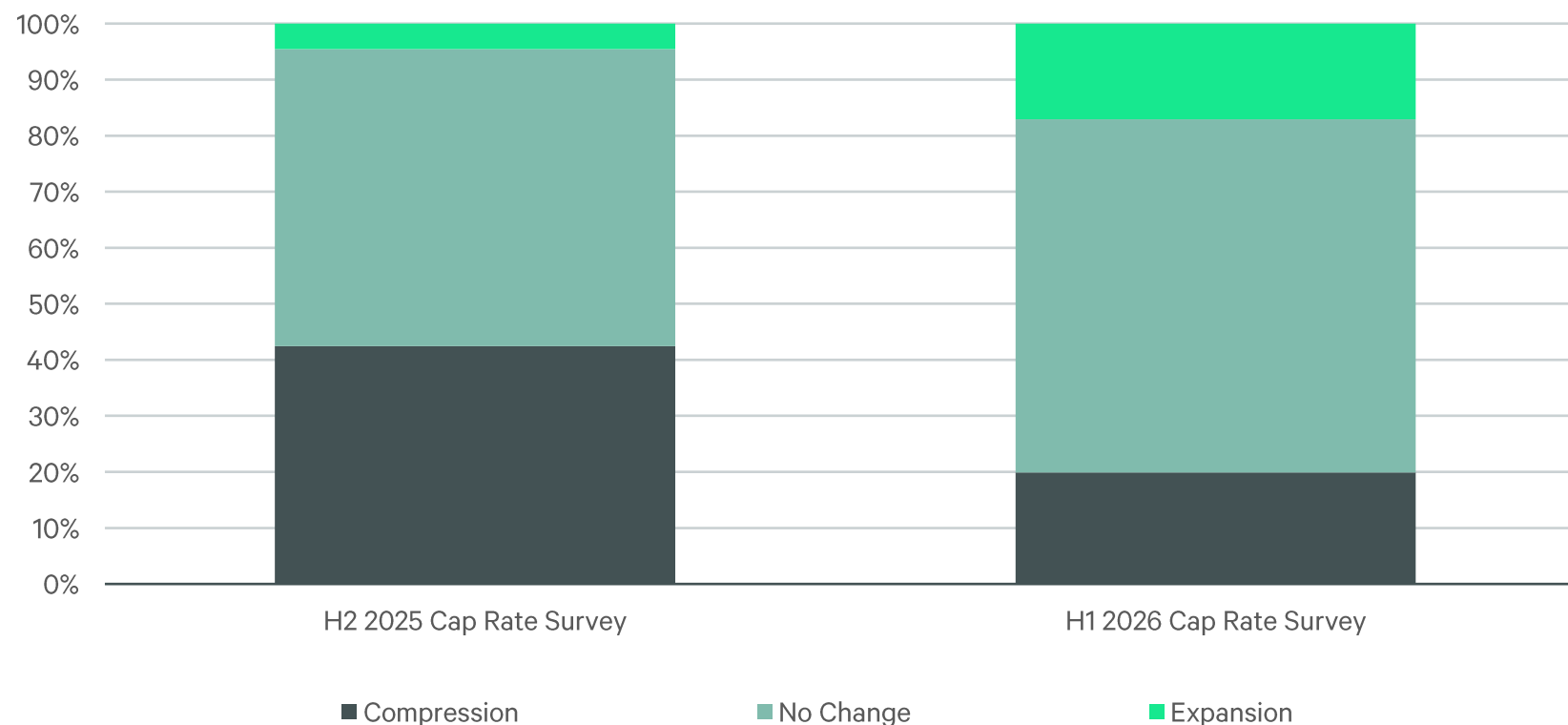


Source: MSCI Real Capital Analytics, CBRE Econometric Advisors

CBRE's *Cap Rate Survey* points to a slight 'vibe shift'

- The year 2026 began with high hopes for commercial real estate capital markets. At the close of 2025, respondents to the [H2 2025 Cap Rate Survey](#), a bi-annual poll of CBRE Capital Markets and Valuations professionals, overwhelmingly expected yields to either hold steady or decline over the next six months.
- In the [H1 2026 survey](#), roughly 60% of respondents expect to see “No Change” in cap rates over the next six months, but there was an uptick in the number of respondents who expect them to rise. Across property types, more investors expect higher cap rates for Class C assets, likely reflecting higher Capex requirements and greater lease-up risk.

Cap Rate Movement Expectations for the Next Six Months, Share of Responses for All Sectors

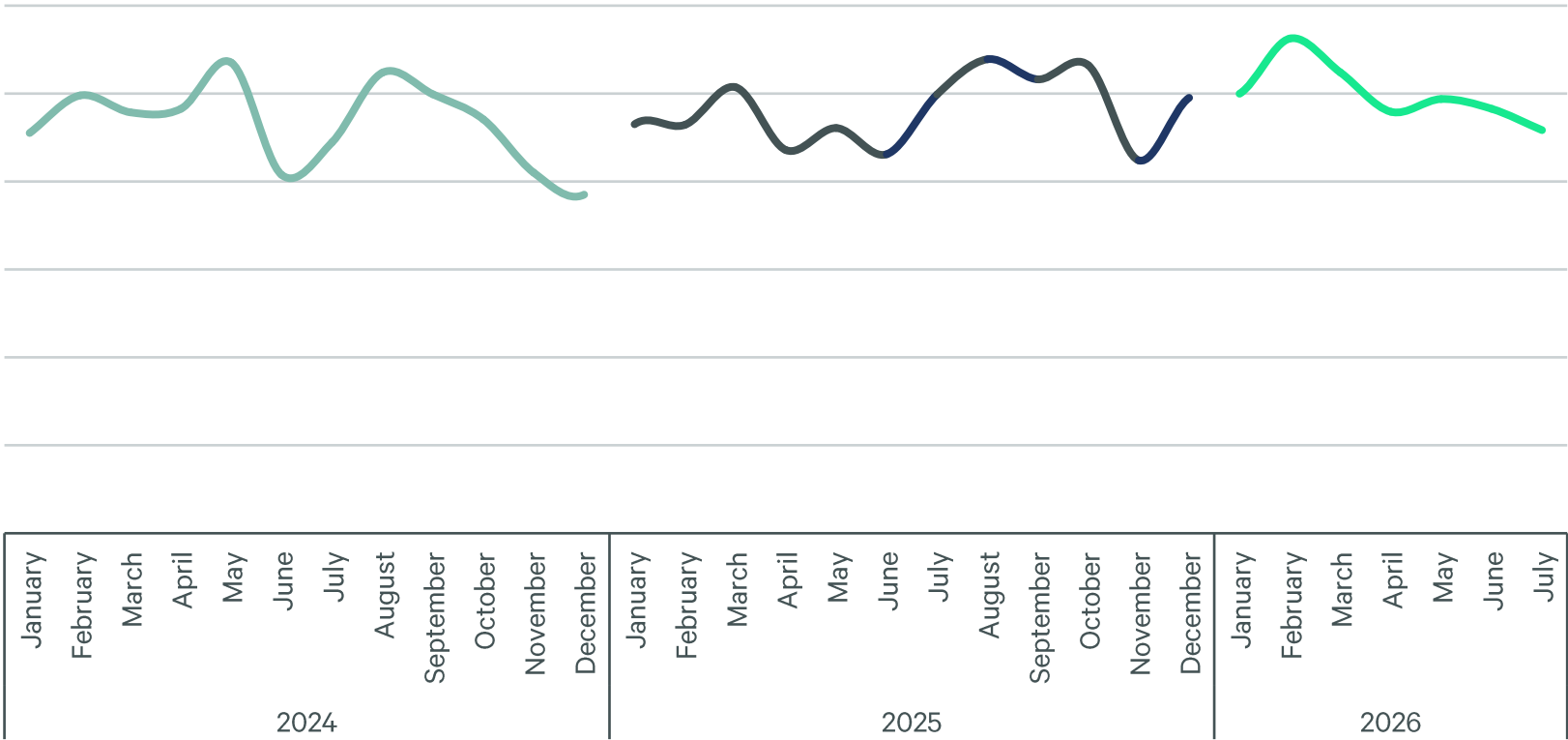


Source: CBRE

CBRE trading data also points to a cooling effect

– The ratio between confidentiality agreements signed and deals launched hints at the strength of the investor market. This metric started the year strong relative to 2024 and 2025. But conditions began to soften by March and have ceased their upward trajectory. Further, 2026 appears to be skipping a seasonal summertime boost enjoyed during the previous two years.

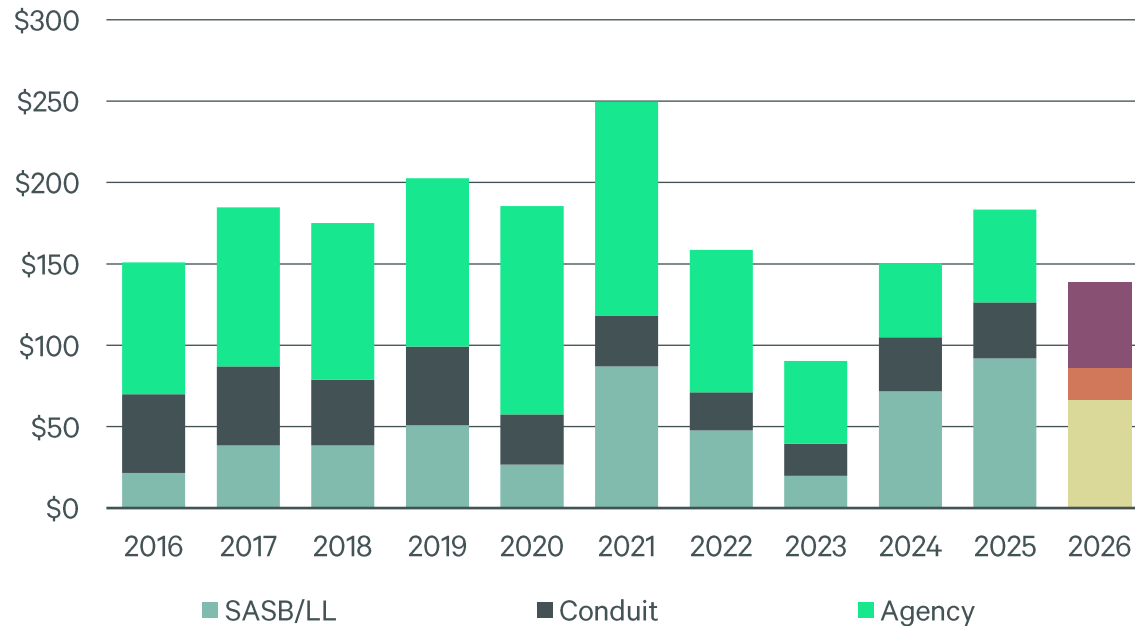
Ratio of CAs Signed per Launched Deal



Source: CBRE

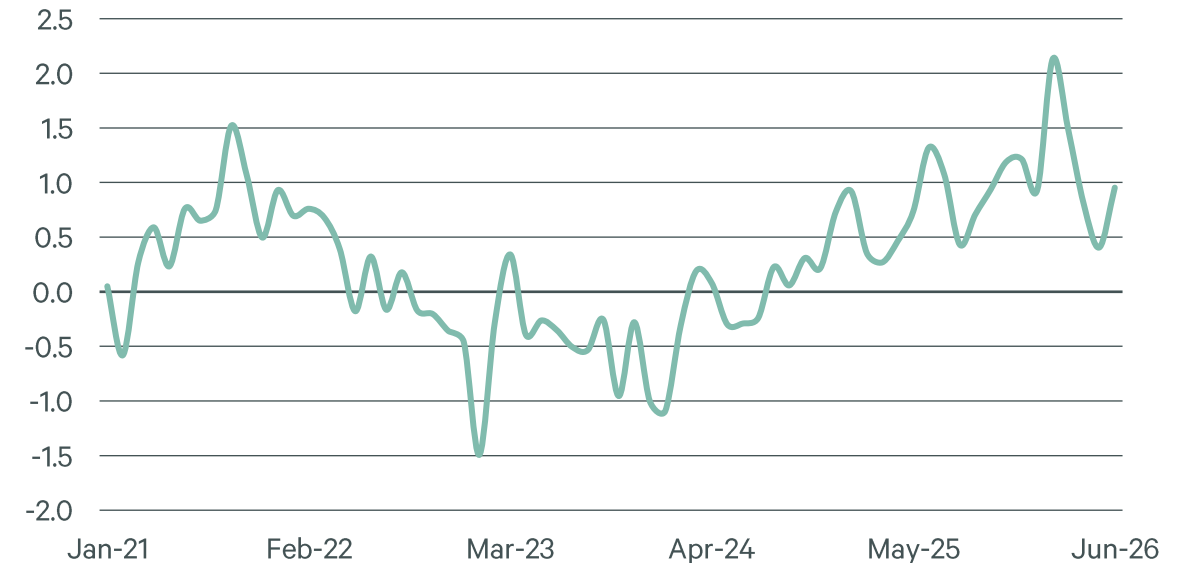
Meanwhile, CRE credit markets remain accommodative

U.S. CMBS Issuance by Deal Type (Billions, USD)



Source: Bloomberg

CBRE Lending Momentum Index, Weighted Z-Score

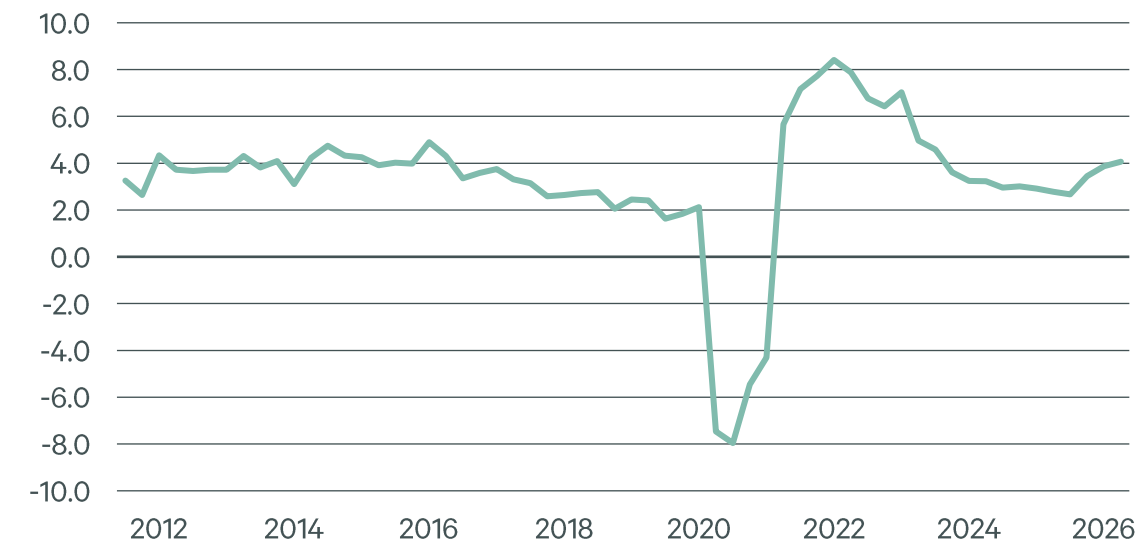


Source: CBRE Capital Markets Research, Q2 2026

- Stronger asset valuations, heightened maturities, and limited traditional bank lending are driving strong CMBS issuance in 2026. This year continues to see robust issuance for SASB / Large Loan deals as buyers seek more control of their credit portfolio. Also, SASB CMBS is a preferred funding vehicle for data center development.
- Alongside signs of CMBS strength the overall delinquency rate has risen to 7.86%. This run up is driven by the multifamily and office sectors.
- The CBRE Lending Momentum Index ended Q2 down from a year ago in part due to lower LTVs in the marketplace. The number and average size of loans increased, and spreads declined pointing to sturdy market conditions.

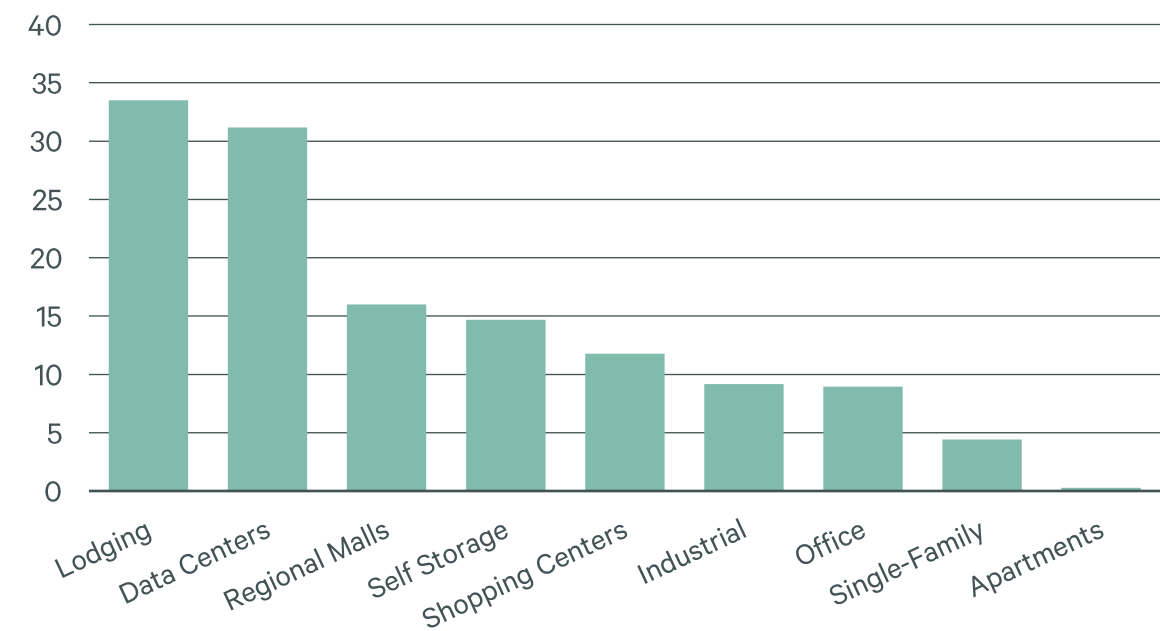
Listed CRE operators see positive momentum

Same-Store REIT NOI Growth, Y-o-Y (%)



Source: NAREIT/Bloomberg

2026 YTD Price Return (%)

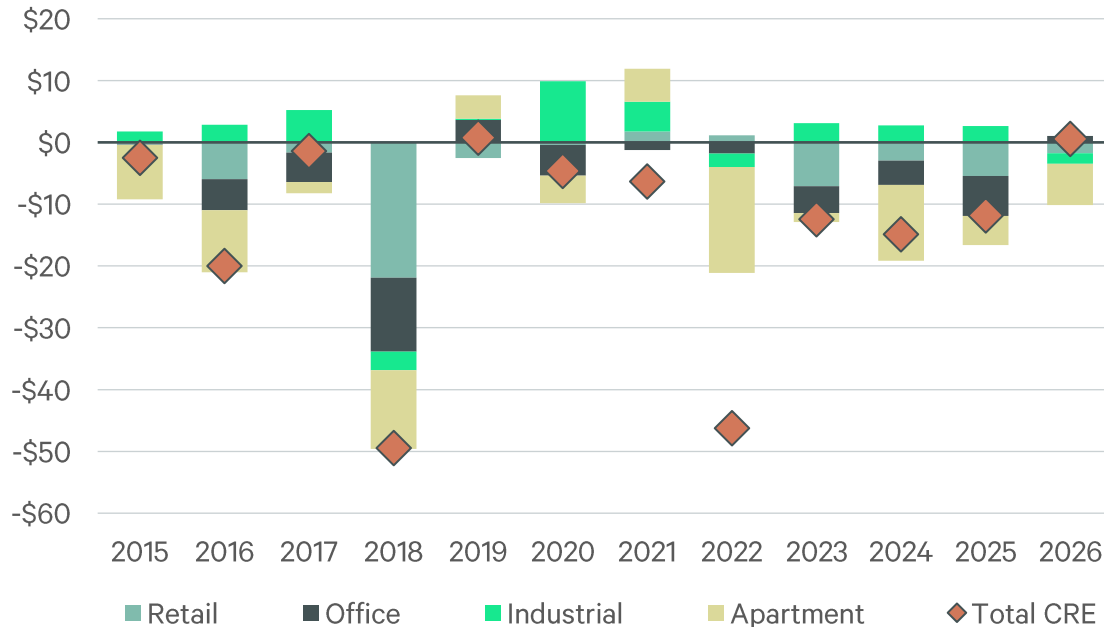


Source: NAREIT/Macrobond

- Same-store NOI growth across all REITs accelerated to 4.1% in Q2, the strongest reading since 2023. Of note is the office sector, which has returned to positive NOI growth after a few years in negative territory. The pace of growth, at 2.9%, remains below other sectors. This directional change points to an improved outlook for this sizable component of U.S. REITs.
- U.S. listed real estate enjoyed a 14.5% YTD total return, compared to 12.3% for the broader S&P 500. An improved income outlook for retail properties is being priced in. Conversely, soft fundamentals for apartments, particularly across the Sun Belt, have resulted in more concessions, weaker NOIs, and sluggish asset pricing.

REIT market conditions could generate more deal flow

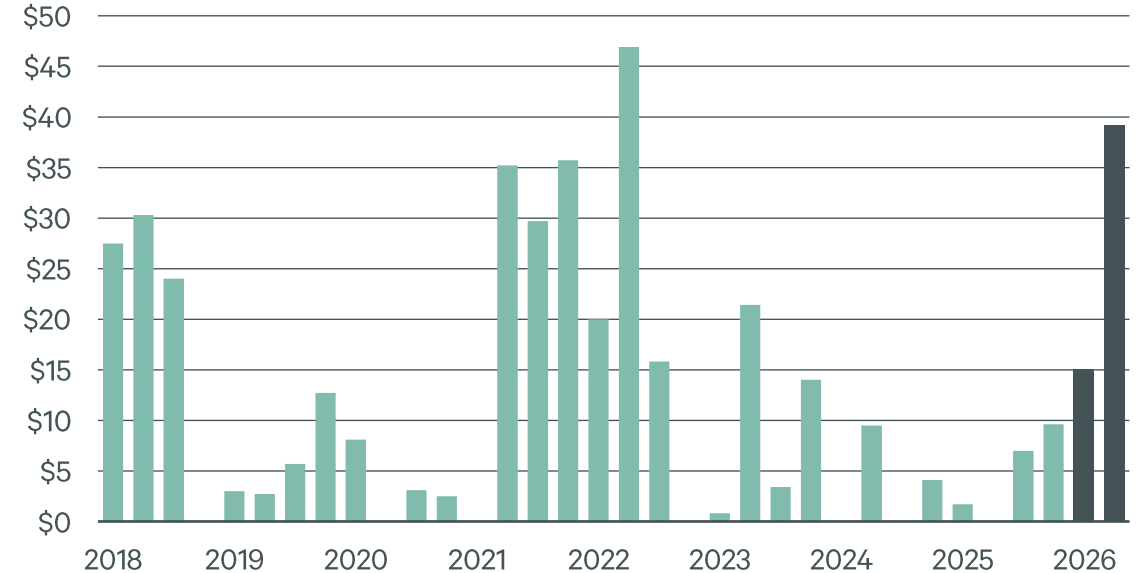
Net REIT Acquisitions by Sector, Billions (USD)



Source: MSCI Real Capital Analytics

*Note: 2026 only reflects Q1 and Q2

US Equity REIT M&A Volume by Quarter, Billions (USD)



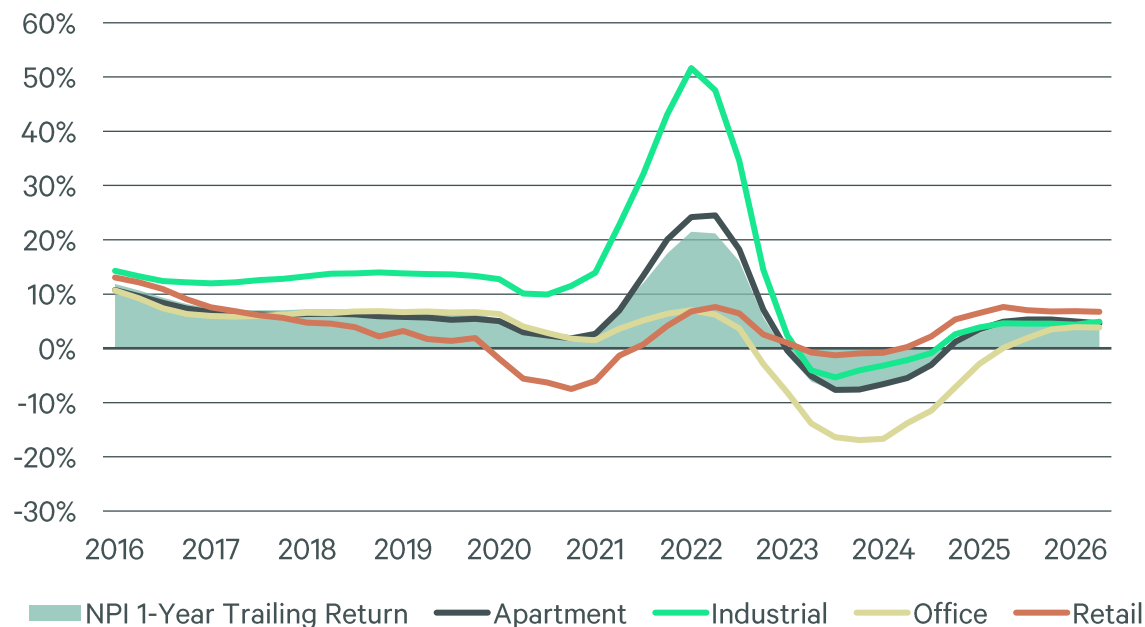
Source: S&P Global

*Note: Includes definitive agreements yet to be completed

- According to a [capital allocation tree](#) developed by Chilton Capital Management, highly leveraged REITs trading at a substantial discount to NAV and unable to grow should be selling assets to buy back stock. If these buybacks are not effective, selling the entire company would be the next decision. We have seen REITs being net sellers of real estate since 2020 while discounts to NAV have persisted.
- Seven M&A deals involving U.S. publicly traded equity REITs were announced in the first half of 2026, worth \$55.98 billion, according to S&P Global. This is more than triple the \$18 billion in all of 2025. Of the seven deals, four involved a REIT taken private. Should NAV discounts and cap rate divergence persist, this trend is likely to continue.

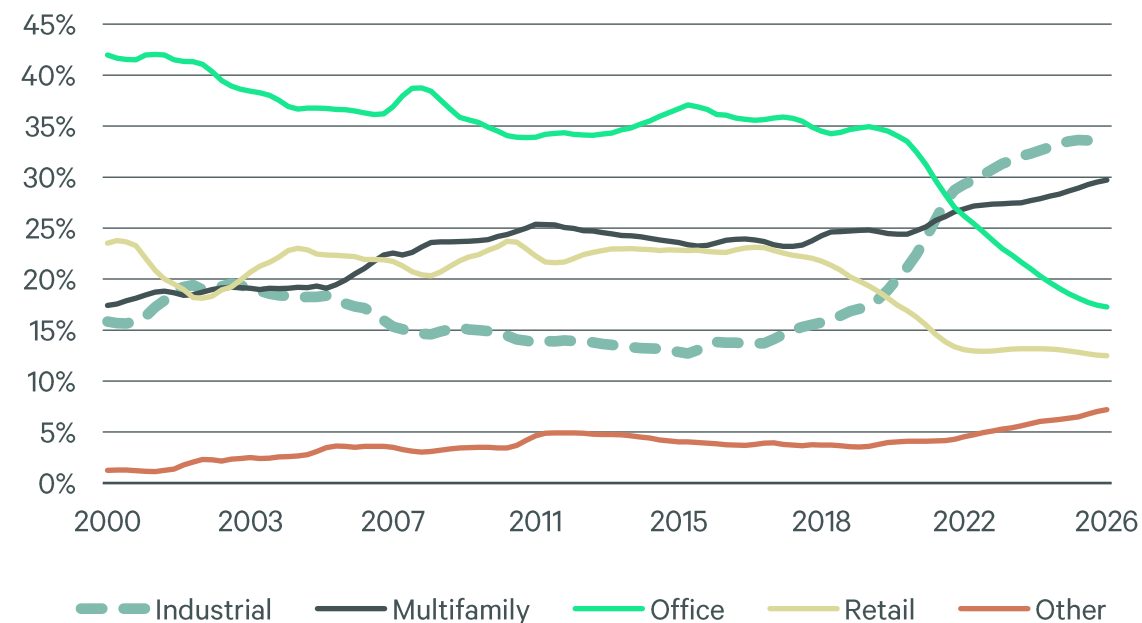
Private CRE performance remains steady, led by retail

NPI 1-Year Total Return and Sector Dispersion



Source: NCREIF, CBRE Econometric Advisors

Sector Share of NPI



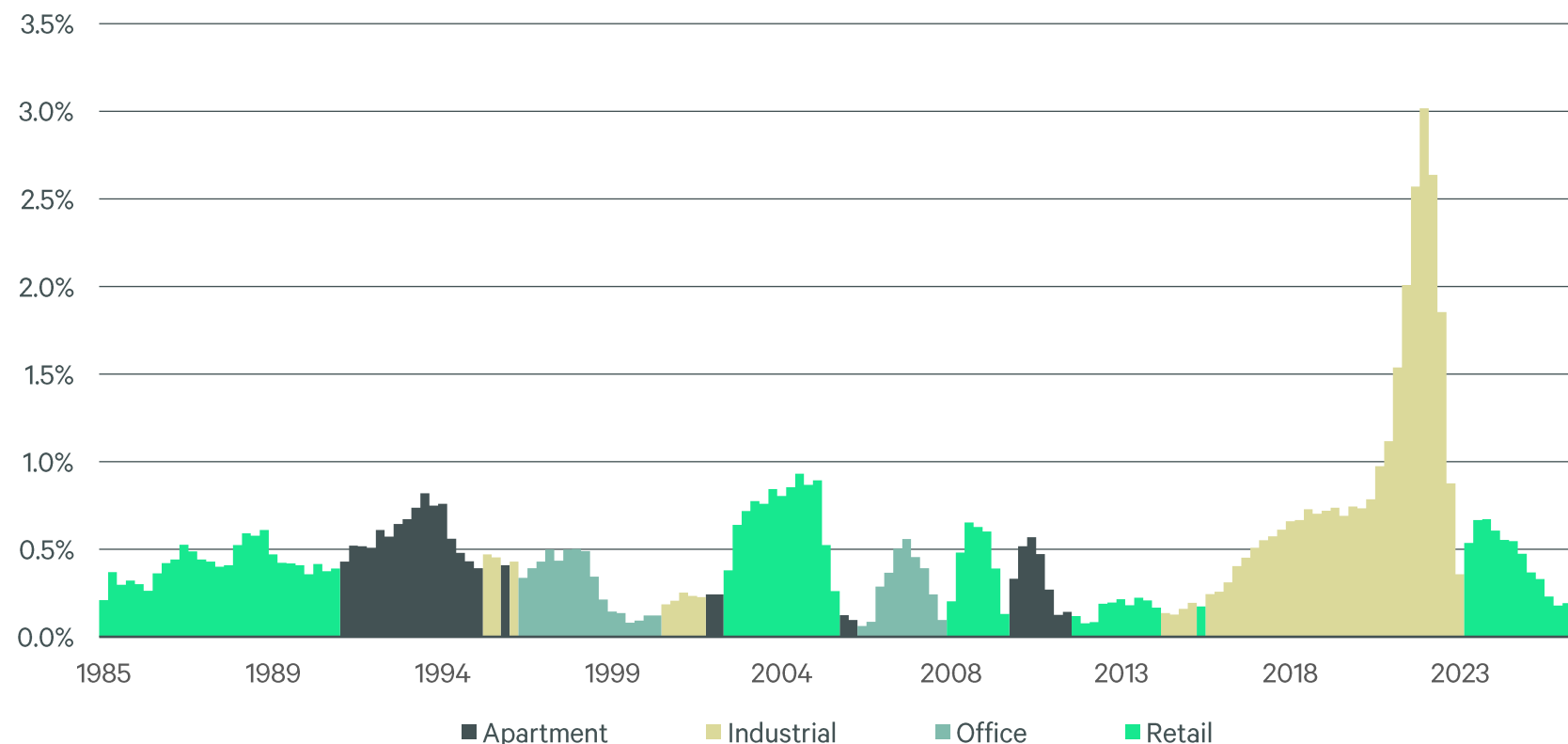
Source: NCREIF, CBRE Econometric Advisors

- The real estate cycle of 2021 - 2022 saw a wide range of performance as each sector had its own unique story. In recent years systemic drivers, such as higher interest rates, have caused performance to converge. Today, retail is marginally leading investment performance helped along by higher yields and more stable cap rates.
- Industrial's share of the broader NPI appears to be peaking and could begin to decline. This subtle turn should be viewed through the context of relative performance coming off the boil and the outlook for NOI growth quickly cooling (see page 25).

Industrial no longer delivers a super-boost to performance

- This graphic highlights the top performing sector—of the four key sectors—within the NPI based upon a one-year rolling return. Further, this graphic displays positive outperformance relative to the NPI based upon an extra 10% allocation to the top-performing sector.
- The e-commerce super-cycle from the mid-2010s through to 2023 made industrial the record-breaker for consecutive out-performance. In recent years, the shine has come off as the sector, which has been ‘priced-to-perfection’ has seen fundamentals weaken.
- The bulk of retail properties within the NPI include neighborhood and community centers, which benefit from both high yields and sturdy income growth.

Extra Annual Return from An Extra 10% Allocation Towards the NPI's Best Performing Sector



Source: NCREIF, LaSalle Investment Management, CBRE Econometric Advisors

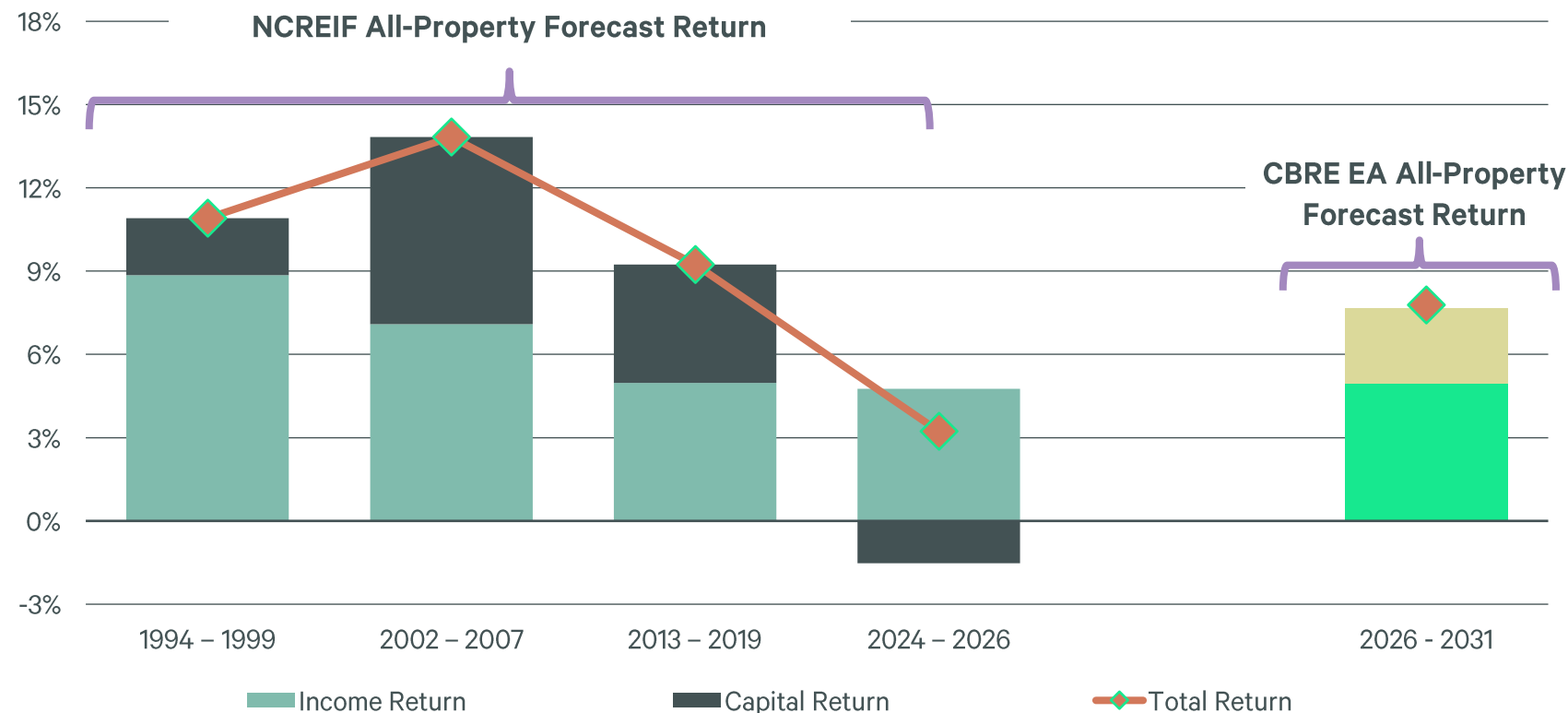
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Investment
View

This new cycle will be different than the past

- During the 1990s CRE enjoyed very strong income returns in the wake of brutal repricing in previous years. However, capital was slow to redeploy to CRE as the Fed was tightening and a booming equity market was capturing investment capital.
- In subsequent cycles, capital appreciation accounted for a larger share of overall performance. This was due to a myriad of factors, such as attractive yield spreads, a greater institutional allocation to real estate, and a secular decline in interest rates.
- Presently, many of these factors are stalling. Higher-for-longer interest rates means the current cycle is starting off with narrow yield spreads leaving little room for future compression.

Annualized All-Property Composition of Total Returns

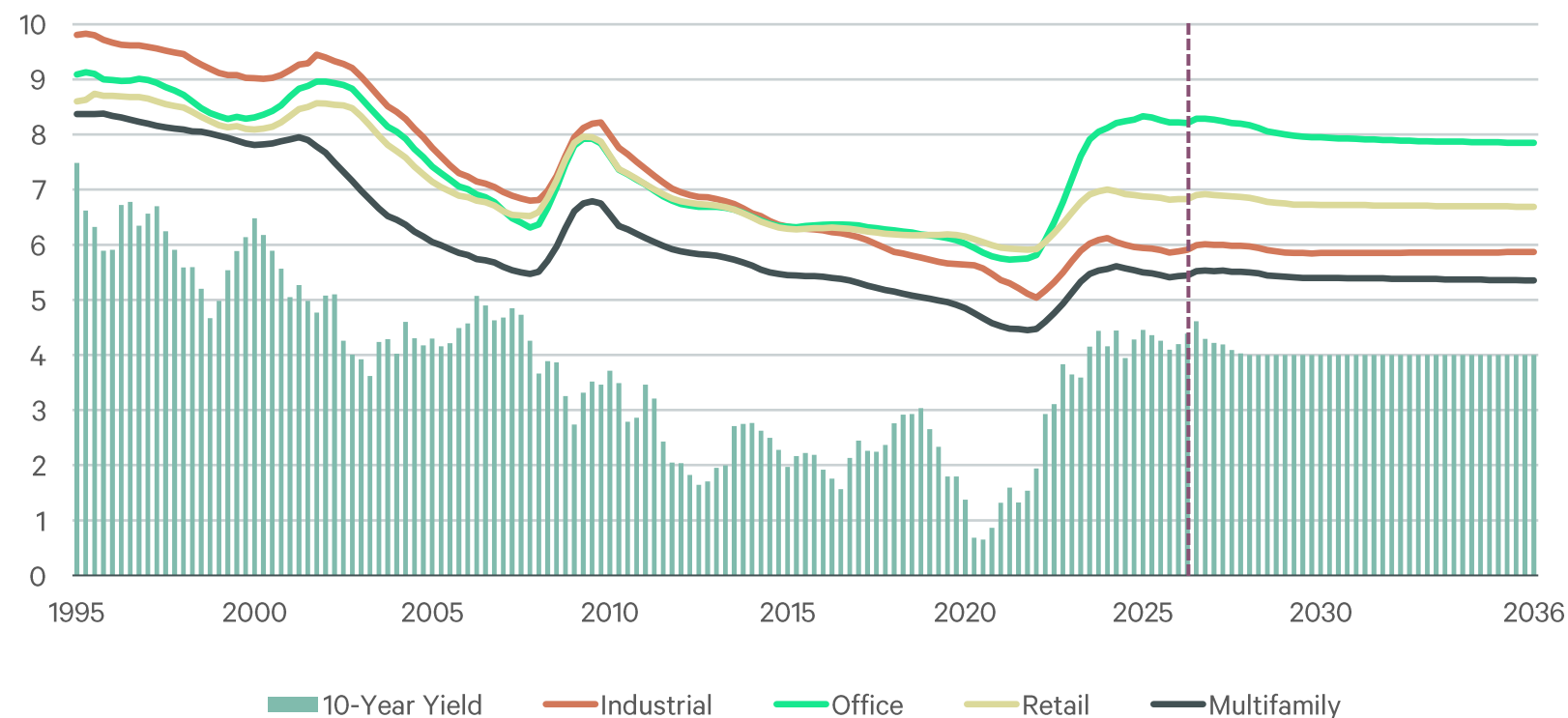


Source: NCREIF, CBRE Econometric Advisors

We expect cap rates to drift down slightly with Treasury yields

- Although the 10-year yield is currently elevated due to the U.S./Iran conflict, CBRE EA believes that longer-term rates will trade above the 4% range for the next several years. This outlook equates to a very narrow risk premium today and is a headwind to future yield compression.
- It should be noted that thin spreads today are overwhelmingly due to higher base rates rather than CRE capital market exuberance.
- During the next few quarters, we anticipate cap rates increasing about 10 bps due to widening corporate bond spreads and a higher 10-year yield.
- Over the next 10 years, we expect cap rates to drift down slowly, roughly 10 to 35 bps.

Sum of Markets Sector Cap Rate and 10-Year Treasury Yields (%)

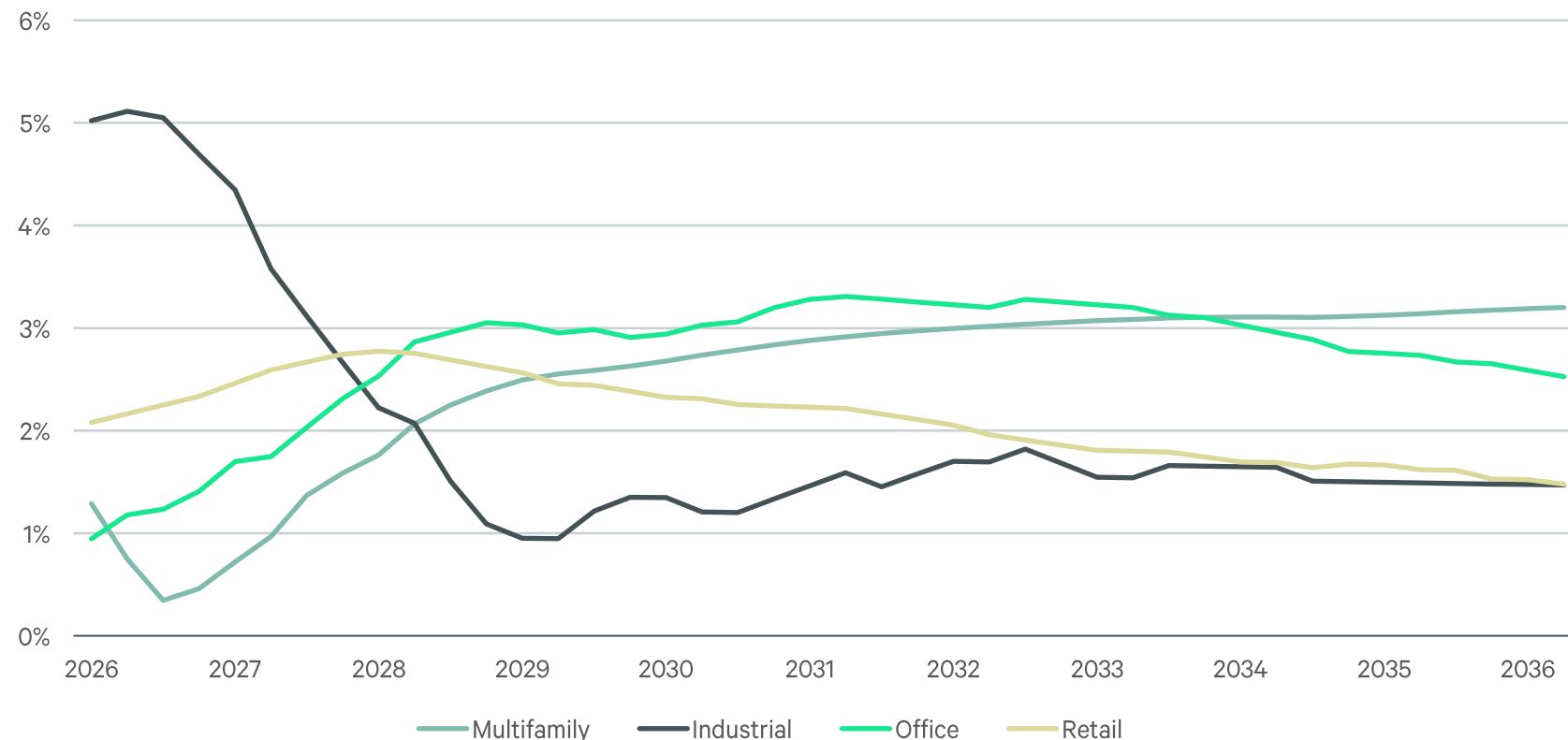


Source: Federal Reserve, CBRE Econometric Advisors

Office NOI growth rate set to accelerate via occupancy gains

- Because we believe we are past the peak of office vacancy for this cycle, we expect NOI growth to accelerate from around 1% to over 3% by 2030.
- After nearly reaching double-digit NOI growth in 2022, the industrial sector is poised to see slower income growth, primarily due to slowing rent growth, but also some increase in vacancy.
- Rising vacancy in the multifamily sector will put pressure on NOI growth until late 2027, when reaccelerating rent growth drives a recovery.
- We expect Neighborhood, Community & Strip retail to have faster NOI growth over the next few years via occupancy gains and rent growth. However, rent growth peaks around 2027, which puts pressure on growth in the back half of the forecast.

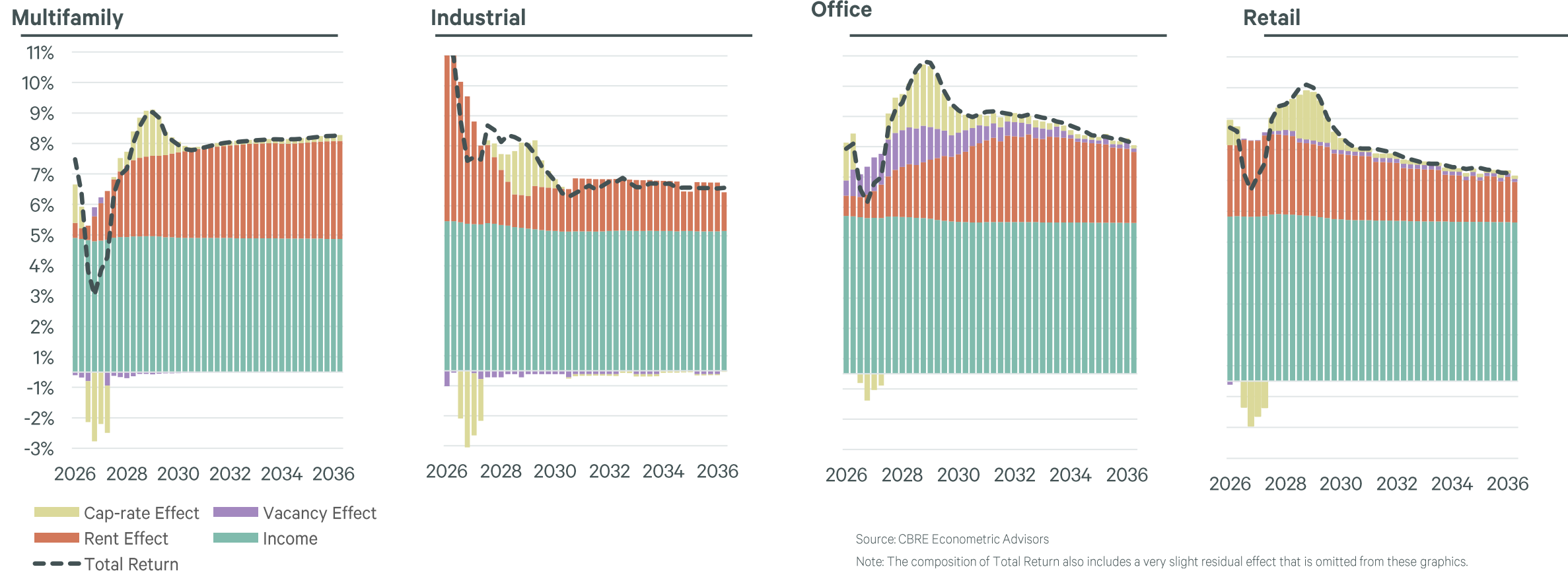
Sum of Markets: Annual NOI Growth Baseline Forecast



Source: CBRE Econometric Advisors

Note: Our NOI is the product of a moving average asking rent (to reflect overlapping leases) and current quarter vacancy rate.

Sectors offer different sources of CRE returns

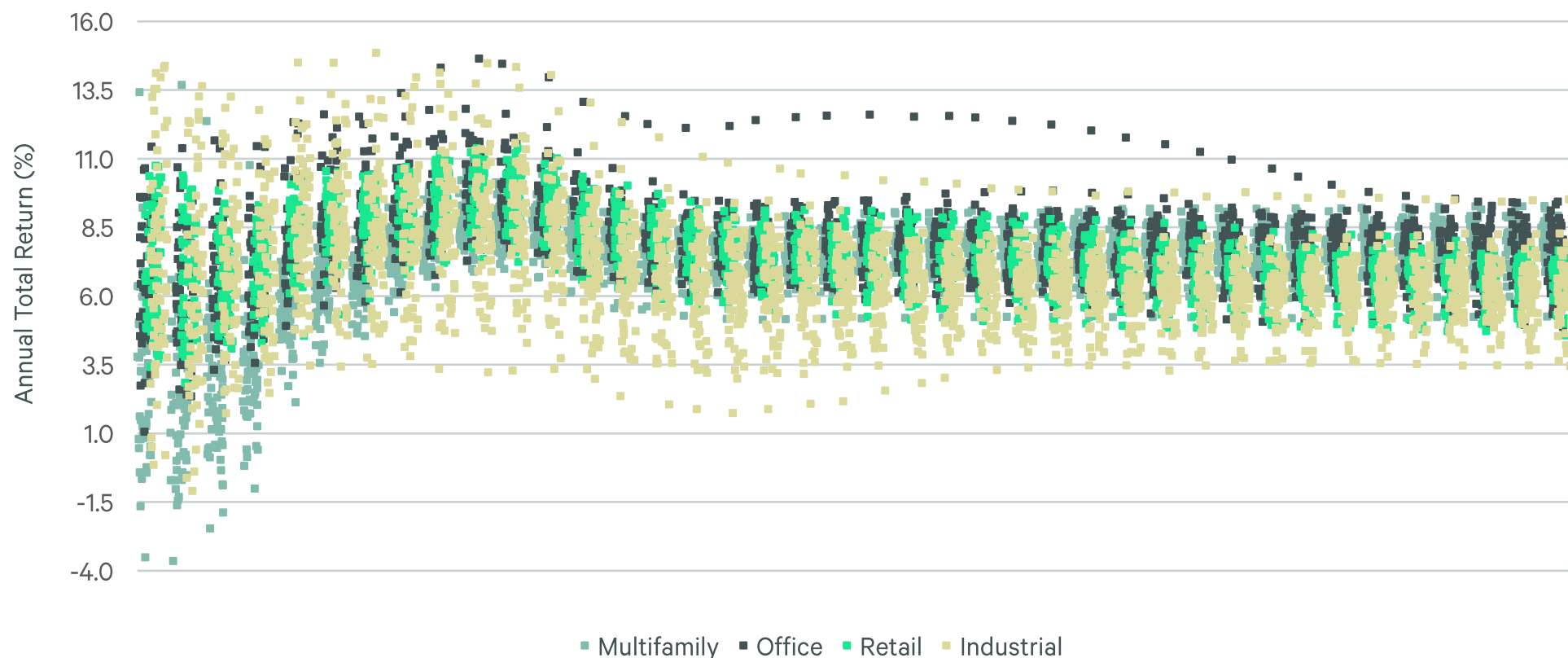


- The four graphs above summarize the components of total returns, which is traditionally broken down into an income return and capital return (not shown). These graphics decompose the capital return that is due to: 1) cap rate changes, and; 2) factors that drive NOI growth (vacancy effect and rent effect).
- The composition of forecast performance varies by sector. While the office and retail sectors offer a healthy mix of yield and capital value growth, multifamily leans more heavily on rent growth to drive returns.

Industrial will have widest range between top and bottom performers

- We are forecasting performance to diverge substantially between our top and bottom performers over the next few years. This will be especially true for industrial, which we expect to both lead and lag overall performance, depending on the metro.
- The large performance gap is mostly due to NOI growth rates. The top industrial markets are continuing to grow rents. Meanwhile, the bottom performing multifamily markets will have lost occupancy over the past four quarters.

Baseline Annual Total Return Dispersion by Market and Sector, From Q3 2026 to Q2 2036

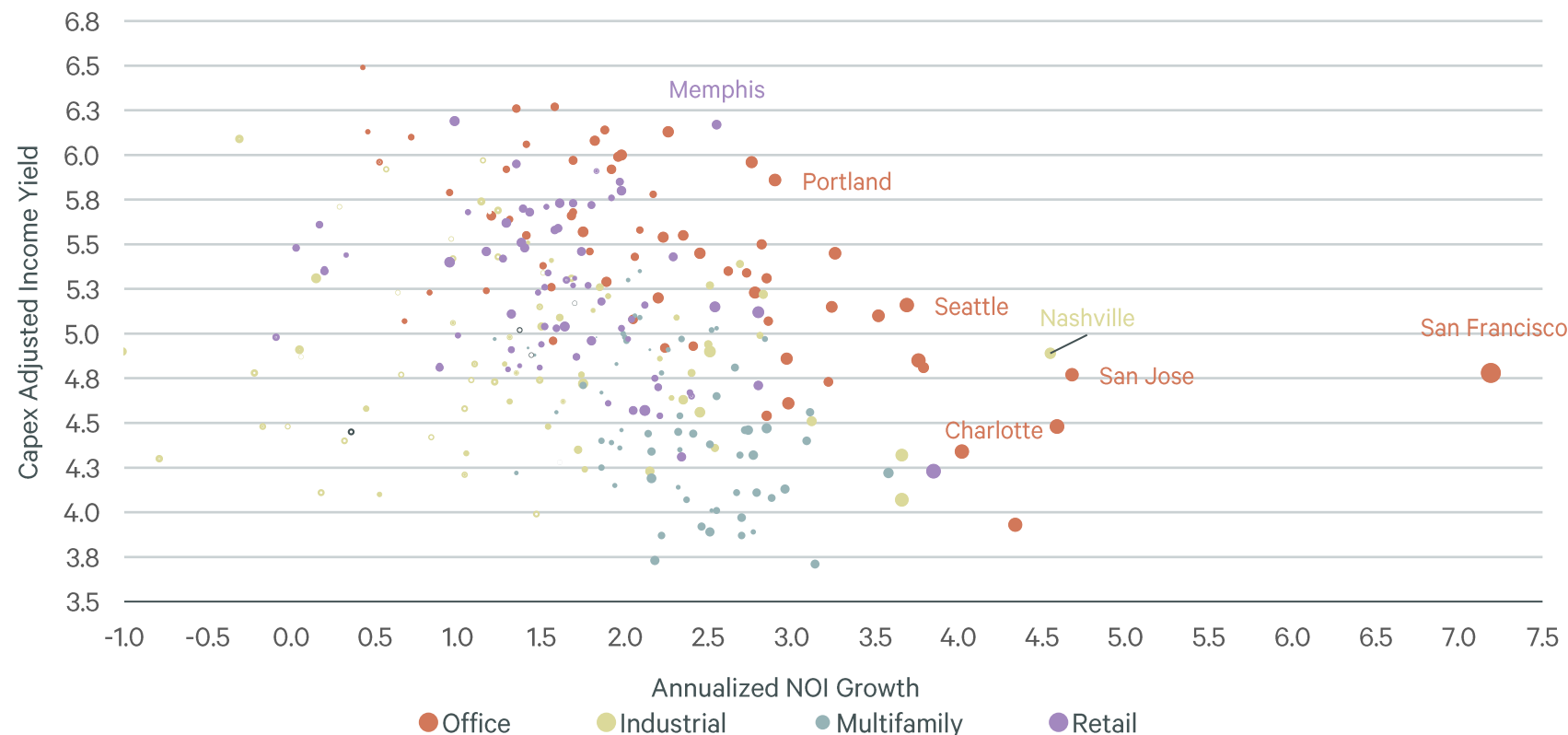


Source: CBRE Econometric Advisors

Our forecasted leaders and laggards

- This graphic plots all 277 markets in our investable universe. Our y-axis plots income yield, which is a cap rate, but adjusted for capital expenditures.
- Our x-axis shows annualized 10-year NOI growth, which is a function of forecasted changes in asking rents and vacancy/availability rates. Our forecast puts a 70% weight on the first five years, when the potential for forecast error is smaller. The size of each bubble represents a hypothetical annualized appreciation rate due to changes in cap rates over the next 10 years, holding income constant.
- San Francisco office is expected to be our top-performing market over the next 10 years. It offers a yield close to average with significant NOI growth upside due to occupancy gains. We have similar outlooks for other West Coast office markets such as San Jose and Oakland.

Capex Adjusted Income Yield vs. 10-Year Annualized NOI Growth (Q2 2026 – Q1 2036)



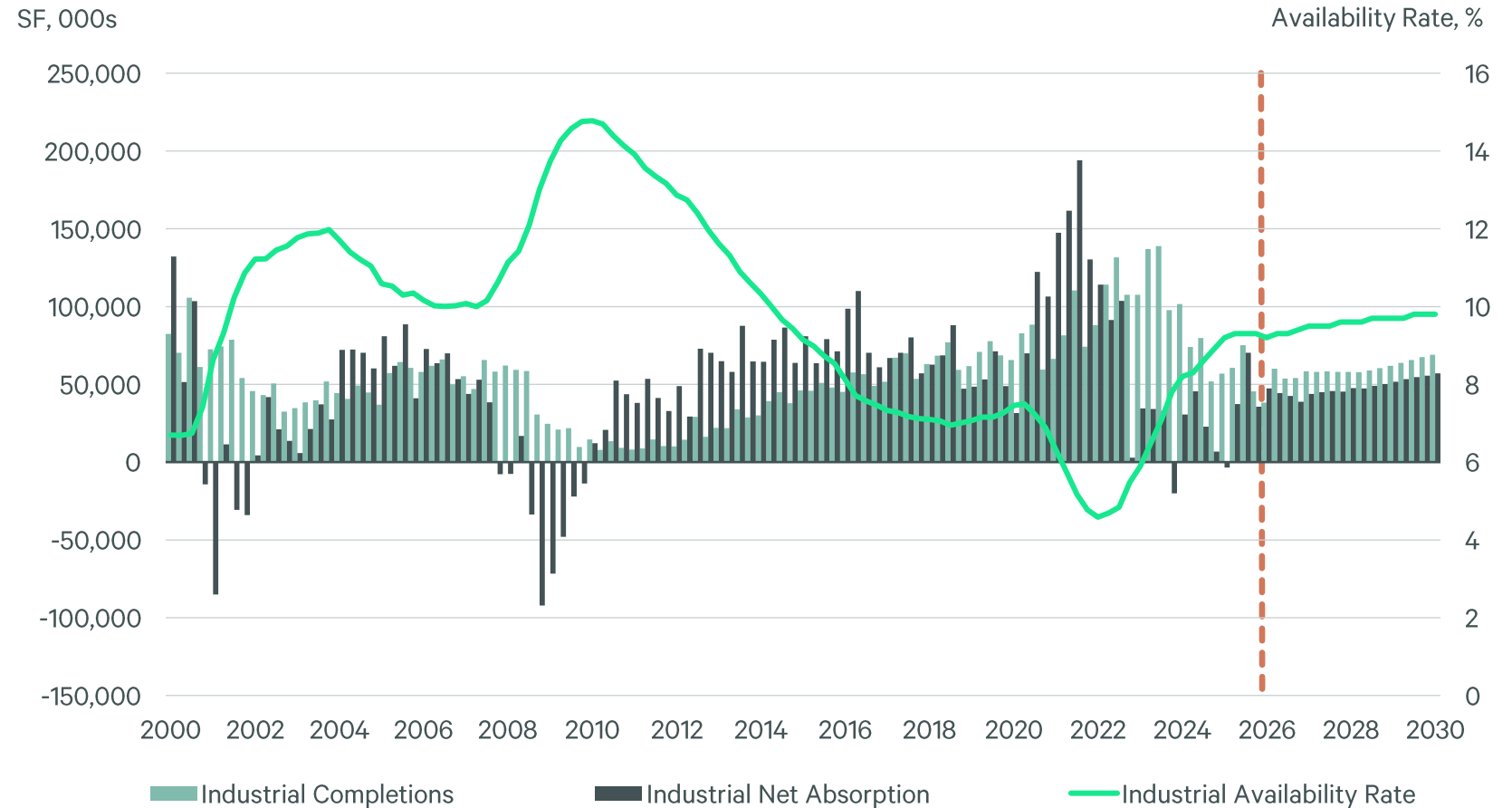
Source: CBRE Econometric Advisors

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Industrial

Demand is healthy but more selective

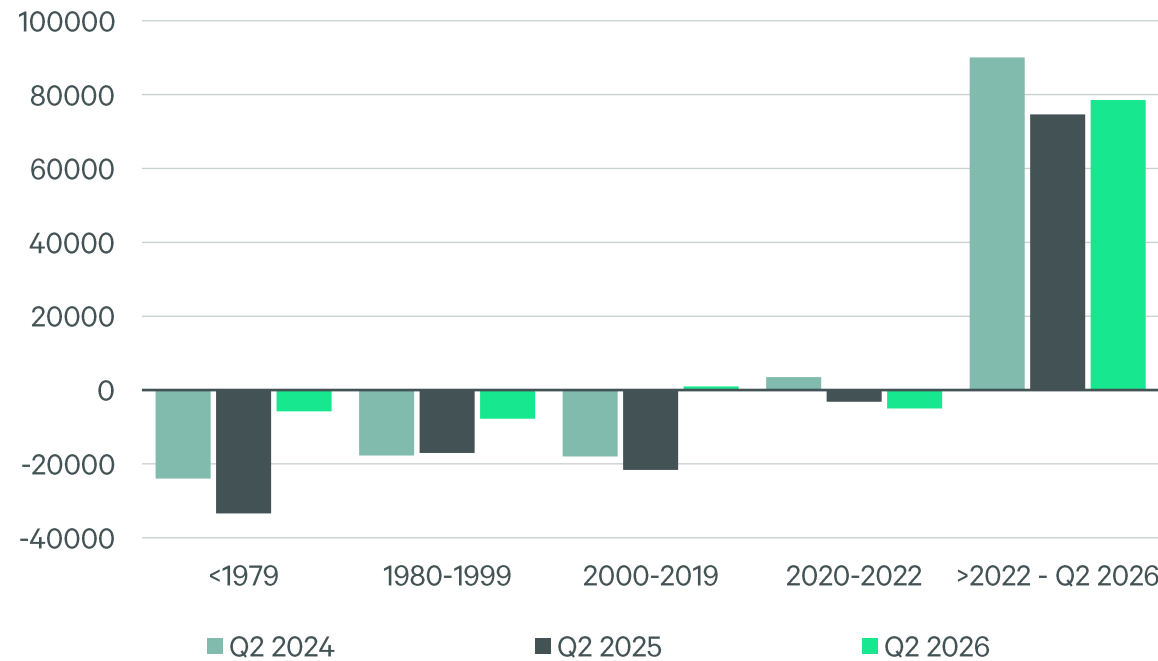
- Second-quarter net absorption of 47.3 MSF outpaced the 38.3 MSF delivered, and availability edged down to 9.2%.
- Completions bottom out at 197 MSF in 2026, 44% below the 2024 peak. The pipeline rebuilds to 229 MSF in 2027 and keeps climbing.
- Availability holds near 9.3% through 2026, then drifts up to 10.0% by 2031 as deliveries recover. That leaves it about 100 bps above the 2010 to 2025 average of 8.9%, so the market loosens without returning to a 2023-style supply glut.



Source: CBRE Econometric Advisors

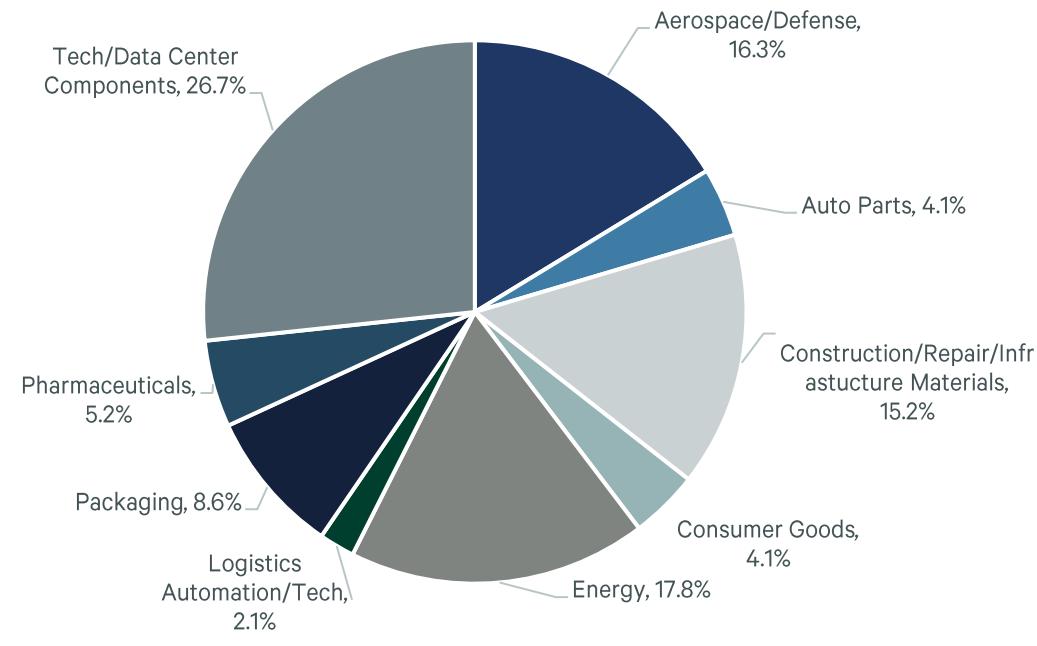
Obsolete warehouses and manufacturing trends

Net Absorption by Vintage (Thousands of Square Feet)



Source: CBRE Econometric Advisors

Share of Manufacturing Leasing by Sector



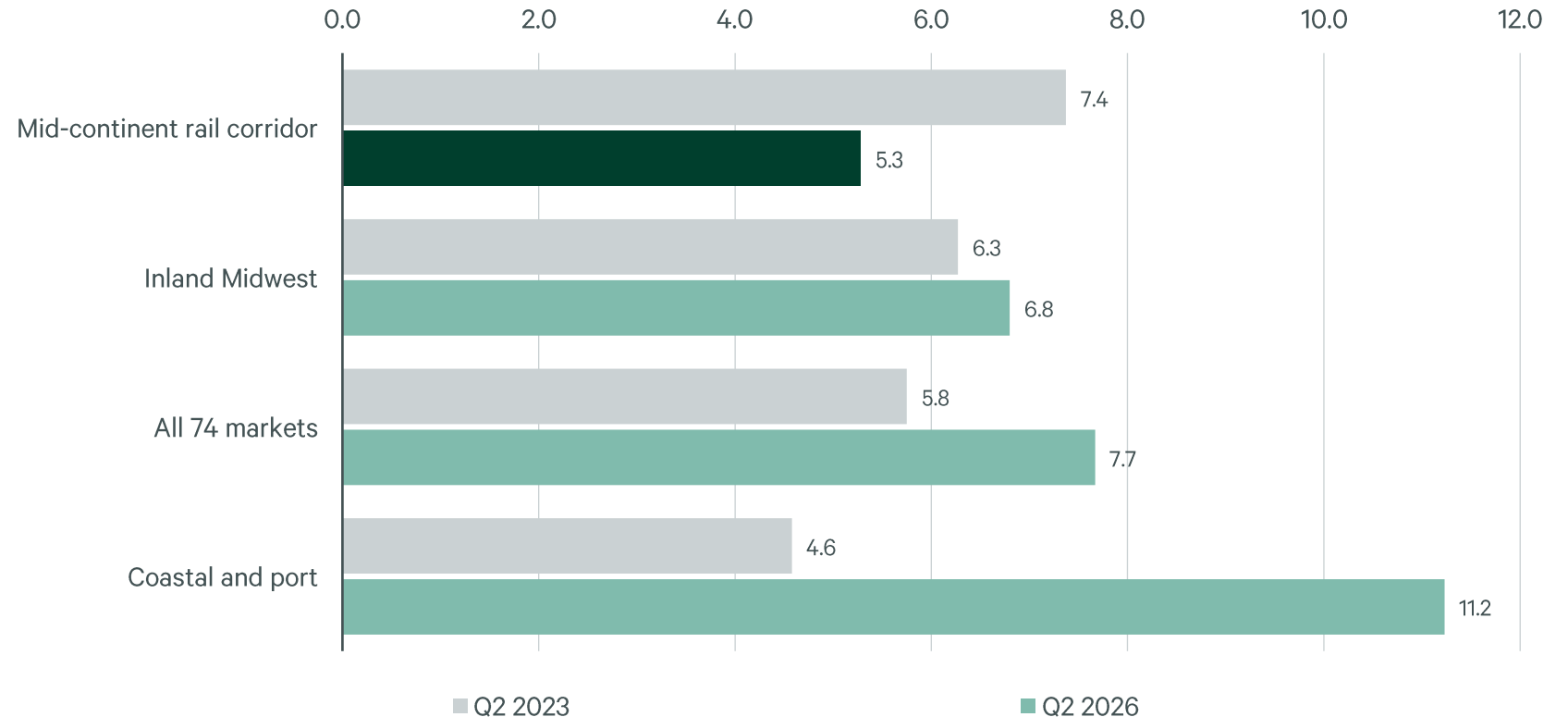
Source: CBRE Research

- Buildings delivered after 2022 absorbed 78.5 MSF in the second quarter while pre-2000 stock gave back 13.5 MSF.
- Move-outs from older product are shrinking fast. Pre-2000 give-backs fell from 50.4 MSF in Q2 2025 to 13.5 MSF this quarter.
- Strong results from public 3PL and general retail/wholesalers alongside a bump in imports meant fewer move-outs than expected in the older vintages.
- Reshoring, grid build-out, and advanced manufacturing keep manufacturing leasing strong. Industrial stays healthy but split by vintage and function.

Freight corridors splitting the big-box market

- Big-box availability in the mid-continent rail corridor fell 2.1 ppts in three years to 5.3%. This is the only group that tightened.
- Coastal and port markets moved from tightest to loosest, rising 6.7 ppts to 11.2%.
- Fuel costs have made intermodal roughly 30% cheaper than trucking. Rail volumes are up 2.8% year to date, with intermodal up 3.7%.
- The corridor absorbed 13.3% big-box stock growth and still tightened, so this is demand rather than a shortage of building.

Availability Rate, 700k+ Sq. Ft. Product (%)



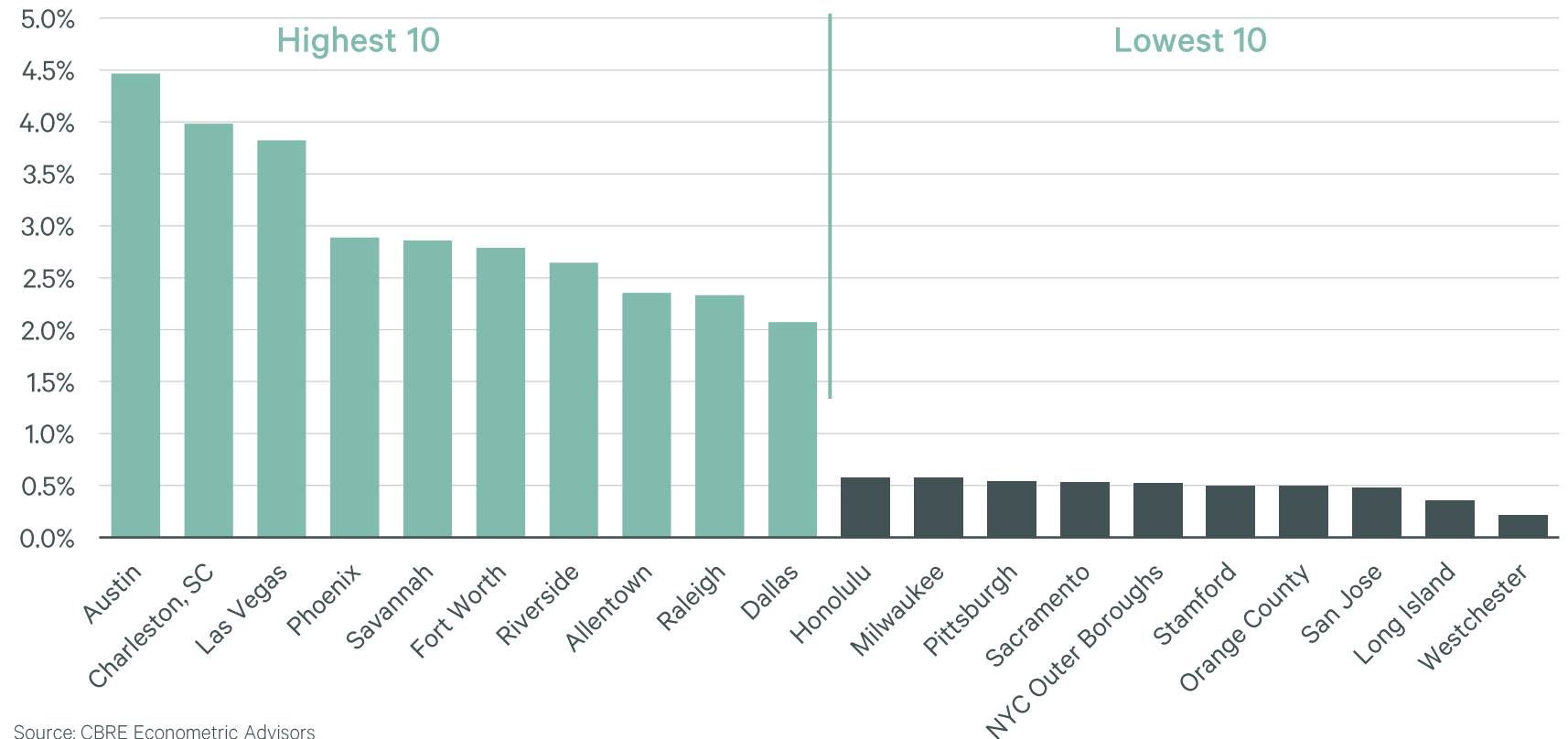
Sources: CBRE Econometric Advisors, Logistics Managers' Index, July 2026

Note: Markets included in the mid-continent rail corridor are Dallas, Fort Worth, Kansas City, Houston, Memphis, San Antonio, Austin, and El Paso.

Markets with highest and lowest stock growth

- Austin, Charleston and Las Vegas lead at 3.8% to 4.5% annually through 2031, well above the 1.5% national pace.
- Sun Belt markets like Austin and Phoenix rely on continued population and job growth to absorb modern space that replaces older stock.
- Port-adjacent Savannah and Charleston keep heavy pipelines to serve expanding terminals and Southeast population growth.
- Heavy supply keeps these markets tenant favorable. Las Vegas ranks third for stock growth and last for rent growth, the clearest case of supply running past demand.

5-Year Forecast Stock Growth, 2026 to 2031 CAGR

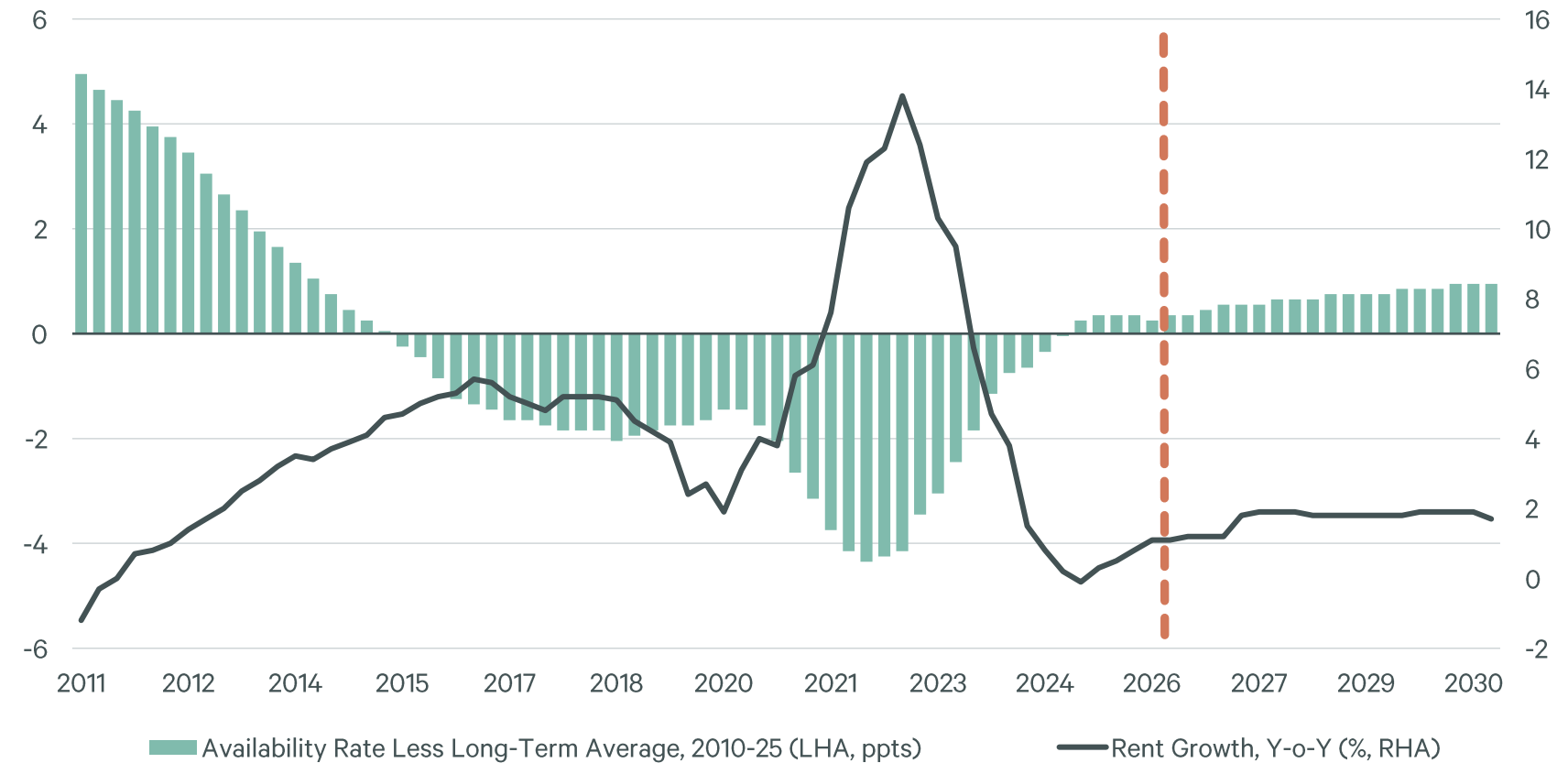


Source: CBRE Econometric Advisors

Availability above trend keeps rent growth slow

- Availability sits about 25 bps above its 2010 to 2025 average of 8.9%. Rent growth has tracked that gap closely for 15 years.
- Rent growth bottomed at -0.1% in mid-2025 and reached 1.1% year-over-year in the second quarter. The recovery is real but shallow.
- The gap widens to roughly 100 bps by 2031 as deliveries recover, which caps rent growth near 1.8% annually from 2027 onward.
- Markets with the tightest fundamentals hold the most pricing power. Midwest markets that took little speculative big-box supply are outperforming.

Market Rent Growth Relative to Space Scarcity

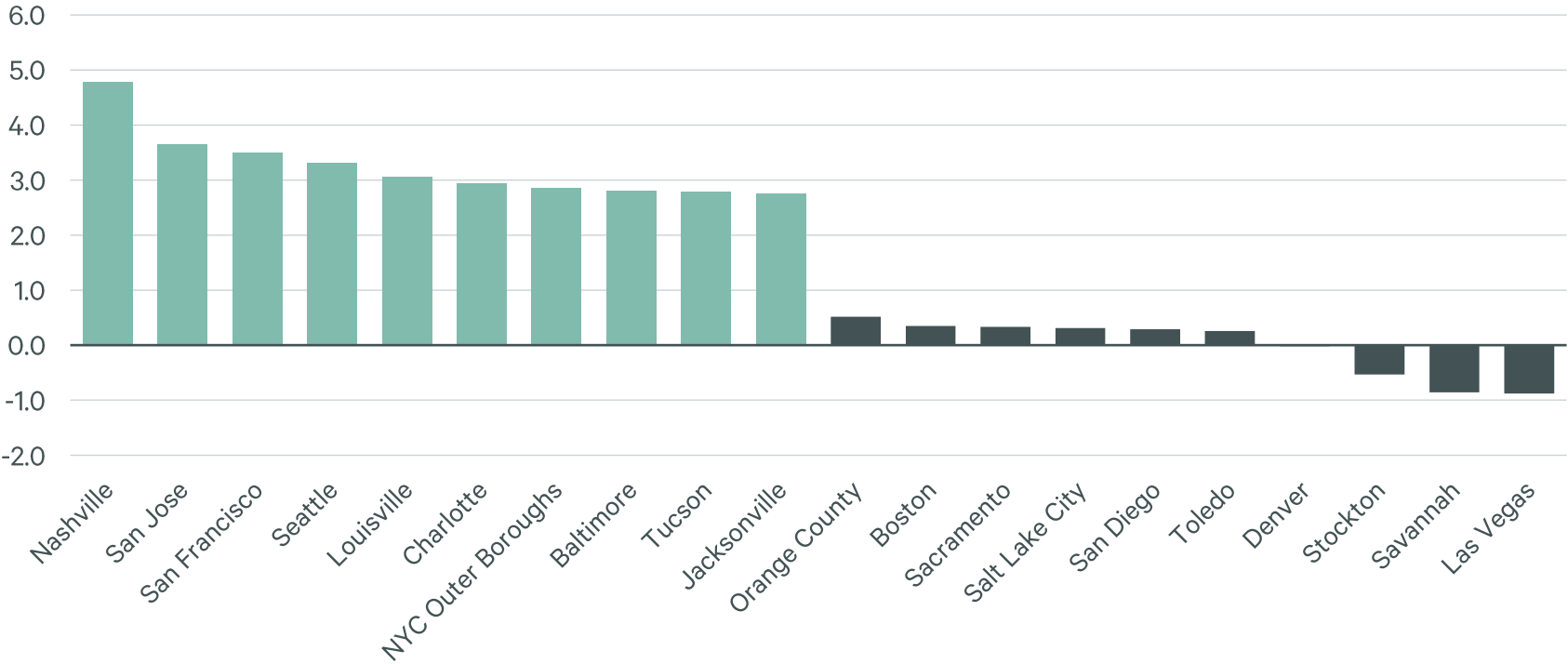


Source: CBRE Econometric Advisors

Top and bottom markets for rent growth

- Land-constrained infill markets lead. San Jose, San Francisco and NYC Outer Boroughs all rank in the bottom 15 for stock growth.
- Nashville and Louisville carry the inland markets, both running below their long-run availability average.
- Supply explains the bottom. Las Vegas ranks third and Savannah fifth for stock growth, and both sit more than 3 ppts above their long-run availability average.
- Domestic demand and reshoring remain the theme, filtered through each market's supply overhang.

Rent Growth, 2026 to 2031 CAGR (%), Top and Bottom 10 Markets



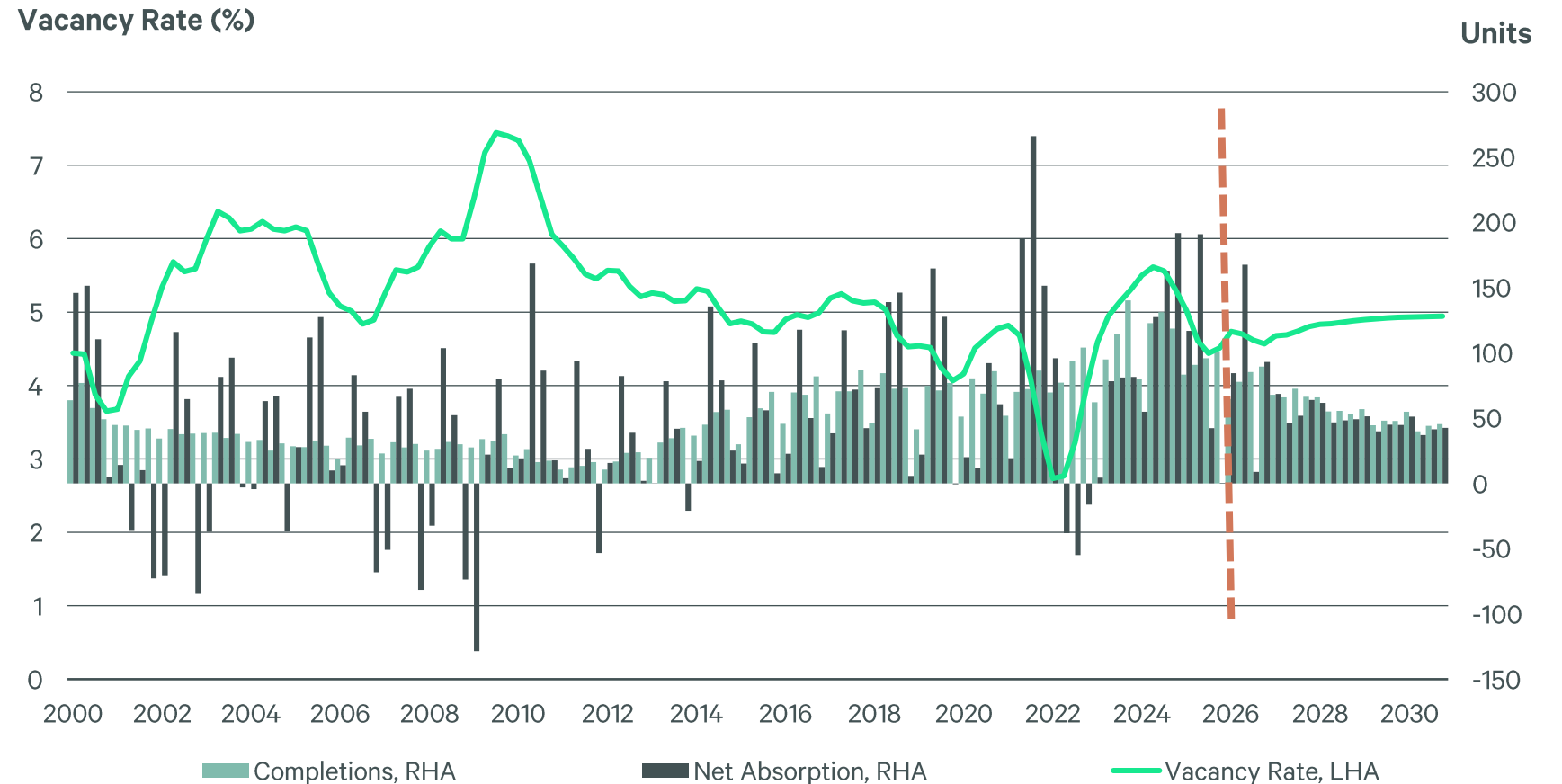
Source: CBRE Econometric Advisors

5

Multifamily

Deliveries crest as demand firms

- Completions are receding from a multi-decade peak, which eases the supply pressure that has capped rent growth.
- Demand has firmed and net absorption is positive again, holding vacancy near its long-term average.

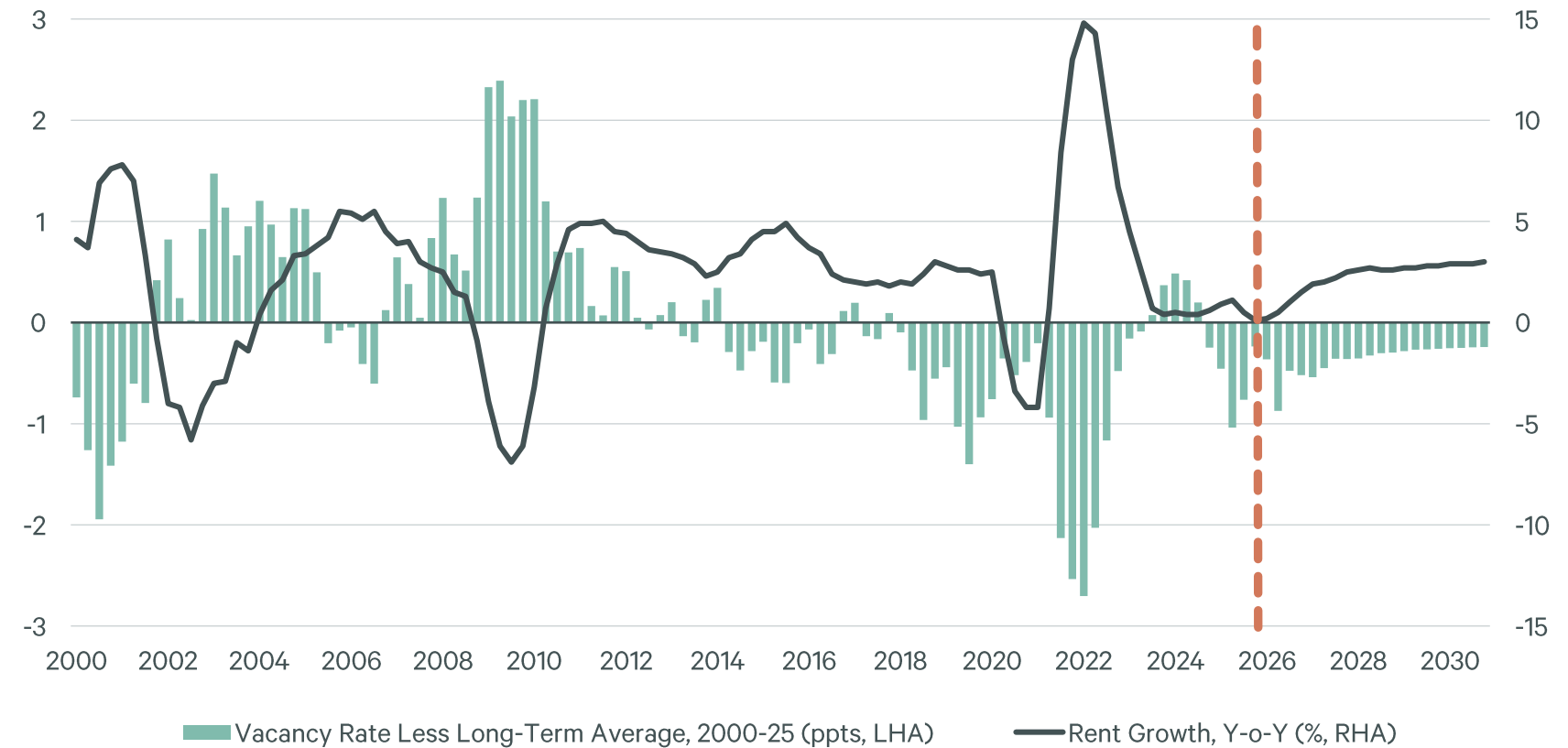


Source: CBRE Econometric Advisors

Balanced vacancy, an unusual rent cycle

- This chart sets vacancy against its long-run average. Below-average vacancy hands landlords pricing power, and above-average vacancy cools rents.
- The second dip in rent growth this cycle stands out because it arrives with vacancy near normal, not elevated.
- We expect rent growth to build through 2026 and 2027, returning to trend more slowly than in past recoveries.

Vacancy Versus Long-run Average, with Year-over-year Rent Growth

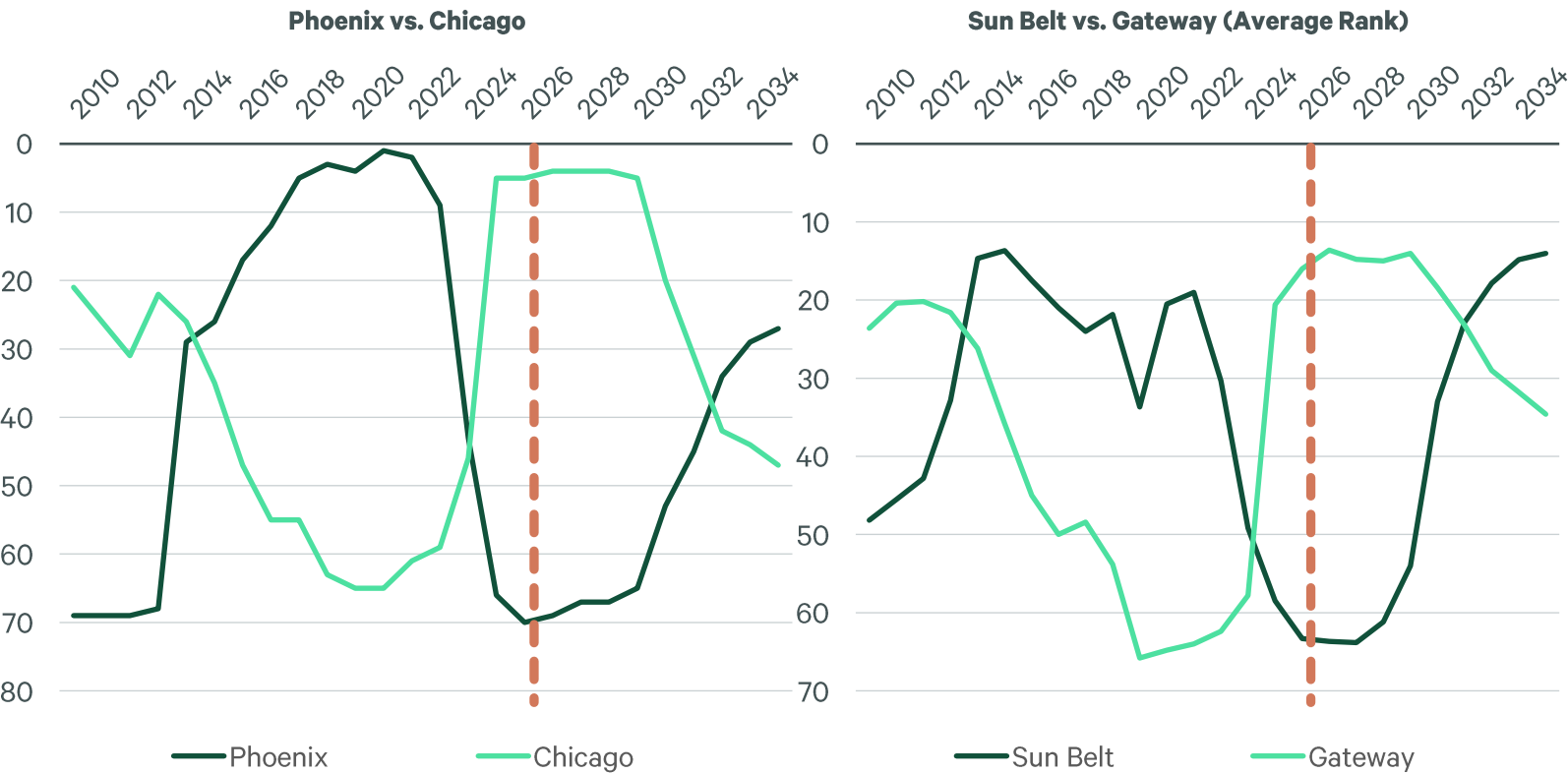


Source: CBRE Econometric Advisors

A tale of two cities, a tale of two types of markets

- The charts show the relative rank of markets in terms of 5-year CAGR of rent. Phoenix and Chicago are emblematic of the cyclic back-and-forth between Gateway markets and Sun Belt markets.
- 2025 was a point of reversal, but history shows us the wheel will turn again for the Sun Belt, and that is reflected in our forecasts.

5-Year CAGR of Rent Rank Over Time. Lower rank means stronger rent growth.



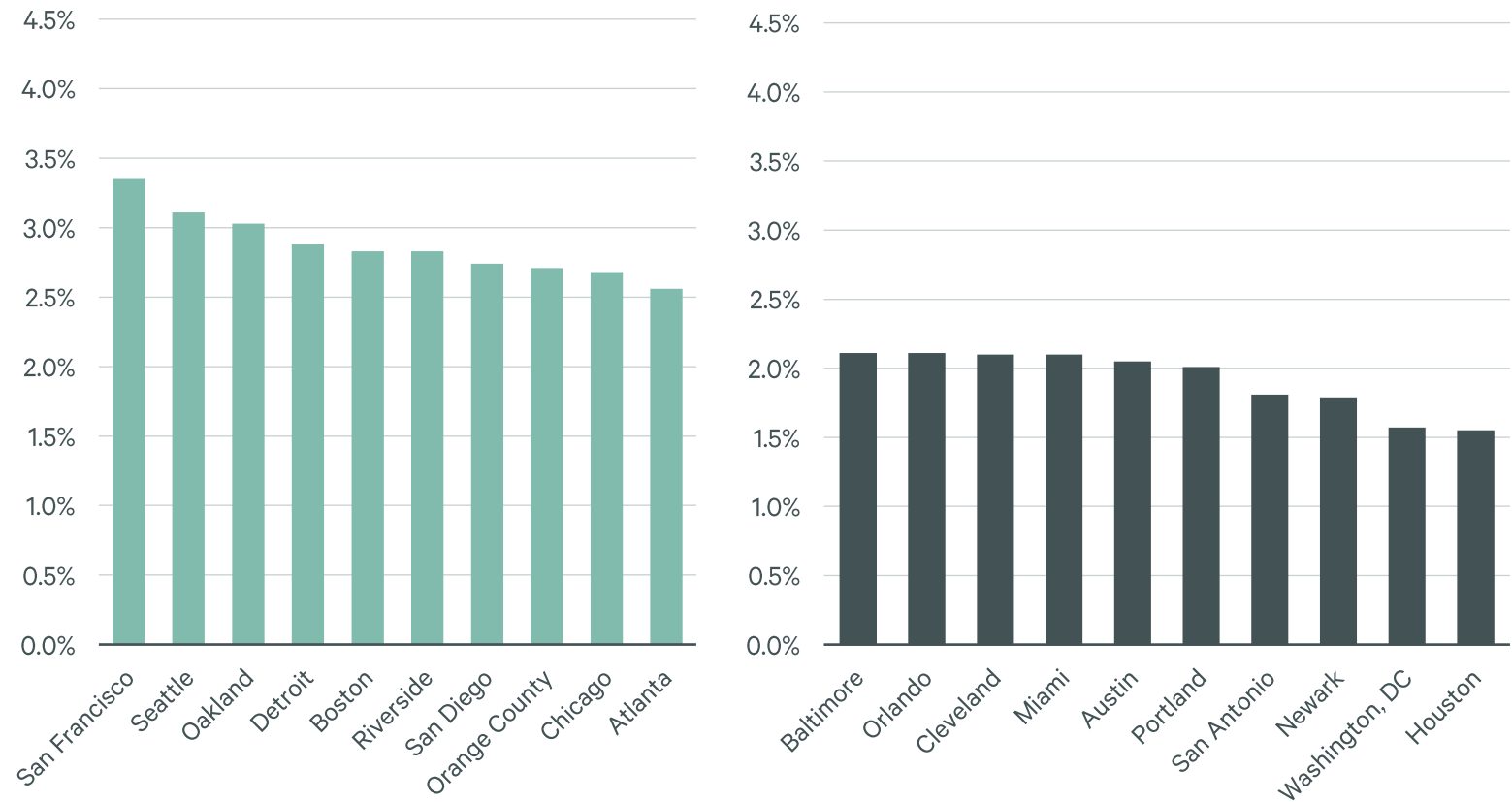
Source: CBRE Econometric Advisors

Sun Belt: Atlanta, Austin, Charlotte, Dallas, Nashville, Phoenix. Gateway: Boston, Chicago, New York, San Francisco, Washington, DC (Los Angeles excluded).

Rent growth outcomes vary widely

- Rent growth spreads widely across major markets from 2026 to 2031. The top group runs from roughly 2.6% to more than 3% CAGR, and the bottom group sits between 1.5% and 2.1%. That gap sets very different income runways by metro.
- San Francisco and Seattle lead, with more strength across California and other coastal metros, plus large markets like Chicago, Boston and Atlanta. Long-run outperformance is not a one-region story.

Forecasted Top and Bottom Markets, 5-year CAGR of Rent, Q2 2026 to Q2 2031



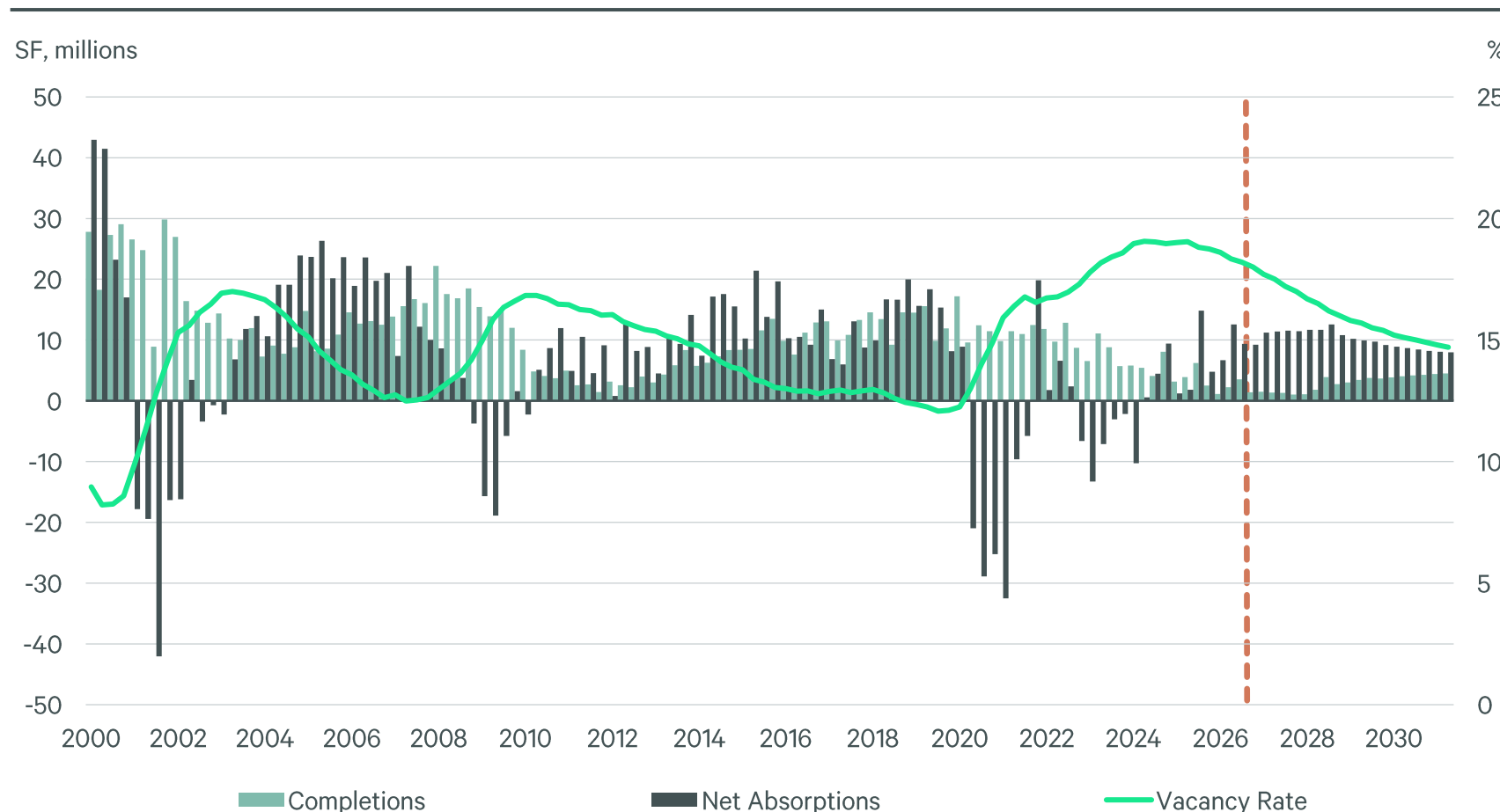
Source: CBRE Econometric Advisors

6

Office

Office fundamentals continue to improve

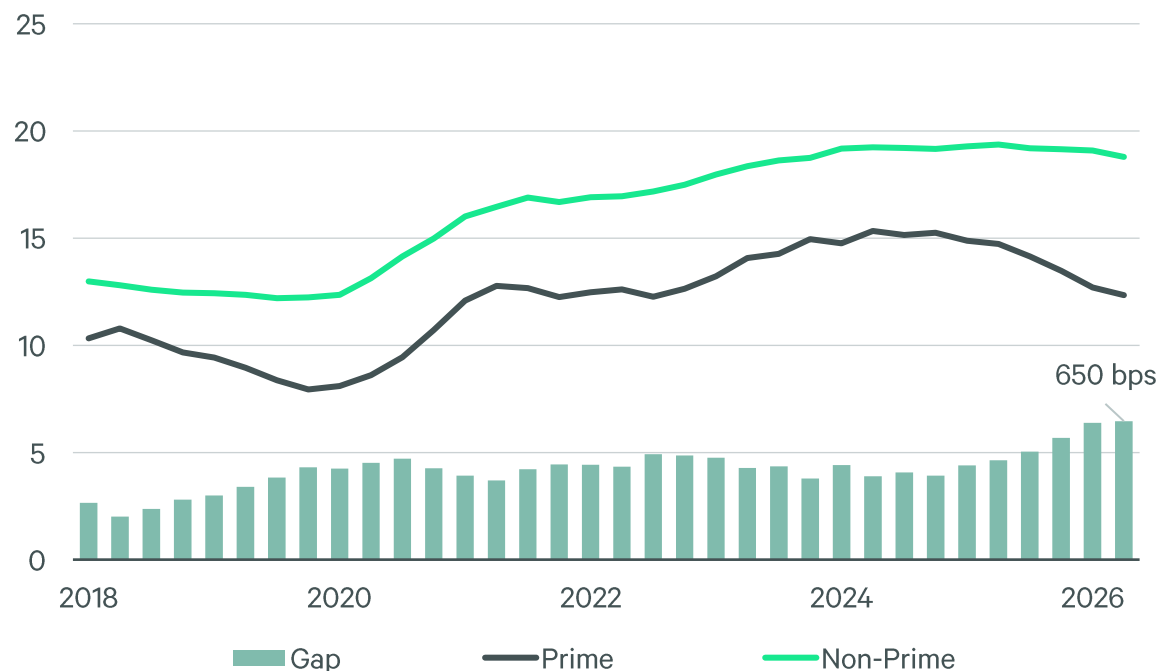
- The market recorded its ninth consecutive quarter of positive net absorption. This is paired with Q2 2026 being one of the lowest quarters for new supply on record (2.2 MSF). This fresh demand/supply imbalance is allowing occupancy to improve. Just 13 MSF is expected to deliver during the next two years.
- Today, most organizations have a solid understanding of their in-person/hybrid work strategies and are willing to make long-term commitments. This increased certainty will help drive consistent leasing activity. According to our most recent [Occupier Sentiment Survey](#), the majority of occupiers plan to grow or maintain their portfolios in the next three years.
- Constrained supply and an expected pick up in job growth during H2 2026 will also help drive the recovery.



Source: CBRE Econometric Advisors

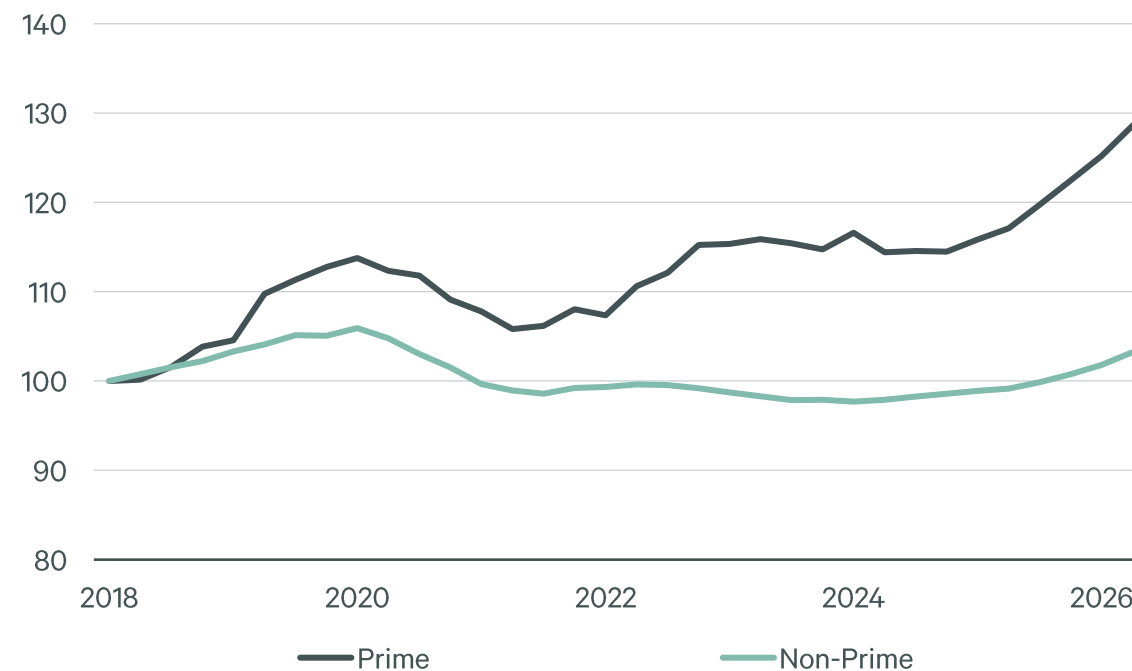
Flight to quality continues

National Vacancy Rate (%)



Source: CBRE Econometric Advisors

National Economic Rent Performance (2018=100)



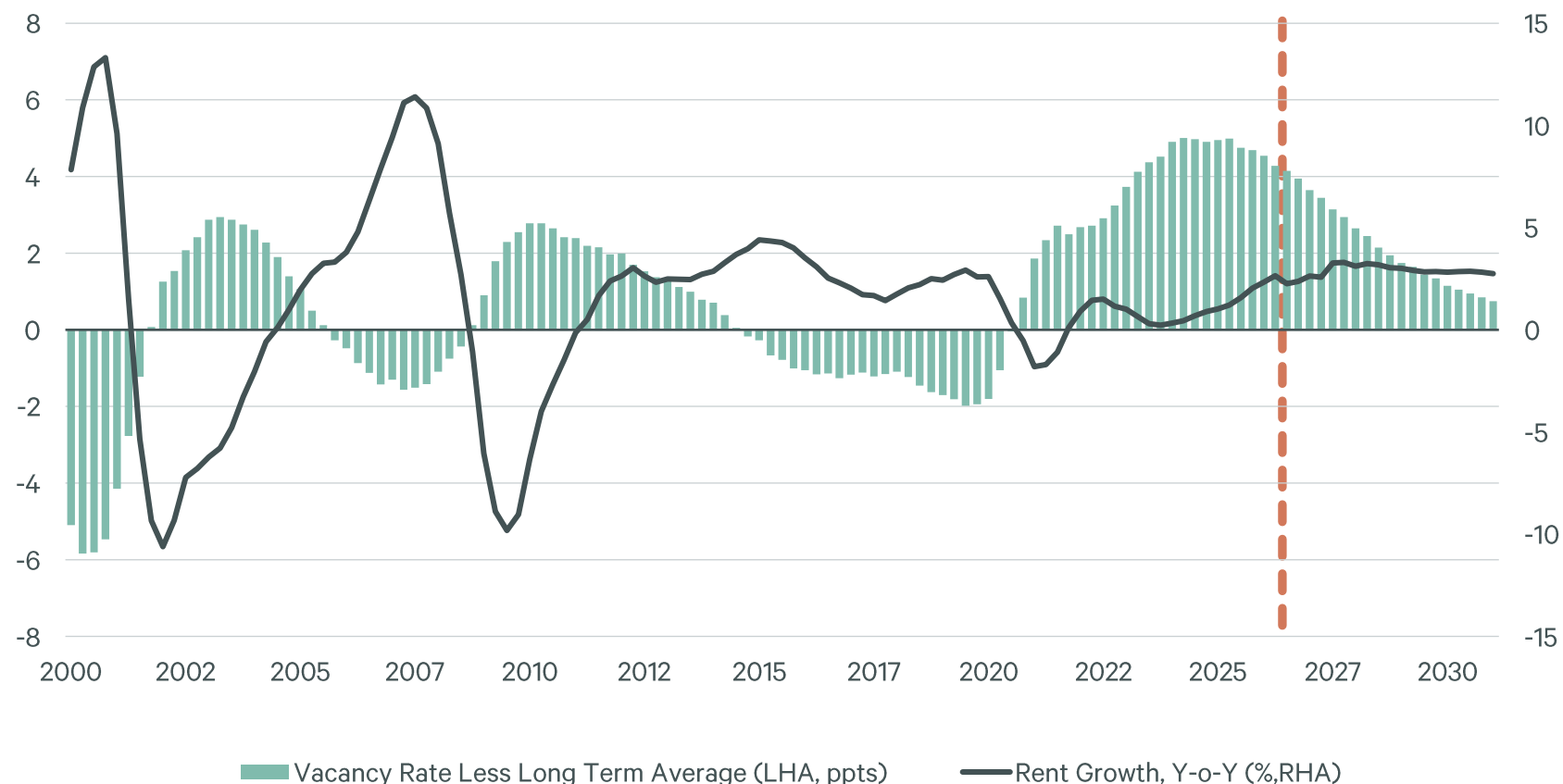
EA Economic Rent : EA Asking Rent * Occupancy Rate

- The vacancy rate gap between Prime and non-prime is currently around 650 bps. Prime vacancy declined 40 bps on the quarter, while non-Prime declined 30 bps. The vacancy rate gap is now the highest since 2018.
- The asking rent gap between Prime and non-prime widened significantly since 2018. Factoring in vacancy, non-prime’s economic rents are up 3.2% since 2018, whereas Prime economic rents are up 28.7%.
- The spillover effect is becoming more pronounced; this quarter, non-prime’s year-over-year economic rental growth reached almost 4%.

Vacancy remains elevated but asking rents continue to increase

- Historically, rent growth and vacancy rates moved in tandem, but that relationship has shifted significantly in recent years.
- Elevated inflation, the widespread use of tenant improvement (TI) allowances, landlords' reluctance to reduce asking rent, and limited owner turnover have kept rents relatively stable despite record-high vacancy rates.
- In addition, the flight-to-quality trend is lifting rents at the top of the market, pulling the overall average up while lower-tier building rents stay flat.

Rent Levels Relative to Space Scarcity

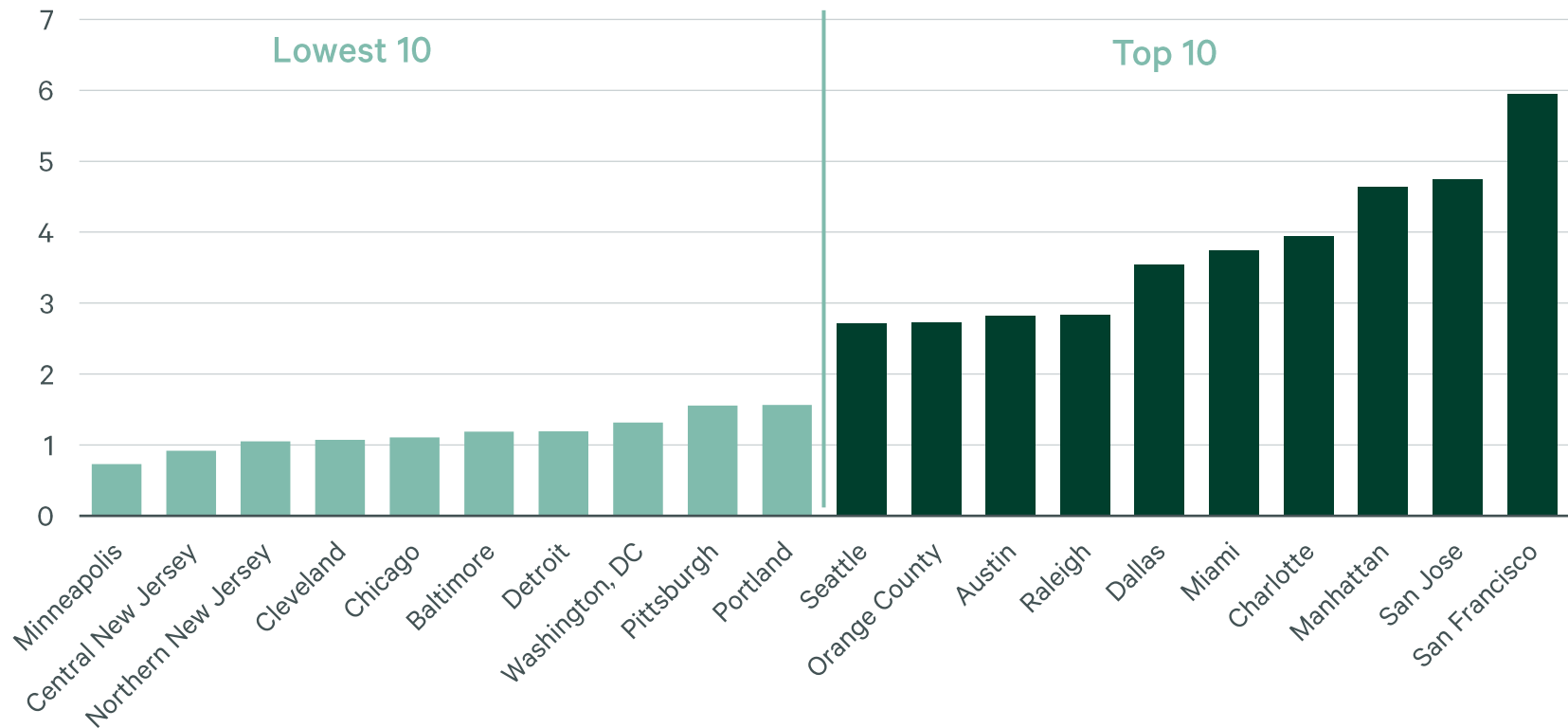


Source: CBRE Econometric Advisors

Gateway markets lead rental growth

- Rent growth, lack of supply, and return-to-work momentum are contributing to renewed confidence in office leasing.
- Markets such as Charlotte, Dallas, Austin, Raleigh and Seattle will continue to benefit from high office-using employment growth.
- San Francisco, San Jose and Manhattan are driven by a growing local industrial mix, with AI playing a key role. Miami has exhibited consistent momentum, which we expect to continue in the near term.
- The bottom-tier markets consist mostly of structurally slow-growth markets (e.g., Chicago) and cities that have faced tremendous headwinds in recent years (e.g., Washington, D.C., Portland).

Top and Bottom Markets for Rent Growth (2026-2030) Amongst the Largest 30 Office Markets



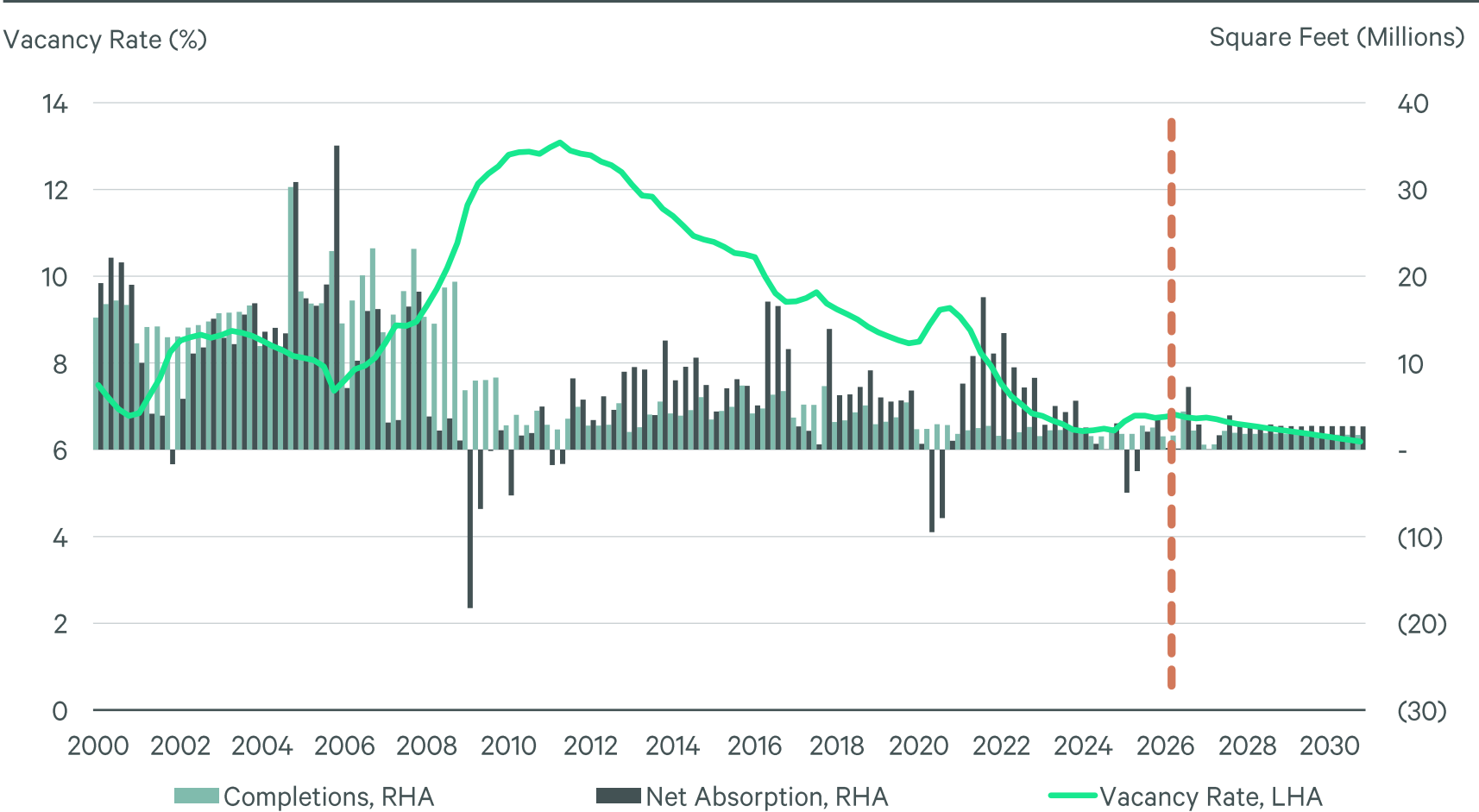
Source: CBRE Econometric Advisors

7

Retail

Construction at historic lows keeps fundamentals stable

- Construction activity is at its lowest level in the historical series, with completions effectively near zero — the primary stabilizing force keeping availability from rising despite softer demand.
- Net absorption turned modestly negative in Q2 2026, reflecting the near-term demand slowdown, but the forecast projects a recovery as the supply-demand balance remains structurally favorable.
- With virtually no new supply entering the market, availability is expected to gradually tighten through 2028–2030, supporting a stable rent growth outlook.

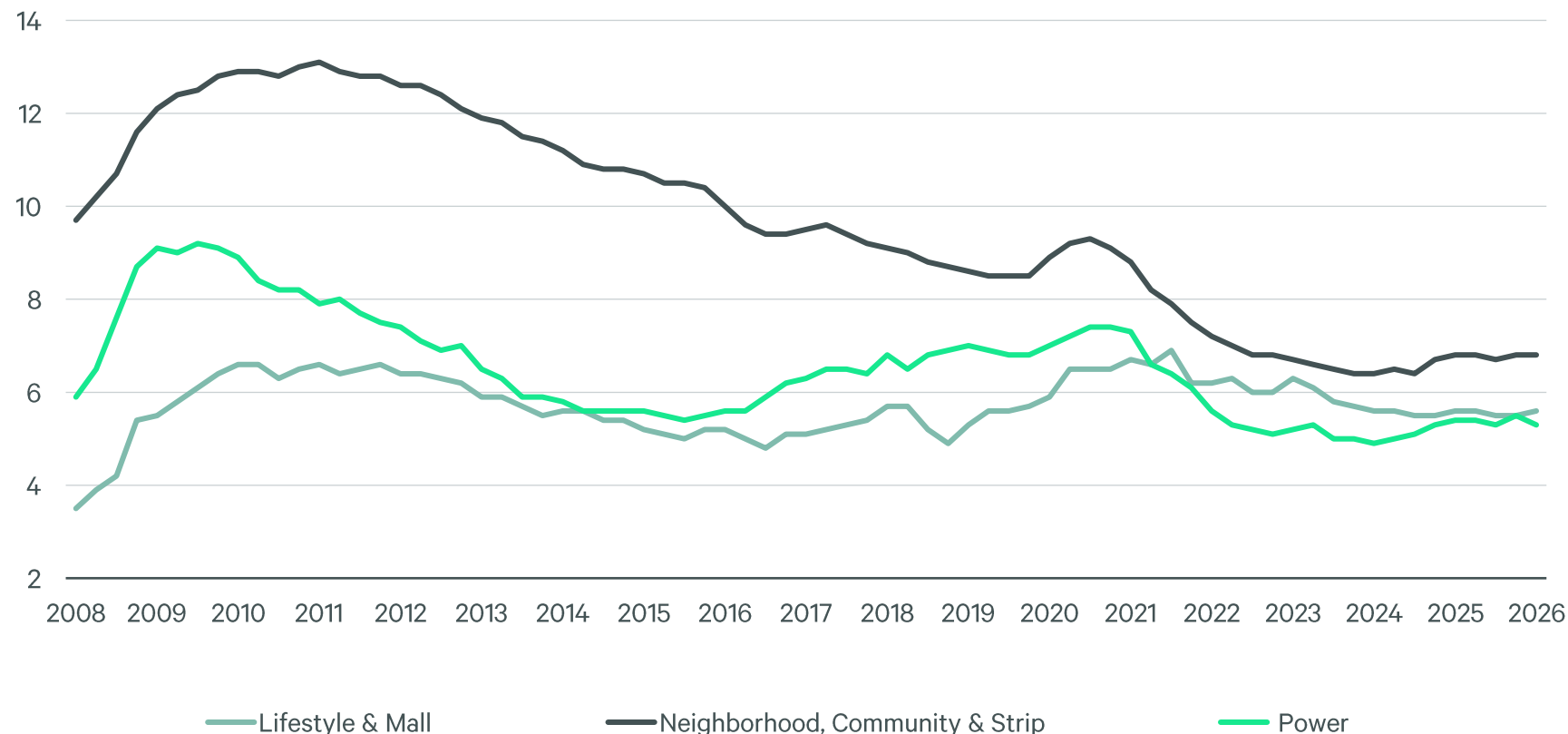


Source: CBRE Econometric Advisors

Availability holds steady across retail types

- Availability across all retail types has converged toward a narrow band of 5.5%–6.8%, a significant compression from the wide dispersion seen in prior cycles.
- Neighborhood, Community & Strip Center availability held steady in Q2 2026, at 6.8%. Net absorption for the group was below expectations.
- Lifestyle & Mall availability, after a sharp post-pandemic spike, has trended back down and is now broadly in line with Power, both in the low-to-mid 5% range.
- Power Centers continue to show the most stable availability profile, reflecting steady demand and limited new supply.

Availability Rate by Type (%)



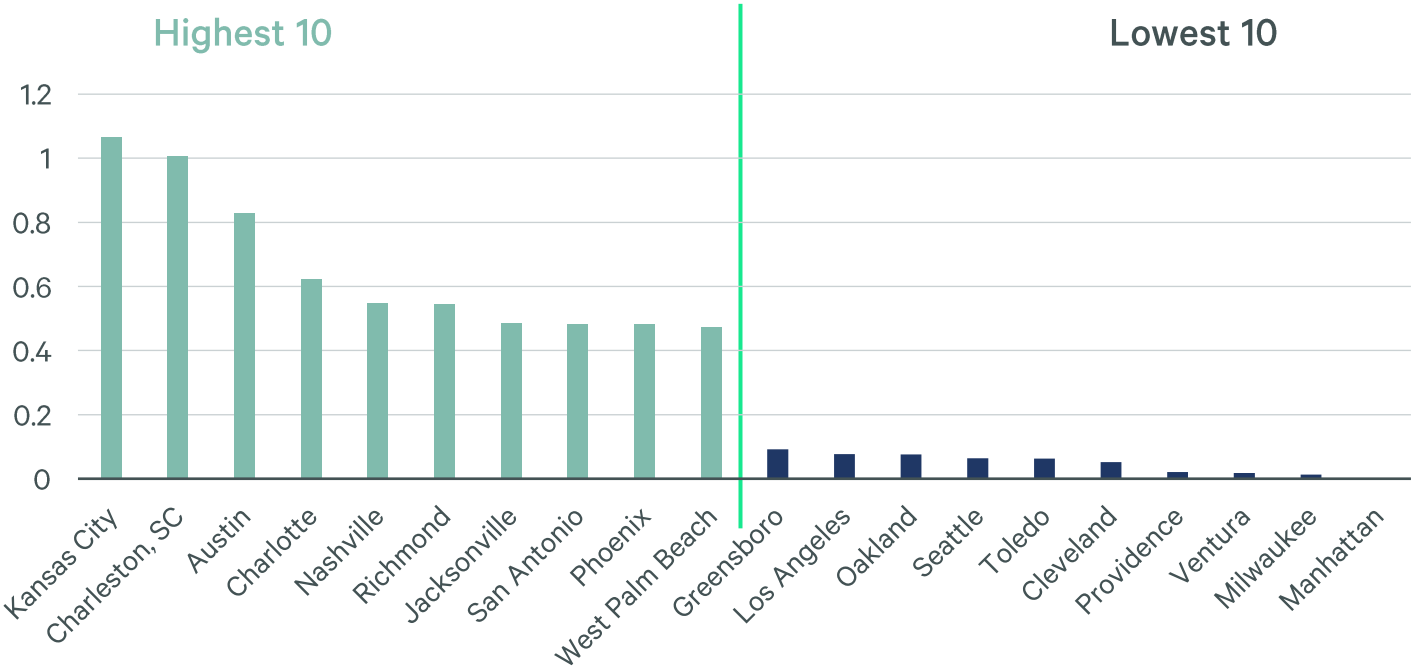
Source: CBRE Econometric Advisors

*All Retail includes free standing retail and outlet centers – not included on this graph for clarity

Retail supply growth follows the Sun Belt

- Generally, Sun Belt and mid-tier markets with ample developable land are poised to capture most of the new supply in coming years. Key markets to watch include Austin, Charlotte and Phoenix. Strong demographic tailwinds and retailer expansion appetite drive development.
- Coastal and slow-growth markets anchor the bottom of the list. Los Angeles and Seattle are expected to see near-zero strip and neighborhood retail supply growth.
- The divergence between the highest and lowest markets reinforces a bifurcated supply outlook: where population grows, retail follows; where it stagnates, so does new construction.

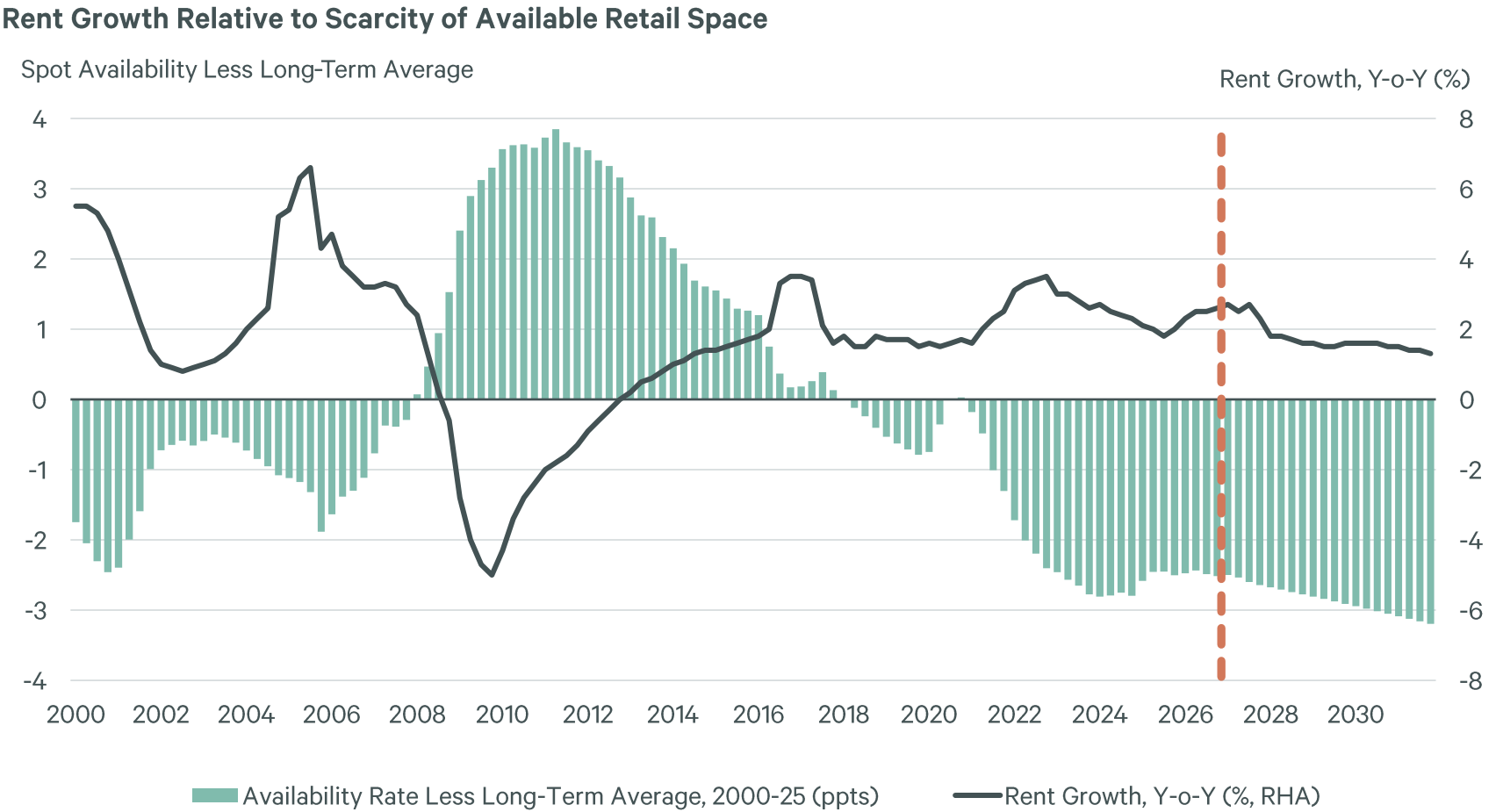
5-Year Forecast Stock Growth, CAGR (%)



Source: CBRE Econometric Advisors

Scarcity supports rents, but upside is limited

- Availability sits about 3 ppts below its long-term average. Despite the scarcity of space rental growth is expected to trend in the 1.5% - 2% range during the next five years.
- One reason for subdued rental growth in coming years is that the bulk of the available space is older and lower-quality stock. The lack of quality stock is inhibiting pricing power.

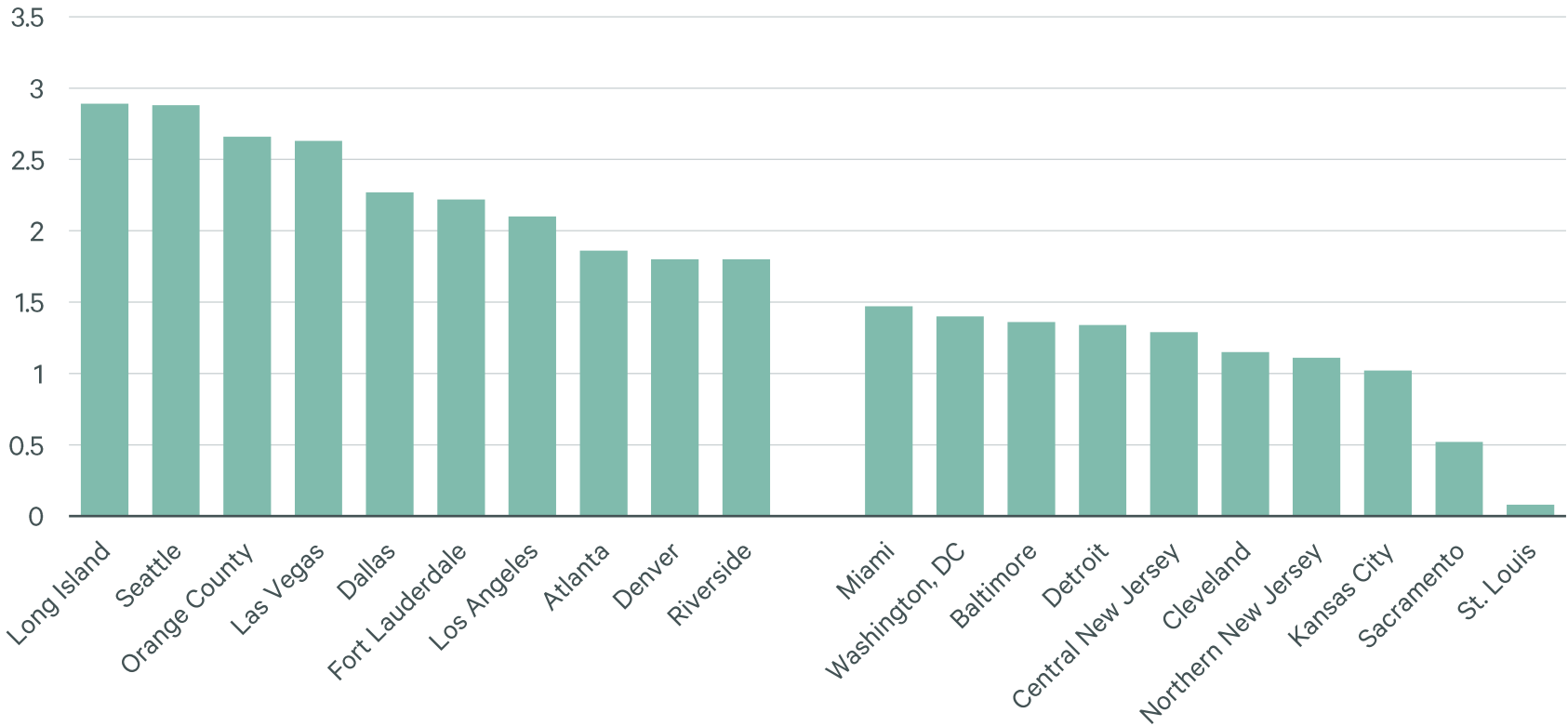


Source: CBRE Econometric Advisors

Rent growth varying within regions

- Long Island and Seattle lead the 5-year rent growth forecast among the largest retail markets, driven by supply constraints, density, and an affluent consumer base.
- Generally, the highest 10 markets are largely supply-constrained coastal metros where limited new construction supports sustained rent appreciation.
- The Sun Belt is divided: Las Vegas, Dallas and Atlanta rank among the top performers, while Phoenix and Fort Worth, where heavier recent construction has tempered rent growth prospects, sit toward the bottom.

Rent Growth Q2 2026 – Q2 2031 CAGR (%), Top and Bottom Markets of the Largest 30 Retail Markets



Source: CBRE Econometric Advisors

Contacts

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