Intelligent Investment

# 2026
# U.S. Real Estate Market Outlook

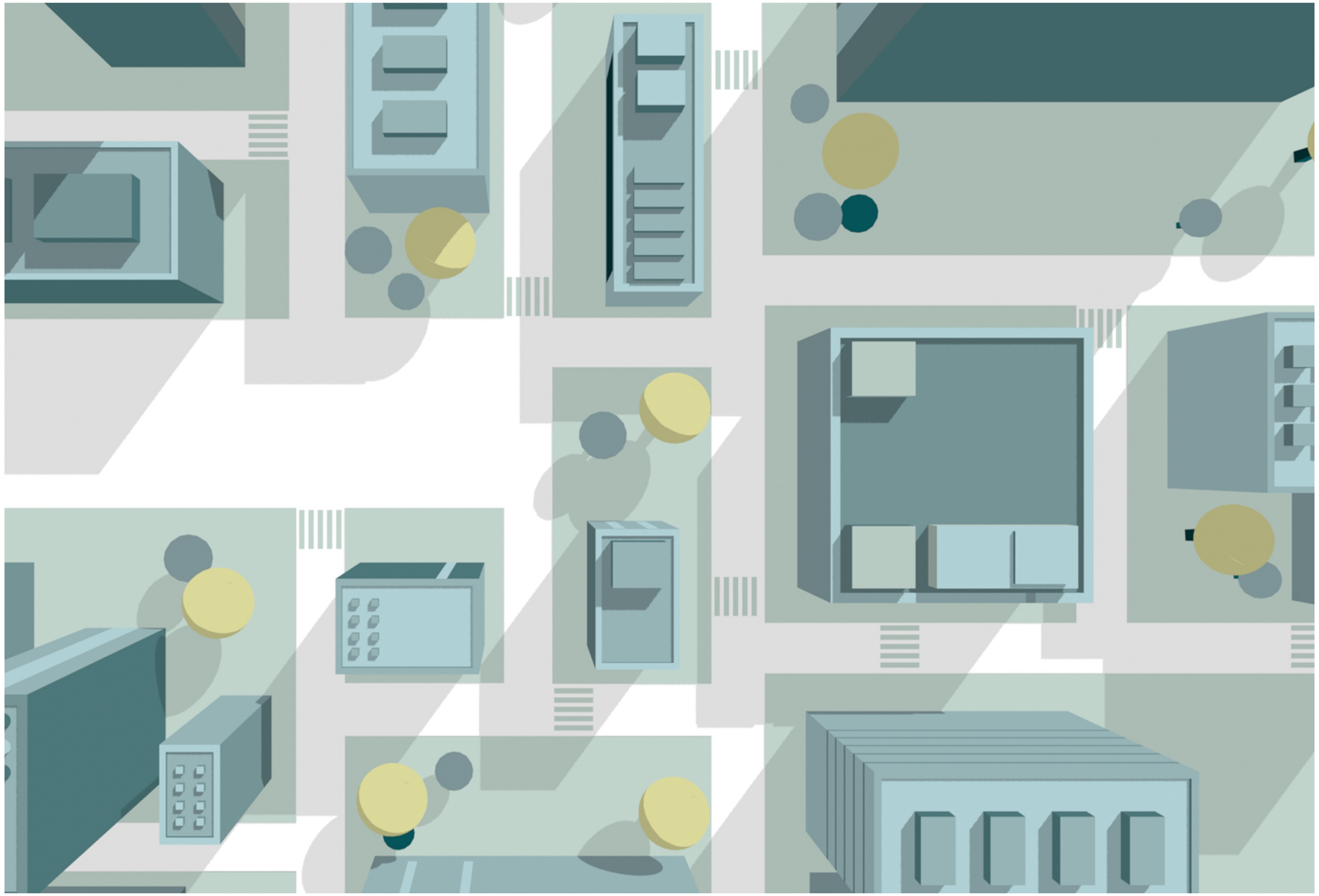
REPORT

Despite Economic Challenges, Commercial Real Estate Expected to Thrive

CBRE RESEARCH
JANUARY 2026

# Contents





# Overview

**CBRE forecasts that annual U.S. GDP growth will slow to 2.0% in 2026 with softening labor market conditions and marginally lower inflation averaging 2.5%.**

Despite these challenges, commercial real estate investment activity is expected to increase by 16% in 2026 to $562 billion, nearly matching the pre-pandemic (2015-2019) annual average. Total returns will be income driven. Asset selection and management will be key drivers for returns. Cap rates for most property types are expected to compress by 5 to 15 basis points (bps).

Commercial real estate leasing activity will continue to recover in 2026 from its 2024 low. The underlying performance and timing of recovery varies across sectors, asset types and markets.

Performance of the office market will vary greatly between newer prime and older secondary space. We expect even more scarcity of available prime space by year-end 2026. Spillover demand to the next tier of space will likely increase in early-recovery office markets. Leasing activity will continue to improve in 2026, surpassing 2019 levels. CBRE expects large users to continue returning to the market.

The industrial sector will continue to see a flight to quality by occupiers at the expense of older assets. Annual leasing volume is expected to improve slightly in 2026, driven by reshoring of manufacturing operations and outsourcing of distribution to third-party logistics (3PL) providers.

In the retail sector, demand is expected to be driven by expanding grocery, discount and services retailers that rely on physical locations to reach consumers. Retailer success will require precise strategies that align selective growth with evolving consumer behaviors.

The multifamily sector is expected to see positive net demand throughout 2026. However, there are still substantial newly delivered apartment units that remain unleased in many markets, particularly in the Sun Belt and Midwest regions. As a result, keeping existing tenants in place will be a top priority for multifamily landlords.

Demand for data centers remains strong, with 2026 leasing activity expected to reach an all-time high. Supply growth is increasingly constrained by longer power delivery timelines. We expect continued greenfield development in emerging U.S. markets, particularly along Interstate 20 across the Sun Belt and in markets with less regulation of electricity production.

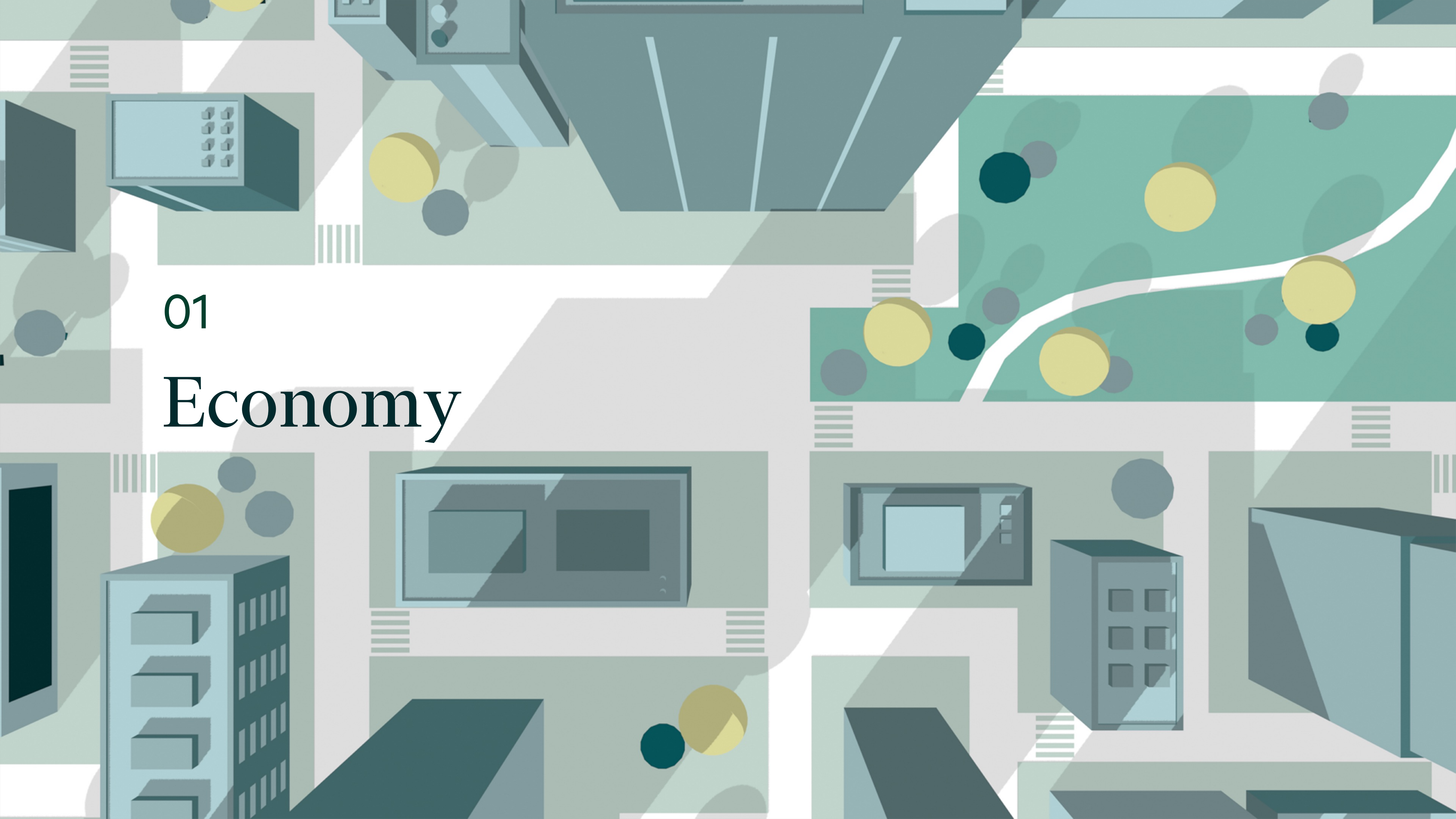
In the healthcare sector, construction completions are expected to drop sharply in 2026, less new supply will support vacancy rate stabilization and continued rent growth for medical outpatient buildings. Occupiers will continue to focus on real estate for cost savings and efficiencies, as higher costs persist and new federal healthcare policies take effect.

In the life sciences sector, the remaining construction pipeline of speculative lab/R&D space is expected to be delivered by year-end. Demand for lab/R&D space will be driven by rising industry employment and a capital markets revival. Some properties will benefit from growing alternative sources of demand, such as robotics and other advanced manufacturers that require specialized lab space.

CBRE also provides detailed local market outlooks.

# 01

# Economy



01
**Economy**

# Upside Despite Uncertainty

While concerns about the economic impact of tariffs have subsided, new concerns about overinvestment in artificial intelligence (AI), government debt levels and a softening labor market are building. GDP growth is expected to slow to 2.0% in 2026 from 2.3% in 2025 due to less business investment and consumer spending.

Companies will face tough decisions to balance persistent inflation with investments needed for continued growth. Although there were a number of large corporate layoffs in 2025, most companies remain slow to hire and fire. More use of AI will likely play a minor role in labor market dynamics in 2026. We expect labor market conditions to soften as companies carefully reduce headcount. Job growth for the year is expected to slow to 0.3% from the annual average of 1.1% since 1990. This should result in a higher unemployment rate, particularly for younger entrants to the labor market.

**Figure 1: CBRE 2026 Economic Outlook**

| | 2026 Outlook | Change from 2025 |
|---|---|---|
| GDP Growth* | 2.0 | ↓ |
| Inflation* | 2.5 | ↓ |
| Job Growth* | 0.3 | ↓ |
| Unemployment Rate* | 4.5 | ↑ |
| Treasury Yield (Q4) | 3.9 | ↓ |
| Federal Funds Rate Cuts | 2 | ↓ |

*Annual average.
Source: CBRE Research, December 2025.

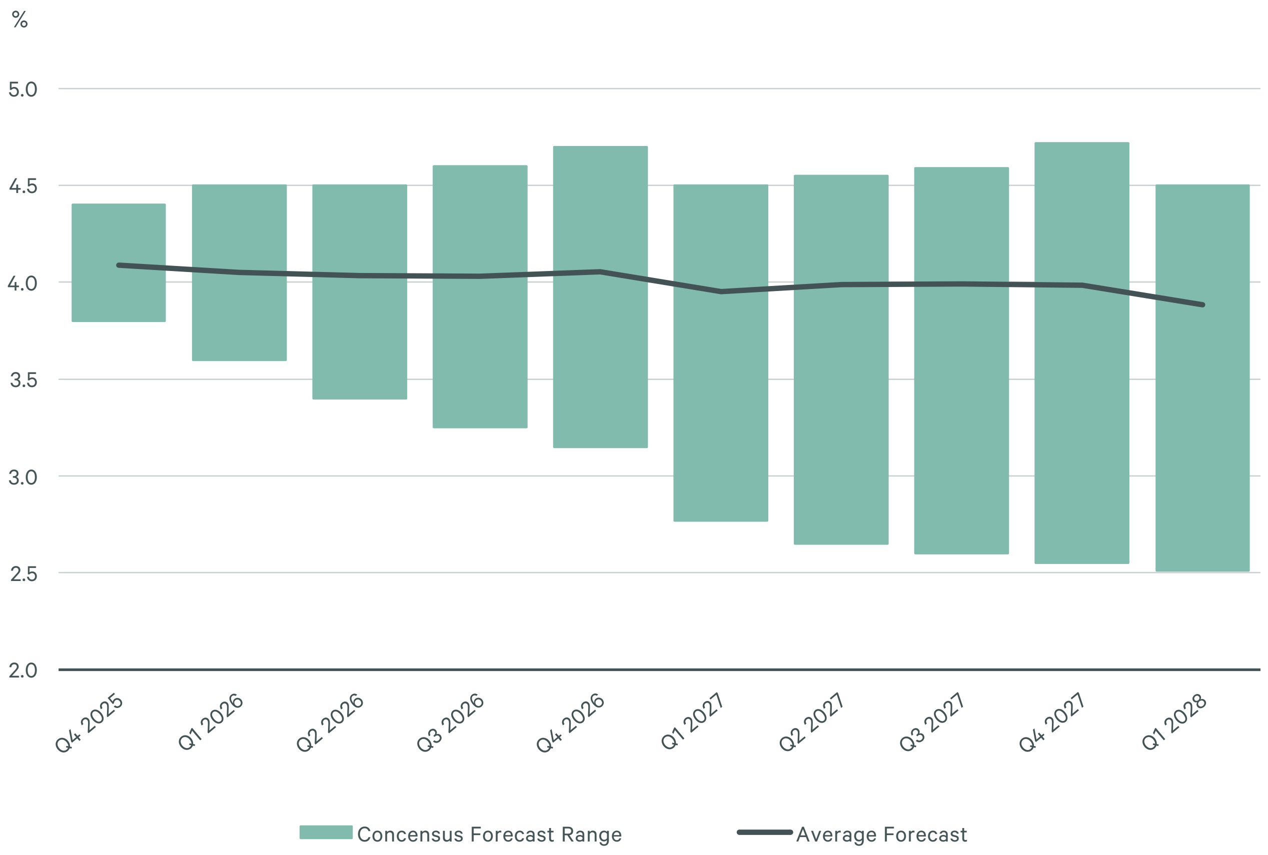
01
## Economy

The slowing labor market is impacting the largest component of the U.S. economy—the consumer. Retail sales growth has slowed, with affluent households carrying a greater share of overall consumption. This dynamic will be even more prevalent in 2026. Marginally lower inflation at 2.5% should alleviate some of the pricing pressure on more value-conscious households.

The combination of persistent inflation and higher unemployment will complicate the Federal Reserve's decision-making. Because price pressures are expected to fade later in the year, CBRE believes the Fed will focus on downside risks facing the labor market and cut the federal funds rate only twice in 2026 to a target range of 3.0% to 3.25%.

The pathway for longer-term rates has decoupled from the federal funds rate. Aside from elevated inflation, concerns about U.S. debt levels are putting upward pressure on long-term Treasury yields. But the prospect of slower economic growth suggests that Treasury yields could end the year below 4%. Regardless, the yield curve will likely steepen, allowing financing via shorter-term credit to help drive commercial real estate investment volume.

**Figure 2: Consensus Expectations for 10-Year Treasury Yield**




Source: CBRE Research, Bloomberg, December 2025.

01
**Implications for Real Estate**

# The Bottom Line

## Occupiers

— **Act Early to Secure Superior Space**
Constraints on new supply across many asset types mean quality space will be more difficult to find, especially in prime locations. Early renewals and preleasing of new construction are essential to procuring the right space when it is needed.

— **Situational Awareness is Key in Negotiations**
Prime assets will command premium pricing, while non-prime options offer room for creative deal structures and adaptive reuse strategies. Renewals—especially for office and industrial space—will often have more tenant-favorable terms, including higher tenant-improvement allowances and more free rent.

— **Design for Flexibility and Future Needs**
Shifts in consumer behavior, workplace trends and technology—including AI—will require occupiers to prioritize adaptable layouts and infrastructure readiness. Convenience, value and flexibility will influence location decisions, building design and investment priorities.

— **Consider External Pressures Beyond Real Estate**
Labor availability, power constraints and regulatory hurdles will increasingly shape location decisions. Proactive planning and local market knowledge will be critical to secure the right space and resources in a timely manner, especially for infrastructure-heavy facilities.

## Investors

— **Prepare for Competitive Markets**
Be ready to act with conviction in 2026. We expect increased investment activity, with investors aggressively pursuing high-quality opportunities.

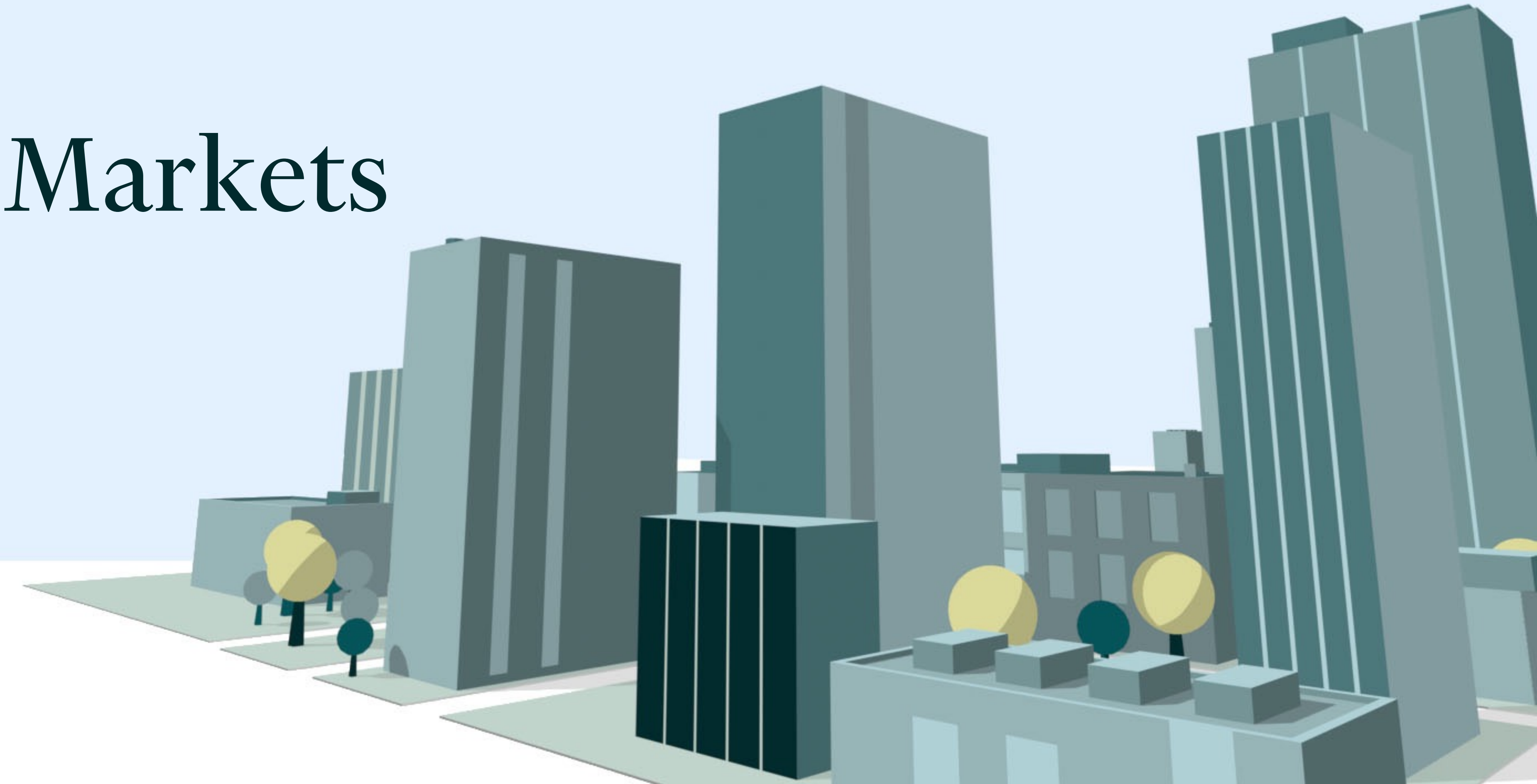
— **Pricing Presents Unique Opportunities**
It's an opportune time to realize gains from existing investments and redeploy capital into a market offering pricing opportunities. The highest returns of this cycle will likely be realized over the next several quarters.

— **Wider Opportunities Across Risk-Return Spectrum**
While we expect returns will be largely driven by rental income, there are opportunities in both debt and public equity. Look across the capital markets spectrum for the best risk-adjusted returns.

— **Uncertainty Remains Constant**
We expect that financial markets will remain volatile due to government and economic policy, particularly with regard to trade. Our baseline forecast anticipates an environment that will support real estate investment, making it important to look beyond the headlines.

02

# Capital Markets



02
**Capital Markets**

# Trends to Watch

— **U.S. commercial real estate is affordable:**
Pricing for commercial real estate is relatively cheap compared with other asset classes. Investors continue to broaden their targets for capital allocation in commercial real estate, with retail and office expected to see notable volume growth in 2026.

— **Total returns will be driven by income in 2026:**
With benchmark rates expected to remain relatively elevated, returns will be income driven. Market/asset selection, due diligence and asset management will be key ingredients for success.

— **Debt market will continue to function with tight spreads:**
We expect debt markets to remain healthy in 2026, with all sources remaining active. There will be ample liquidity due to sizable amounts of dry powder from both public and private investors. The weight of capital presents an upside risk to our forecasts.

— **Gateway markets and AI/financial hubs will lead the recovery:**
Companies are once again making long-term leasing commitments and requiring workers to return to the office. Gateway markets with a strong presence of financial and AI-related companies will continue to offer compelling investment opportunities.

02
**Capital Markets**

# Outlook

The office market continues to recover, with strong investment volume growth from a relatively low base. Less new supply and outperformance of high-quality space will persist.

Commercial real estate investment activity is expected to continue recovering in 2026. With market sentiment potentially buoyed by the prospect of additional rate cuts and long-term yields around 4%, we expect a 16% increase in investment volume this year.

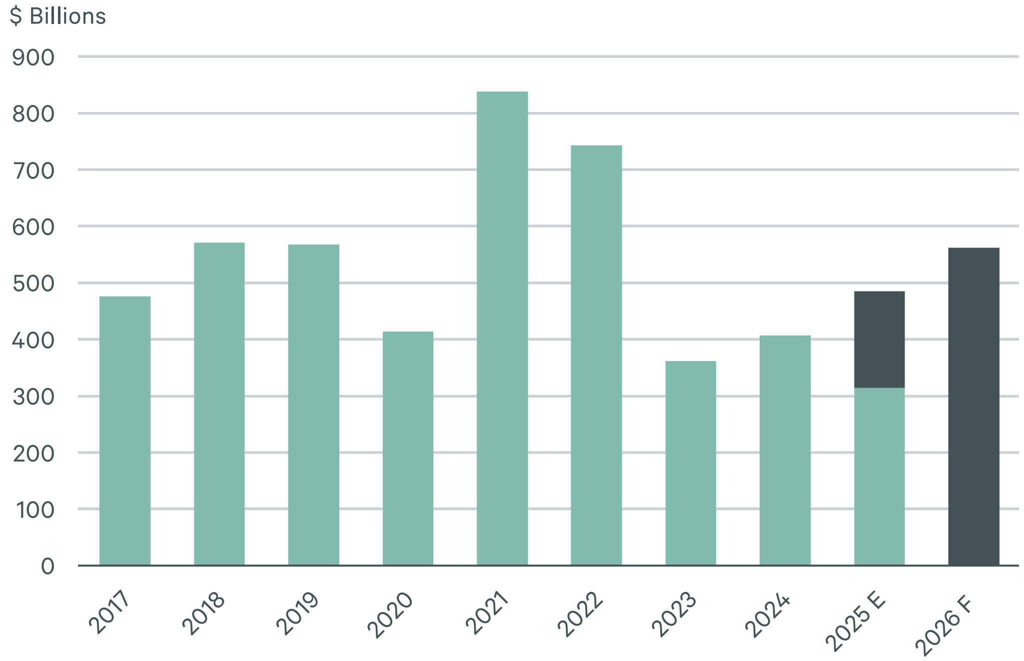
Investor demand remains strong: In 2025, CBRE executed the most confidentiality agreements with prospective property buyers since 2022. Sellers are becoming more realistic on pricing, with new listings nearing levels also not seen since 2022. All of this indicates continuing improvement across the investment landscape in 2026.

Cap rates for most property types are expected to decrease by 5 to 15 bps. Good-quality assets are expected to see greater cap rate compression. However, total returns will largely be driven by income. Consequently, asset selection and management will be key drivers for returns this cycle.

The office market continues to recover, with strong investment volume growth from a relatively low base. Less new supply and outperformance of high-quality space will persist. We expect investor interest will broaden to include well-located Class A properties, as spillover demand from prime trophy assets occurs. Lagging office markets, including Chicago and Los Angeles, are bottoming out, with Boston, Seattle and Denver expected to follow by year-end 2026.

Industrial properties continue to work through excess supply that materialized following the pandemic-era construction boom. Nevertheless, industrial remains a preferred property type for investors. Modern assets in key metros with population growth and transportation hubs will outperform. Renegotiation of the U.S. Mexico Canada Agreement in 2026 should also result in intriguing investment opportunities.

**Figure 3: U.S. Commercial Real Estate Investment Volume**




Source: MSCI Real Assets, CBRE Research, Q4 2025.

02

## Capital Markets

Retail continues to show strength across the board with healthy fundamentals amid little new supply. Risk-adjusted returns look especially attractive in well-located grocery-anchored and open-air centers. Given the affordability challenges for less-affluent consumers, investors will find the best rent growth in areas that cater to higher-income households.

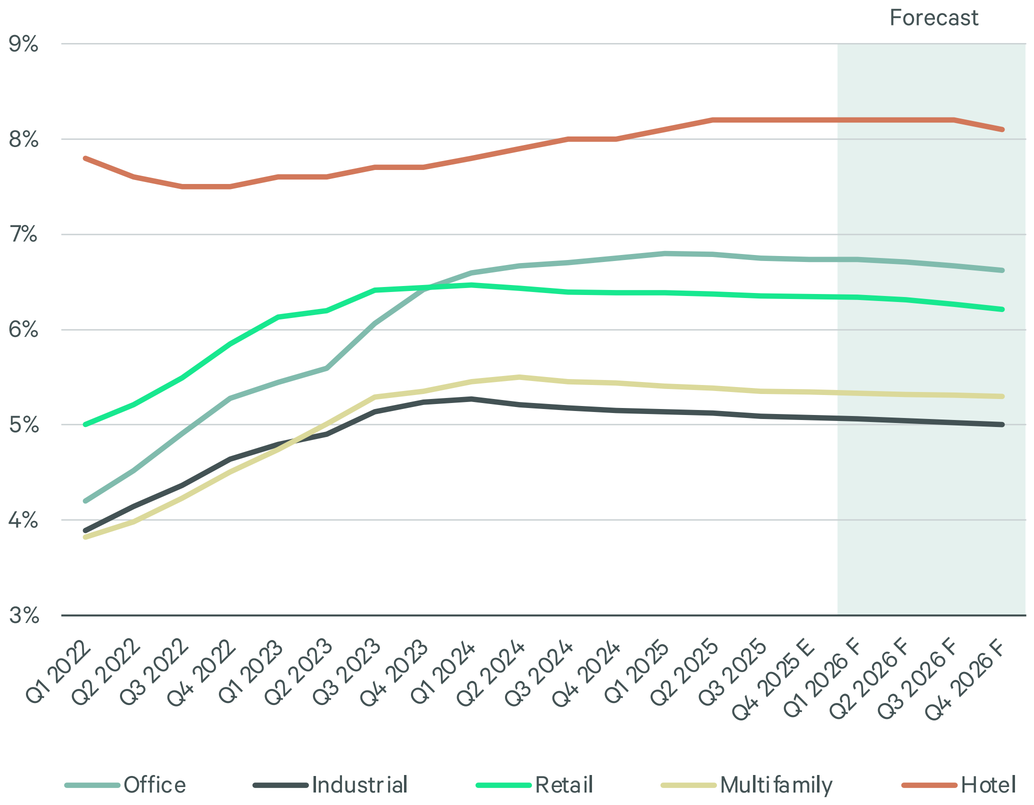
Multifamily is also working through a supply overhang, particularly in some markets across the Sun Belt and Mountain regions. Midwestern markets and some gateways continue to maintain healthy fundamentals. Cap rate spreads remain tight, indicating normalizing rent growth and weight of capital. Investors will find opportunities to dispose of assets and realize gains, which can then be redeployed into high-growth markets as supply and demand come into better balance in late 2026.

Hotels will also present attractive investment opportunities in 2026. We expect fundamentals to improve as new supply diminishes and RevPAR improves. Nevertheless, the recovery in fundamentals will be uneven and more focused around high-end demand. Furthermore, operational prowess will be especially important in a business where controlling costs is complex and total returns are more dependent on income.

While alternative lenders are expected to remain active, the reemergence of banks in the debt market is expected in 2026, particularly as the yield curve steepens. Overall, we expect all sources of debt capital to remain active.

CBRE expects lending spreads over benchmark rates will remain tight, barring any unforeseen shocks to financial markets. While lending standards remain prudent, we may see loan structures and covenants ease as lenders exhibit an increased willingness to provide commercial real estate financing. We expect that many maturing loans will be extended to 2027 and beyond. Overall, the commercial real estate lending environment will remain healthy, with abundant liquidity in 2026 even as default rates increase for obsolete assets.

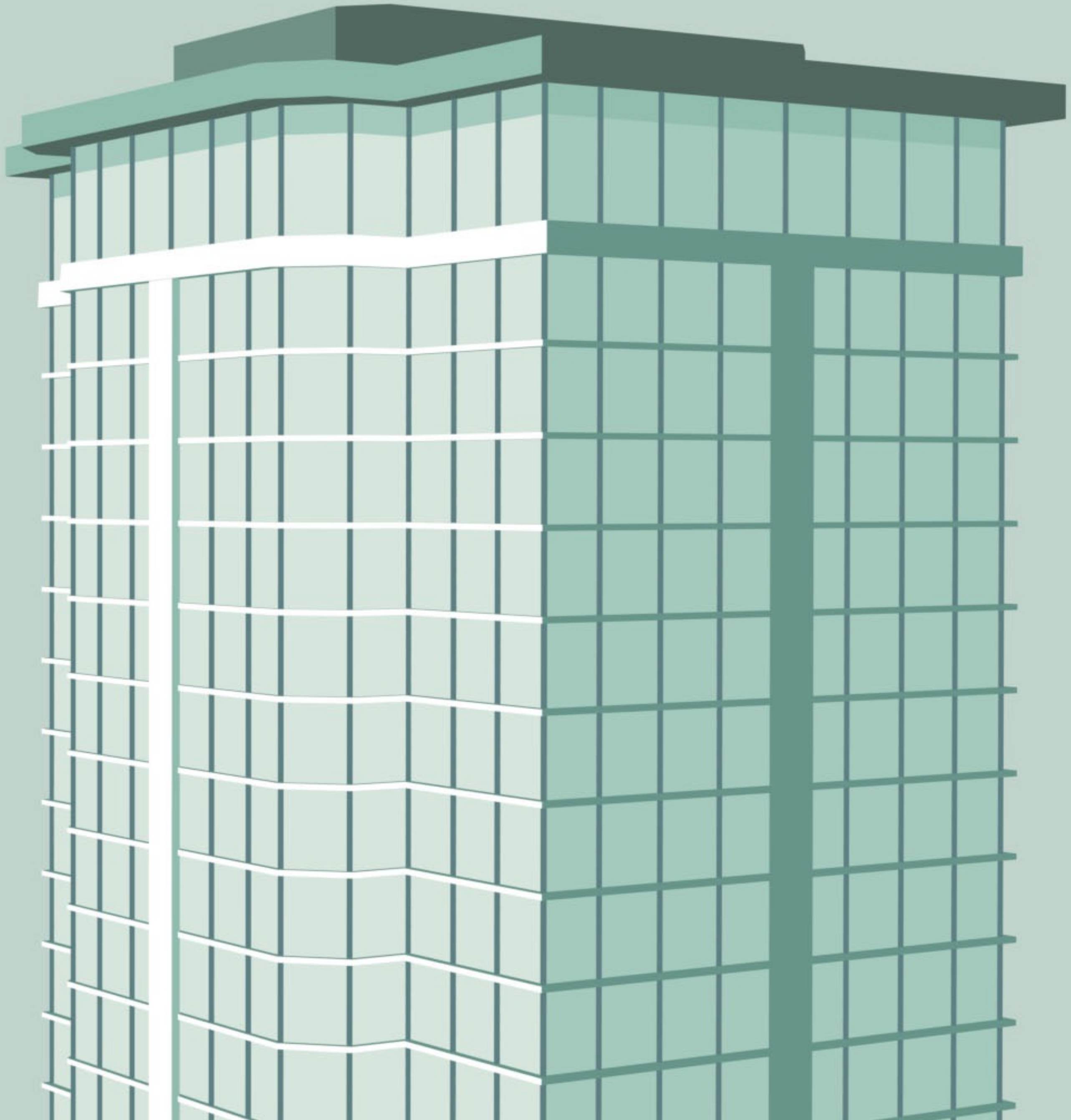
**Figure 4: Cap Rates by Sector**




Source: CBRE Econometric Advisors, CBRE Research, Q4 2025.

03

# Office



03

**Office**

# Trends to Watch

- **Supply constraints will contribute to declining vacancy:**

  2025 was the first year that inventory removals (demolitions and conversions) outpaced new completions since CBRE began tracking the market in 1988. The reduction in supply is beginning to rebalance markets. Although 2025 net absorption was 14% below the 30-year average, the steep drop-off in new supply more than compensated to drive the first year-over-year decline in vacancy in over five years.

- **Demand for prime assets will spill over to the next tier of product as availability dwindles:**

  As the prime vs. nonprime performance gap is near a record high, occupiers will continue to focus on the highest-quality assets. The urgency to lock in quality space, along with significant tenant leverage for most lesser-quality assets, will further drive this divide. The next tier of assets—those located adjacent to prime buildings with well-positioned amenities (e.g., proximity to public transportation, on-site food & beverage options)—is beginning to see increased demand. Prime buildings in downtown areas registered a 1.5-percentage-point drop in vacancy since year-end 2024 vs. a 0.5-percentage-point decline in prime suburban buildings. Although downtown prime vacancy (14.5%) remained higher than suburban prime vacancy (13.6%) as of Q3 2025, we expect to see stronger downtown leasing activity in 2026.

- **Urban gateway markets are poised to rebound:**

  Activity among large urban users is beginning to increase after four years of under-represented market share. Downtown leasing comprised just 30% of activity from 2020 to 2024 despite making up 35% of inventory. In 2025, that share ticked up to 40% of all activity. We may find the market has underestimated the value of agglomeration and talent access offered by urban gateway hubs. We remain optimistic about gateway markets like Manhattan, San Francisco and Dallas, which are positioned to see continued leasing growth in 2026.

- **Occupiers will remain cautious about AI's impact on space planning:**

  Occupiers have signaled a cautious approach to their space planning. Although AI has not yet impacted their real estate decisions, it could happen soon. Occupiers will remain challenged to redefine the traditional workspace paradigm and its ability to attract employees. Growing adoption of AI will only underscore the need for occupiers to deliver purpose-driven offices. Buildings capable of leveraging the latest technologies while also offering tenants best-in-class design and amenities will benefit the most.

03
**Office**

# Outlook

Annual leasing activity is expected to surpass 2019 levels. In particular, large users will likely continue returning to the market.

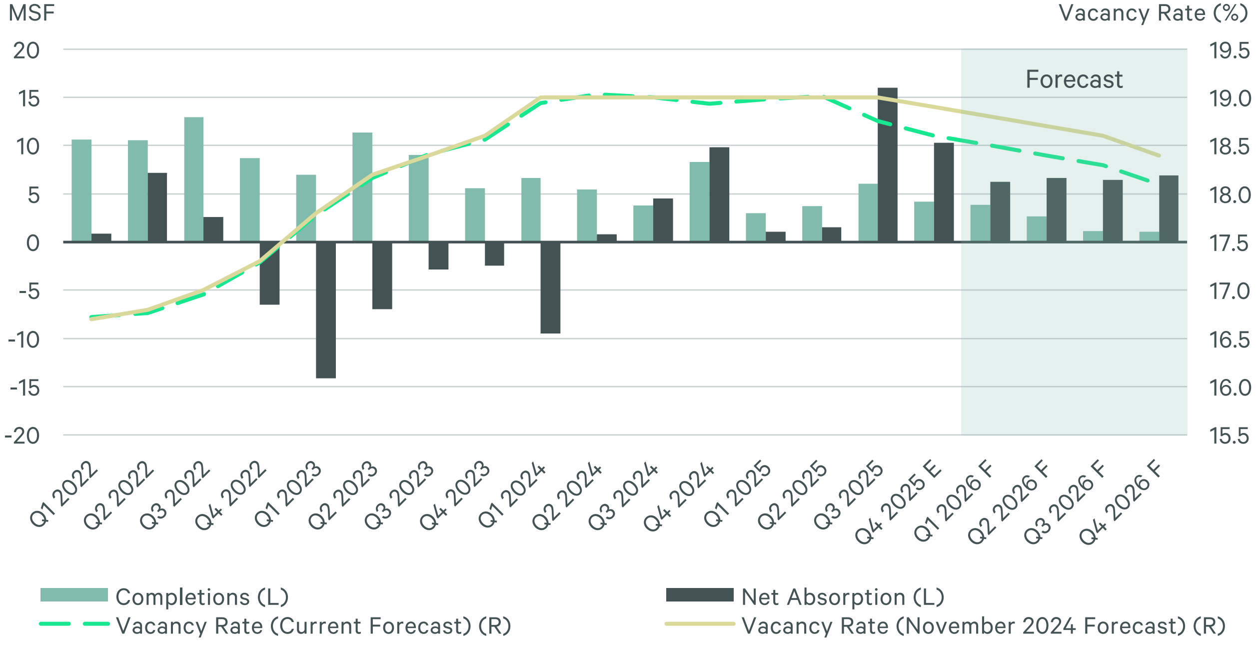
The office sector should continue to build on the current momentum, though the crawl back to equilibrium will be long. We expect at least the same amount of occupier demand as last year, albeit for less available top-quality space. Coupled with little new construction, this is expected to lower the overall vacancy rate.

As square-foot-per-employee ratios have been stable for over two years, the relationship between employment and absorption is becoming more balanced. The location and magnitude of job growth will in part determine which markets recover first, with the finance and technology industries expected to see better-than-average job growth in 2026.

Annual leasing activity is expected to surpass 2019 levels. In particular, large users will likely continue returning to the market. More certainty about space needs will continue to drive activity, with an outsized share of space commitments in central business districts. Manhattan, San Francisco, Dallas, San Jose and Charlotte will lead for rent growth, while markets like Los Angeles and Seattle return to positive growth in 2026.

As users continue to favor better-quality assets and prime construction activity remains well below average, we expect prime vacancy to reach pre-pandemic levels by the end of 2027. Accordingly, the next tier of assets will begin to see spillover demand amid increased occupier urgency to lock in the highest quality space available.

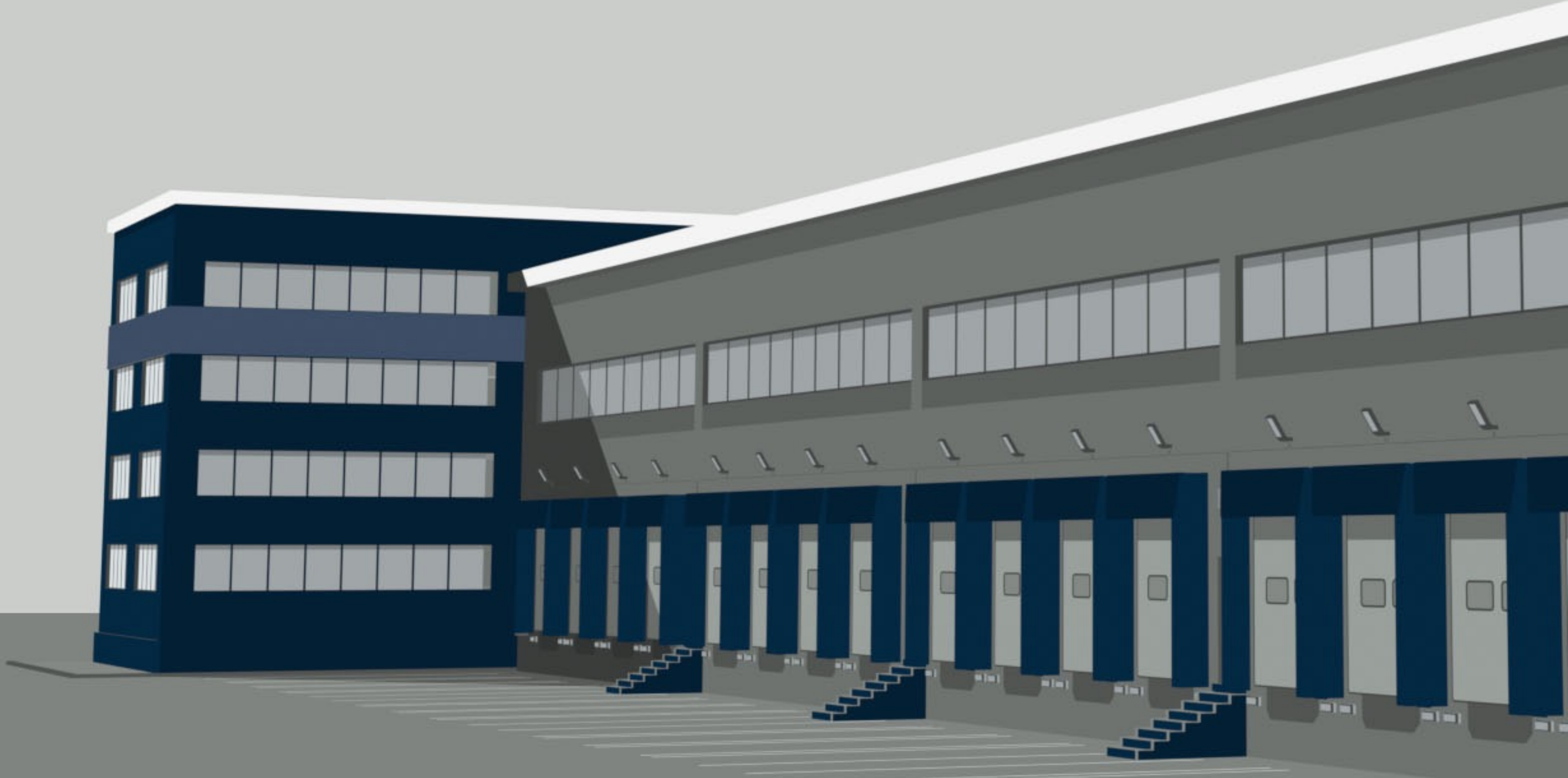
**Figure 5: Office Vacancy Outlook Improves from Last Year**




Source: CBRE Econometric Advisors, Q4 2025.

04

# Industrial



04
Industrial

# Trends to Watch

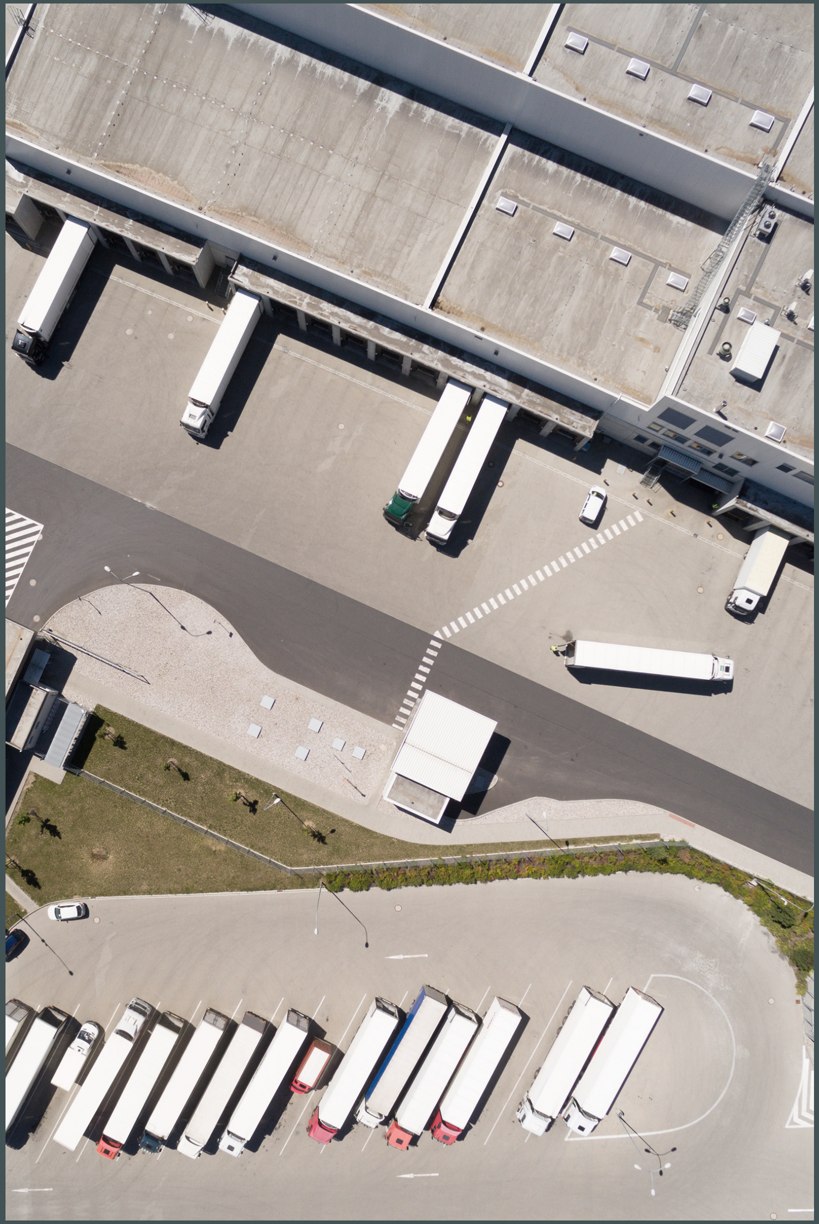
— **Industrial leasing activity will rise slightly in 2026:**
Tenants will continue to renew space at record levels, expand domestic manufacturing capabilities to mitigate tariff-related costs, upgrade to a plethora of available first-generation distribution facilities or outsource distribution to 3PL providers.

— **Vacancy will stabilize due to a lack of speculative completions:**
Despite minimal net absorption due to many lease expirations in older facilities, vacancy will stabilize in the mid-6% range.

— **Occupiers will leverage the use of AI to improve service to consumers:**
This will create a resilient supply chain and location optimization from a labor, cost and power availability standpoint. Locations that can best meet these requirements should offer compelling investment opportunities.

— **Incentives for early lease renewals will increase:**
Older industrial space is being returned at a robust pace, evidenced by the more than 100 million sq. ft. of negative absorption in pre-2020 buildings last year. To encourage earlier renewals by occupiers, many landlords are offering more generous tenant-improvement allowances and longer free-rent periods. On average, occupiers signed renewals 219 days prior to expiration in 2025, nearly 30 days sooner than in 2024. We expect this trend to continue in 2026.

— **Mega big-box occupiers will want to quickly upgrade their space:**
Availability of first-generation facilities in certain markets is expected to quickly dwindle. Louisville, Columbus, Greenville, Chicago, Phoenix, the Inland Empire and Kansas City all have a limited amount of available first-generation blocks of 500,000 sq. ft. or more. Lease expirations in this size range will accelerate over the next three years, increasing the potential tenant base.



04
**Industrial**

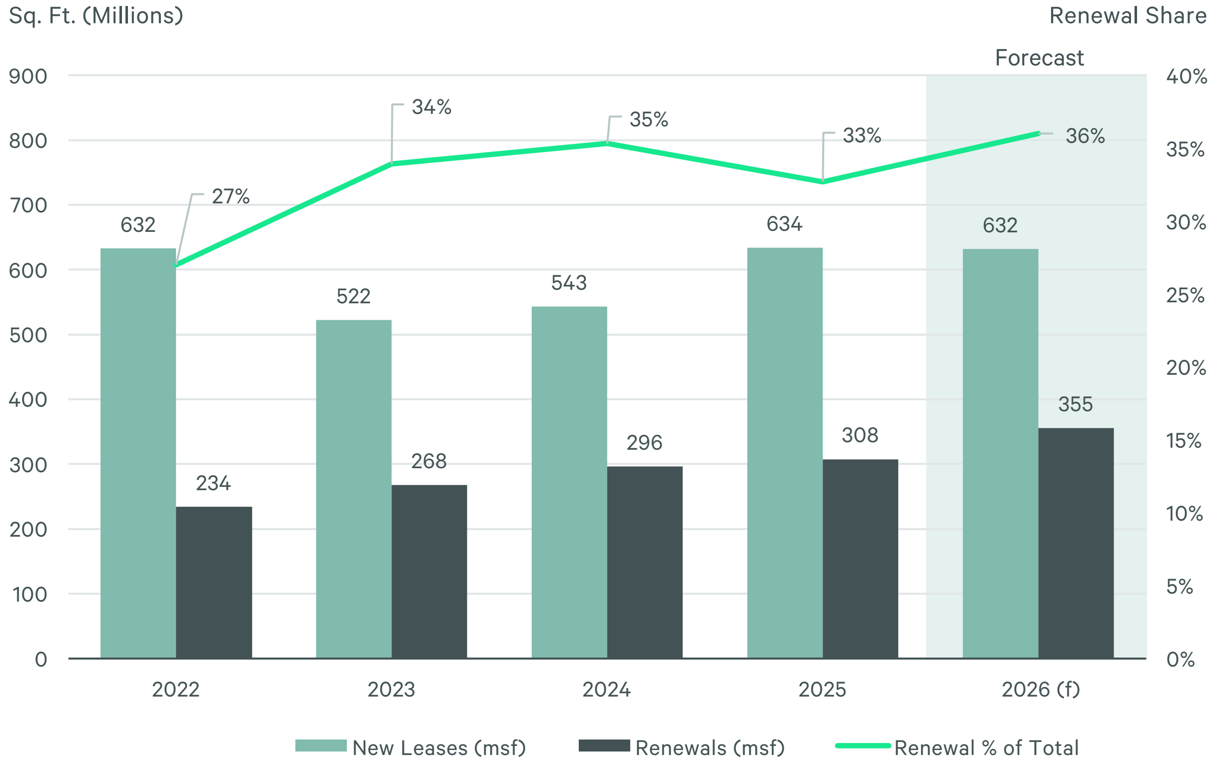
# Outlook

CBRE forecasts a 5% year-over-year increase in industrial leasing activity to nearly 1 billion sq. ft. Lease renewals will account for more than 35% of total volume, well-above the historical average of 24%.

New leasing activity will remain on par with 2025, driven by a flight to quality and more outsourcing of distribution operations, as well as continued reshoring of manufacturing operations.

New leasing activity will be driven by a flight to quality to take advantage of taller clear heights and stronger power or outsource their distribution operations to 3PL providers.

**Figure 6: New Industrial Leases vs. Renewals**




Note: Includes new leases and renewals for 10,000 sq. ft. more.
Source: CBRE Research, Q4 2025.

04

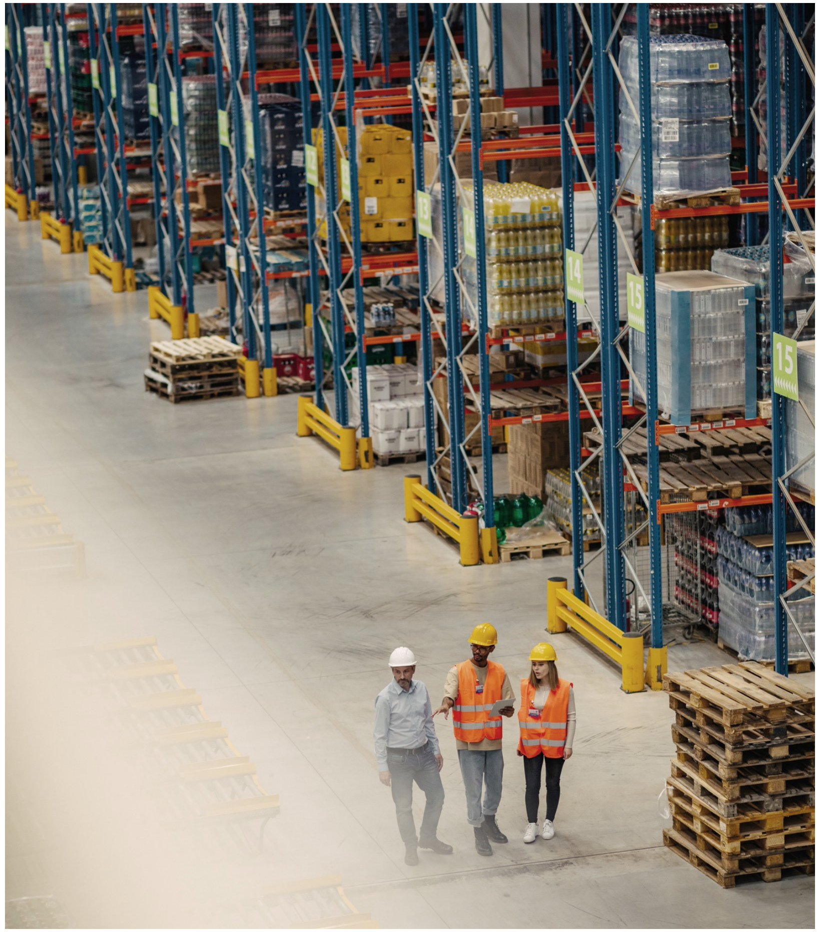
## Industrial

We estimate that 3PLs will account for more than 35% of leasing activity this year. More reshoring of manufacturing operations is expected to mitigate tariff-related costs. Because many 3PLs require shorter lease terms and more flexible spaces, often with a smaller footprint than retailer distribution operations, outsourcing will continue to help retailers and manufacturers realize a more efficient distribution process.

Occupiers will increasingly use AI and diversify supply sourcing, including from domestic manufacturers. Available labor and the need for more power will drive demand in the Midwest, mid-Atlantic and Southeast regions. Markets such as Louisville, Nashville, Cincinnati, Chicago, Detroit and Kansas City will be most attractive for occupier expansions, particularly for manufacturing operations.

Despite a flight to quality, speculative development will be minimal in 2026 due to an oversupply of vacant first-generation space and difficulty obtaining construction financing. However, build-to-suit development will increase to meet more specialized occupier requirements.

Rent growth will remain subdued as the industrial sector adjusts to shifting trade policies and slower economic growth. Despite the volatility, rents in gateway markets like Atlanta have begun to turn the corner. Secondary markets such as Nashville and Louisville are expected to maintain relatively strong rent growth due to reliance on domestic regional distribution that generally is not affected by international trade volatility.



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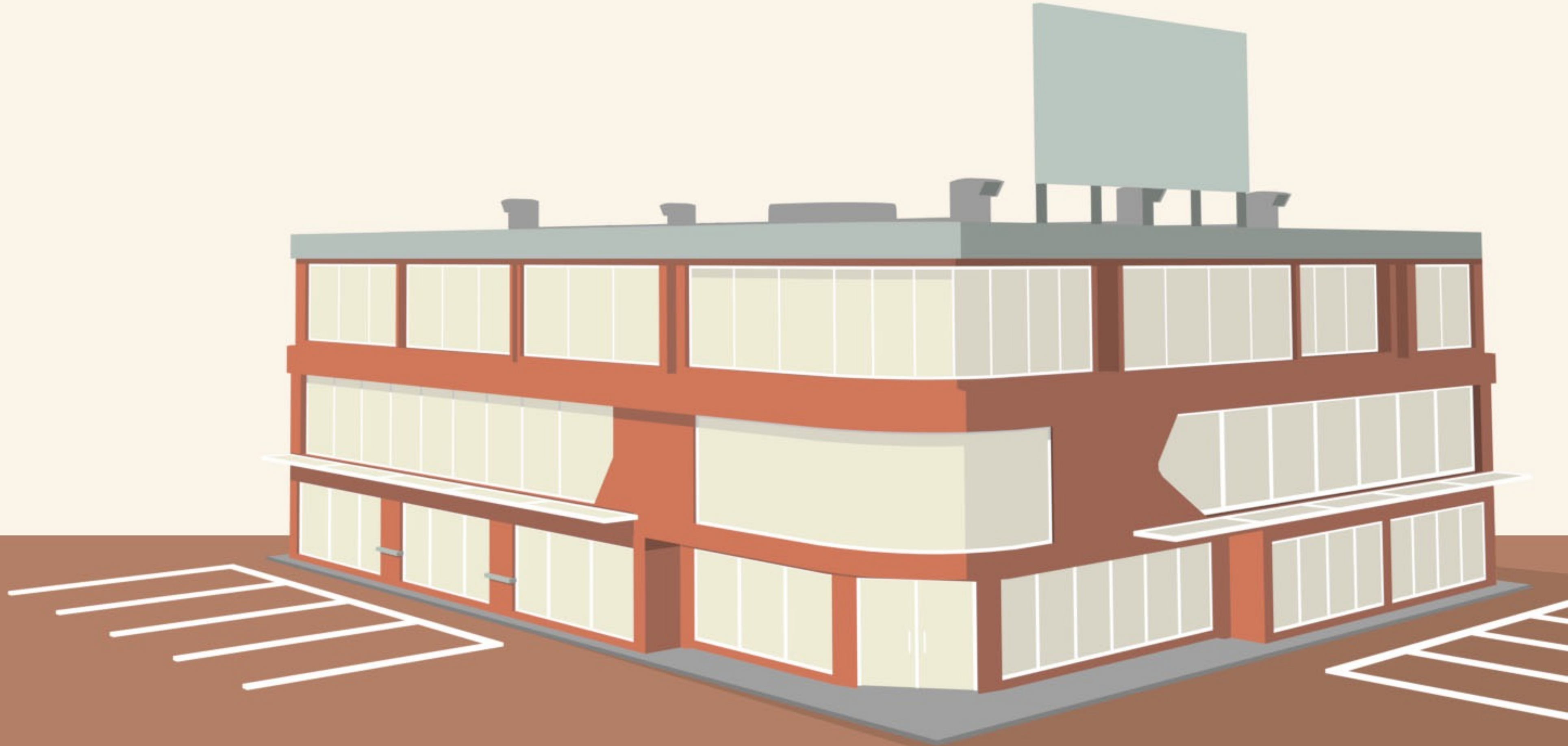
05

# Retail



05
**Retail**

# Trends to Watch

— **Available supply scarcity will continue:**

Space availability will remain near historic lows in 2026, with only a slight uptick where big-box closures occur. New construction will remain limited due to financing constraints, high costs and little land availability. These factors will help to limit any rise in space availability even as demand moderates.

— **Modest positive absorption is expected:**

After uneven demand in 2025, net absorption is expected to stabilize in 2026. Expansions by grocery, value and service-oriented retailers should largely offset continued restraint among discretionary retailers, keeping occupancy broadly stable.

— **Performance will diverge more sharply by format and location:**

Grocery-anchored centers, neighborhood & strip centers and high-income suburban corridors are positioned to outperform for both occupancy and rent growth. Weaker malls and older power centers will continue to lag due to higher capital improvement needs and slower backfill activity widening the gap in availability and net asking rents.

— **Rent growth will continue in well-located open-air centers due to limited new supply and tight occupancy conditions:**

Older assets may rely more on concessions and tenant-improvement allowances as retailers become more selective and expansion plans moderate.

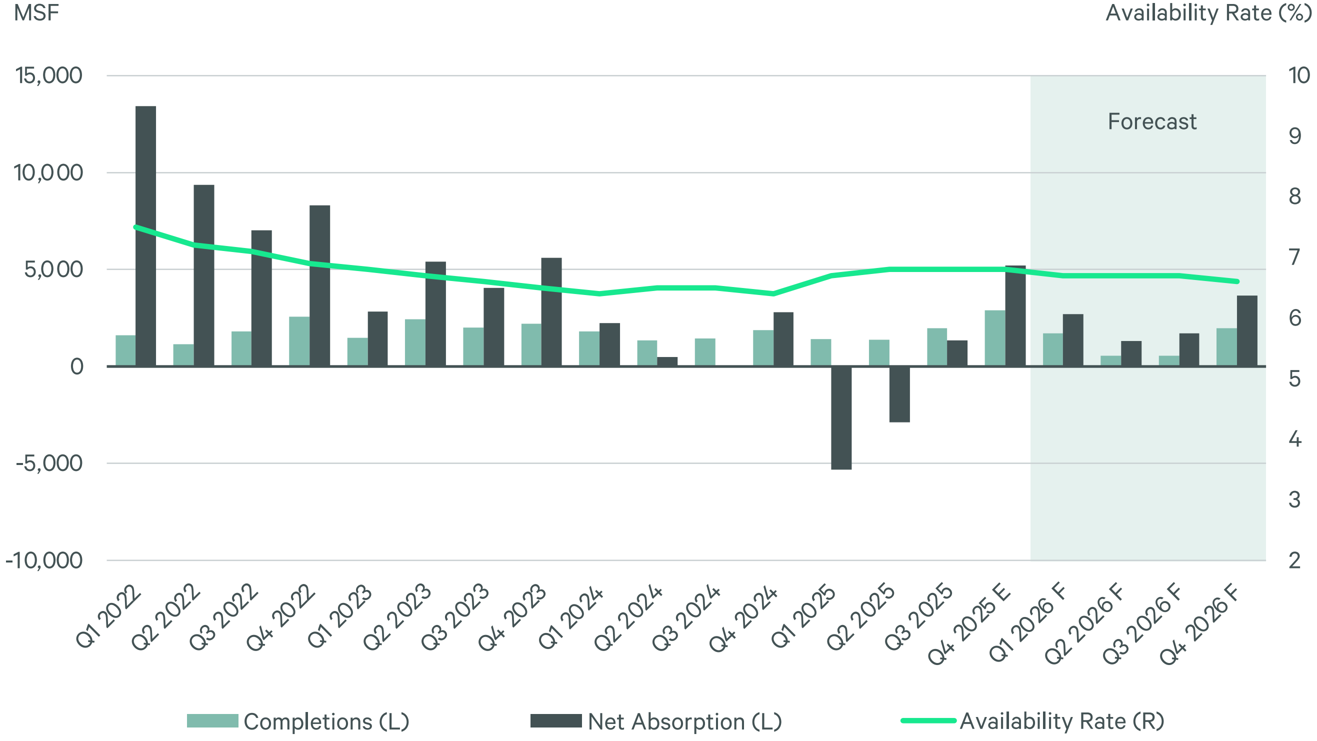
05
**Retail**

# Outlook

The U.S. retail sector enters 2026 with relatively strong fundamentals but appears to be transitioning to a more selective phase of the real estate cycle. Retail fundamentals stabilized in late 2025 as net absorption turned positive and the overall availability rate held near a multi-year low due to more targeted productivity and data-driven tenancy considerations.

Retail fundamentals stabilized in late 2025 as net absorption turned positive and the overall availability rate held near a multi-year low.

**Figure 7: Retail Fundamentals Will Continue to Tighten**




Source: CBRE Econometric Advisors, Q4 2025.

05

## Retail

We expect net absorption to remain positive this year, driven by grocery, discount, off-price and service retailers that rely on physical locations to reach consumers. Full- and quick-service restaurants are also expected to remain active users of space, especially in high-traffic suburban corridors and mixed-use environments. Elevated buildout costs, shifting labor dynamics and thinner margins will cause retailers to pursue fewer high-performing sites, reinforcing their selective growth strategies. Availability may rise in weaker formats but remain tight nationally due to limited new construction.

Overall rent growth will be modest in 2026, easing from the brisk pace during the post-pandemic recovery, with most open-air centers posting increases. Strong suburban submarkets and grocery-anchored centers will outperform, supported by high occupancy and minimal new competitive supply. However, tenants are becoming more cautious and decision-making is taking longer as sales growth moderates. This will place greater emphasis on deal structure, with concessions and tenant-improvement allowances playing a larger role in many cases.

As always, economic conditions will be a critical determinant of retail performance. While moderate employment and consumer spending growth continues, many Americans face squeezed discretionary budgets that could adversely affect many non-essential specialty retailers. Consumers are becoming more discerning, prioritizing value, essentials, experiences and convenience. As a result, retailer success will require precise strategies that align selective growth with evolving consumer behaviors.

While moderate employment and consumer spending growth continues, many Americans face squeezed discretionary budgets that could adversely affect many non-essential specialty retailers.

06

# Multifamily

06

Multifamily

# Trends to Watch

— **Barriers to homeownership will continue to support multifamily demand:**

Challenges for would-be homeowners in 2026 include a 105% monthly premium to buy vs. rent, an estimated shortage of 3.4 million single-family homes, high mortgage interest rates and elevated home prices. With more than half ($7 trillion) of the outstanding $13 trillion of mortgages financed at interest rates of less than 4%, fewer existing homeowners will be willing to sell, which in turn will drive multifamily lease renewals.

— **Demand will remain soft:**

Softening renter demand due to tepid job growth is expected to continue in the first half of 2026. A slow-to-hire, slow-to-fire job market with low turnover is expected to reduce domestic migration and household formation and limit momentum in high-growth markets in the near term.

— **Operators will prioritize occupancy over rent growth, supported by strong renewals:**

Effective asking rent growth is expected to remain low for much of 2026. Multifamily operators are strategically choosing to maintain occupancy rates rather than aggressively pursuing rent increases on newly signed leases. The near-term focus on offering significant concessions to new tenants is supported by historically strong renewal rates (57% of all leasing activity, up from 51% in 2015 and 48% in 2005) among existing residents, which is expected to increase further this year.

— **Sun Belt and Mountain markets face a twin dilemma:**

Both macroeconomic headwinds and the lingering effects of a 50-year-high wave of new supply are weighing negatively on occupancies and forcing operators to compete on pricing for new tenants. As a result, the expected timeline to achieve positive asking rent growth has been pushed to late 2026 for many high-supply markets.

— **Investors could be put off by rent controls in certain markets:**

Rent control initiatives have been key components of recent elections in markets such as Boston, Denver, New York and Seattle. If implemented, these initiatives will likely lead to lower investment activity and potentially constrain market-level liquidity in 2026 and beyond. Less new development as a result will limit opportunities for new renters.

06

**Multifamily**

# Outlook

## With near-term operational challenges in high-supply markets, cap rates are expected to remain stable in 2026 and show incremental compression in following years

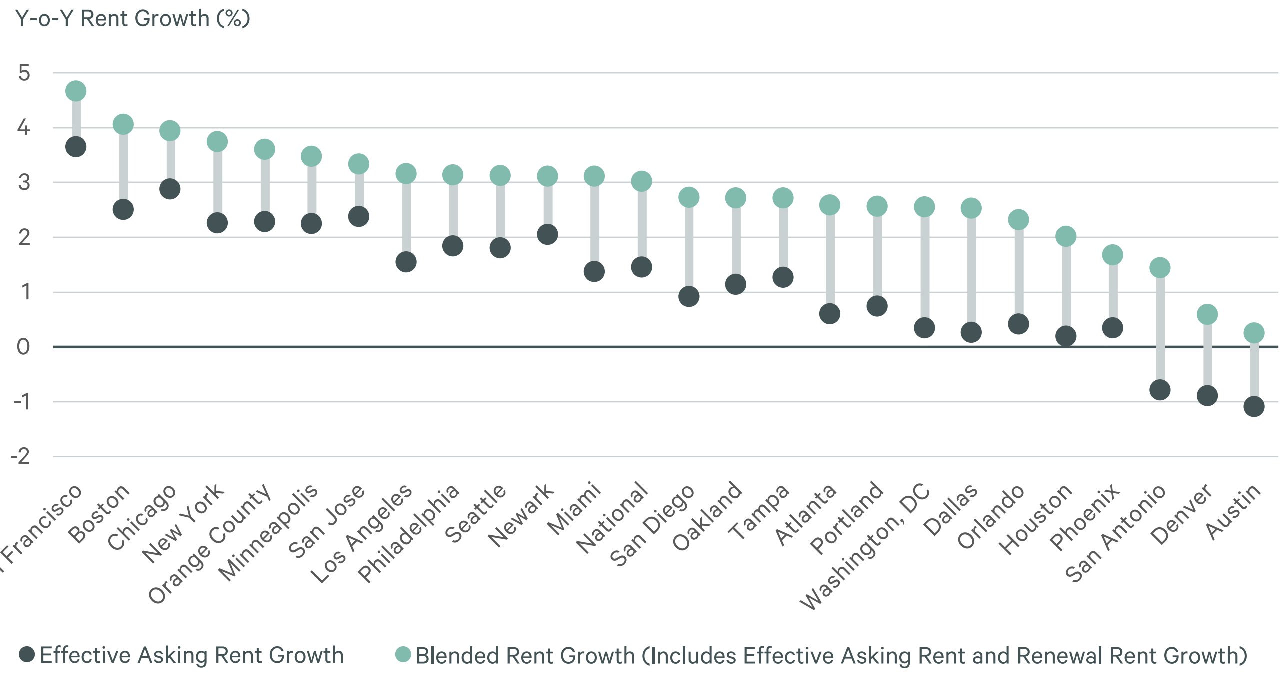
Labor market challenges, coupled with persistent inflation and relatively high interest rates, have weakened consumer sentiment and will weigh negatively on household formation and new multifamily leasing activity in the first half of 2026.

Despite multifamily vacancy rates largely stabilizing nationwide, year-over-year rent growth is expected to continue lagging pre-pandemic levels in 2026 due to economic headwinds and the large amount of new supply that remains available for lease, particularly in the Southeast, South Central and Mountain regions. Longer term, we expect these regions to outperform for job creation, inbound migration and multifamily performance, all of which will support future investment activity. The overall multifamily vacancy rate should continue to fall as more units are absorbed.

With near-term operational challenges in high-supply markets, cap rates are expected to remain stable in 2026 and show incremental compression in following years. Interest rate and inflation stability, competitive debt markets, lower economic uncertainty and recovering investment volumes will underpin this outlook for cap rates.

While the current overall vacancy rate of 4.4% is well below the 2010-to-2019 average of 5.2%, it is expected to rise over the next several quarters as renter demand does not fully offset the remaining supply pipeline. Operators are strategically focused on preserving occupancies by offering new tenants certain discounts. This will persist at least until the stronger seasonal leasing in Q2 and Q3 alleviates pressure on occupancy.

**Figure 8: 2026 Forecast Rent Growth for 25 Largest Markets**




Source: CBRE Research, Real Page Inc., CBRE Econometric Advisors, Q4 2025.

06

## Multifamily

Renters are renewing their existing leases at historically high levels (57% of all leasing activity). Not only do renewals reduce turnover costs and the risk of months of vacancy, but they dramatically outpace new leases for rent growth.

Because most widely reported rent growth figures are based on asking rents for new leases, they understate the actual performance of multifamily properties. Blended rent growth,[1] which combines asking and renewal rents, is expected to remain higher than asking rent growth for new leases alone. The difference is especially pronounced in markets like Austin and Denver, where asking rent growth is projected to remain negative in 2026 yet blended growth will turn positive. More generally, the difference is largest in markets that depend the most on domestic migration and employment growth.

Blended rent growth will remain a key metric for underwriters, with renewals accounting for a larger share of all leasing activity.

[1] Blended rent growth represents the overall rent growth in a given market that is determined by combining a weighted average from both renewal rent growth and effective asking rent growth.

Renters are renewing their existing leases at historically high levels. Not only do renewals reduce turnover costs and the risk of months of vacancy, but they dramatically outpace new leases for rent growth.

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# Data Centers

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Data Centers

# Trends to Watch

— **AI-driven large-scale requirements are reshaping leasing dynamics:**

AI-related occupiers continue to drive significant demand for large blocks of contiguous capacity. Historically, discounts were common for 10-MW-plus deployments, but that is no longer the case. Neocloud, GPU-as-a-service providers and AI startups are now paying premiums for scale. Operators catering to these users may need to avoid subdividing space and instead hold full-building configurations to maximize value.

— **Behind-the-meter strategies are accelerating:**

As traditional power sources remain challenged, behind-the-meter solutions, including on-site wind turbines, solar panels and batteries, are gaining momentum in deregulated markets. Operators increasingly view BYOP (bring your own power) as a viable path to meet delivery targets, driving a notable shift toward greenfield development in deregulated states.

— **AI inference is emerging as a meaningful driver of demand:**

Developers, operators and occupiers are closely watching the next phase of AI adoption. Publicly traded operators noted that AI-related workloads represented a significant share of new leases in 2025. The key question for 2026 is whether edge data centers will reach broader commercial adoption as inference workloads scale.

— **Power cost and delivery speed now outweigh connectivity in site selection:**

With power consumption increasing non-linearly, cost of power is becoming the dominant factor in site selection decisions. While fiber redundancy once led the list of priorities, the ability to secure 300-MW-plus deliveries in under 36 months now supersedes pure connectivity considerations.

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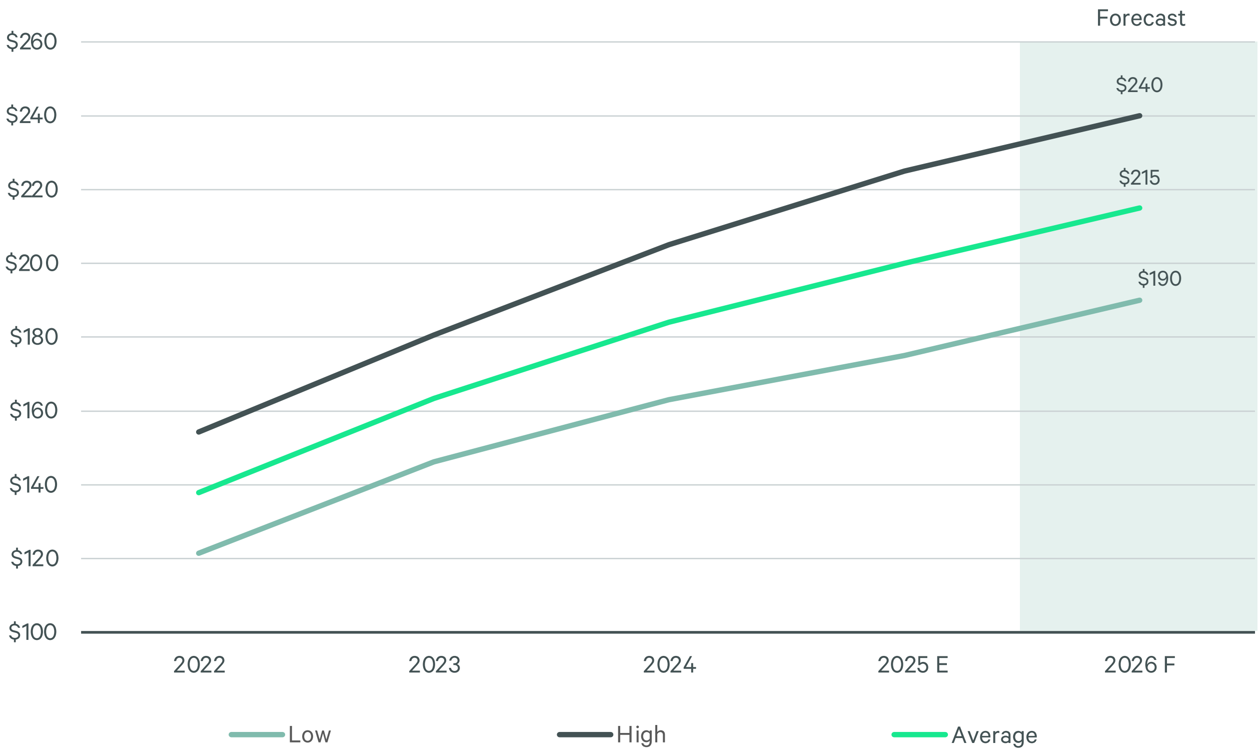
**Data Centers**

# Outlook

U.S. data center demand continues to reach unprecedented levels and 2026 is on track to set a new record for leasing activity. Vacancy remains at historic lows and pricing is at all-time highs. However, new supply is becoming increasingly difficult to deliver.

Traditional 12-to-18-month timelines for sub-50-MW buildings no longer apply. The shift toward 500-MW-plus AI campuses has pushed construction schedules into multi-year territory. These large-scale developments require multiple on-site substations. Any need for new high-voltage transmission or incremental generation can extend interconnection timelines dramatically, often to 24, 36 or even 48+ months.

**Figure 9: Average Data Center Rental Rates in Primary Markets for 250-500kW Requirements**




Source: CBRE Research, December 2025.

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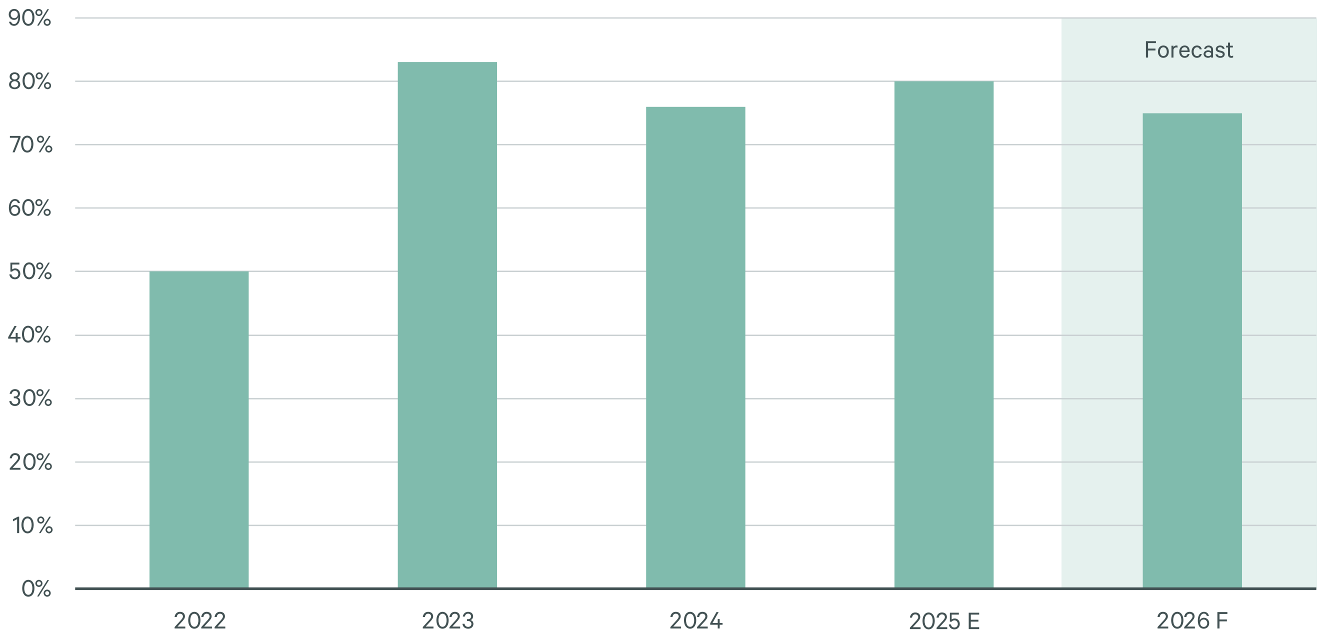
## Data Centers

We expect continued greenfield development in emerging U.S. markets, particularly along Interstate 20 across the Sun Belt and in deregulated electricity markets. Regions with substantial natural gas resources remain especially attractive, with current commodity prices materially lower than peaks seen in 2003–2008 and in 2022. Alabama, Mississippi, Louisiana, Georgia, Florida, South Carolina, North Carolina, Virginia and Pennsylvania are all positioned to remain priority development locations.

Preleasing activity is expected to remain in the mid-70% range, compared with the historical norm of 40% to 50%. Even with a 43% year-over-year expansion in primary-market inventory, preleasing demand shows no signs of cooling.

Preleasing activity is expected to remain in the mid-70% range, compared with the historical norm of 40% to 50%.

**Figure 10: Preleasing Rate of Under-Construction Data Centers in Primary Markets**




Source: CBRE Research, December 2025.

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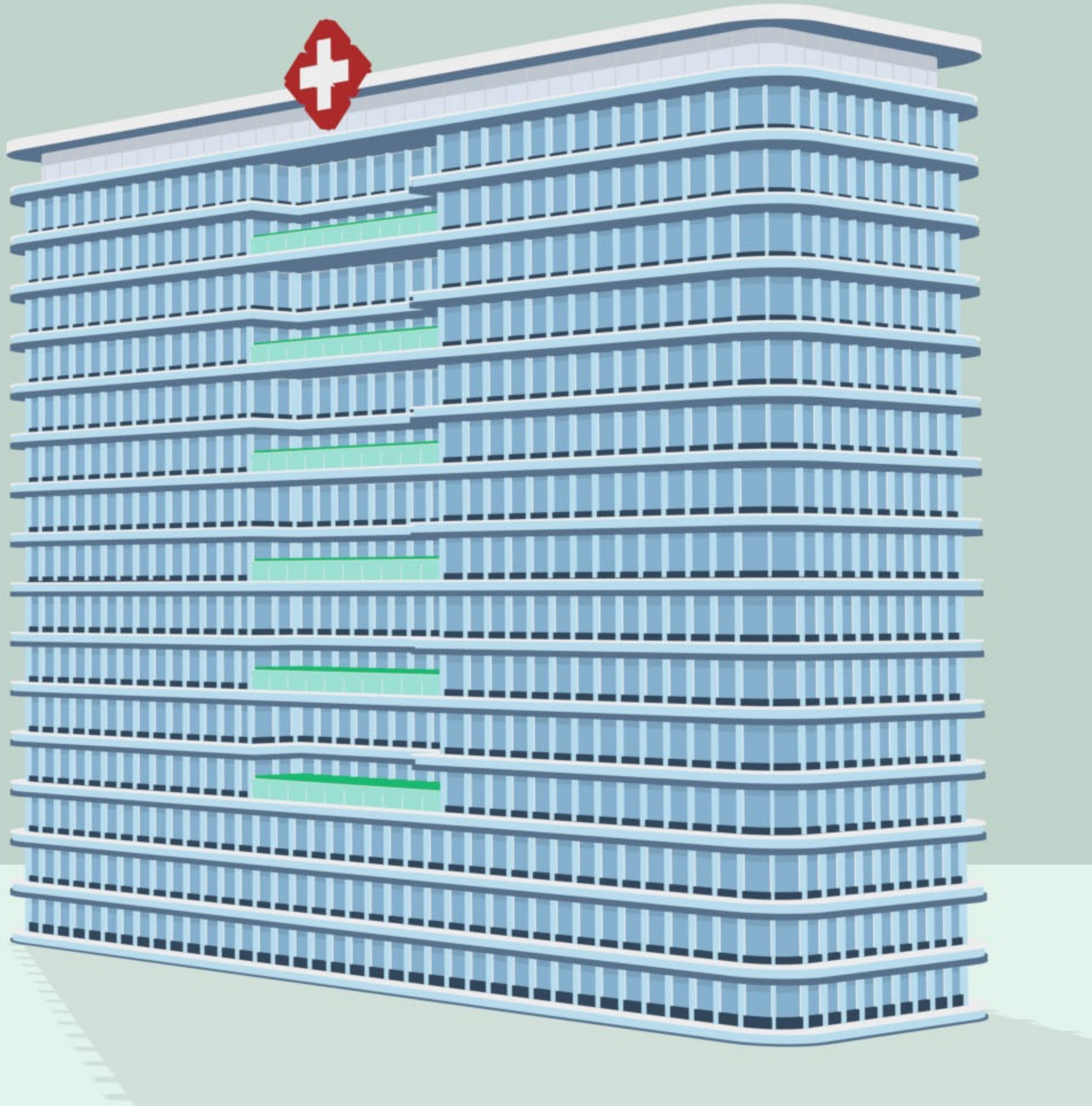
# Healthcare



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Healthcare

# Trends to Watch

- **Key megatrends are fueling demand for medical outpatient space:**
  An aging U.S. population, increased healthcare spending, more medical workers and new technologies are supporting greater Medical Outpatient Building (MOB) demand.
- **Cost pressures are driving healthcare providers to expand services in outpatient care settings with lower operating costs:**
  Falling government reimbursement rates and rising costs for materials and labor are pinching healthcare providers. Portfolio optimization and a pivot to outpatient care can streamline operations and lower operating costs.
- **MOB construction completions will fall to decade-low levels, reducing occupier options:**
  Asking rents remain elevated and some providers are being pushed into second-generation office space to meet their requirements.
- **Federal healthcare policy presents risk and opportunity:**
  The One Big Beautiful Bill Act includes more than $1 trillion in healthcare spending reductions. As a result, outpatient space demand will increase as providers seek more affordable healthcare delivery options and restrictions are eased on outpatient services.
- **AI will drive new efficiencies in healthcare real estate:**
  U.S. Census Bureau surveys show AI adoption by healthcare providers is accelerating. This technology offers significant potential to improve patient volume management and optimize existing space utilization.

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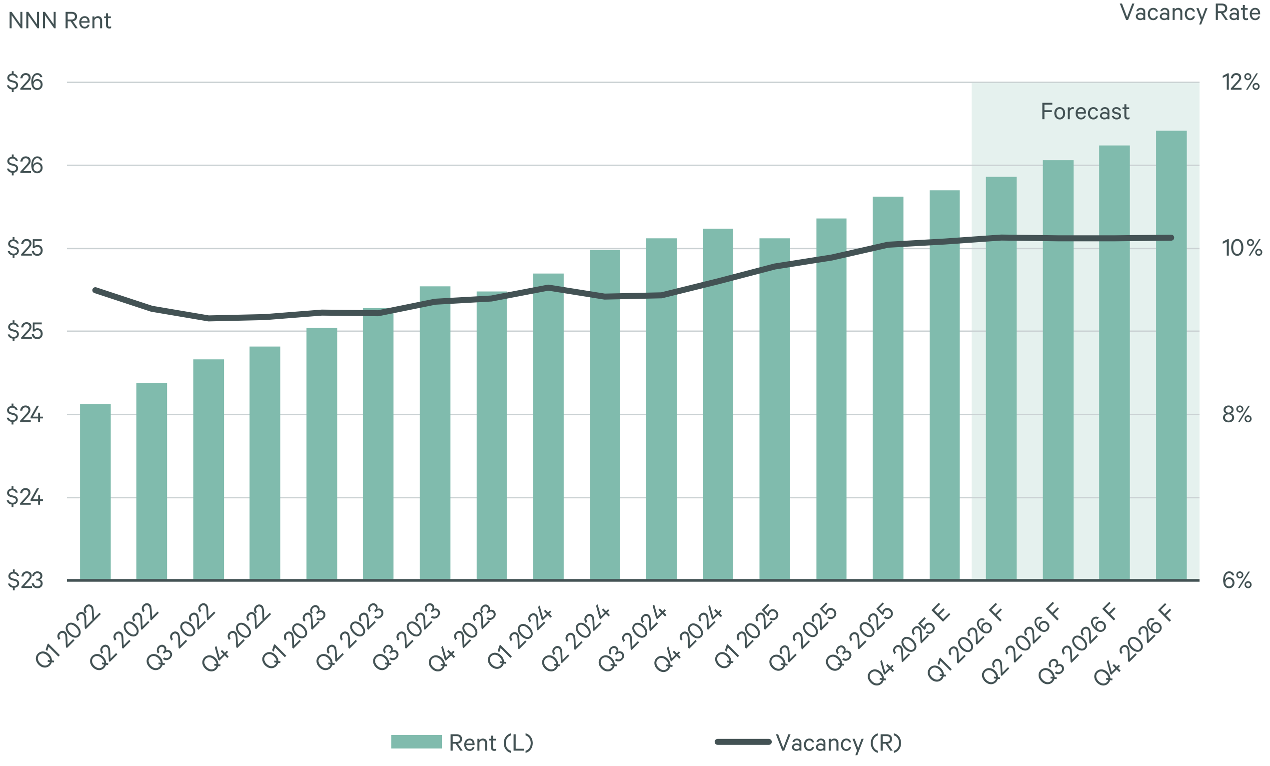
Healthcare

# Outlook

MOB construction completions are projected to drop by 26% in 2026 to the lowest level in over a decade, reducing occupier options. Deliveries of on-campus hospital facilities will contract even further. A more uncertain and less favorable U.S. healthcare policy, coupled with higher land and construction costs, has many hospitals, healthcare systems and providers less willing to make significant commitments or assume development risk.

The lack of quality outpatient space has reduced options for cost-sensitive healthcare providers who are facing new financial challenges stemming from rising costs for medical supplies and labor, as well as fewer Medicaid recipients. Given elevated construction costs, developers will remain cautious about pursuing speculative development in 2026.

**Figure 11: 2026 Rent & Vacancy Forecast for Medical Outpatient Buildings**




Source: CBRE Econometric Advisors, CBRE Research, Q4 2025.

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## Healthcare

The scarcity of available supply will support tight vacancy and continued rent growth for MOBs this year. MOB vacancy will stabilize within its typical range of 9.5% to 10.5% over the past 10 years. The average MOB rent is projected to climb to a record high in 2026 as rent growth accelerates to 1.4% from 0.9% in 2025. An ongoing industry pivot toward outpatient care and low vacancies will drive rent growth in select markets, mostly in the South and West.

Healthcare occupiers are increasingly focusing on real estate for savings and efficiencies, as industry cost pressures persist and new federal healthcare policies take effect. Occupiers will continue to pursue lower-cost options for healthcare delivery (i.e., MOBs), including conversions of obsolete office and retail buildings. The range of options reflects the flexible approach that healthcare providers, particularly large systems, will need to take to ensure that their portfolios are efficient and cost effective. Financially sound healthcare systems will continue to lease build-to-suit MOBs with long lease terms.

The average MOB rent is projected to climb to a record high in 2026 as rent growth accelerates to 1.4% from 0.9% in 2025.

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# Life Sciences

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**Life Sciences**

# Trends to Watch

- **Less construction of lab/R&D properties will help stabilize a supply and demand imbalance:**

  At 6 million sq. ft., the current construction pipeline of lab/R&D properties is the lowest since early 2019 and down significantly from the peak of more than 37 million sq. ft. in 2023.

- **Large pharmaceutical companies will make significant life sciences facility investments amid increased onshoring activity:**

  Larger-cap companies and those with advanced clinical trial successes will be leading sources of space demand.

- **Biotech companies will boost life sciences real estate demand:**

  The State Street SPDR S&P Biotech ETF (XBI), one of the biotech industry's bellwethers for equity valuations, surged dramatically in H2 2025. This index's previous performance has foreshadowed greater leasing demand for lab/R&D space.

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Life Sciences

# Outlook

The remaining construction pipeline of speculative lab/R&D space will be delivered this year, stabilizing supply and demand. Any remaining life sciences space under construction will be limited to fully leased build-to-suit projects.

More demand for lab/R&D space in 2026 will be driven by higher industry employment and a more active capital markets environment, enhanced by greater valuations, improved access to venture capital and slightly lower short-term interest rates. Nonetheless, space demand will remain constrained by more disciplined capital allocations to companies that demonstrate greater success in later stages of clinical trials, rather than early-stage ventures.

The lab/R&D vacancy rate is expected to stabilize this year at a cyclical peak of 23.3%, underpinned by dwindling new supply and slightly improving demand. Some lab/R&D properties will benefit from growing alternative sources of demand, such as robotics companies and other advanced manufacturers that require specialized space. The San Francisco Bay Area may hold an advantage with these emerging sources of demand, which will help to stabilize the market before others.

**Figure 12: Life Sciences Lab/R&D Trends**


Source: CBRE Econometric Advisors, Q4 2025.

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