

2026 commercial real estate outlook

The opportunities are real—if
you know where to look

Fall 2025

Introduction

Today's speakers



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The five big questions for CRE organizations going into 2026

- 1 To what extent could **macroeconomic volatility and policy uncertainty** impact the pace of the CRE recovery?
- 2 Is now the moment to recommit to the **property market comeback**?
- 3 Where does upside exist within a **bifurcated CRE loan market**?
- 4 How can **strategic partnerships** expand access to CRE capital and diversify investment channels?
- 5 Are CRE organizations **investing in AI progress**, or just paying for promise?





2026 commercial real estate outlook:

The opportunities are real—if you know where to look

In last year's commercial real estate outlook, we anticipated that 2025 could mark a recovery for the global CRE industry, buoyed by an expected return of deal activity, more favorable lending terms, greater industry collaboration, and advances in artificial intelligence (AI). As we write a year later, it hasn't exactly played out that way owing in large part to an unpredictable global macro environment, which may affect how soon, and to what degree, the industry could fully recover in the next 12 to 18 months.

Our survey methodology

The Deloitte Center for Financial Services conducted a survey of more than 850 C-level executives (chief executive officers, chief financial officers, and chief operating officers) and their direct reports at commercial real estate owners and investment companies with assets under management of at least \$250 million. The survey was conducted in June and July of 2025.

Respondents were asked to share their opinions on their organizations' growth prospects and workforce, operations, and technology plans for the coming 12 to 18 months. We also asked about their investment priorities and anticipated changes for commercial real estate fundamentals.

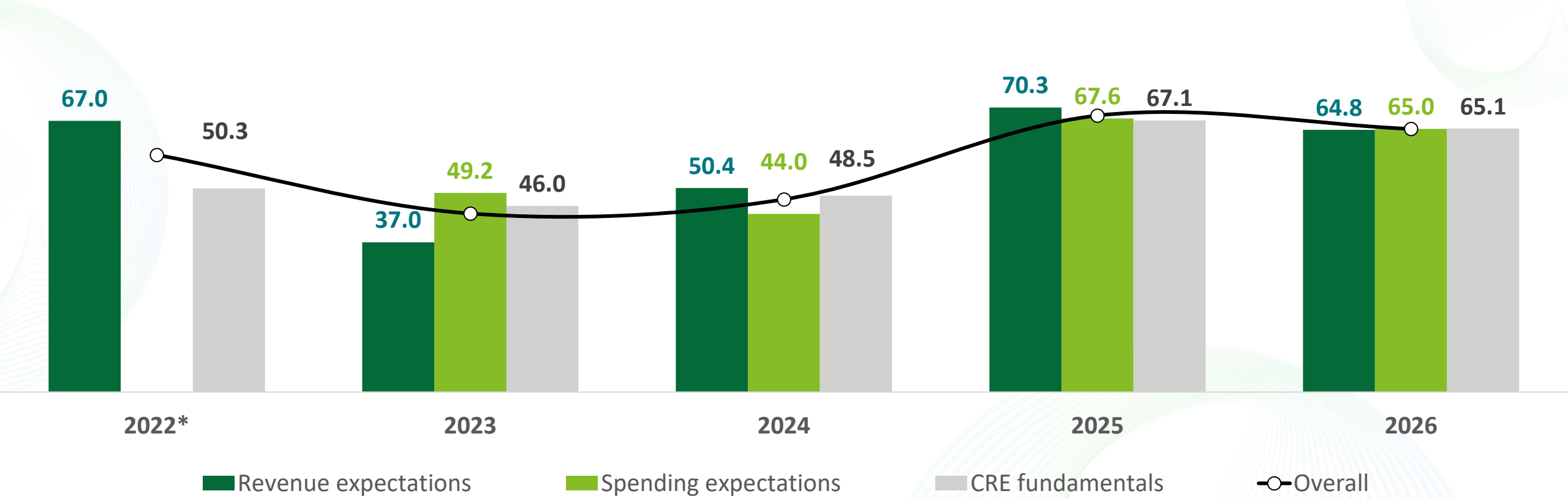
Respondents were broadly based out of three regions: North America (Canada, Mexico, and the United States); Europe (France, Germany, the Netherlands, Spain, and the United Kingdom); and Asia Pacific (Australia, India, Japan, Mainland China, and Singapore).



Section 1: **Macroeconomics and business sentiment**

Recovery on pause, but not for good

Despite a slight dip, sentiment from the 2026 survey remains optimistic

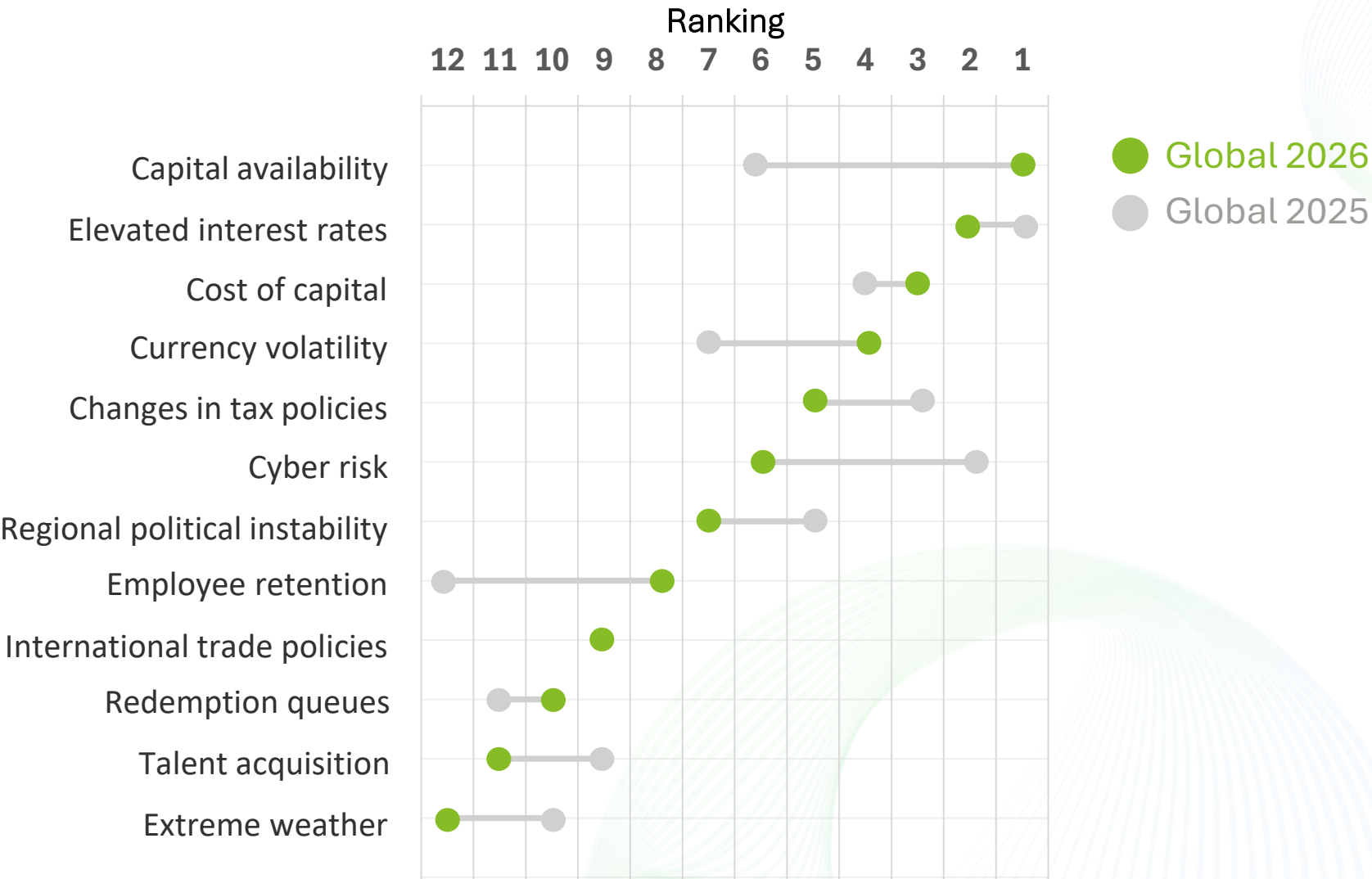


Source: Deloitte 2022 through 2026 commercial real estate outlook surveys.

Note: *Spending expectations were not asked for as a part of the 2022 survey. The index measures what degree of optimism or pessimism our survey respondents identified for revenue, expense, and CRE fundamental expectations at their organizations over the next 12 to 18 months on a scale from 0 (weakest sentiment) to 100 (highest sentiment).

Lending markets and interest rates concerned surveyed CRE leaders most for 2026

Which of the following trends do you think poses the **greatest risk of negative impacts** to your company’s financial performance in the next 12-18 months?



Source: Deloitte 2025 and 2026 commercial real estate outlook surveys.

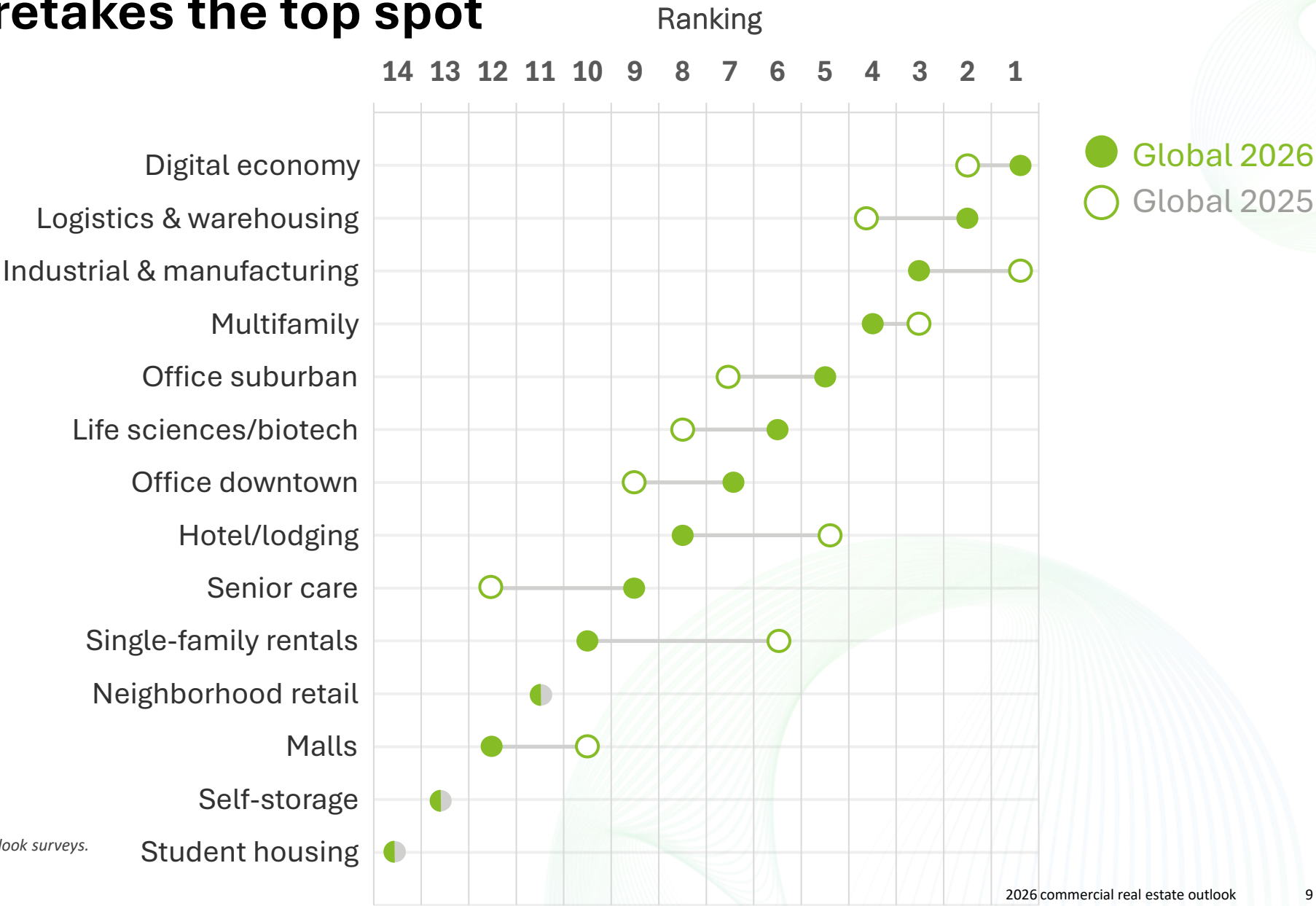


Section 2: **Property market fundamentals**

Selective, flexible capital commitments

Digital economy retakes the top spot

Which property types do you believe will present the *greatest opportunity for CRE owners* and investors over the next 12-18 months?



Source: Deloitte 2025 and 2026 commercial real estate outlook surveys.

Select sector spotlight



Office

- Leasing recovery and increased competition for space
- New workplace expectations



Data Centers

- AI as a tailwind
- Energy intensive facilities & energy supply constraints



Multifamily

- Investors shrug off supply shortfalls
- “Institutionalization” of housing



Industrial

- Rise in vacancies and net absorption
- Tariff impact on construction and demand
- Dominant demand for smaller facilities

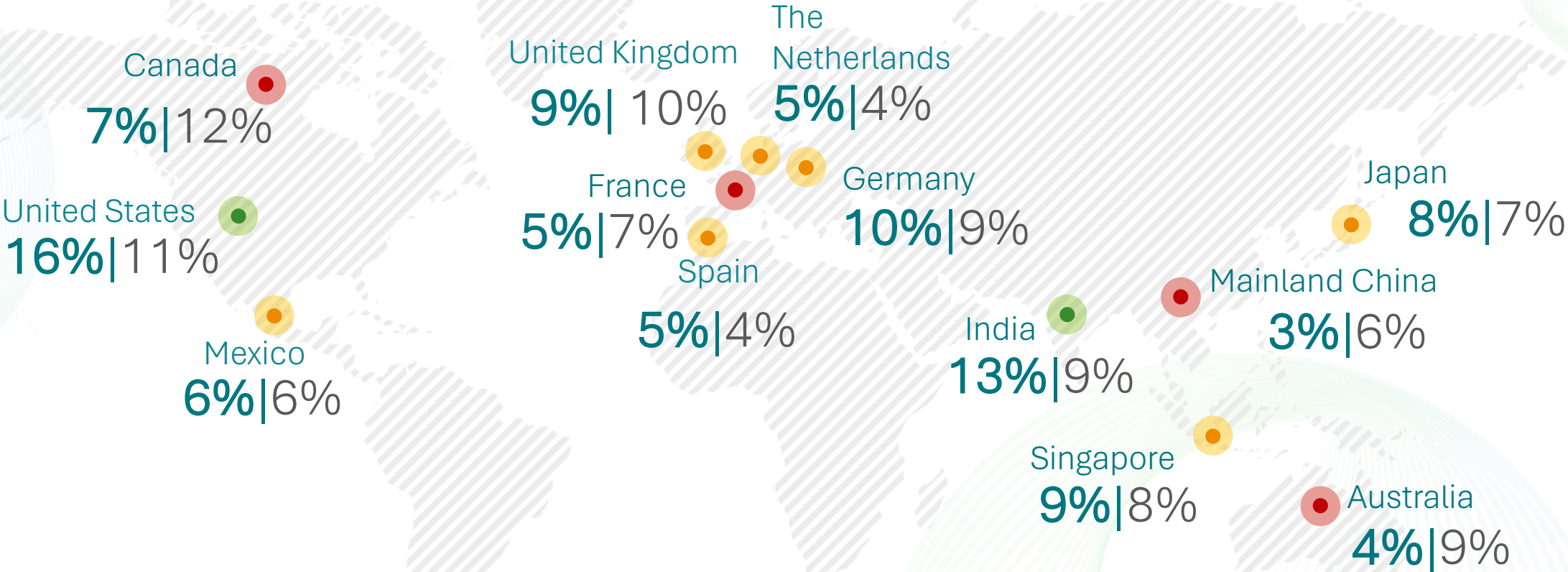


Retail

- Economic uncertainty & consumer spending
- Hybrid retail approach
- Tariffs and supply chains

Shifting international investment flows

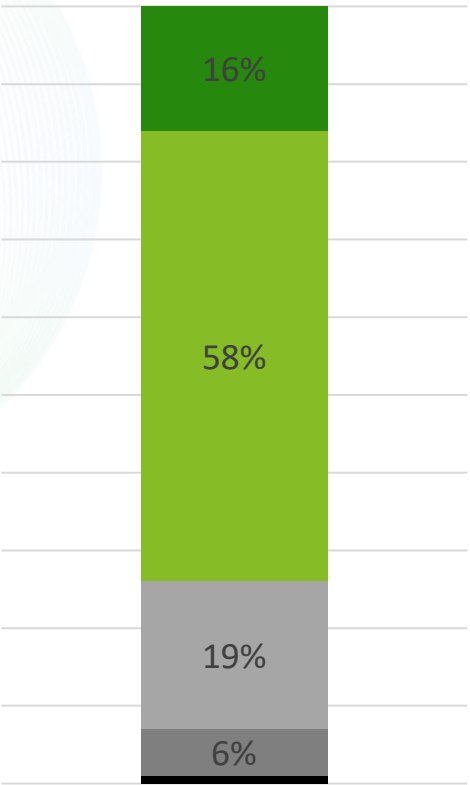
Which of the following markets do you believe will present the *greatest opportunity* for real estate owners and investors over the next 12-18 months?



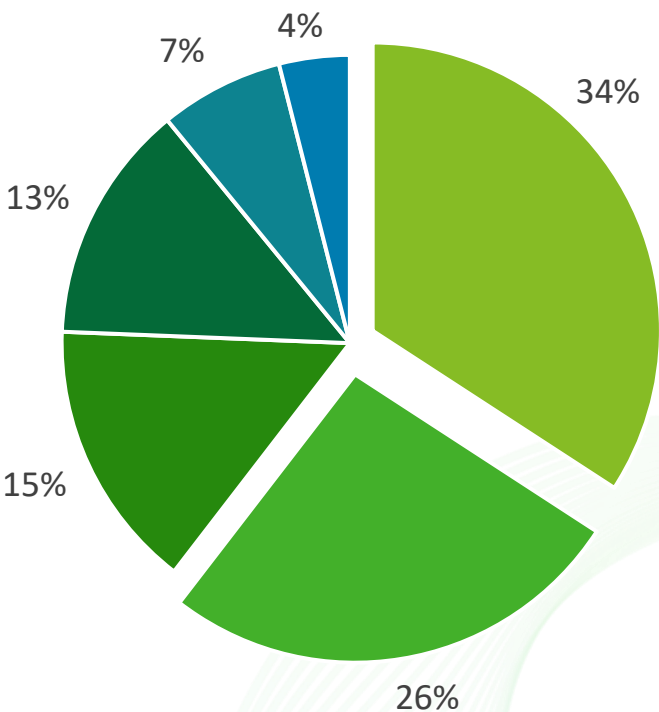
Source: Deloitte 2026 commercial real estate outlook survey;
Note: Responses indicating their home market as the greatest opportunity have been excluded.

Nearly 75% of respondents expect to increase their real estate investment mostly to hedge against inflation and diversify portfolios

How does your company expect to change its level of investment in real estate assets for the coming 12 to 18 months? What are the primary reasons why?



- Increase significantly
- Increase slightly
- Neither increase nor decrease
- Decrease slightly
- Decrease significantly



- Hedge against potential inflation increases
- Diversification with other held financial asset types
- Returns are more stable than other financial asset types
- Potential tax benefits
- Greater returns than other financial asset types
- Portfolio balancing with other held financial asset types

Actionable guidance

1

The early-mover advantage may be nearing an end

2

Maintain agility, flexibility, and selectivity in capital allocation decisions

3

Consider alternatives or sub-asset types that could be best positioned for a lower-growth environment



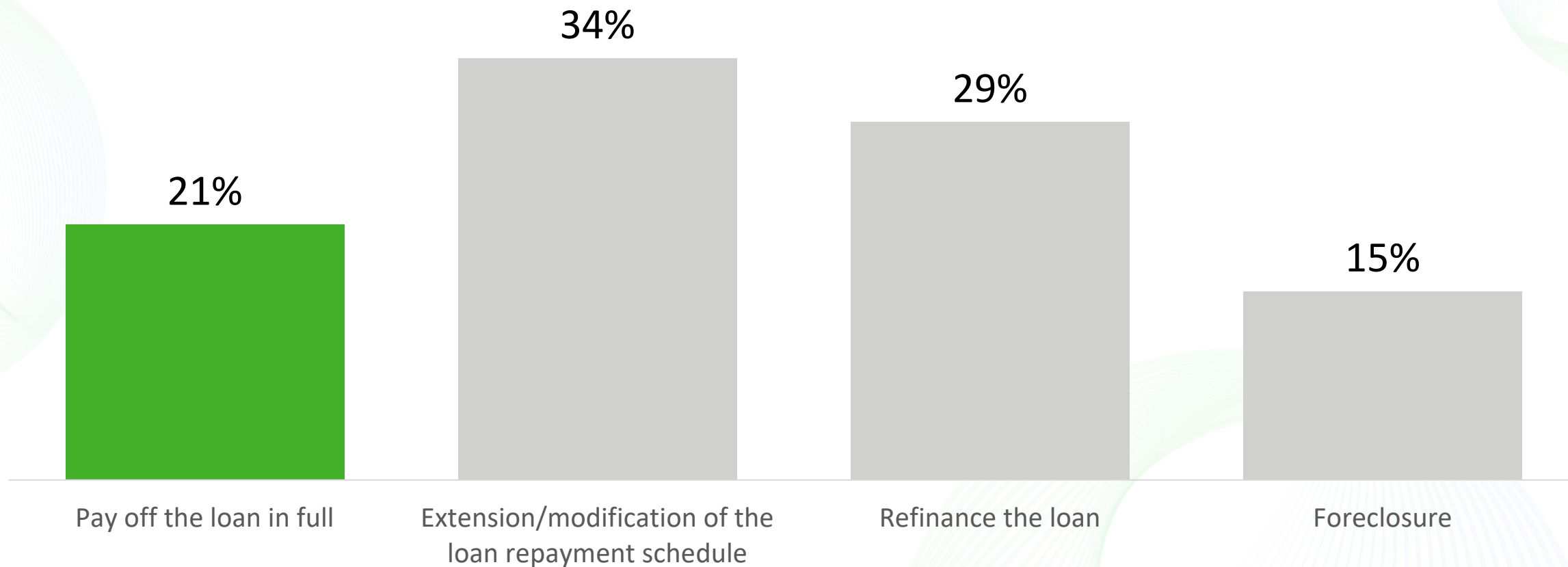


Section 3: CRE debt markets

Upside on the horizon as distress persists

One in five survey respondents don't plan to pay off their loans in full at maturity

For the property loans in your company's portfolio *nearing maturity, what is the most likely outcome?*



Source: Deloitte 2026 commercial real estate outlook survey.

Note: Percentages may not total 100% due to rounding.

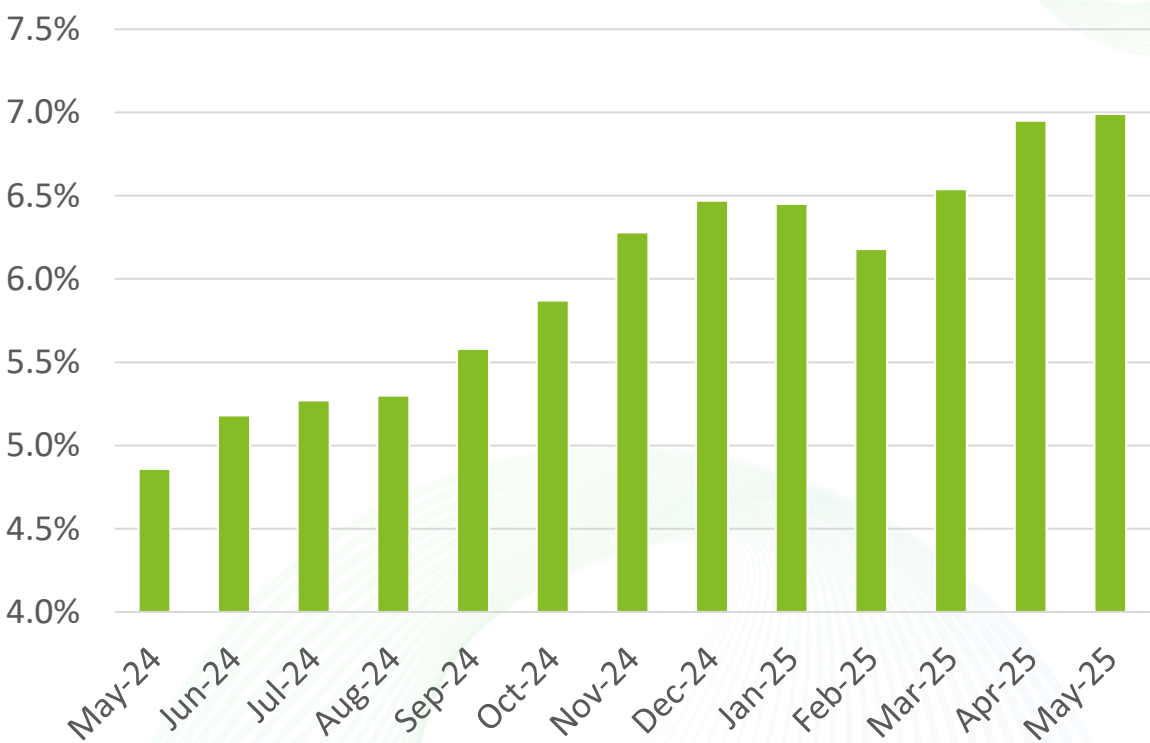
Real estate debt market bifurcation

But **existing** loan distress will be hard to ignore

Balance of distress by property type

Type	Outstanding Distress (\$m)	Potential Distress (\$m)
Office	54,211	88,396
Industrial	2,318	37,998
Retail	21,550	49,427
Apartment	19,211	120,855
Hotel	15,824	37,896
Others	3,241	25,723
Total	116,355	360,294

CMBS Delinquency Rate

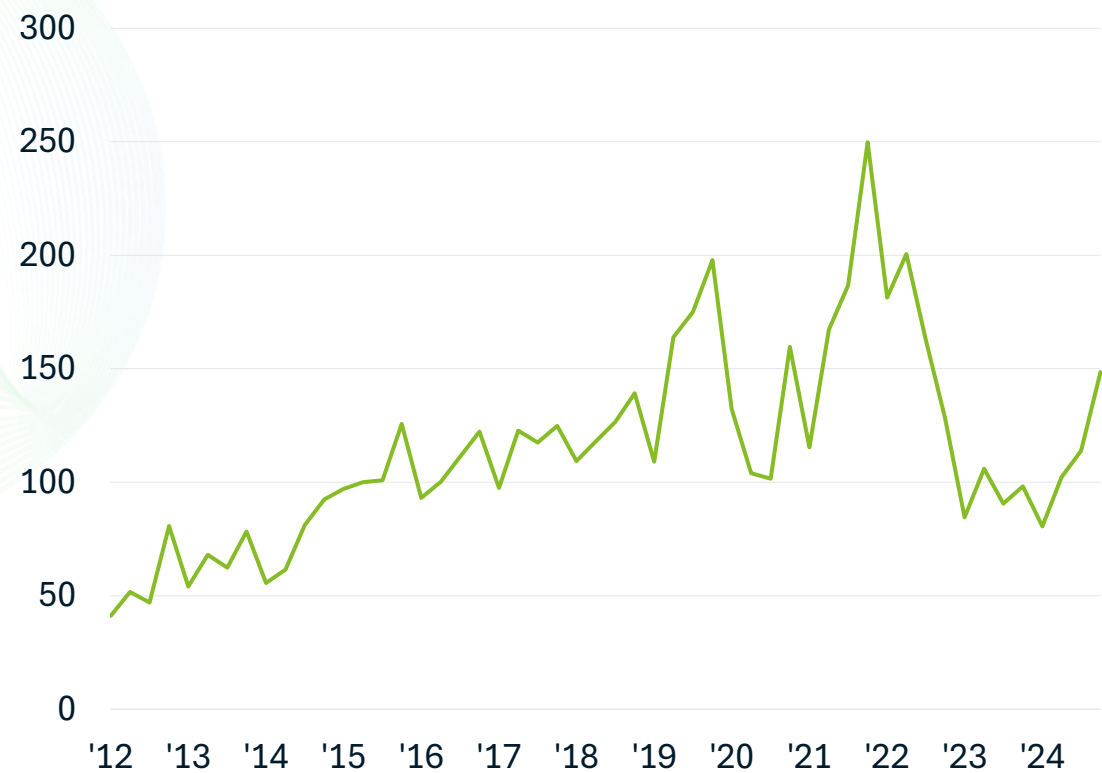


Source: MSCI Real Capital Analytics, US Distress Tracker, April 2025

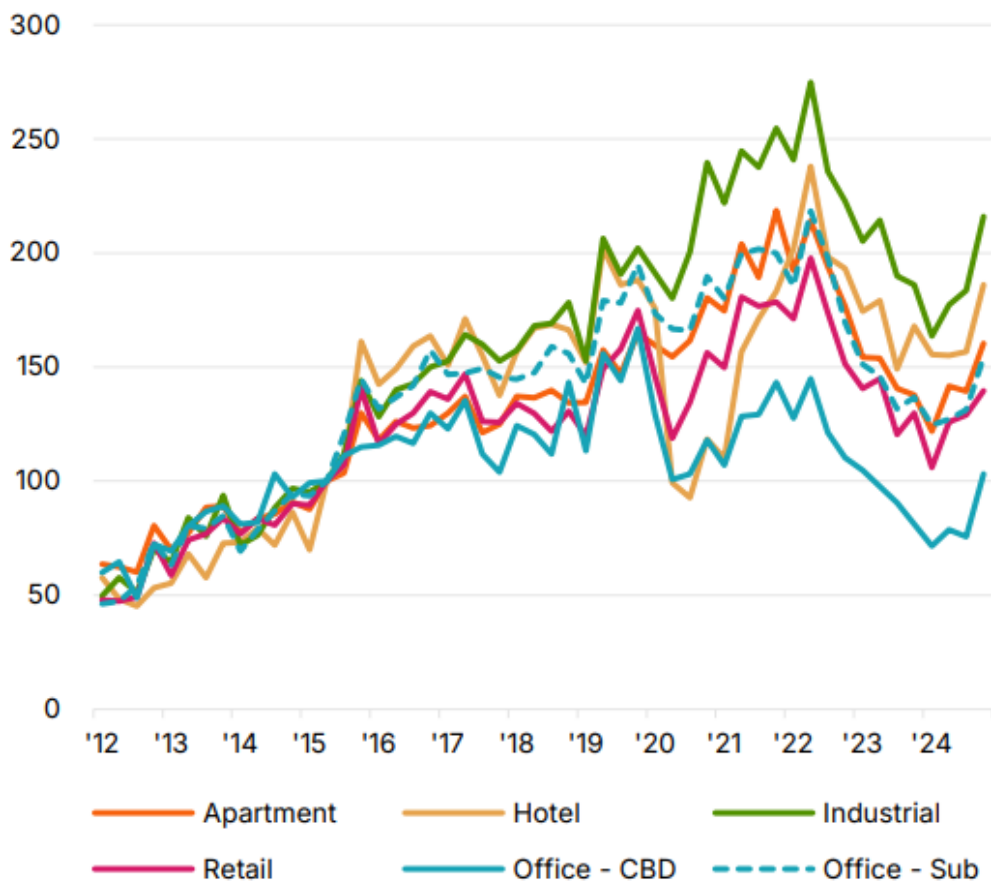
Real estate debt market bifurcation

Loan standards loosening, **new loan** capital becoming more available

Mortgage origination volumes (Index, Q2 =100)



Lender counts by property type



Source: MSCI Real Capital Analytics, US Capital Trends, March 2025

Valuation remains a challenge for CRE, market data not readily available.

What has your experience with most of your company's commercial property appraisals been over the past 12-18 months?

Global

- 01

Appraisers are seeking out **other opinions to value appropriately**
- 02

Difficulty **forecasting valuation** assumptions
- 03

Appraisal values do not appropriately reflect **pricing in the focus geography**
- 04

Appraisal values do not appropriately reflect the **current state of the market**
- 07

Market data readily available and appropriately reflective of current market conditions

United States

- 01

Appraisal values do not appropriately reflect **pricing in the focus geography**
- 02

Appraisers are seeking out **other opinions to value appropriately**
- 03

Appraisers are seeking out **other opinions to value appropriately**
- 04

Traditional valuation metrics are **no longer applicable**
- 07

Market data readily available and appropriately reflective of current market conditions

Actionable guidance

1

Proactively manage new financing (and refinancing) opportunities with alternative debt sources

2

Reset investment strategies and underwriting assumptions

3

Strengthen risk management and transparency



Section 4: **Strategic alliances**

Partner for expertise and knowledge-sharing

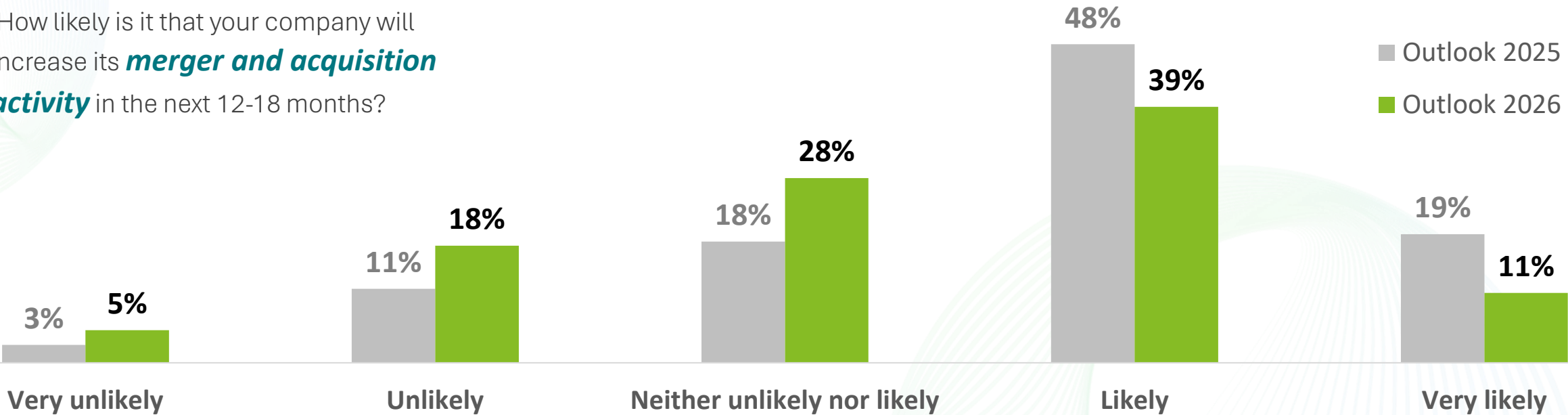
Real Estate asset managers leaning in on long-term strategic alliances, particularly those involving multi-asset portfolios

For investment opportunities over the next 12-18 months, would your company

consider a joint venture/partnership agreement to deploy capital?



How likely is it that your company will increase its *merger and acquisition activity* in the next 12-18 months?

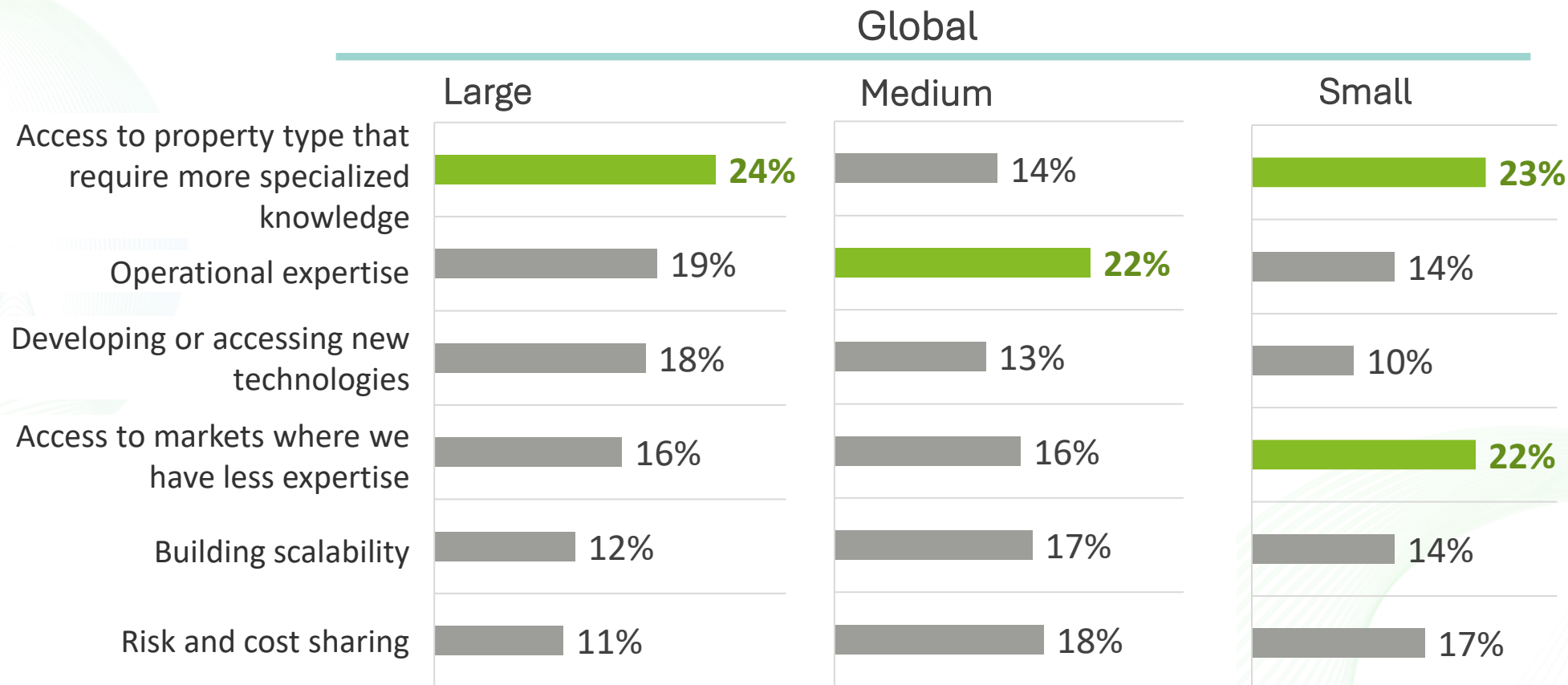


Source: Deloitte 2025 commercial real estate outlook survey; Deloitte 2026 commercial real estate outlook survey.
Note: Percentages may not total 100% due to rounding.

Leaning on alliances and partnerships for access and expertise

What are your company's **primary motivations** for consideration a **joint venture/partnership agreement** for capital deployment?

By assets under management



Source: Deloitte 2026 commercial real estate outlook survey.

Note : Small - less than US\$5 billion, Medium - US\$5 billion – less than US\$15 billion, Large - US\$15 billion and over

Actionable guidance

1

CRE organizations should implement consistent data standards across all partnerships and joint ventures

2

Evaluate partnerships and M&A to expand reach and capabilities, aligned with interest rate and central bank outlooks

3

Institutional investors should engage with states and municipalities to advance public-private partnerships in sectors like media, healthcare, energy, and housing.

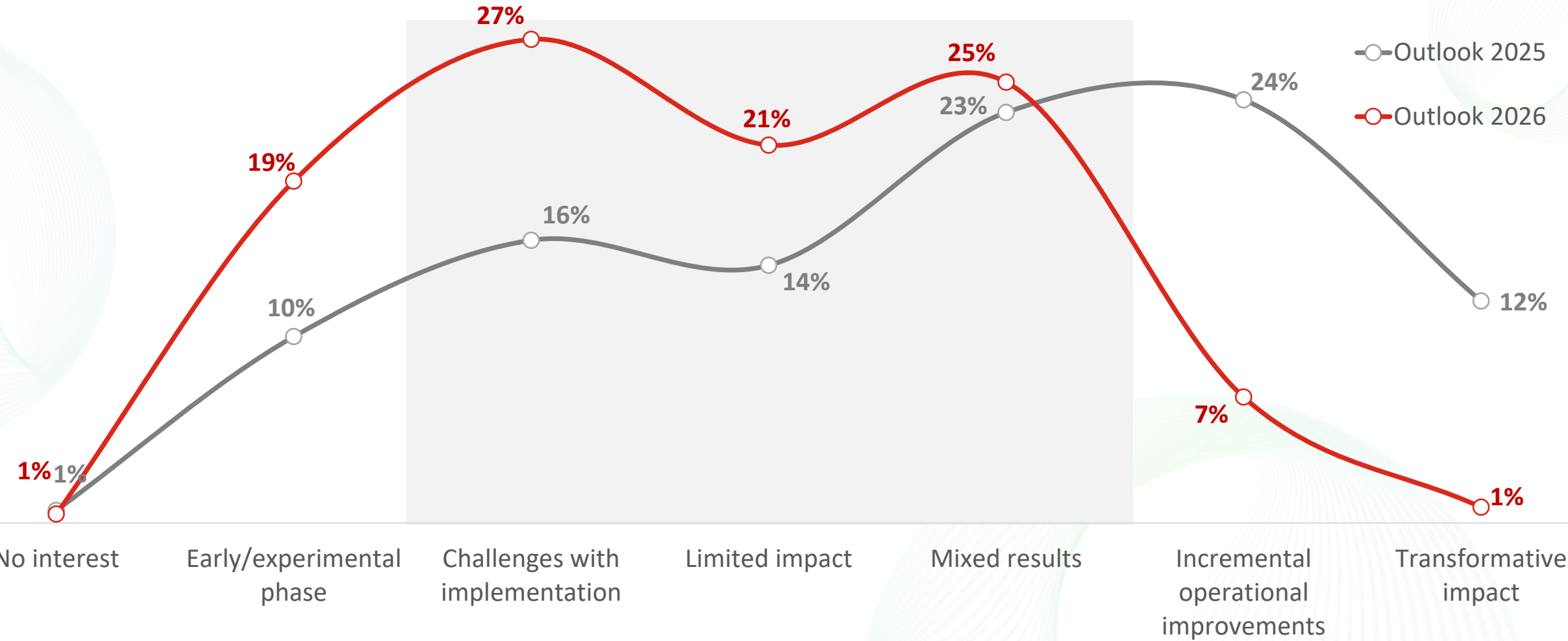


Section 5: Artificial Intelligence

Success likely runs through reliable data and application readiness

What was once seen as transformative in AI may now be table stakes

How would you classify your overall experience with integrating new AI solutions into your organizational workflows?

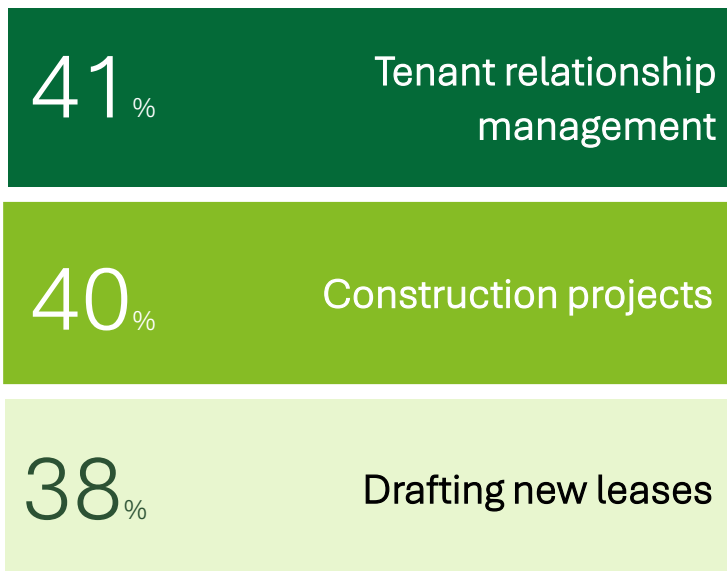


Source: Deloitte 2025 and 2026 commercial real estate outlook surveys.

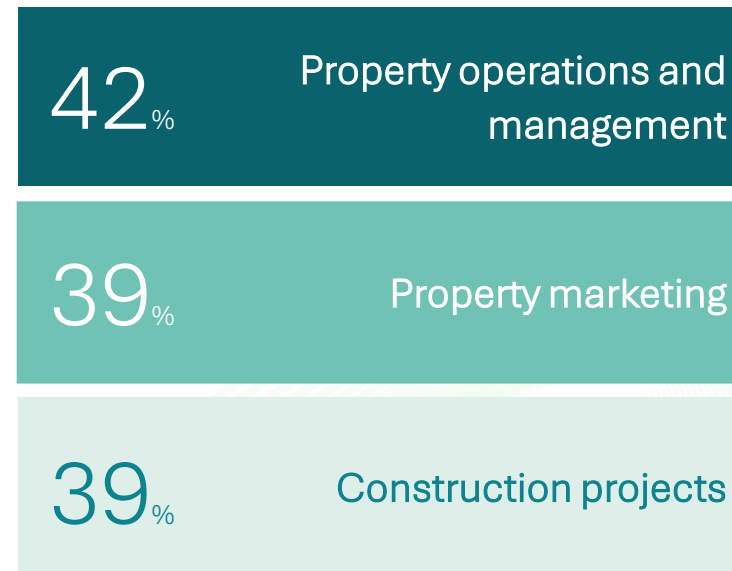
AI for tenant relationship management and lease drafting

For which of the following *core real estate business function areas* do you expect your company to seek to leverage the capabilities of AI the most over the next 12-18 months?

FOCUS AREAS WHERE CRE ORGANIZATIONS ARE SEEING **POSITIVE RESULTS** WITH AI INTEGRATION



FOCUS AREAS WHERE CRE ORGANIZATIONS ARE SEEING **CHALLENGES** WITH AI INTEGRATION



Source: Deloitte 2026 commercial real estate outlook survey

Note: Positive results - Firms seeing incremental improvements, mixed and transformative impact; Challenges – Firms seeing challenges with implementation and limited impact

Actionable guidance

1

Have a risk management plan for all new tools in conjunction with your Sarbanes-Oxley (SOX) and internal audit team

2

Prioritize **embedded explainability** for critical task that demand advanced reasoning and predictive accuracy.

3

Make AI literacy a board-mandated pillar of your AI strategy as an essential, no-regret action

Thank you

Download our report
here:

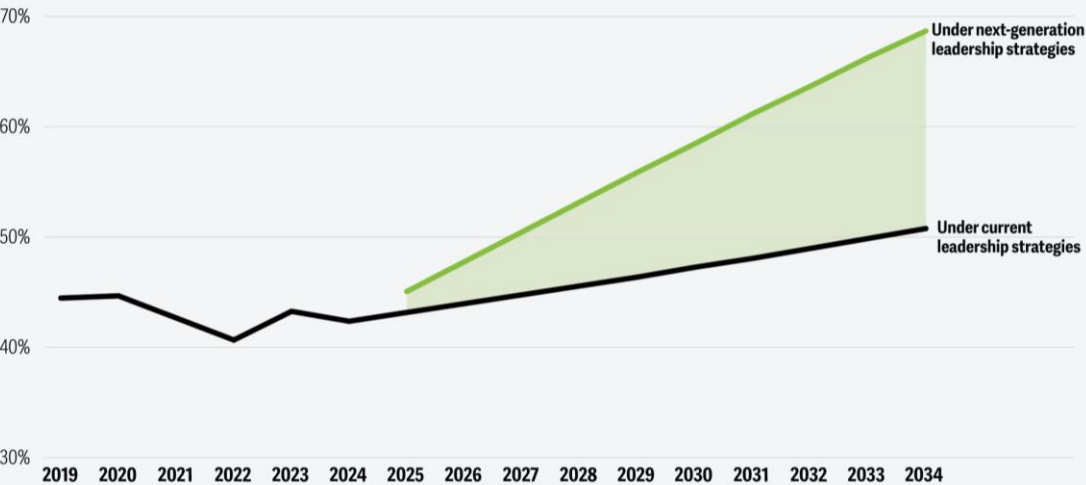


Accelerating CRE investment into alternative property types

US CRE investing opportunities favored core sectors for decades – but recent forces and new leaders could knock down long-established pillars

Alternative properties could account for nearly 70% of industry portfolio values by 2034

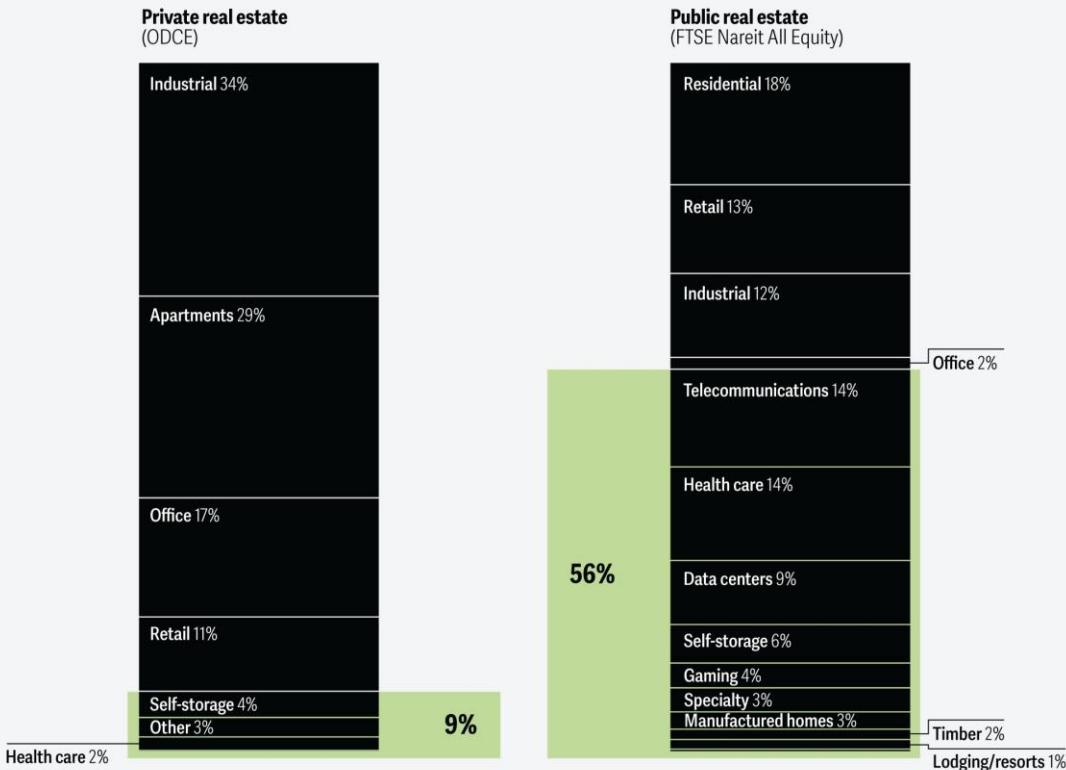
Projected growth of investment in alternative property types, 2019 to 2034



Source: Deloitte Center for Financial Services analysis of National Council of Real Estate Investment Fiduciaries (NCREIF) and Nareit data, accessed Q3 2024.

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Public real estate is currently driving the shift toward alternatives



Note: Totals may not add up to 100% due to rounding.

Sources: NCREIF Fund Index—Open End Diversified Core Equity market value at the end of Q4 2024; Nareit All Equity Index data as of October 10, 2024.

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