



2026 United States | Canada

# Emerging Trends in Real Estate<sup>®</sup>



2026 United States | Canada

# Emerging Trends in Real Estate®

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## Notice to readers

*Emerging Trends in Real Estate*® is a trends and forecast publication now in its 47th edition; it is one of the most highly regarded and widely read forecast reports in the real estate industry. *Emerging Trends in Real Estate*® 2026, undertaken jointly by PwC and the Urban Land Institute (ULI), provides an outlook on real estate investment and development trends, real estate finance and capital markets, property sectors, metropolitan areas, and other real estate issues throughout the United States and Canada.

*Emerging Trends in Real Estate*® 2026 reflects the views of individuals who completed surveys or were interviewed as part of the research process for this report. The views expressed herein, including all comments appearing in quotation marks, are obtained exclusively from these surveys and interviews and do not express the opinions of either PwC or ULI. Interviewees and survey participants represent a wide range of industry experts, including investors, fund managers, developers, property companies, lenders, brokers, advisers, and consultants. ULI and PwC researchers interviewed over 500 individuals, and survey responses were received from almost 1,250 individuals, with company affiliations broken down as follows:

### Interviewees and survey participants

	2025
Private property owner or commercial/multifamily developer	33.2%
Real estate advisory, service firm, or asset manager	18.6%
Private-equity real estate investor	8.0%
Construction, construction services, architecture firm	7.4%
Homebuilder or residential land developer	7.2%
Bank or other lender	6.0%
Investment manager or adviser	3.4%
Publicly listed real estate property company or REIT	2.5%
Private REIT or non-traded real estate property company	1.4%
Other	12.3%

### Position breakdown

	2025
C-level executive	47.0%
Vice president	17.3%
Director	14.2%
Manager	5.8%
Associate	3.7%
General manager	1.4%
Assistant manager	0.2%
Supervisor	0.2%
Other	10.3%

Throughout this publication, the views of interviewees and/or survey respondents are presented as direct quotations from participants without name-specific attribution to any particular individual. A list of interview participants in this year's study who chose to be identified appears at the end of this report; however, it should be noted that all interviewees are given the option to remain anonymous regarding their participation. In several cases, quotations contained herein were obtained from interviewees who are not listed in the back of this report. Readers are cautioned not to attempt to attribute any quotation to a specific individual or company. To all who contributed, PwC and ULI extend sincere thanks for sharing valuable time and expertise. Without the involvement of these many individuals, this report would not have been possible.

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Recommended bibliographic listing: PwC and the Urban Land Institute: *Emerging Trends in Real Estate*® 2026. Washington, D.C.: PwC and the Urban Land Institute, 2025.

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# 01

## Navigating the Fog

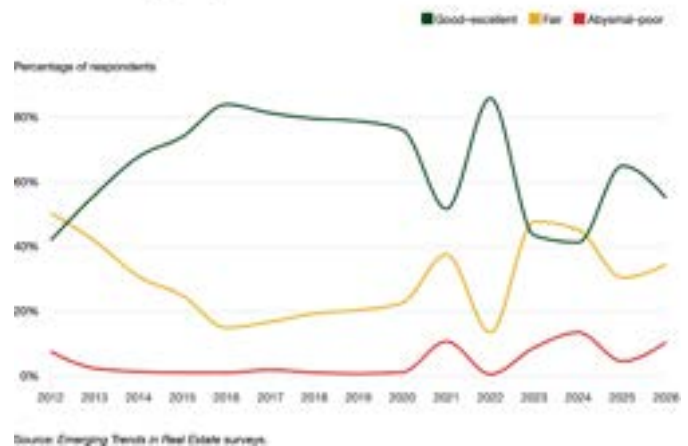
“It is a curious time for real estate with lots of uncertainty and a desire to do deals. Today’s market does not reflect where we are going.”

*Senior vice president at a financial association*

Real estate emerged from its interest rate-driven repricing cycle in 2025 to face sticky inflation and interest rates alongside policy that raises new risks for real estate demand. Economic uncertainty looms large over the U.S. economy amid stark changes to fiscal, trade, and immigration policy, generating a fog over the path forward. In this cycle, real estate continues to offer development and investment opportunities but requires navigating through the fog.

Perceptions of the fog, from its density to its potential duration, vary across the industry. *Emerging Trends* interviewees and survey participants tend toward three views of the fog—patchy, heavy, or clearing. Those navigating through heavy fog expect today’s uncertainty over trade and immigration policy to have lasting consequences for real estate demand and values, while those seeing patchy fog expect easier navigation through these consequences amid stronger real estate capital market conditions. The fog is clearing for those anticipating a boost to capital markets from low interest rates and temporary policy impacts on real estate demand.

Firm Profitability Prospects for 2026



Economic/Financial Issues for Real Estate in 2026



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Percentage of experts who selected each issue

# Chapter 1: Navigating the Fog

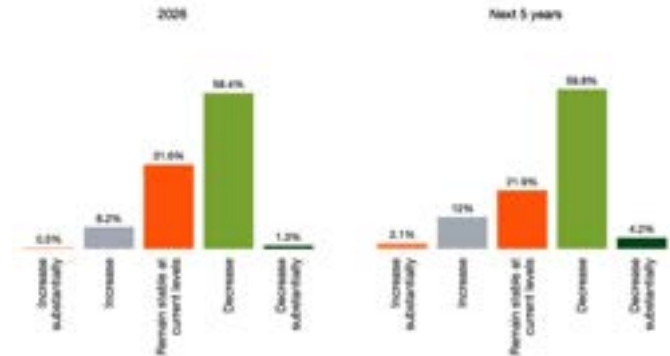
## Real Estate/Development Issues for Real Estate in 2026



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Percentage of experts who selected each issue

## Anticipated Changes in 2026 and the Next Five Years

### Commercial mortgage rates



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only

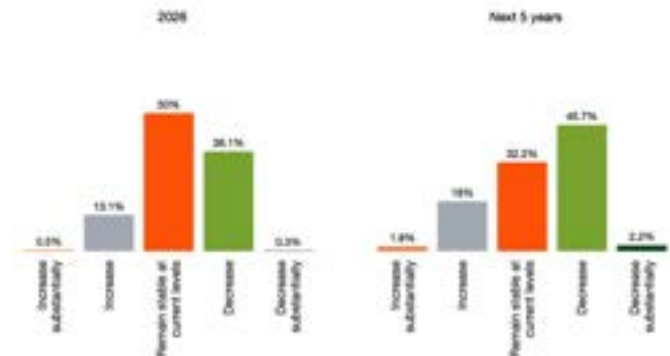
## Social/Political Issues for Real Estate in 2026



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Percentage of experts who selected each issue

## Anticipated Changes in 2026 and the Next Five Years

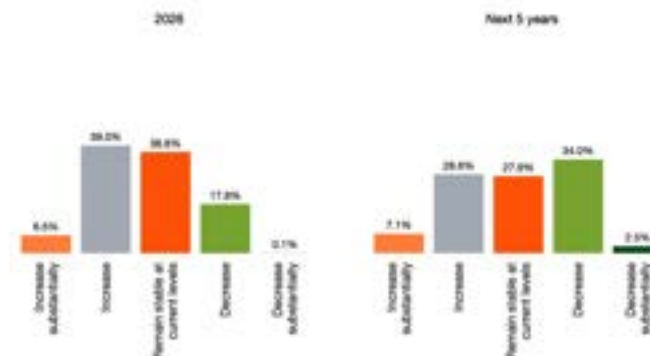
### Real estate cap rates



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only

## Anticipated Changes in 2026 and the Next Five Years

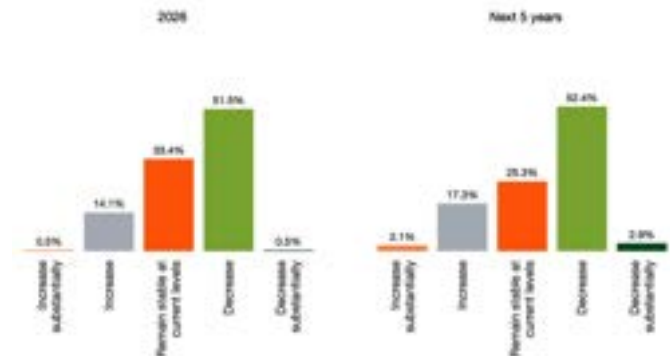
### Inflation



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only

## Anticipated Changes in 2026 and the Next Five Years

### Investor return expectations



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only

### The Fog

- **Tariff uncertainty.** The scale, though in flux, reflects a stark turn away from decades of globalization and U.S. free- or fair-trade-focused trade policy. Higher intermediate and final goods prices raise construction and operating costs as well as dampen consumer spending.
- **Migration uncertainty.** Policy restrictions on international immigration and military-assisted deportations reduce the working-age population, which in turn reduces economic growth and real estate demand. Domestic migration is slowing, particularly for homeowners, while climate and policy changes may shift the direction of flows.
- **Interest-rate uncertainty.** The federal funds rate peaked in 2024 and rate reductions to date have spurred more real estate transaction activity. However, the inflationary impacts of tariffs and reductions in the labor supply could limit, or pause, the path to lower-interest rates.

“When thinking about real estate, we tend to discount exogenous events. But we live in a more volatile world with a higher propensity for exogenous events.”

*Global vice chair at an investment bank*

The composition of the fog is evident in survey responses ranking the issues for real estate in 2026. Across categories, interest rates, immigration policy, inflation, and the labor market are top concerns for the industry.

### Economic/financial issues

Industry leaders note interest rates, job/income growth, and inflation as the top three economic and financial issues for real estate in 2026. Interest rates and the cost of capital were cited by nearly 90 percent of *Emerging Trends* survey respondents, given that real estate values have just recovered from an interest rate-driven repricing cycle. Lower rates would support continued appreciation, while the third-rated economic issue, inflation, could keep rates higher for longer.

Inflation and tariffs (one factor for inflation) are a concern for nearly half of respondents. However, industry leaders are split on where inflation may be headed next year and beyond. In 2026, the general expectation is for stable to higher inflation, with almost half of survey respondents expecting higher inflation and one-third expecting stable inflation. Over the next five years, sentiment is roughly split into thirds across lower, higher, and stable inflation.

“Immigration policy will tighten labor supply, raise food prices, and contribute to inflation pressure.”

*Managing director at a real estate investment firm*

### Social/political issues

More than half of industry leaders cite immigration policy and housing costs and availability as the most important social and political issues facing real estate in 2026. Immigration policy, cited by 59 percent of respondents, is a key factor in job and income growth uncertainty, which is the second most cited economic issue of concern. Housing costs, cited by 51 percent of respondents, tie back to economic concerns about interest rates and tariffs.

Political extremism was cited by 36 percent of respondents, while roughly one-fourth of respondents cited income inequality, crime/public safety, and geopolitical conflicts. The breadth of topics cited by sizeable minorities illustrates the complexity of navigating the fog.

### Real estate/development issues

The most significant issue facing real estate in 2026 is costs—labor, regulatory, operating, land, leasing/retention, and extreme weather. Labor costs and availability were cited by nearly three-quarters of industry leaders as a critical issue for real estate in 2026, while more than half noted the state and local regulatory environment and operating costs. One-third of respondents are concerned about land costs, tenant leasing, and retention costs. All are woven together in the fog with economic and sociopolitical issues.

### Firm profitability

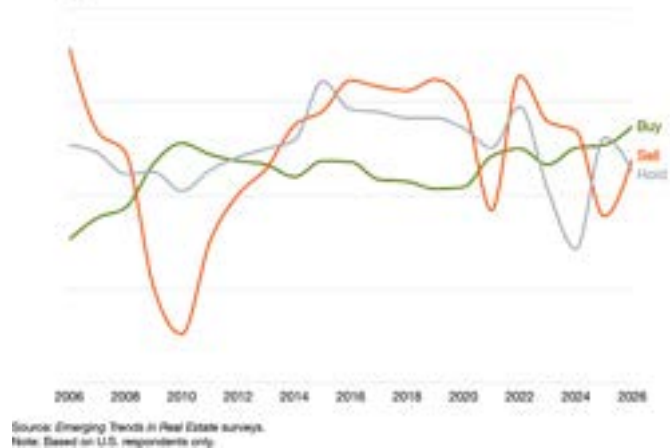
Fifty-five percent of *Emerging Trends* survey respondents expect their firm's profitability prospects to be good to excellent in the coming year, but this reflects a decline from 65 percent in last year's survey. Similar to a phenomenon that occurred in the pandemic-era survey and again in 2023 when interest rates were rising, the responses for both fair prospects and abysmal to poor prospects increased this year.

Similar to industry views on inflation, survey respondents are also split over the path ahead for short- and long-term interest rates as interviewees indicated real estate strategies diverge based upon in-house views on lower or higher-for-longer interest rates.

### Time to buy?

In aggregate, real estate leaders are optimistic about U.S. buying opportunities ahead. The 2026 buy rating of 3.74 marks a peak in the *Emerging Trends* Barometer score for the past 20 years. The barometer also shows good scores (above three) for holding and selling real estate in 2026. The mix of excitement and fear is palpable and, depending on the view of each firm and decision maker, navigating through the fog is easy, difficult, or temporary.

Emerging Trends Barometer 2026



“Intentional volatility has been added to the system. Tariffs caused everybody to pause, then the lightbulbs turned on... Greed outweighed fear and we have to figure it out.”

*Vice chair at an investment bank*

### Patchy Fog

Industry leaders considering the fog to be patchy are wary of new policy-based volatility but view it as a sideshow to their long-term real estate strategy. They expect further interest rate declines to lift values and that tariff impacts will be temporary. A point of optimism among industry leaders seeing just patchy fog is increasing liquidity, particularly among real estate lenders. Expectations for lower rates suggest more equity capital ahead, which—combined with easier borrowing conditions—should drive improved transaction activity.

**“Take care of our real estate, take care of our tenants.”**

*CEO at a real estate investment firm*

### Heavy Fog

This real estate outlook assumes higher-for-longer interest rates will impact values further, and that opportunities to outperform will be based upon income growth rather than cap rate or spread compression. Asset selection and operational excellence are key for this group of industry leaders. Investment strategy in this group focuses on subsectors with durable demand and takes a geographically granular approach to underwriting.

**“Not time to put everything in the market at once; defensive, and selective.”**

*Partner at an investment management firm*

### Clearing Fog

These industry leaders expect the fog to be a short-term phenomenon with stronger capital market and leasing activity on the other side. Like those seeing patchy fog, those seeing the fog clear expect lower interest rates in the coming year. Where they differ is in their expectations for real estate fundamentals. Today's uncertainty is anticipated to lift with brighter days ahead for the U.S. economy and leasing demand, supported by lower taxes and less regulation. Real estate is an optimistic industry by nature and these leaders are bullish about real estate beyond a little fog.

**“The tax bill is great for real estate, good for corporate America, and should create growth opportunities.”**

*Executive vice president at a REIT*

With these three perspectives on the fog, we introduce five Emerging Trends that define the opportunities and challenges ahead for real estate in this cycle:

### The 5 Emerging Trends That We Expect for 2026 and Beyond

1. Half Full or Half Empty? Capital Markets in the Fog
2. Niche to Essential Real Estate
3. Back to Basics: Where Analytics Meet Operations
4. Demographics Will Define Demand
5. AI Moves into Real Estate

### 1. Half Full or Half Empty? Capital Markets in the Fog

- Liquidity and sales volume have improved, but real estate industry leaders have varied expectations for capital market conditions in 2026 and beyond.
- For commercial real estate investors, the glass is half full—fueled by lower interest rates, abundant debt, and pent-up equity demand.
- The glass is half empty, with higher long-term rates, sidelined equity, and less foreign investment.
- Either way it plays out, a new source of liquidity is likely ahead. Private real estate added into retirement plans would provide a significant boost to demand for the asset class.

“Invest now, and you’re going to have returns in the next few years.”

*Portfolio manager at a real estate investment firm*

#### Transactions

In the first half of 2025, total investment sales volume increased 16 percent over the prior year, to \$221 billion. Transaction activity increased across sectors, with apartments leading in total volume and senior housing, showing the strongest year over year growth. The leading buyers during this period are private investors—local or high net worth—and sovereign wealth funds. This renewed activity is a welcome return to the 20-year average trend of \$112 billion per quarter.



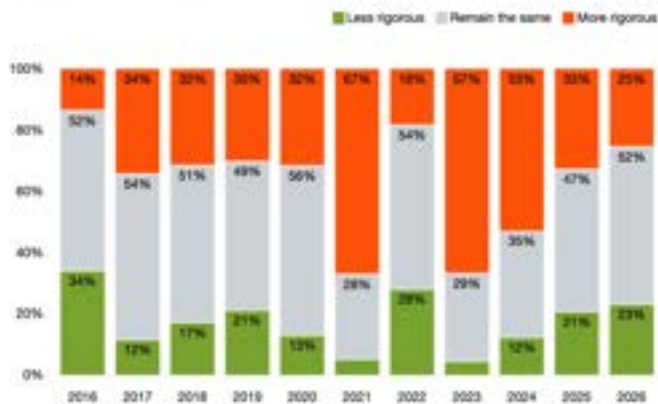
Quarterly Investment Sales Volume by Type



#### Equity

*Emerging Trends* survey respondents expect improved availability of equity, with some variation by source. Ratings for 2026 are slightly higher than last year’s ratings for all sources except foreign investors. The top three rated sources of equity capital are private equity, private local investors, and institutions/pension funds. That survey respondents ranked private local investors above institutional investors reflects the caution institutional investors have maintained during the recent uptick in transactions.

**Equity Underwriting Standards Forecast for the United States**



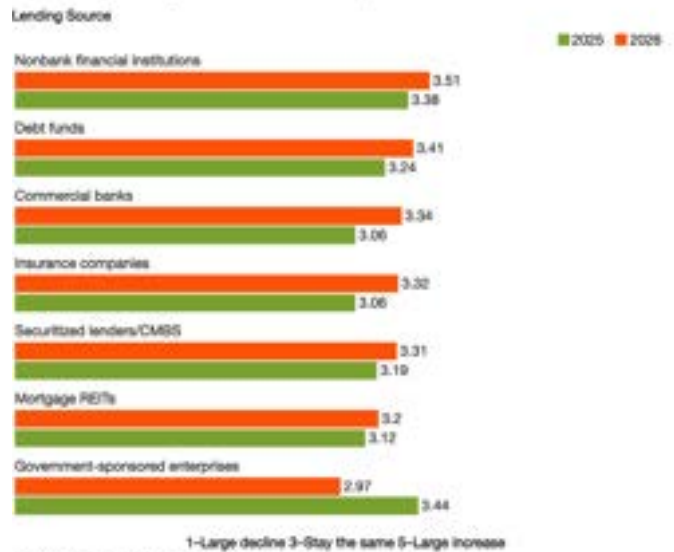
Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Debt

Liquidity is expected to remain robust across all sources in the coming year. Nonbank financial institutions and debt funds are rated as the top lending sources, while commercial banks and insurance companies received the largest boost in ratings among all lenders. Government-sponsored entities (GSEs) were rated as the top lending source in last year's *Emerging Trends* survey but have fallen to the bottom of the list for 2026. However, this is the only lending source expected to reduce its activity.

Despite the generally positive consensus on liquidity, our interviewees shared diverging views for capital market conditions ahead, depending on their macroeconomic views.

**Availability of Capital for Real Estate, 2026 versus 2025**



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

“2025 was not the year we expected. We are investing in a discerning way.”

*Partner at an investment manager*

### Half empty

Investors expecting short-term interest rates to remain higher-for-longer also have higher expectations for the 10-year U.S. Treasury yield. Transaction activity is therefore expected to remain muted with a persistent pricing gap between buyers and sellers.

The half-empty case expects moderate deployment of dry powder from sidelined equity investors and does not anticipate cap rate compression. Reduced foreign investment in U.S. real estate is another limiting factor for transaction activity in this case. In the first half of 2025, foreign investment volume was nearly flat year over year, with Canada and Japan becoming net sellers. The \$5 billion reduction in Canadian exposure to U.S. real estate in the first six months of 2025, as reported by MSCI Real Assets, lends credence to this view.

**“Every international capital raise discussion we have revolves around surprising moves out of Washington, D.C. A persistent headwind to U.S. inflows.”**

*Chief financial officer at an investment manager*

Some investors with this forward view on capital markets are shifting to higher-yield strategies, only to find that opportunistic returns from market dislocation are easier to access off-market, including via secondary funds. Half-empty investors also expect some distress to emerge from the headwinds to real estate demand. Tariffs, less immigration, and lower economic growth could reduce leasing activity and pressure net operating income such that less well-capitalized owners bring assets to market. However, assets facing fundamental distress often need significant capital improvements, limiting the upside without a significant discount to replacement cost.

**“Real estate values are correlated to the cost of debt and interest rates should come down next year with a new Fed chair.”**

*Vice chair at an investment bank*

### Half full

Industry leaders expecting lower interest rates in 2026 have an alternative view. They see abundant capital waiting to be deployed into real estate and expect this pent-up demand to be unleashed by the lower cost of debt. The wide variety of debt and credit available across multiple lending sources is another positive for liquidity in the half-full case. The boost to investment sales, plus lower rates, is anticipated to drive up real estate values and compress cap rates.

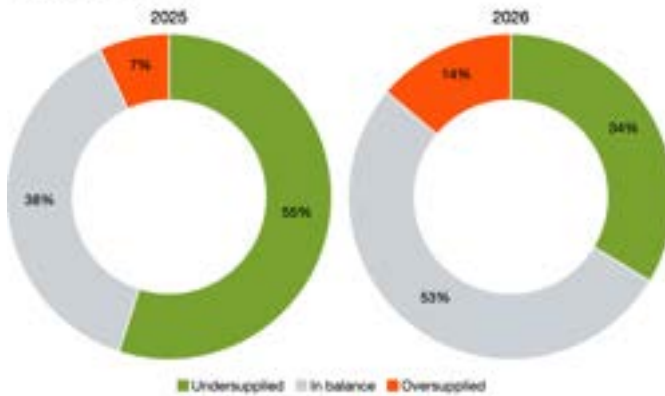
**“There’s an incredible appetite to put out debt. Once equity finds a transaction point, the debt is ready to go.”**

*Senior vice president at a financial association*

Demand growth amid supply constraints also gives half-full investors plenty of optimism for real estate. The lack of near-term construction is generally expected to support real estate values and net operating income. In the half-full case, the reshoring of manufacturing and favorable tax policy changes are anticipated to boost economic growth and support stronger leasing activity.

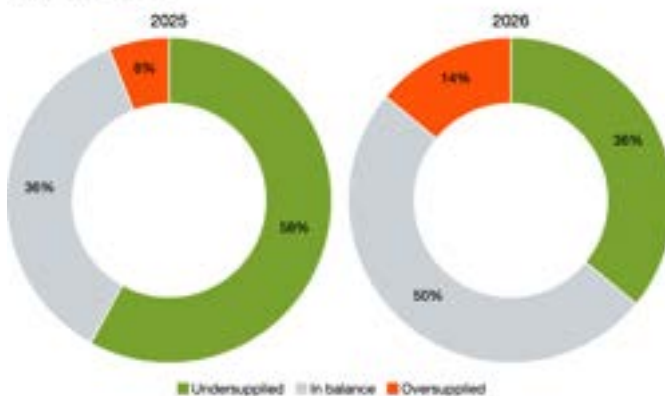
### Real Estate Capital Market Balance Forecast, 2026 versus 2025

Debt capital for acquisitions



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

Debt capital for refinancing



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### More liquidity ahead

In August 2025, an executive order directed the Secretary of the Department of Labor to revisit guidance on including private assets in defined contribution (DC) plans, and the real estate industry anticipates this new equity source to fuel further liquidity.

Large firms are optimistic and likely to be the first movers in launching funds that give retail investors access to direct real estate. Some industry leaders are concerned that these individual investors may not fully understand the complexity of investing in private alternatives. Nonetheless, the action to allow private assets in retirement-savings accounts is leading to the creation of new real estate investment vehicles within 401(k) plans.

As of year-end 2024, a Defined Contribution Real Estate Council (DCREC) survey reports that \$38 billion of net assets under management is invested in dedicated real estate DC vehicles. The survey also reports that another \$8 billion of DC capital is in institutional open-end funds. These investments were in place before the updated policy guidance and reflect the existing appetite for inclusion of private real estate in these funds.

The timeline for full adoption of private real estate into DC funds remains uncertain, but industry leaders believe the potential scale is significant—likely reaching the trillions. This new equity source could drive considerably more development and investment across property types.

### 2. Niche to Essential Real Estate

- Sectors identified as niche two decades ago are the new essential property types.
- Data centers attract the most attention for moving to essential quickly, but regardless of individual views on the fog of uncertainty, the industry shift into multiple niche sectors and subsectors is prominent enough to reduce allocations away from primary property types.
- The current rise of formerly niche sectors and subsectors to essential property types is opening the door to new options that may be essential in the decades ahead.

Despite the wide variation in views on U.S. economic growth and market conditions ahead, the real estate industry agrees that, when it comes to sector allocation, what was once considered niche is now essential.

“Investors will continue to scavenge for opportunities in more niche property categories—seniors’ and student housing, medical office, public storage—as long as core categories seem overpriced.”

*Emerging Trends in Real Estate® 2006*

Today, it appears this 2006 *Emerging Trends* quote did not age well. The landscape has changed and, 20 years later, data centers dominate the property types to watch. Senior housing is now a major property type category in the NCREIF database, complete with its own subtypes. Self-storage holdings in the largest U.S. core funds exceed hotel market value. Medical office demand is more durable than that of traditional office, and student housing is a liquid, mature rental housing subsector.



For 2026, industry leaders place these sectors at the center of their real estate investment and development strategies. Newer asset types including marinas, outdoor storage, and schools are also emerging that confound some and excite others. What these former niche and new niche sectors have in common is that they provide or house essential services.

“Data center, digital infrastructure, you can call that real estate, but I would say those are true infrastructure investment . . . providing an essential service. Anything essential services, doesn’t matter if it’s a physical, social, or energy transition.”

*Head of real assets at an investment management firm*

#### Data centers

The digitization of our economy is housed in data centers. Capital is chasing data centers for returns, of course, but the subsector is critical infrastructure for technological expansion. Against this backdrop, data centers have rated the highest among all subsectors for investment and development prospects with ratings exceeding the five traditional property types.

**“Tremendous amount of capital going into anything AI-related.”**

*Global vice chair at an investment bank*

Industry leaders investing in data centers are bullish on demand growth from cloud computing, enterprise data management, and the rapid adoption of generative AI tools. Development with a joint operating partner or hyperscale occupier is the most common approach for investing in the subsector. However, real estate firms that classify data centers as infrastructure often avoid development, instead choosing to approach the subsector as powered land sold to an operator or occupier.

The transaction market for data centers is in its initial stages with limited trades of stabilized properties. The maturation of the capital markets for data centers could bring more investor types to the subsector or shift investor attention toward the risks. Risk considerations for data centers include binary leasing risk, potential obsolescence risk from advancements in chip technology, and the immense power and water requirements necessary for development. Given the timeline for property development, data center construction often begins before power capacity is fully secured. The impacts of land, water, and power constraints on future growth remain uncertain.

**“That great sucking sound? It’s data centers attracting so much capital.”**

*Vice chair at an investment bank*

### **Senior housing**

Industry leaders continue to increase exposure to this sector despite pandemic-era challenges. The sector was underbuilt before the pandemic, leading to tightening fundamentals today, and the demographic wave of boomers turning 80 will push demand far beyond the current capacity limits. Current and expected fundamentals lead investors to favor the sector, while the essential services aspect of senior housing and broad opportunities across markets anchor this property type to long-term portfolio considerations.

**“Bullish on senior housing with fundamentals that will benefit from a demographic wave and very little supply.”**

*Research leader at an asset management firm*

### **Expanding residential subsectors**

In addition to senior housing, other residential subsectors are increasingly in favor.

Ten years ago, data centers and senior housing had no meaningful exposure in the largest U.S. core funds. This was also true for manufactured housing and single-family rentals. In 2025, single-family rentals have a larger share of core institutional investment, at 1.1 percent, than manufactured housing, data centers, and senior housing combined. Student housing is a relatively mature residential subsector with 10 years of core fund exposure at roughly 1 percent of holdings. The undersupplied housing market is creating new, essential opportunities in the residential space.

### **Self-storage**

Industry leaders often view self-storage as a complement or extension of residential exposure because storage leases have conventionally been tied to homebuying. New uses for self-storage are challenging this conventional wisdom and will be covered further in Chapter 2. What is notable about self-storage is its rapid ascension from a nascent sector to the largest share of core fund exposures after the four major property types—apartment, industrial, office, and retail. Self-storage is lining up as the fifth major property type.

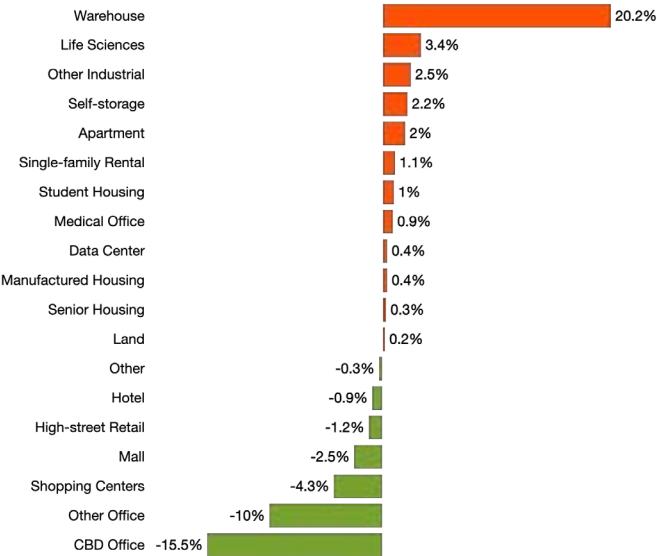
**“Going long on medical office. Long-term leases with contractual rent bumps and the target markets are everywhere.”**

*Partner at an investment management firm*

Medical office

Industry leaders express favorable views on medical office due to the sector’s durability over the business cycle, especially relative to traditional offices. Experienced investors in the subsector also note the broad geographies available to target the sector given the essential services provided onsite. Locations require a population to serve and hospital system to generate demand for outpatient services. The opportunity to access smaller deal sizes is also attracting capital to the sector.

Ten-Year Shift in U.S. Core Fund Exposures by Property Type  
2015-2025



Source: NCREIF ODCE Value-Weighted index, data as of Q2 2025

The new niche?

Innovative industry leaders are exploring new sectors for the next niche. Catering to the growth in high-net-worth individuals is one avenue, and the next big thing in this space is marinas. Marinas are limited in supply and increasingly in demand as more affluent individuals take the plunge into boat and yacht ownership. Real estate investors are clipping the coupon on slip rentals.

Essential services related to education are also gaining attention from investors. Industry leaders with exposure to student housing and/or infrastructure are turning to schools and related services, such as bus operators, as new investment opportunities. These moves are not yet widespread, but they’re a clear indication that the real estate industry is expanding its reach into what we may call niche today, may be essential tomorrow.

### 3. Back to Basics: Where Analytics Meet Operations

- Dynamic changes to real estate demand add new challenges and opportunities beyond sector allocation and market selection to detailed assessments of demand at the asset level.
- Location analyses now emphasize the submarket and microlocation, including block-level analyses.
- Asset resilience to climate and digitization joins demographics and cyclical factors in this new approach to asset selection.

“Back to basics focus for operators: maintaining property quality and experience while navigating rising costs.”

*REIT executive*

The economic fog around future costs and tenant demand are creating caution on asset selection and reinforcing the importance of maintaining asset quality, desirable amenities, and efficient operations. These factors are challenging to address holistically when costs are rising. However, the bifurcation of performance across sectors makes operational excellence and granular asset selection criteria central to achieving income growth through the fog.

#### Demand risk

Operating performance is expected to drive total returns over the near term due to the uncertain path ahead for inflation and interest rates, while operations face their own challenges.



“The best bet for 2026 is not a single market or asset class, but a shortlist of resilient geographies and thematic sectors that align with demographics, technology, and shifting consumer demand.”

*Independent real estate consultant*

Inflation, along with tariffs on building materials, has increased operating costs and capital expenditures. Alongside this development, tenants are exhibiting strong preferences for new or improved assets. The payback of property improvements and upgrades through new leases or higher rent is a typical assessment, but today's owners and investors have a murky view of costs ahead, turning their attention to micro-level prospects for demand.

Demand for residential subsectors ties directly to local demographics and migration trends. The aging U.S. population has implications for subsector selection with the number of people aged 65 years or older is now equivalent to those aged 15 years or younger. At a national level, this may encourage a shift toward senior housing, while micro-level analysis of a small town with a large public university may encourage student housing investment. In both cases, net international migration could be a material consideration in as much as it impacts student enrollment and the health care labor supply.

In other commercial sectors, consumer spending, employment, and the industry concentration in the local area are considered along with demographic factors. Retailers currently face a divergence in consumer demand with luxury and value categories performing well. Local incomes and population growth may tilt toward one end of this spending-category “barbell” or the other. However, an analysis of local employers provides a better view of what may lie ahead. Areas dominated by a single employer or industry can signal weakness or strength, depending on which industry is present. Also, the outlook could be cloudy if local employees are vulnerable to technology-driven downsizing.

As industry leaders determine the depth of demand for an asset relative to its local competitive properties, submarket, corner and block-level analyses assist with picking the right property investments to serve future demand as well as value existing properties.

### **Submarket and block**

Each sector has winners and losers within their subtypes, and understanding the market, submarket, and microlocation dynamics is critical to outperformance in the next cycle.

**“Strategy is shifting from macro-driven to micro-driven: specific asset, location, or street corner.”**

*President at a real estate investment firm*

Sector selection and allocation decisions often define a set of target markets, but each target market is rarely approached broadly. Over the years, deeper geographic dives have led to submarket-level analyses and forecasting, while today’s prop-tech firms and generative artificial intelligence (AI) tools offer more granular data and modeling options. Tech-enabled solutions can also unlock internal data for more granular research, especially among larger firms.

Strategy considerations and portfolio construction are likely to keep industry leaders from piling in on the same block. Some are pursuing suburban opportunities, while others remain focused on center-city density. The Midwest is gaining attention from investors who see better relative pricing, while others prefer the Southeast for lower labor costs.

Within regions, granular demand analysis may drive investors to seek opportunities beyond primary markets to secondary and tertiary cities where the local demographics and industry composition align with their favored sectors. Whichever direction investors look, the asset analysis only gets more granular from there.

**“Underwriting has shifted to greater certainty and discipline, with costs locked in upfront and risks fully accounted for.”**

*Senior executive at an investment management firm*

### **Asset resilience**

Investors seeking high-quality assets in prime locations need to maintain their relative quality to retain tenants. Higher costs for construction materials limit new supply, while also increasing costs for regular maintenance and property upgrades. Less new supply will support relative asset quality, but keeping tenants in place requires consistent asset quality.

Tenant demand across subsectors is diverging—intense competition for top-tier assets contrasts with persistent vacancies in lower-quality properties. Property upgrades in this environment can have a large impact on demand.

Utilities and insurance costs can be mitigated, at least to some extent, through efficient systems and operations. Beyond the operating benefits of lower costs, climate resilience and energy efficiency add value and improve tenant retention.

**“Risk-adjusted opportunities exist on a scenario-specific basis. Investor focus has shifted from pure returns to risk-adjusted performance.”**

*Founder at a real estate development firm*

Asset selection focused on locations less vulnerable to climate risk helps mitigate both expenses and operational disruption. Higher property insurance premiums, especially on the coasts, are unlikely to reset to a lower share of property value, making evaluation of a downside case for these costs important in most major markets. Climate risk affects inland markets, particularly through exposure to fire and flood events. Plans to manage these risks, and their associated costs, will protect net operating income.

The tools available for property managers to achieve operational excellence are plentiful and, with increased adoption of generative AI tools, expanding rapidly. Operations will be a critical component for outperformance in this cycle, distinguishing local market leaders by asset quality, climate resilience, and exceptional building services.

### 4. Demographics Will Define Demand

- Net international migration is a critical component of U.S. population and economic growth and is projected to decline with new restrictions and mass deportations.
- Lower population and economic growth have implications not only for real estate demand but also for supply, as fewer construction workers means higher building costs.
- Domestic migration has slowed, and, although the “lock-in effect” may be temporary, the direction of state-to-state migration is being shaped by new factors.

“How do immigration restrictions impact real estate? Can’t build. Fewer renters. The spigot has been cut off.”

*Real estate strategist at a private investment firm*

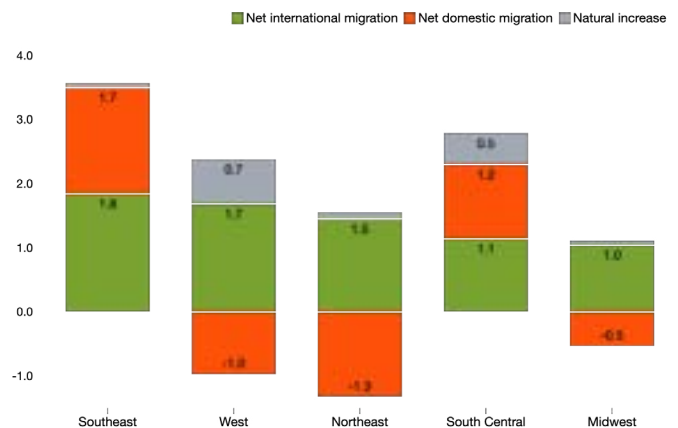
#### Less international migration

International migration has been a key component of U.S. population growth. Of the 45 million-person increase in the U.S. population over the past 20 years, 45 percent was due to net international migration. This share has been much larger in recent years, with net international migration accounting for 83 percent of total population gains from 2020 to 2024, and 84 percent of total gains in 2024.

By region, the Southeast has been the largest recipient of net international migration since 2020, at 1.8 million people, followed by 1.7 million in the West and 1.5 million in the Northeast. Half of the Southeast’s 3.6 million-person population gain since the pandemic was due to international migration. In the South Central region, net domestic migration slightly outpaced international migration gains as international migrants represented 39 percent of population gains since 2020.



Cummulative 2020 to 2024 Population Increase by Component, Regions Ranked by International Migration



#### Less economic growth

Population growth, together with productivity gains, drives economic growth as well as real estate demand. Without net international migration boosting U.S. population growth, the nation faces lower potential output, or gross domestic product (GDP) growth.

Over the 20 years ending in 2024, U.S. real GDP growth averaged 2.1 percent per annum. This two-decade trend exceeds the Congressional Budget Office (CBO) estimate for potential real GDP growth over the next 20 years as immigration restrictions reduce the labor supply. Through 2035, the CBO estimates potential output growth of 2.0 percent per year, with further deceleration to 1.6 percent over the decade ending in 2045.

Potential output growth is estimated using labor force and productivity growth and reflects the achievable growth for the U.S. economy. The labor force outlook is based upon

population growth expectations given embedded natural increase, birth rates, and immigration policy. Immigration restrictions have dramatically reduced expectations for labor force growth, which directly reduces potential economic growth. The historical trend of 0.8 percent labor force growth is expected to fall to 0.6 through 2035, then to just 0.2 in the decade ending in 2045.

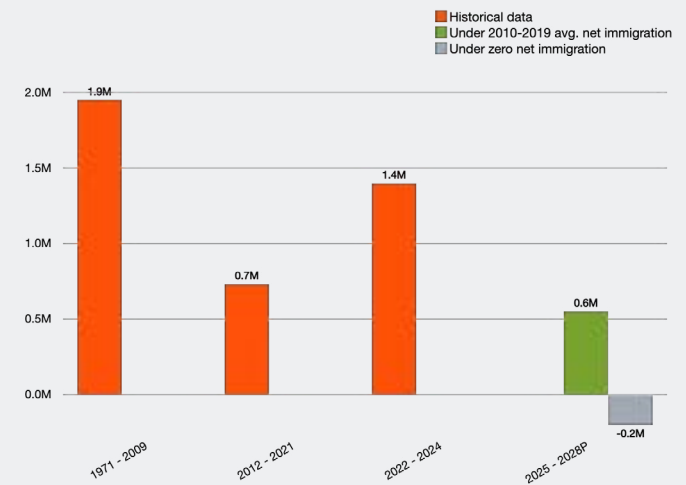
Declines in the labor force at this scale change the dynamics of the U.S. labor market too. Reducing the labor force shifts the unemployment rate down, even if employment levels are stable. As a result, fewer payroll employment gains are required to maintain a stable unemployment rate. For example, weak payroll job growth of 29,300 jobs per month in the summer of 2025 was enough to keep the unemployment rate at 4.3 percent. Tight labor market conditions are likely to persist with lower net international immigration.

**“Restrictive immigration policies are expected to exacerbate labor shortages and affect construction and housing markets.”**

*Principal at a real estate economic research organization*

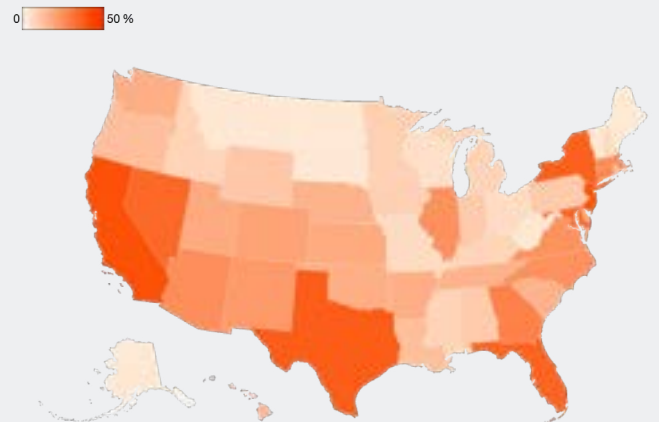
### Spotlight Demographics, Immigration, and Migration Behind Demand

**US Working Age Population Growth Under Two Immigrations Scenarios**



Source: John Burns Research and Consulting, LLC

**Share of Construction Workers That Are Foreign Born (2023)**



Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey 1-Year Estimates Public Use Microdata Sample

### Domestic migration shifts

Within the United States, domestic migration has slowed with fewer out-of-state, and new factors are entering into the mix of decisions in where individuals and families relocate, namely climate change and health care access.

### Lock-in effect

Household mobility in 2024 was at its lowest level in 50 years as the homeowner mobility rate hit an all-time low, according to the U.S. Census Bureau. Homeowners are moving less due to the lock-in effect of their existing low rate mortgages combined with higher home prices. The lock-in effect could be corrected with a combination of lower mortgage rates, lower housing costs, and/or stronger economic growth. However, it may be tough to clear the fog in the housing market as construction labor shortages and tariffs on materials increase housing costs.

### Climate migration

Over the past 50 years, domestic migration in America has flowed from colder parts of the country to warmer, boosting economic growth in the Sun Belt. Counties with more hot weather days began to experience greater population growth beginning in the 1970s, while counties with more cold weather days had lower, or negative, population growth. This domestic migration trend of flows into the Sunbelt is well-known, especially in the real estate industry.

However, the latest decade (2010 to 2020) tells a new story. Domestic migration is shifting back toward the Snow Belt. In the 2024 national climate assessment, the U.S. Global Change Research Program found that the climate is warming faster than the global average and U.S. winters are warming twice as fast as summer. As a result, the Sun Belt faces an increasing number of extreme heat days, while the Snowbelt has fewer extreme cold days with limited changes to summer weather. A 2024 working paper from the Federal Reserve Bank of San Francisco finds this shifting migration pattern holds across cities and suburbs and across educational groups with moves concentrated among young adults under 30 and older adults near retirement, at 60–69 years of age.

**“States removing immigrants will have lower labor supply, leading to lower economic growth.”**

*Senior director at a commercial real estate advisory firm*

### Top Emerging Disruptors Reshaping Real Estate (2026–2028)



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Percentage of experts who selected each issue.

### Health care access

State-level health care policy was largely irrelevant to domestic migration decisions until the U.S. Supreme Court's Dobbs decision in June 2022. As of January 2025, 63 million women and girls live in states where their health care is restricted, creating a new consideration for where to live and work.

Legislative bans on a single health care procedure or medication create complex problems for patients and doctors. States with abortion bans require patients in need of such care to suffer unnecessary medical complications, including sterilization and death, or risk arrest for seeking and/or accessing such care. In the first year after the Dobbs decision, the maternal mortality rate in states banning access to health care doubled, while states protecting access to reproductive care saw maternal mortality decline by 21 percent, according to April 2025 research by the Gender Equity Policy Institute. The first year after Dobbs also marked the most pregnancy-related prosecutions since 1973, when the data was first collected by Pregnancy Justice.

Obstetricians, gynecologists, and other reproductive health care professionals now risk prosecution in some states for providing care to their patients. This creates an ethics problem for medical professionals and encourages them to work in locations where providing care is not against the law.

## Chapter 1: Emerging Trends

As a result, the March of Dimes reports that one in every 25 U.S. obstetric-care units closed in the first year after Dobbs, turning 35 percent of U.S. counties into maternity care deserts as of 2024.

The largest share of college-degree holders in America are women, and they must balance their location decisions against the ability to access health care. Young professionals, who are most likely to consider expanding their families, face this challenge as well. A 2025 working paper from the National Bureau of Economic Research found that 36,000 residents moved out of states with health care bans each quarter since the Dobbs decision. These moves are concentrated among young, single-person households, which is a key demographic for growth in real estate demand.

The combined effects of less migration, lower growth, and new considerations for where to live and work are changing the landscape for real estate demand. Old patterns may not hold, but new opportunities will emerge.

### 5. AI Moves into Real Estate

- Artificial intelligence (AI) is moving from tech-buzzword to operational reality for the real estate industry.
- Job replacement is occurring but remains rare among real estate firms. Job transformation and use-case exploration are more prevalent at this stage of AI adoption.
- Most real estate firms are exploring potential uses for AI, while early adopters are concentrated among residential operators finding success in using AI tools to streamline resident services.

“While not yet reducing headcount, AI is expected to strengthen operating platforms and enhance capacity across teams.”

*Chief financial officer at a national real estate investment firm*

Although the stage of AI exploration and adoption varies widely across firms, the use of artificial intelligence applications is expanding across the real estate industry. With this in mind, the following are the types of tools in use by firms in 2025.

- **Generative versus agentic AI.** Today’s first wave of AI tools are predominantly generative applications (GenAI). GenAI can create content (text, media, or code) in response to a prompt. GenAI produces outputs using machine learning models trained on content sourced broadly from the internet (public web data) or narrowly on proprietary datasets selected by the application developer (internal company applications). Use cases include customer service chatbots, software development, routine administrative tasks or paperwork, research.
- **Agentic AI picks up where GenAI leaves off.** It can plan and act with minimal prompting, running continuous processes with limited supervision. Use cases for agentic AI include analyzing information to provide predictive analytics, executing financial market trades, recommending health treatments, managing inventories, and blocking malware.



“AI will have a long-lasting impact on the labor market, automating many jobs starting with office jobs.”

*Labor economist at a research firm*

#### Adoption of AI

Real estate firms are in the initial stages of exploring how AI could improve internal operations, typically in administrative or recurring tasks with consistent deliverables. Many larger real estate firms, however, have moved toward using AI for higher-value internal tasks and property operations.

As AI use expands further into research, underwriting, and reporting tasks, it is becoming a larger threat to hiring, particularly for entry-level roles. Increased adoption of these technologies has reduced entry-level employment across industries in the most exposed occupations by 13 percent, according to 2025 research from Stanford University, while employment for more experienced workers in the same roles has been stable or growing. The most exposed occupations include computer programmers, financial managers, accountants, and sales representatives.

While saturation on the scale where AI tools replace workers is rare in the real estate industry, it is occurring. Real estate use cases include data analytics, leasing and investment recommendations, and price modeling. Real estate firms with operationally intensive property holdings, such as residential and health care-related assets, are using AI to improve customer services elements of their properties.

### **Job replacement and real estate demand**

Our interviewees expect that tenant demand will be impacted by the increased adoption of AI tools, although these workforce impacts will take time to evolve. Analysis of AI adoption today shows a mix of impacts on existing employment from eliminating jobs or tasks to creating new forms of work. In this early stage (limited adoption in most firms and saturation at a few large firms), job transformation is more common than AI replacing employees.

### **“AI is a solid replacement for a junior analyst.”**

*Senior economist at an investment manager*

However, entry-level positions are at risk of AI replacement today. Employment declines for entry-level workers are tied to automation rather than task augmentation alongside employees. Young college graduates in 2025 face a more difficult job market. The Burning Glass Institute reports that unemployment rates for young adults, (20 to 24 years old) are rising for those with a bachelor's degree or higher, while unemployment in the same age group with less education is falling. Separately, AI adoption to replace entry-level tasks is keeping more experienced employees in their roles, who themselves are using AI to gain new efficiencies around mundane tasks.

Nearly half of the skills in a typical U.S. job posting are poised to undergo a “hybrid transformation” due to AI adoption. Hybrid transformation means that human oversight remains critical to the work. AI applications are primarily changing administrative tasks for roles requiring in-person services, while more tasks can be automated in technical roles. Skill replacement by generative AI in 2025 remains small, at 0.7 percent of 2,900 skills analyzed, which is significant growth from zero skills replaced one year prior.

### **“Some financial institutions require proof AI can’t replace a role before hiring.”**

*Senior finance executive at a publicly traded REIT*

Consider the potential applications in nursing versus software development. GenAI creates efficiencies in both roles but is less transformative in nursing. Software development is among the roles most exposed to generative AI because the core skills are technical and routine. These tasks can be replicated by GenAI with humans directing work and providing quality control. In nursing, the opposite is true with core skills requiring a physical presence and real-time problem solving with technical and routine tasks required, but less central to the role. Both roles are transformed by the adoption of AI tools with different employment impacts. AI can reduce administrative tasks for nurses and shrink the software team.

### **“Residential property management is increasingly using AI for pricing and demand forecasting.”**

*Real estate investment and fund management executive*

### **Operating efficiency**

Residential owners and operators are diving into AI tools for resident services to create efficiencies, while improving customer service. These use cases include providing tech-savvy renters with services delivered in a way they prefer, and health tracking applications in assisted living or memory care facilities to improve emergency response times.

For traditional multifamily operators, the consolidation of onsite services under a dedicated chatbot for residents allows staff to serve multiple properties from a single office. Practitioners applying this use case find fewer staff members are required on site, but overall staffing has not changed due to the software team tasked with developing and updating the chatbot application. These multifamily operators also find their young adult residents prefer renting properties using a chatbot for basic communications over those with an onsite manager.

“Young renters would rather deal with a good app than a person.”

*Senior vice president at a public REIT*

The most advanced operators in this space are developing fully AI enabled properties—automated tours, leasing, and resident services—with fewer or no onsite amenities to provide high-quality rental units at a discount to comparable units in properties with full onsite amenities.

Overall, artificial intelligence adoption is in preliminary stages and showing promise in automating routine tasks, some of which reduce the need for full time employees. On the flip-side, the use of AI tools in company and property operations requires new skill sets, which could support more hiring. The real estate industry has much to consider when adopting AI tools and setting property strategy in the years to come. There may be fog, but once this clears, technology will continue to change the way we work.

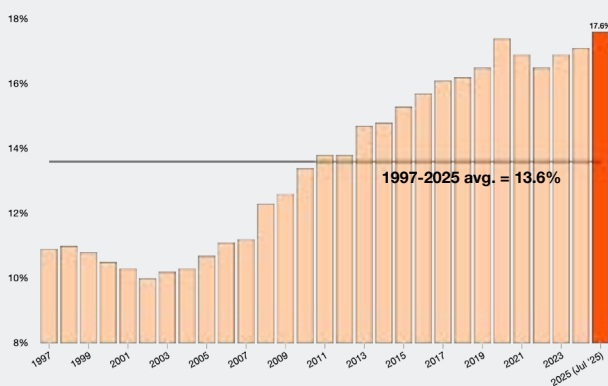
## Spotlight

# Demographics, Immigration and Migration Behind Demand (continued)

## 1. Delayed Household Formation Creates Pent-Up Housing Demand

A record one in four young adults now live with parents, grandparents, or roommates—well above historical norms. This delayed household formation slows new household creation but builds significant pent-up housing demand that will likely materialize as these individuals reach their mid-thirties.

**US Young Adults (Age 25-34) Living with Parents/Grandparents**

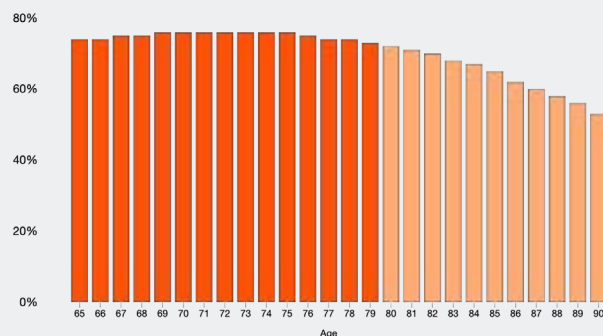


Source: John Burns Research and Consulting, LLC tabulations of U.S. Census Bureau Basic Monthly Current Population Survey

## 2. Baby Boomers Drive Major Housing Shift

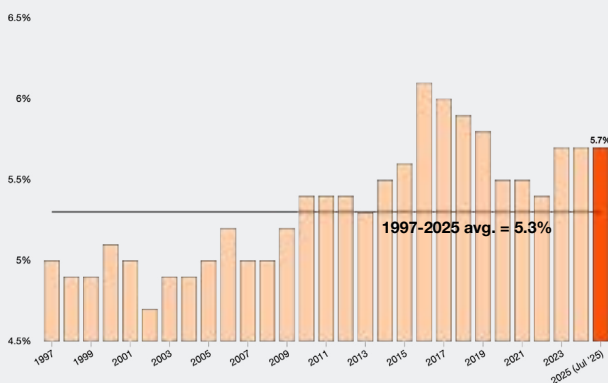
With the oldest baby boomers turning 80 in 2026, millions will transition housing over the next decade. Around age 75, large numbers shift from homeownership into rentals, multigenerational homes, and group settings—homeownership drops from 75 percent at age 75 to just 53 percent at age 90, creating substantial demand for alternative housing types.

**Older Americans Living in Home They Own**



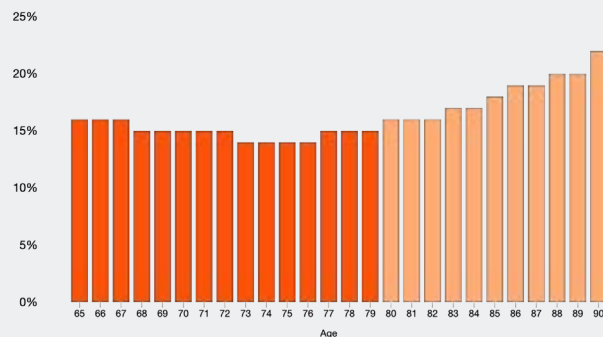
Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey

**US Young Adults (Age 25-34) Living as Additional Roommate**



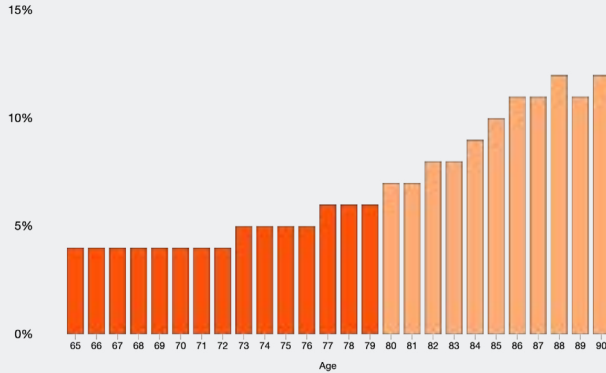
Source: John Burns Research and Consulting, LLC tabulations of U.S. Census Bureau Basic Monthly Current Population Survey

**Older Americans Living in Rented Home**



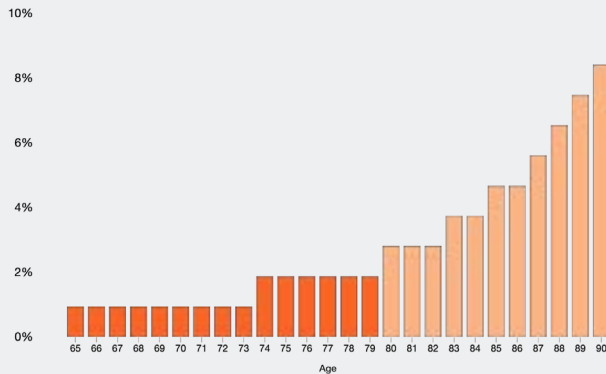
Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey

## Older Americans Living in Their Child's Home



Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey

## Older Americans Living in Group Setting (Assisted living, skilled nursing)

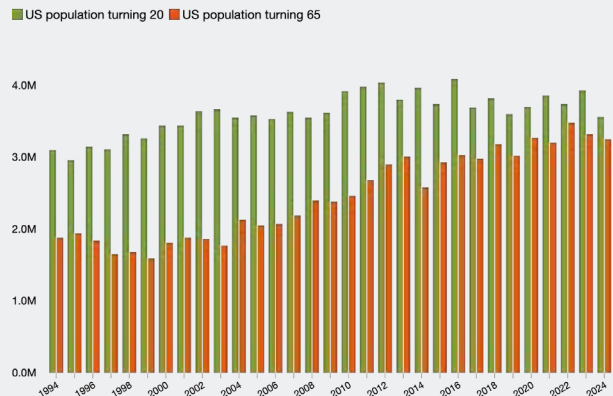


Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey

## 3. Demographic Shift Creates Tight Labor Market

With 3.6 million U.S.-born residents turning 20 versus 3.3 million turning 65—a net difference of just 300,000—today's tight labor market stems from family decisions made decades ago. Returning to early 2000s labor growth rates will require significantly increased immigration to offset workforce aging.

## Domestic Demographic Drivers for Tight US Labor Markets

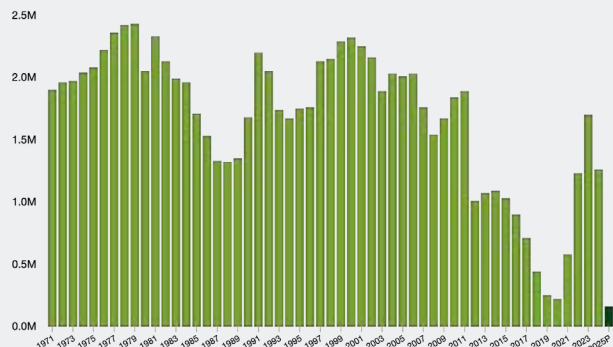


Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau Annual Social and Economic Supplement 1-Year Estimates Public Use Microdata Sample

## 4. Working-Age Population Growth Plummet

Working-age population growth averaged 2 million annually from 1971–2010, then decelerated as baby boomers retired. A 2021–2023 immigration surge temporarily boosted growth, but sharp immigration curtailment in 2024–2025 plus continued retirements drive working-age population growth to near-1970 lows, risking future labor shortages.

## US Working Age Population (Age 2-64) Annual growth, millions

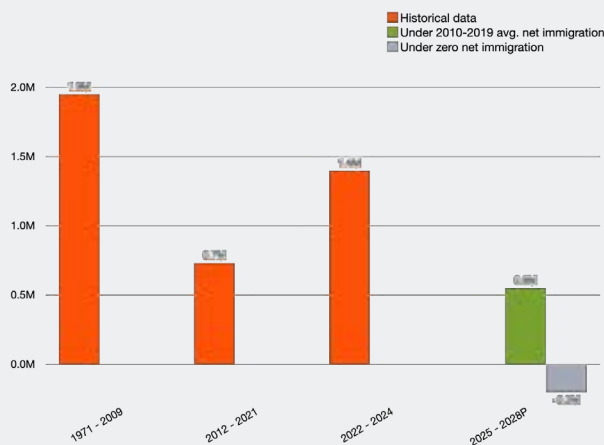


Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau Annual Social and Economic Supplement 1-Year Estimates Public Use Microdata Sample

## 5. Demographics Limit Future Economic Growth

Even with immigration levels matching the 2010–2019 decade, working-age population growth would hit a historically low 550,000 annually due to aging demographics and flat birth rates from 20 years ago. The United States needs net immigration of at least 280,000 per year through 2028 to prevent declines in the working-age population. This demographic constraint means labor markets stay tight and could limit how fast the economy can grow.

### US Working Age Population Growth Under Two Immigrations Scenarios

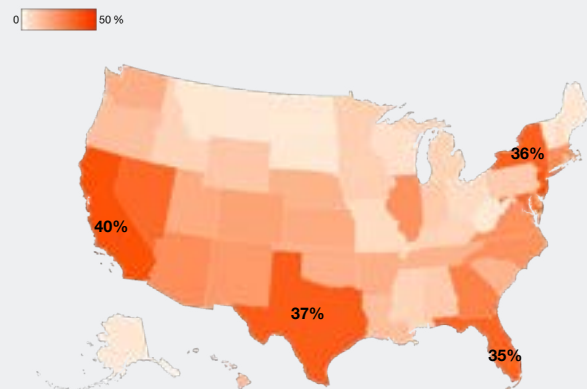


Source: John Burns Research and Consulting, LLC

## 6. Construction Labor Depends Heavily on Immigrants

Nationally, 30 percent of construction workers are foreign born, with significant state variation. Construction workforce reliance on immigrants is highest in the South, West, and major Northeast cities, while the Midwest relies more on domestic workers. Areas with heavy immigrant workforce dependence face the greatest risk of labor shortages if immigration declines.

### Share of Construction Workers That Are Foreign Born (2023)

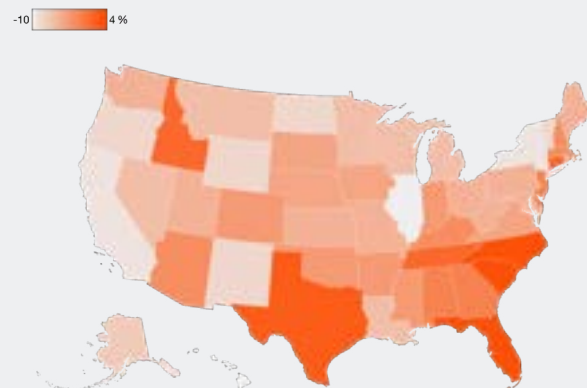


Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau American Community Survey 1-Year Estimates Public Use Microdata Sample

## 7. Young Family Growth Shifts to Southeast

The population of children under five is declining in most states due to lower birth rates, but growing in select Southeast markets, including the Carolinas, Tennessee, Georgia, Florida, and Texas, plus some Northeast areas outside New York City. This geographic concentration reflects fewer young families nationally but regional clustering driven by both migration of families and adults who subsequently become parents.

### Age 0-4 Population Change by State (Percent Change 2021-2024)



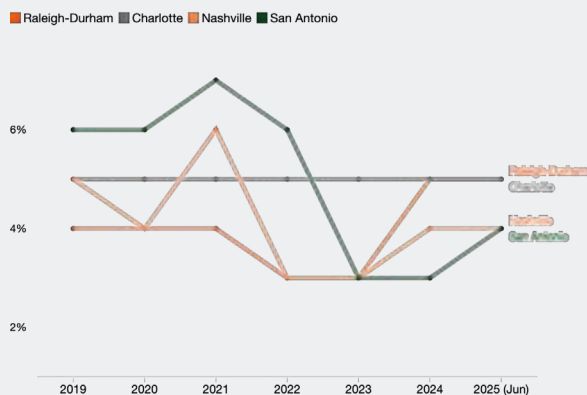
Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau Population Estimates data

## 8. Select Sun Belt Metro Areas Maintain Strong Migration

While most Sun Belt metro areas that boomed during 2021–2022—including markets in Florida and Texas, along with Atlanta and Phoenix, among others—have seen migration slow dramatically or turn negative, four metro areas continue attracting strong domestic inflows: Raleigh-Durham, Charlotte, Nashville, and San Antonio maintain migration levels comparable to the 2021 surge.

### Select US Metro Where Strong Domestic Net Migration Continues

Domestic Household move-ins minus move-outs as % of total metro moves (TTM); Domestic moves only



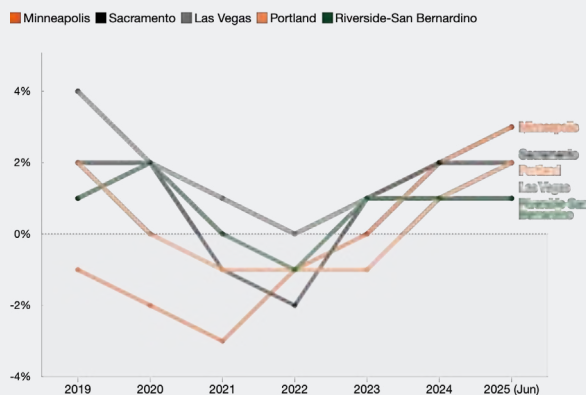
Source: John Burns Research and Consulting, LLC

## 9. Migration Returns to Affordable Markets

Several metro areas that experienced negative domestic migration in 2021–2022—Minneapolis, Sacramento, Portland, Riverside-San Bernardino, and Las Vegas—have turned positive as households follow lower home prices. These markets offer relative affordability compared to nearby expensive areas including the Bay Area, Seattle, and coastal southern California.

### Select US Metro Where Migration Trends Flipped Positive

Domestic household move-ins minus move-outs as % of total metro moves (TTM); domestic moves only



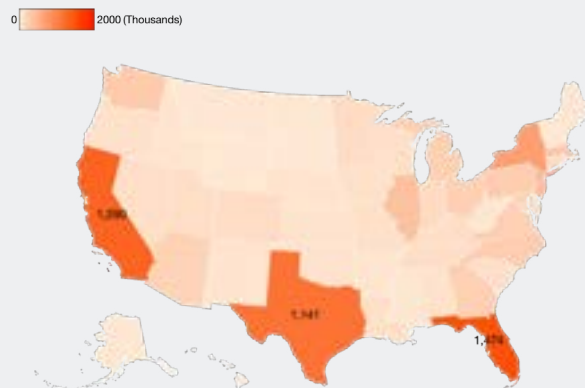
Source: John Burns Research and Consulting, LLC, based on Melissa Data Corporation data

## 10. Immigration Concentrates in Few States

Over two-thirds of all net immigration from 2021–2024 flowed to just 10 states, with extreme geographic concentration. The top five states—Florida, California, Texas, New York, and New Jersey—captured 50 percent of total immigration, demonstrating highly concentrated regional impact.

### One-Third of New International Immigrants Settle in Either Florida, California, or Texas

2021–2024 International net immigration by state



Source: John Burns Research and Consulting, LLC, tabulations of U.S. Census Bureau Population Estimates data

—John Burns Research and Consulting LLC

### Spotlight

# Proptech's Impact on Real Estate Innovation and Transformation

Since 2016, MetaProp and PwC have partnered to track the evolution of property technology (proptech) and its impact on global real estate markets. The most recent *Global PropTech Confidence Index* draws on the perspectives of thousands of tech entrepreneurs and investors to provide clarity into how innovation is evolving and where the sector is headed. As we approach 2026, several themes stand out.

### 1. AI Is Moving from Experimentation to Adoption

As we move into 2026, the results of both early exploration of how artificial intelligence (AI) can be applied across the built environment and subsequent small-scale pilots or proofs of concept are beginning to show. AI is no longer just an experimental tool—it is gradually becoming a practical driver of efficiency and performance. Organizations across real estate, construction, and infrastructure are beginning to adopt solutions that streamline operations, reduce costs, and improve decision-making. This transition marks an important phase for the sector. Rather than speculation about AI's promise, we are now seeing measured implementation that produces tangible outcomes.

### 2. Proptech's Boundaries Continue to Expand and Mature

Advances in artificial intelligence are catalyzing efficiency gains across operations, from owners and operators to lenders and contractors. These benefits are increasingly visible in performance metrics, encouraging adoption and fueling new business formation. Importantly, the scope of proptech continues to broaden as technology permeates every corner of the built environment. What was once narrowly defined as software for real estate now extends across construction, infrastructure, climate, industrial Internet of Things (IoT), and energy. These adjacent sectors—characterized by scale, data density, and customer urgency—are becoming fertile ground for innovation.

### 3. Startups and Investors Converge Where Industry Urgency Meets AI Leverage

The most concentrated zones of innovation are those where customer demand aligns with AI's ability to create value. Categories structurally built on prediction—such as predictive maintenance, insurance, and mortgage underwriting—are drawing attention for their data density, repetitive workflows, and frequent decision-making. Construction technology continues to be a focal point. Ongoing labor and materials constraints have sharpened customer demand for productivity solutions, and the industry's scale and data-rich workflows make it particularly receptive to AI-driven acceleration.

### 4. Two Camps of Real Estate Technology Founders Are Emerging

While AI-native proptech companies are benefiting from renewed funding flows, non-AI-driven solutions continue to face a more constrained fundraising environment. This divergence is influencing competitive dynamics and shaping strategic priorities for investors and startups alike.

### 5. Appetite Is Renewed for Scale and Category Leaders

High valuations and “monster rounds” are beginning to reappear in proptech. Several recent financings—ranging from growth-equity infusions into scaled operating platforms, to decacorn-level consumer ecosystems, to quarter-billion-class AI raises—demonstrate investor willingness to pay premium prices for companies with proven distribution, durable scale, and leadership positions in their categories. While the broader funding environment remains selective, these transactions reflect renewed appetite for established platforms.

– MetaProp

### Spotlight

# From Proptech to PropOS: The Emergence of Real Estate's Autonomous Future

Real estate is witnessing the emergence of what might be described as a *property operating system*—or propOS for short—loosely composed of AI agents, digital twins, and data integration layers hovering above the legacy platforms they aim to supersede. This transformation represents more than another wave of proptech investment and spending. It's a fundamental reimagining of how assets and their owners think, learn, and operate—assuming crucial roadblocks involving data and its ownership are resolved.

### Playing SimCity for Real

While large language models and other forms of “generative” or “conversational” AI continue to dominate the headlines (and capital markets), the state-of-the-art is rapidly evolving beyond chatbots into *agents*—systems able to perceive, learn, decide, and act independently. Agents don't wait to answer queries, but assign themselves tasks, oversee their completion, and flag problems. One platform active in one out of every 12 multifamily apartment units in the United States claims to have reduced lead-to-lease timelines by 65 percent while increasing conversion rates by 8 percent using agents. A race is underway to automate end-to-end workflows—from deal sourcing to underwriting to cost estimation to procurement—linked by increasingly autonomous software.

Another critical piece of the propOS is “digital twins.” More than just 3-D models of cities or buildings, these twins are physics-based simulations using real-time data to mirror the behavior of real-world assets. Once up and running, they can not only monitor current performance but also run countless scenarios seeking to optimize operations while predicting equipment failures before they happen. Outcomes include energy cost savings as high as 30 percent and extending hardware lifespans by a year or more. Populating digital twins with agents raises the possibility of modeling complex urban systems with an unprecedented degree of verisimilitude—effectively playing SimCity for real.

This pair in turn becomes particularly powerful when combined with computer vision effectively empowering agents to “see.” An experiment by New York University and Hong Kong University researchers set such agents loose inside maps and street-view imagery of Manhattan, which they used to search and evaluate

apartments for rent, scout neighborhood infrastructure and amenities, and more. A number of startups are using similar 3-D reconstruction technologies to digitize and organize traditionally “dumb” portfolios into structured databases AI can interrogate and optimize. Properties once requiring months of on-site analysis can now be assessed remotely with 98 percent accuracy, reducing renovation timelines by six months while lowering project costs by 8 percent.

### Putting the AI in APIs

Harnessing these advanced capabilities entails drawing on hundreds of thousands of data points drawn from dozens, if not hundreds, of sources. These must then be combined in a virtual integration layer sitting atop existing property management systems rather than replacing them. This approach to building a propOS acknowledges wholesale platform replacement remains prohibitively risky for most operators. Instead, challengers are building around them, using application programming interfaces (APIs) to draw data from legacy systems, and joining new pieces as needed.

AI aside, the switch from batch processing to real-time streaming analytics alone unlocks new insights and features justifying the investment. Marketing campaigns automatically adjust based on current availability and pricing. Maintenance requests trigger predictive analytics to identify related issues before they cascade. Each interaction makes the system smarter, creating network effects improving exponentially with scale. Once this flywheel is in place, agents stand ready to put insights into action.

Hyperscalers and AI companies already see the potential, investing alongside real estate firms in the startups building agentic architectures. Their involvement signals proptech's evolution from a market vertical into a testing ground for autonomous systems poised to reshape our interactions with the built environment. The goal, as one startup CEO put it, is to create “self-driving buildings” that manage resources, optimize flows, and respond to changing conditions with minimal human intervention.

### The Centralization Paradox

This change enables a seemingly counterintuitive trend—the further centralization of operations even as the underlying technology becomes more distributed. Agents will allow property managers to oversee vastly larger portfolios from a single back office, with AI handling routine interactions across multiple channels—text, email, voice, even video—in dozens of languages while maintaining compliance with local regulations.

The implications go well beyond efficiency. Multifamily property owners using AI to offer guided tours to prospective tenants, accelerate renewal notices, and slash delinquencies aren't just automating business as usual, but reimagining the entire resident experience. Development tools offering thousands of layout configurations in seconds not only reduce the time required for feasibility studies but also fundamentally change the architect-and-client relationship. Compressing 500+ people-hours of preconstruction activities into less than a week upends an acquirer's operational tempo. The propOS is arguably less important for what it does than how it transforms the organizations employing it.

### The Missing Pieces

Despite rapid advancements and bottomless levels of investment, critical gaps prevent the total realization of a propOS. Interoperability between competing platforms remains limited, creating data silos blocking portfolio-wide optimization. While individual assets might achieve remarkable performance, coordination across properties—let alone cities—remains elusive.

The human element presents the greatest challenge. Traditional property managers struggle to leverage AI insights effectively. Residents accustomed to human interaction resist automated systems despite apparently superior outcomes. And both the real estate and technology industries lack standard protocols for AI governance, leading to uncertainty around liability when AI makes decisions.

Nagging questions also persist about data ownership and value creation. When AI platforms learn from patterns across multiple properties, who owns those insights? How should savings of time and money be shared among vendors, owners, and residents?

### Conclusion

Proptech's trajectory points toward a propOS combining autonomous agents managing routine operations, digital twins providing real-time monitoring and simulation, and generative AI exploring solution spaces at superhuman speeds. Success will depend not on building "one ring to rule them all," but orchestrating multiple specialized systems linked through APIs and data integrations. As they mature, they promise to flip real estate from reactive management to predictive optimization, and from static assets to dynamic, self-improving systems. The question isn't whether buildings will drive themselves, but how quickly the industry will learn how to steer them.

– Greg Lindsay

# 02

## Property Type Outlook

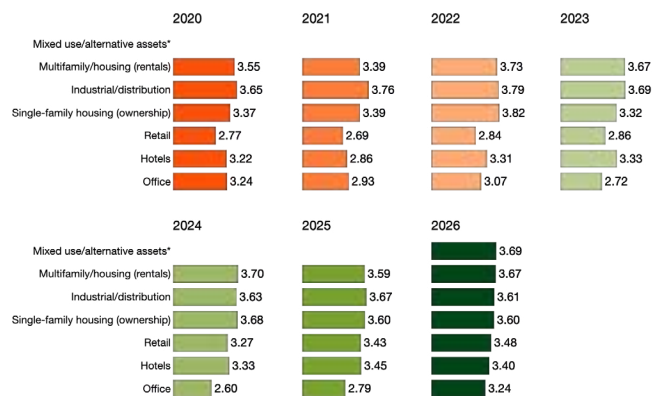
“Turning toward a diversified strategy over prior asset class focus due to opportunities and challenges within each property type.”

Industry leaders’ 2026 expectations by sector and subsector show broadly improved real estate investment prospects with more caution on development prospects. Out of 27 subsectors, investment prospect ratings increased for 16 subsectors, while development prospect ratings declined for 18 subsectors. The top-rated subsectors for investment and development prospects are data centers and senior housing, which score higher in both ratings than all major commercial property types.

The major commercial property types face unique challenges and opportunities by subsector. Residential rental subsectors are highly rated except for high-income apartments. Medical office is highly rated and, despite improvement, central city and suburban office ratings are among the lowest by subsector. Identifying top property types or subsectors is seen as one step toward identifying the right asset, then underwriting with attention to risks amid the fog of uncertainty.

### Investment Prospects for Major Commercial Property Types, 2020–2026

1–Abysmal 2–Poor 3–Fair 4–Good 5–Excellent



Source: *Emerging Trends in Real Estate*.  
Note: Based on U.S. respondents only.  
\* Represents first year calculations and findings.

### Development Prospects for Major Commercial Property Types, 2020–2026

1–Abysmal 2–Poor 3–Fair 4–Good 5–Excellent

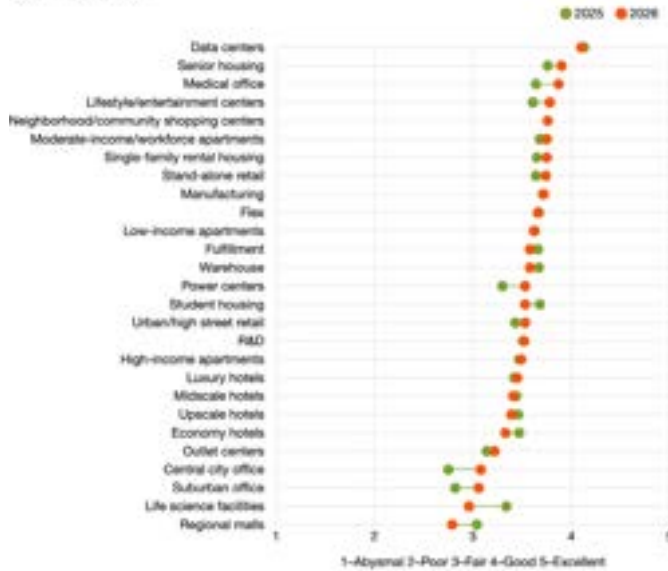


Source: *Emerging Trends in Real Estate* surveys.  
Note: Based on U.S. respondents only.  
\* Represents first year calculations and findings.

## Chapter 2: Property Type Outlook

### Prospects for Commercial/Multifamily Subsectors, 2026 versus 2025

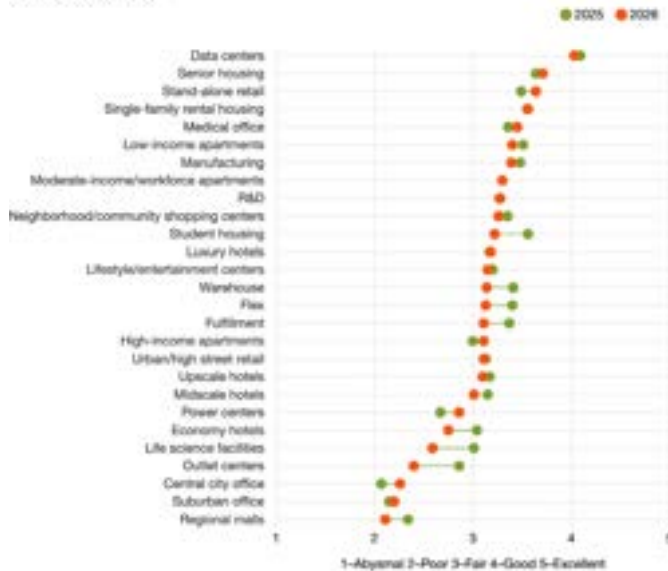
Investment prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Prospects for Commercial/Multifamily Subsectors, 2026 versus 2025

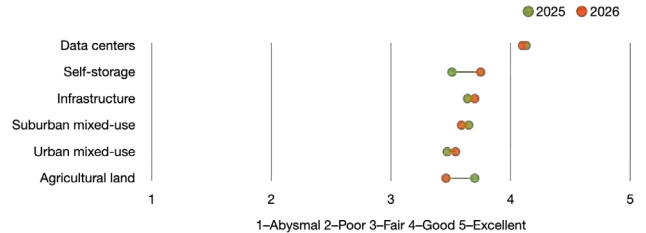
Development prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Prospects for Mixed Use and Alternative Assets Property Types, 2026 versus 2025

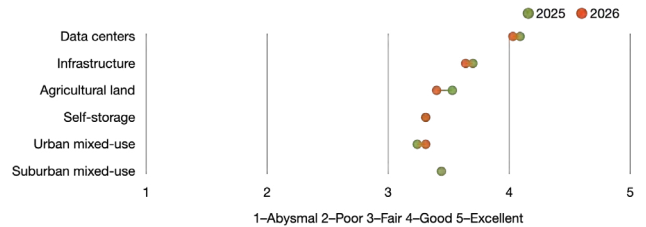
Investment prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Prospects for Mixed Use and Alternative Property Types, 2026 versus 2025

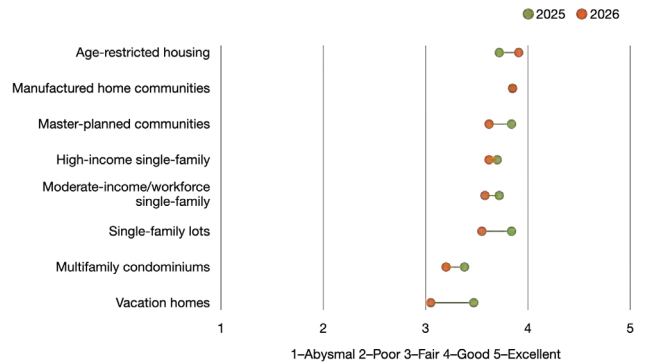
Development prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Prospects for Residential Property Types, 2026 versus 2025

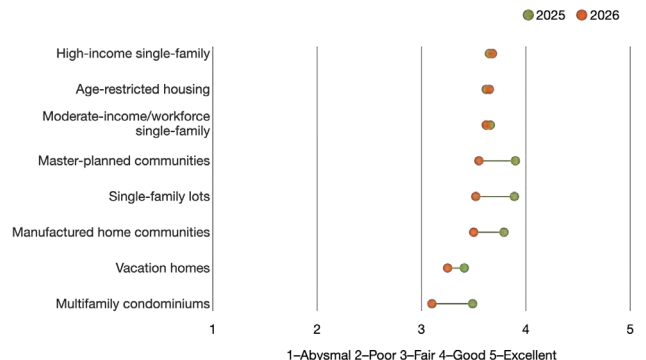
Investment prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Prospects for Residential Property Types, 2026 versus 2025

Development prospects



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Data Centers

Looking at the ratings of all asset classes provided by the *Emerging Trends* survey respondents, data centers remain at the top for investment and development prospects. Data centers have held this first-place rank for three consecutive years and are the only subsector with both prospect scores above four, indicating sound investment and development conditions. Strong performance and demand are driving activity in this subsector, although data centers remain a small segment of the real estate market overall. Plus, for some interviewees, this subsector is considered infrastructure rather than a real estate asset.

“AI is driving considerable demand for data centers although the impact of land, water, and power constraints is unclear.”

*Managing director at an investment bank*

### Senior Housing

Out of 27 subsectors, senior housing ranks second for investment and development prospects, just behind data centers. Demand for the subsector faces a turning point in 2026 as the oldest boomers turn 80 years old. At this age, many older Americans move from their owned single-family homes into independent or age-restricted rentals, senior housing, or a family member's home. This potential wave of demand lifted senior housing to the top of the apartment investment prospects list and resulted in a strong net buy in survey respondents' assessment of buy-hold-sell strategies.

“Moving toward a shortage of senior housing beds over the next five years.”

*President of an investor association*

### Office

As a whole, this major property type remains rated by survey respondents at the bottom of both the investment and development prospect lists for major property types. However, as offices approach a new normal under changing occupier requirements, prospects are shifting among office subsectors. The buy-hold-sell recommendations indicate strong buying conditions for medical offices, with this subsector also ranking third for investment prospects and fifth for development prospects.

“Medical office is favored in an inflationary environment due to long-term leases with contractual rent bumps and variety of locations to target.”

*Partner at an investment manager*

Ratings of traditional office development prospects remain exceptionally low, both in the suburbs and central cities. Investment prospects have steadily improved over the past two years with prospect scores for both **central city** and **suburban office** rising above three. The last time both traditional office subsectors had investment scores over three was in the 2020 survey, which was conducted in late 2019.

### Retail

Among major property types, retail ranks above only office overall. Two retail subsectors—lifestyle/entertainment and neighborhood/community centers—rank in the top five of all commercial subsectors for real estate investment prospects, while stand-alone retail ranks third for development. All three of these retail subsectors are strong buys based upon survey respondents' assessment of buy-hold-sell strategies.

Consumer spending is holding up in the barbell of luxury and value categories, although tariff impacts are ahead. **Neighborhood/community centers** and **stand-alone retail** properties cater to necessity retailers and essential services for relatively durable demand from shoppers across the business cycle. The experience-oriented retailers in lifestyle/entertainment centers attract shoppers who stay for longer visits.

### Self-Storage

Speaking of consumer spending, self-storage demand is changing. This highly rated subsector is becoming more than offsite storage when moving from house-to-house. With a strong investment prospects industry leaders are watching tenant use expand into climate-controlled units as offsite residential space, including for closets, hobby space, and entertaining. These new demand sources are arriving as additions to self-storage supply fade, drawing investor attention to the subsector.

### Industrial/distribution

This formerly high-flying property type now sits in the middle of major property type prospects, with a higher investment score, at 3.61, than development score, at 3.21. These scores reflect middling ranks for the flex, R&D, warehouse, and fulfillment subsectors, while manufacturing scored 3.72 for investment prospects, for a top 10 showing among subsectors. National industrial/distribution demand is driven by consumer spending and likely to remain so given cost and labor constraints for the large-scale reshoring of manufacturing. Nonetheless, the property type is rated as a buy across all subsectors in the buy-sell-hold recommendations.

### Multifamily Housing

After senior housing, **moderate income/workforce housing** and **single-family rentals** are tied with a strong 3.75 investment prospects score. Both subsectors slipped slightly in the 2025 subsector rankings, then returned to their relative placement in 2026. Limited development of mid-market housing, for sale or rent, has tightened vacancy rates in these subsectors. Potential homebuyers unable to find an affordable home to buy are increasingly turning to single-family rentals for more space.

“Industrial and multifamily have been the focus, but the premium in these sectors is gone.”

*Senior economist at an investment manager*

The concentration of new apartment supply on the high-end of the market leaves fewer options for moderate income households and pushed down investment prospects for luxury properties. **High-income apartments** remain at the bottom of the apartment investment prospect rankings, but the subsector’s 3.49 score is a significant improvement from 3.19 in 2019 and a post-pandemic low of 3.09 in 2024.

Momentum is shifting for **student housing** with demand challenges ahead from a 2025 peak in America’s graduating class, restrictions on international students, and constraints on federal aid. Investment prospects for this subsector rank above high-income apartments, while accounting for the largest share of hold respondents in the buy-hold-sell recommendations.

With these observations, we spotlight five significant property trends in this chapter.



### 1. Senior Housing

#### A New Driving Force Arrives: Baby Boomers Turn 80 in 2026

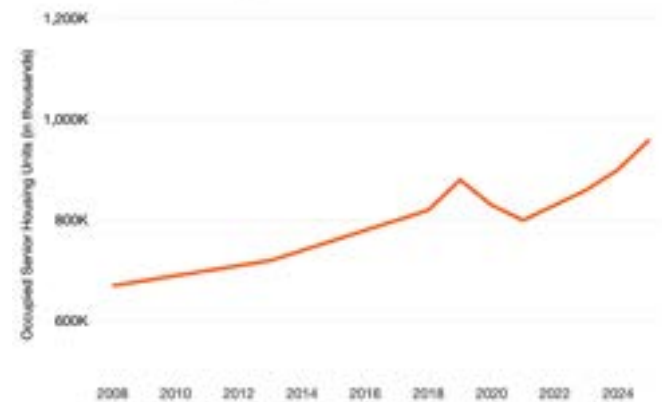
- The oldest baby boomers turn 80 in 2026, driving senior housing demand to record levels.
- At the same time, year-over-year inventory growth fell to its lowest level since 2006, pushing occupancy rates close to historic highs.
- Developers and operators are diversifying their product types and price points to better tailor offerings for the new wave of consumers.

Demand for senior housing continues to climb to record levels but year-over-year inventory growth in 2025 was just 1 percent, a low not seen since NIC (National Investment Center for Seniors Housing & Care) began tracking this data in 2006. This dynamic has pushed up occupancy rates close to historic highs.

#### Know Your Market and Understand Your Consumer

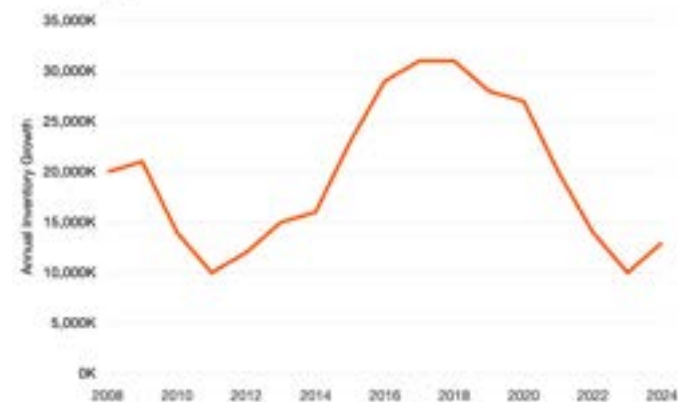
With the senior housing market poised for continued growth, driven by demographic trends, economic factors such as increasing household net worth and a growing middle class, and changing consumer preferences, supply constraints and aging inventory may result in continued supply-demand imbalances. As investors and operators navigate these dynamics, understanding local market fundamentals and demographic trends will be crucial for success in this evolving market.

Demand is at Record Highs...



Source: NIC MAP, 98 Primary and Secondary Markets

...and Supply Growth at Decade Lows



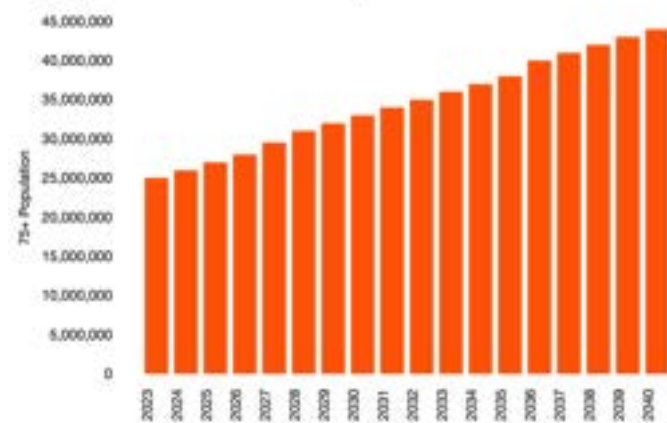
Source: NIC MAP, 98 Primary and Secondary Markets

## Chapter 2: Property Type Outlook

Factors driving demand for senior housing include the following:

- **Rapidly Growing Older Adult Population:** The age 75+

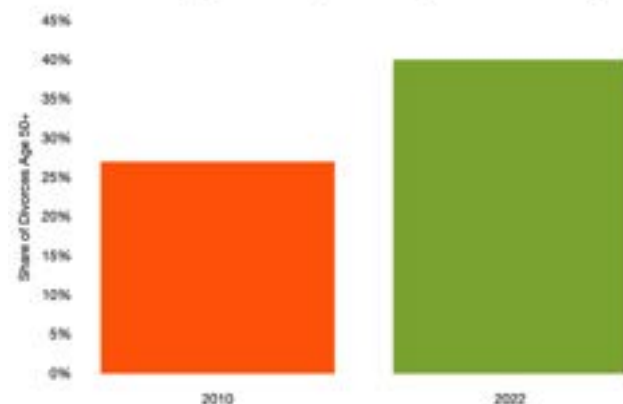
**Roughly 8,000 Individuals Turn 75 Daily**



Source: U.S. Census Bureau Projections Based on 2023 data, released in 2023.

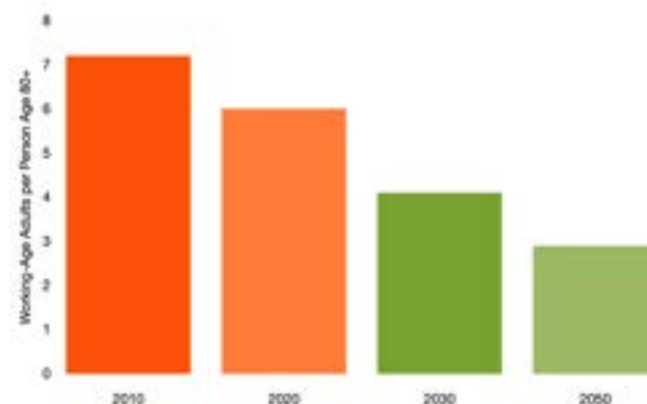
population is expected to grow by more than 4 million people by 2030, according to U.S. Census Bureau projections.

**Number of Adults Age 75+ Living Alone Projected to Double by 2040**



Source: National Center for Family and Marriage Research, Bowling Green University

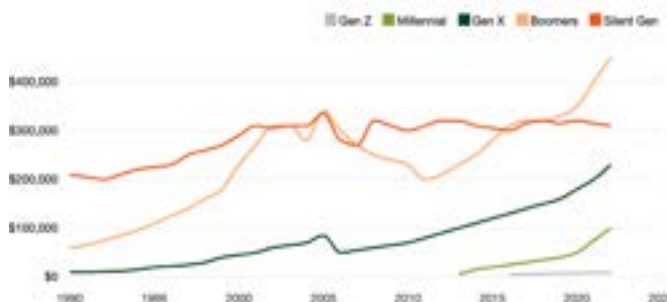
**...and Fewer Adult Children to Help**



Source: AARP Public Policy Institute

**Increasing Net Worth Among Older Adults Improves Affordability of Senior Housing**

Median Net Worth by Generation 1990-2022



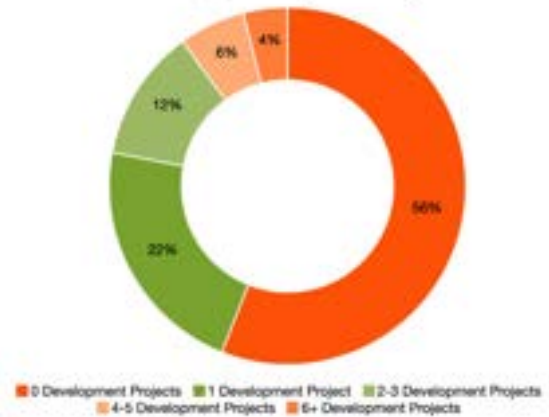
Source: Federal Reserve Bank of St. Louis, 2022 Survey of Consumer Finances. Prepared by: NCI Analytics of the National Investment Center for Senior Housing & Care (NIC). © 2024 National Investment Center for Senior Housing & Care, Inc. (NIC). All rights reserved. Data believed to be accurate but not guaranteed; subject to future revision.

- **Solo Aging and Renting Trends:** There is an increase in older adults renting, with those aged 65 to 74 comprising the fastest-growing cohort of renters. In addition, the number of adults age 75 and older living alone is projected to more than double by 2040, resulting in fewer caregiver safety nets.

### Supply and Demand Dynamics Are at a Crossroads

Senior housing is experiencing a period of constrained supply due to factors impacting all property types, including increasing financing and construction costs. As a result, the number of new units breaking ground has fallen below the number of new units arriving online, a trend that last occurred in 2021 and, before that, in 2009 during the Global Financial Crisis.

60% of Markets Lack a Single Development Project



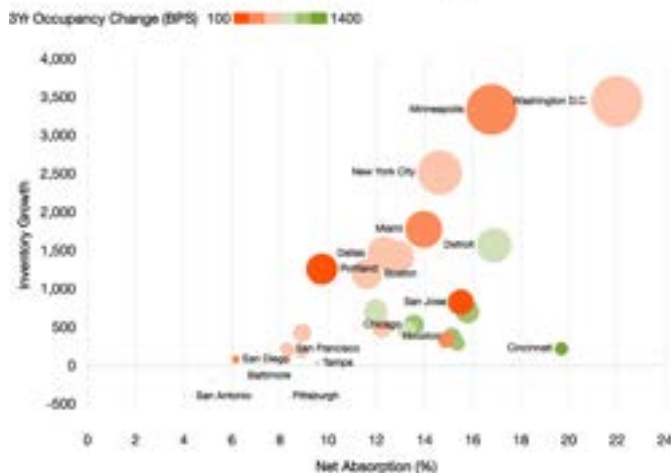
Record Low Inventory Growth Below Construction Starts



U.S. Trending Toward Supply Shortage



Select Markets Experiencing Negative Inventory Growth



Further, in several markets, the number of units being taken offline outnumbers the number of new units being delivered, resulting in flat or even negative inventory growth. Finally, over half of the 140 metro areas tracked by NIC MAP lack a single development project.

NIC expects that this limited new supply, coupled with the steady demand growth described above, will drive the average senior housing occupancy rate above 90 percent in 2026, potentially reaching the highest occupancy rate reported in the 20 years that NIC MAP has tracked this data. From 2027 onward, in the medium term, demand and supply imbalances could shift the number of available senior housing units from a surplus to a shortage.

### What do boomers want?

The oldest baby boomers turn 80 in 2026, and senior housing developers and operators are diversifying their product types and price points to best customize offerings for this new consumer.

- **Product Types:** There are a growing number of options for the youngest and healthiest older adults, such as active adult 55+ communities and hybrid communities—a blend of active adult and independent living models known as independent living lite (IL Lite). Developers are adding an increasing number of single-story cottages and villas, many with attached garages, to complement, or in lieu of, multistory units.

On the other end of the senior housing continuum are traditional senior housing and memory care communities for residents who need more services. In this segment, while studios and one-bedroom units remain important, there is a growing preference for larger units in higher acuity settings such as assisted living. For example, two-bedroom or larger units, once just 14 percent of new development, now account for 38 percent of new units coming onto the market.

- **Price Points:** While there is significant wealth across the boomer population, there is also a large middle-market that developers and operators are increasingly serving. It is projected that in 2033, middle-income seniors will comprise 44 percent of all older adult households in the United States. In response, developers are building larger units for residents downsizing from large single-family homes and smaller units for those most focused on value.

Meanwhile, operators are unbundling services, care, and dining to allow residents to purchase what they need when they need it.

- **Wellness:** Senior housing is shifting from reactive to proactive care, focusing on preventative health and holistic approaches to wellness while prioritizing lifestyle and engagement programming in daily life. Amenities such as walking trails and dog parks are popular in active adult communities, while wellness spaces that foster resident-led activities and social engagement are increasingly important across the senior housing continuum.
- **Technology:** Baby boomers are more comfortable with technology than prior generations and expect the same level of internet capability and other tech services, particularly in active adult communities where many residents are still employed full- or part-time. On the operating side, senior housing communities increasingly lean on technology solutions to enhance workforce efficiencies in challenged labor markets.

—National Investment Center for Seniors Housing & Care (NIC)



## 2. Student Housing

### Student Housing in Transition: From Growth to New Pressures

- The 2024–2025 academic year saw the biggest gains in higher education enrollment.
- Student housing followed, with near-record absorption, high occupancy, and solid rent growth.
- With declines in the number of U.S. high school graduates on the horizon, ongoing visa delays, and rising construction costs, student housing now faces a more complex and uncertain chapter.

After pandemic-related setbacks and only a partial rebound, U.S. higher education entered the 2024–2025 academic year on stronger footing. National enrollment climbed 4.5 percent from the prior fall, pushing the total student population above 19 million. By most measures, it was a strong year. Yet beneath the headline numbers lie demographic shifts and policy changes that will shape the road ahead.

Among the RP 175 universities (the original 175 investment-grade universities tracked and forecasted by RealPage), enrollment rose by roughly 104,000 students in 2024, a 2.3 percent increase. Much of that growth stemmed from federal aid changes: FAFSA (Free Application for Federal Student Aid) was simplified, and Pell Grant eligibility expanded, adding nearly 1.5 million students. Still, the gains weren't evenly spread. Just 10 universities accounted for nearly one-third of the growth, with half of those in the South, while more than one in five RP 175 schools lost students, including a few major universities. Larger institutions tended to outperform smaller ones, with the 20 biggest universities that grew reporting an average enrollment growth of 3.5 percent, compared with 2.4 percent for smaller campuses (the 20 largest universities with fewer than 12,000 students).

Annual Enrollment Gains among RP 175 Universities



Source: RealPage Market Analytics

Demographics were also a key driver of the 2024 enrollment surge, with approximately 3.8 million students graduating from U.S. high schools that year. The size of this cohort boosted application volumes to higher education and pushed the average acceptance rate at RP 175 universities down to 70.5 percent, the lowest since 2019. The class of 2025 grew even larger, reaching a record 3.9 million students—but that peak marks a turning point. Beginning in 2026, the number of high school graduates is projected to decline steadily, potentially as much as 13 percent by 2041. The impact will vary regionally: states such as Florida, Tennessee, and Texas are expected to continue growing, while much of the Midwest and Northeast will likely see declines.

Beyond domestic trends, international students played a key role in 2024. Preliminary estimates indicate that nearly 1.2 million international students enrolled in U.S. institutions during the 2024–2025 academic year, a record high. These

students are essential both for research and institutional finances, since many pay full tuition. However, early 2025 data suggest a shift in momentum. Visa delays and stricter vetting have slowed arrivals, with projections pointing to a 15 percent decline in international enrollment. Between January and April, F-1 visa issuance dropped 12 percent year over year, widening to 22 percent by May.

That slowdown won't be felt equally. At the 50 most selective public universities, international students account for about 11 percent of enrollment. At some private and public institutions, reliance on international students is much higher: Columbia University's share is close to 40 percent, NYU's is 37 percent, University of Southern California's is 28 percent, University of Illinois's is 23 percent, and University of Michigan's is 17 percent. These campuses stand to feel the pinch most acutely, particularly as domestic pipelines shrink.

Meanwhile, global competition for students is shifting. Canada has capped study permits 10 percent below 2024 levels, while the United Kingdom has restricted dependent visas and shortened post-study work opportunities. On the surface, these changes could make U.S. universities more attractive. But that advantage is anything but guaranteed. If visa processing remains slow or post-study work policies become more restrictive, the United States could quickly lose ground.

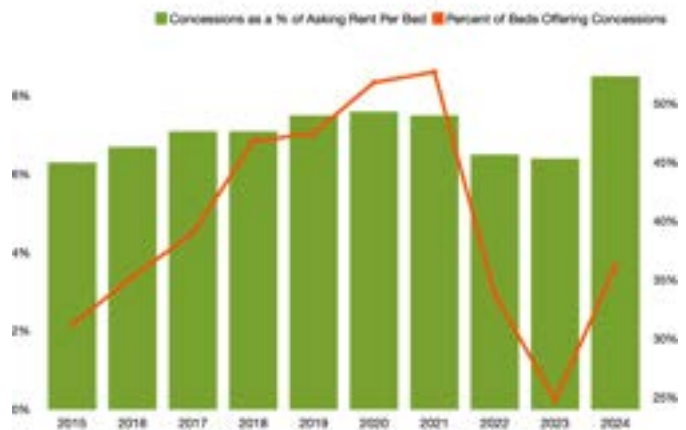
Universities once offset declines in international enrollment by admitting more domestic students. That worked when the pool of high school graduates was growing. But with that pool now shrinking, the safety net is gone. U.S. higher education now faces a squeeze from both sides: fewer domestic students at home and more uncertainty abroad. These pressures could slow enrollment growth and cost institutions billions of dollars in the years ahead.

Alongside these recent enrollment peaks and shifts, student housing fundamentals also recorded strong results in 2024. Occupancy among purpose-built beds in RP 175 universities reached 96.2 percent, just shy of record highs, even with thousands of new beds added. The strongest performance came from Southern universities, followed by campuses in the Midwest, while schools in the Northeast and West lagged. That marks a reversal from the pre-pandemic years, when the Northeast and West consistently posted the highest occupancy rates. With new restrictions on international

students, occupancy is expected to slip at the campuses that depend heavily on them, many of which are concentrated in those same Northeastern and Western markets.

Rents followed a similar pattern. At RP 175 universities, average rents climbed 6 percent in 2024; solid growth, though down from the 9 percent jump in 2023. Unlike conventional multifamily housing, some campuses with the heaviest supply growth also recorded the strongest rent gains. Still, as rents climbed, so did concessions, averaging 8.5 percent of asking rent per bed, the highest since 2015, and more than one-third of beds (36.2 percent) now include concessions—the most since 2021.

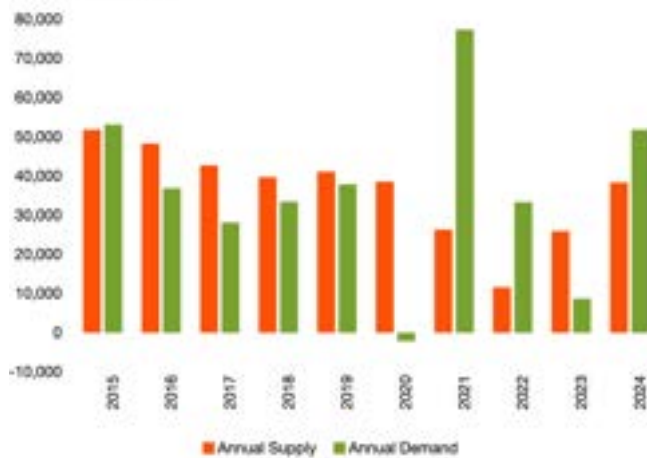
Share of Beds Offering Concessions vs. Depth of Concessions



Source: RedPage Market Analytics

On the supply side, 2024 saw one of the biggest delivery waves of the past decade, with more than 38,000 new purpose-built beds completed. More than half were delivered at just eight universities, four of which are in the South. Still, the pipeline is thinning rapidly. Only 22,000 beds are expected to be delivered in 2025, a 42 percent decline. The slowdown should help support occupancy and rent growth, especially given that roughly 52,000 beds were absorbed in 2024, the strongest demand since 2015.

**Annual Supply vs. Annual Demand of Purpose Built Off-Campus Student Housing**



Source: RealPage Market Analytics

The sharp pullback in the 2025 pipeline is no coincidence—it's a clear sign of growing caution mounting across the industry. Developers face a new set of challenges. In mid-2025, tariffs on steel and aluminum doubled and expanded to include HVAC systems, machinery parts, and other essential building materials. These items make up a significant portion of student housing construction costs, meaning each new bed is now far more expensive to deliver. Skilled labor remains in short supply, adding to the pressure, and insurance premiums continue to rise, especially in coastal and disaster-prone areas. On top of that, tighter bank lending is making it harder to finance and execute new projects.

Taken together the story of 2024 was one of resurgence. Simplified federal aid, a record-high graduating class, and strong international enrollment drove the biggest gains in years. Student housing followed, with near-record absorption, high occupancy, and solid rent growth. But with demographic declines on the horizon, ongoing visa delays, and rising construction costs, student housing now faces a more complex and uncertain chapter.

—RealPage



### 3. Data Centers

#### The Grid Called—It's on Backorder

- The need for digital infrastructure and data centers continues to grow as global demand for cloud computing, artificial intelligence (AI), and enterprise data management accelerates.
- The sector has delivered record inventory for each of the last four years. At the same time, structural constraints include limited power availability, location limitations, long equipment lead times, and labor and development costs.
- Developers and tenants are increasingly targeting markets with available power and exploring onsite, behind-the-meter generation to overcome grid constraints.

#### Overview of Data Center Environment

Data centers are a cornerstone of the digital economy, serving as data storage hubs, communication gateways, and powerful processing engines. The term *data center* encompasses a diverse sector at the intersection of real estate and infrastructure, resulting in a wide variety of investment types, operating models, and lease structures. Data center investments such as powered shells and strategic colocation resemble traditional real estate investment types, while carrier hotels and digital connectivity infrastructure are typically infrastructure assets.

As global demand for cloud computing, artificial intelligence, and enterprise data management accelerates, the need for digital infrastructure and data centers continues to grow. While this sector has experienced robust supply growth, it has been bound by structural constraints due to limited power availability, location limitations, regulatory constraints, long equipment lead times, and development costs that can exceed \$10 million per megawatt (MW). Owners and

developers of data centers have reaped the benefits of strong preleasing and long-term leases to predominantly tenants with strong credit, as well as attractive development economics.

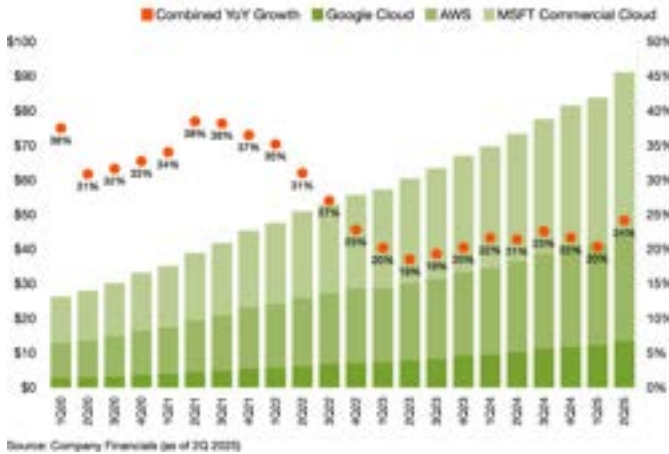
#### Demand Drivers

##### Cloud Computing Proliferation

The public cloud storage and computing ecosystem has grown substantially over the past decade as companies relocated internal data to secure data centers operated by third parties. Prior to the broad adoption of the public cloud, many companies managed their own enterprise data centers to house and use internal data. By transitioning to the public cloud, companies save money by not developing and maintaining their own facilities, and gain access to the latest hardware and software programs cloud computing companies continuously invest in. Furthermore, for corporations with growing data storage needs, utilizing a third-party operated cloud data center provides maximum flexibility to scale data center needs. In addition, the growth of the digital universe (the Internet of Things, evolution of digital content, etc.) is creating vast oceans of data daily. IP devices, which span from watches to smart home appliances to boat GPS systems, continuously generate real-time data that must connect to a data center for processing, storage, and transmission.

The global cloud infrastructure market is dominated by hyperscalers, which account for more than 50 percent of global customers. Furthermore, according to earnings filings, revenues for cloud computing companies have increased more than 300 percent since the start of 2020.

### Cloud Business Revenue



To support this growth, Bloomberg estimates the hyperscalers are forecast to surpass \$350 billion in capital expenditures in 2025, with most of the investments going toward data centers and data center infrastructure. However, certain hyperscalers have noted that even with the substantial investments they are making, demand continues to outpace their existing data center capacity.

### Hyperscaler Capital Expenditures

(Amazon, Google, Meta, Microsoft)



### Artificial Intelligence

AI has swiftly taken the data center ecosystem by storm, reshaping the technology landscape and creating significant implications for digital infrastructure. The demands from AI regarding hardware and power have created a lasting effect on the data center sector. However, AI isn't just one process in one place, it is a series of interrelated workloads distributed across different types of data centers. The two primary categories of AI workloads can be broadly classified as *training* and *inference*.

AI training models process vast datasets, establish parameters, and produce complex pattern-recognition models. These models can be "trained" using trillions of data points (tokens) and can require a gigawatt or more of energy. Unlike more traditional data center facilities, AI training facilities often require higher power densities due to utilization of more sophisticated hardware, such as graphics-processing units and custom AI accelerators. Furthermore, these power-intensive servers require improved cooling technology. Since the training phase occurs prior to the deployment of a model (i.e., mass customer utilization), there is less latency sensitivity, which allows the hyperscale campuses to be built further from the end user base. As the hyperscalers and AI-focused companies continue to develop training models, the desirable locations tend to be those with power and land abundance and favorable regulations. Due to the power constraints found in many primary data center markets, some recently announced large AI training data center campuses have been breaking ground in locations including Indiana, Ohio, and Louisiana. Once a model is trained, it is deployed, which is commonly referred to as *AI inference*.

AI inference occurs when trained models are used to deliver real-time outputs, such as generating responses in chatbots, powering autonomous vehicles, or creating predictive analytics. These inference tasks require distributed computing infrastructure located closer to end users to minimize latency and optimize performance. As a result, the desired locations for AI inference deployments are within colocation and edge data centers near population centers. Since the inference model has already been trained, power requirements to operate the model are much less than what is required in the training phase. The continued integration of AI into everyday applications is expected to drive sustained demand for low-latency data center facilities such as edge and colocation data centers.

### Government Support for Data Centers and AI

In early 2025, President Trump issued Executive Order 14179, “Removing Barriers to American Leadership in Artificial Intelligence,” which outlines the government’s goal of bolstering AI development to benefit “human flourishing, economic competitiveness, and national security.” While this was not the first administration to release policies encouraging the growth of AI and data centers, this executive order has encouraged activity across major public and private organizations, with the most notable project being Stargate.

### Supply Constraints

While the sector has delivered record inventory for each of the past four years, meaningful supply constraints pertaining to power availability, labor shortages, and semiconductors have lengthened the delivery timeline.

#### Power Availability

The challenge of energy availability and how it can support the growth of the digital sector is a top-of-mind issue for investors and constituents participating in the digital ecosystem. The data center industry faces energy shortages, with lead times for grid interconnection requests in primary markets ranging from two to seven years, according to S&P Global Market Intelligence.

Electricity consumption in the United States has remained subdued for much of the past two decades due to increasing demand from population growth, economic growth, and electrification being offset by gains in energy efficiency. However, as data center development has quickly evolved, electricity consumption is rising and is anticipated to grow meaningfully faster.

While a mix of energy sources is going to contribute to the expansion of the power grid in the coming years, natural gas-fired electricity generation is likely to play a vital role in the expansion in the short to intermediate term. The development of data centers is crucial to the growth of the U.S. economy and is even being labeled as a matter of national security by the U.S. government, creating a sense of urgency to develop power generation. Natural gas generation provides cost-effective, reliable, and high-density electricity. Global Energy Monitor reports that as of the end of 2024, 85 gigawatts (GW) of natural gas capacity—representing 15 percent of total existing capacity—were either under construction, in preconstruction, or announced construction. In turn, orders for new gas turbines have surged; however,

since turbine manufacturing had adjusted to a low energy consumption era, there are substantial backlogs. Turbine deliveries for new power plants now face potential delays of several years. Additionally, generators, switchgears, and transformers are taking a longer time to deliver.

Further compounding electricity constraints is the limited development of high-voltage transmission lines. In 2023, Grid Strategies estimated that 55 miles of high-voltage (345-kV) transmission lines were added across the United States, well below the 3,500 miles built in 2013 and nearly 700 miles built annually from 2015 to 2023. A robust high-voltage network is necessary to support the growth in electricity generation and data center developments.

To circumvent some power constraints, developers and tenants are targeting markets where power is readily available and proposing generating power on-site, also known as behind-the-meter generation. Data center developments in historically secondary markets such as Columbus, Austin, Reno, and others have soared. In addition, more conversations are being had about the development of behind-the-meter generation; however, this remains a costly alternative.

#### Labor Shortages

Construction and operation of thousands of data center projects, as well as the development of new power generation, require a robust workforce of skilled laborers. Due to the technical requirements of data center projects and the finite skilled labor force in the United States, some data center developments struggle to meet project schedules.

There is an inherent conflict between data center developers, hyperscalers, and utility providers as they compete for many of the same employees. Skilled laborers, on average, receive higher compensation to work for the hyperscalers, which has created an exodus from the utility industry that is already struggling to develop power and transmission infrastructure. With data centers requiring power, but utilities remaining understaffed, the likelihood of delays is higher.

Certain data center facilities, such as AI training models, need abundant power and land with limited latency sensitivity. These projects have broken ground in rural areas requiring developers to import skilled labor, potentially drawing this workforce from locations that may be more proximate to primary data center markets. By relocating these employees, the pool of workers in primary markets is further depleted.

### Fundamentals Overview

The seemingly insatiable demand and growing supply constraints are providing a strong backdrop for operating fundamentals. As of 2Q 2025, datacenterHawk reported that the national vacancy rate remains below 2.0 percent, with virtually all developments pre-leased prior to construction commencing. While commissioned power growth in the first half of 2025 (1,440 MW) has lagged behind the growth realized in the first half of 2024 (2,299 MW), it is important to consider that limited vacancies and supply constraints are hindering higher levels of growth.

Commissioned Power Growth, Absorption, & Vacancy, North America



As vacancies have tightened, asking rents have grown by more than 15 percent per year from 2021 to 2024, according to CBRE data center broker reports. Without quick solutions to the near-term supply constraints as demand continues to build, operating fundamentals should be strengthened from this backdrop.

– Harrison Street Asset Management



### 4. Office

#### Beyond Vacancy: Repricing and Restructuring the U.S. Office Sector

- Investors are returning to the sector, betting on selective redevelopment and amenity-driven differentiation, amid market repricing.
- Overbuilding in urban cores and continued space shedding by large occupiers have slowed the recovery of central business districts, even as suburban markets stabilize.
- The sector's recovery hinges on policy support for adaptive reuse, new capital targeting transit-accessible assets, and an industry-wide acceptance that office demand is evolving, not disappearing.

The office market is finding a new normal after years of steady increases in vacancies and declining transaction volume. Major cities, such as San Francisco and New York, that had been written off in the wake of COVID, are now leading the recovery with stronger leasing activity. Some brokers report that trophy buildings across Miami, New York City, San Francisco, and other markets have captured all-time high rents. Urban office prices, down 50 percent from recent peaks, are now enticing investors to bet again on the sector, with dramatically lower cost bases helping offset the higher costs of de rigueur amenities in new buildings.

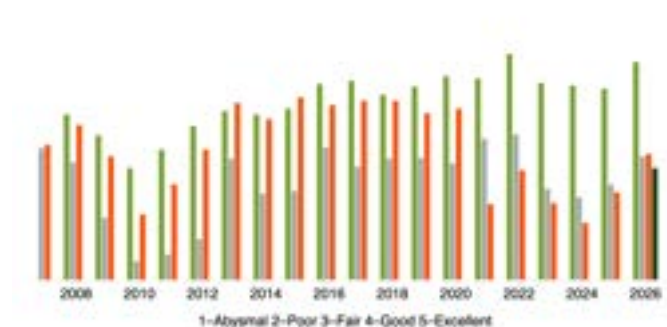
Even as investment volumes strengthen and leasing activity firms, however, there are still headwinds facing the sector. Large occupiers are continuing to right-size their footprints, which has resulted in continued negative absorption and rising vacancy rates. Distressed sales have been increasing as conversion of functionally obsolescent buildings to other uses is not a practical solution for many owners for both financial and physical reasons.

The office market may be back, but with a whole new set of considerations for occupiers and investors. As one researcher noted, occupiers and investors are learning to live with the uncertainty—which, for now, looks here to stay.

#### Office

##### Investment Prospect Trends

■ Medical office ■ Suburban office ■ Central-city office ■ Life sciences facilities

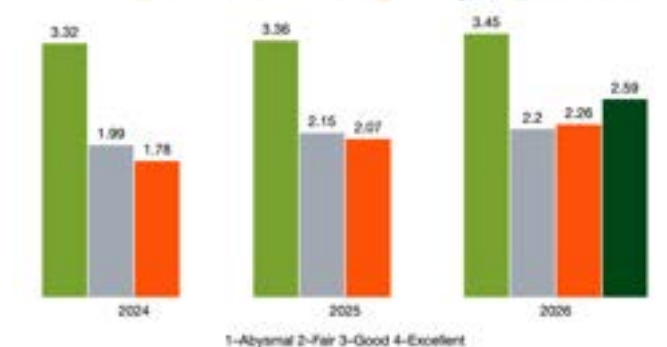


Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

#### Office

##### Development Prospect Trends

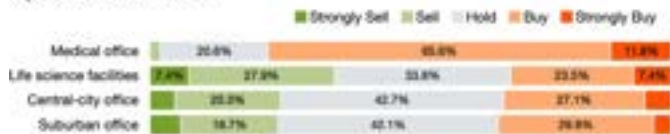
■ Medical office ■ Suburban office ■ Central-city office ■ Life science facilities



Source: Emerging Trends in Real Estate surveys.  
Note: Based on U.S. respondents only.

### Office

#### Buy/Hold/Sell Recommendations



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

### Office

#### Opinion of Current Office Pricing



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

## Pushing Against Politics amid a Weak Backdrop for Job Growth

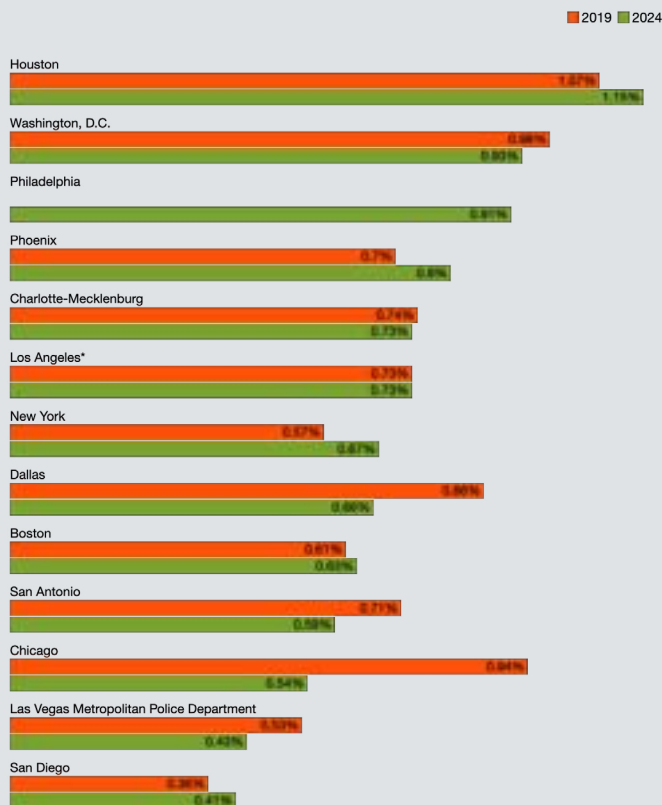
While the market faces challenges, not all perceived hurdles are real. One of the most prominent misconceptions is the narrative of unsafe cities. Crime has fallen dramatically, and a renewed sense of safety—which previously had been a barrier to return-to-office (RTO) policies—no longer threatens the revival of many downtown areas.

But safer streets are only one factor weighing on occupiers' leasing decisions: employers must consider the outlook for workforce expansion. There is widespread agreement that artificial intelligence (AI) firms, particularly in San Francisco, have been a positive source of leasing momentum: in Q2 2025, more than 55 percent of venture capital dollars went to firms in the AI and machine-learning verticals, for example. However, there is significant concern over the impact that AI will have on knowledge workers and in turn, office occupancy, with one leasing broker noting the potential for AI to also permanently "delete" jobs. One optimist pointed to the potential for more rapid firm creation that could eventually lead to demand for incremental office space, but to date, technology jobs have been contracting.

## Perception versus Reality on Urban Safety

Fears about crime in urban cores have been amplified well beyond what the statistics support, even as crime has fallen substantially across the United States, and tenants and capital steadily return to major central business districts (CBDs). According to the FBI's most current data for the United States for the 12 months ending May 2025, violent crimes are down 7.4 percent while property crimes are down 11.5 percent versus the same period a year prior. Even more noteworthy is the fact that property crime rates and violent crime rates for the latest calendar year (2024) now stand at the lowest levels since 1969.

### Violent Crime Rates by Major Reporting Area



Source: FBI UCR.

\*Data for 2024 may not be comparable to prior years due to methodological changes. Includes murder and non-negligent manslaughter, rape, robbery, and aggravated assault. Rates are incidents as a percentage of the area population.

Since the post-COVID peak, the technology sector (defined as jobs in the information and computer systems design industries) has shed nearly one-quarter of a million jobs, or 4.4 percent from 2022 peak levels. (Office-using jobs have fared only modestly better, standing 1 percent lower than the peak reached in April 2023.) Coupled with a preliminary benchmark revision showing that the level of nonfarm employment in March 2025 was over-estimated by more than 900,000 jobs or 0.6 percent, the demand backdrop for office space looks to be approaching 2026 from a position of weakness. Importantly, many of the metro areas with a substantial concentration of tech jobs are where the declines in tech employment have been greatest, including San Francisco, Seattle, and San Jose, where tech employment (at its recent peak) as a percentage of total employment comprised 11.1 percent, 14.5 percent, and 17.2 percent, respectively.

Technology Employment Trends by Metropolitan Statistical Area

MSA	Peak in Tech Employment	Percent Decline in Tech Employment*
Los Angeles-Long Beach-Anaheim, CA	7/31/22	-16.8%
San Francisco-Oakland-Fremont, CA	8/31/22	-15.1%
St. Louis, MO-IL	7/31/22	-13.8%
Boston-Cambridge-Newton, MA-NH	8/30/22	-12.0%
Minneapolis-St. Paul-Bloomington, MN-WI	7/31/22	-11.1%
Seattle-Tacoma-Bellevue, WA	8/30/22	-9.0%
Phoenix-Mesa-Chandler, AZ	5/31/22	-8.8%
San Diego-Chula Vista-Carlsbad, CA	11/30/22	-8.6%
San Jose-Sunnyvale-Santa Clara, CA	8/30/22	-8.1%
Chicago-Naperville-Elgin, IL-IN	7/31/22	-8.1%

Source: Bureau of Labor Statistics  
\*From peak through July 2025.

Still “Right-Sizing”...

Despite a lackluster employment backdrop, some firms have been expanding their physical footprint—even if the firms planning to add space have been smaller firms with smaller space requirements. According to Newmark, 69 percent of office tenants in the market plan to maintain or expand their footprint, even as the average lease size is down by about 12.5 percent from pre-pandemic levels. Another head of occupier research similarly noted a decline in average lease sizes, even as the number of leasing transactions is up. Major occupiers (defined as those with more than 10,000 employees) are still trying to right-size their spaces—one

reason that net absorption continues to be negative. By one brokerage’s calculations, net absorption has been flat or negative for 14 straight quarters, although the pace of contraction has slowed.

Occupiers are learning more about their space utilization, and for those with a hybrid work policy, many are no longer designating a dedicated seat for each employee; instead, they are designating “neighborhoods” of desks for teams with communal areas where different teams can come together. Coordinating the space needs of different teams to ensure sufficient space for workers on their “in-office” days may soon become its own role. Says the occupier research head: “We’re teasing the idea of a chief places officer, where you have somebody who is worried about the intersection of people and place. The workplaces that truly have an innate purpose are the ones that are actually achieving better occupancies right now.”

...While Struggling to Ensure Compliance with RTO Policies

Employers have taken a “carrot” rather than “stick” approach to return-to-office (RTO) policies. According to CBRE’s Americas Office Occupier Sentiment Survey, while compliance with attendance policies was up 12 percentage points in 2025 versus a year prior, only 72 percent of organizations reported achieving attendance goals, and just 37 percent of survey respondents took actions to enforce adherence to in-office work.

In the face of lackluster attendance, some employers are seeking enhanced amenities to offer an elevated workplace experience that mimics features found in luxury hotels and upscale tourist destinations. A leasing director for a major office owner put it this way: “There’s certainly an arms race in New York City to amenitize buildings.” For many landlords, it’s no longer sufficient for a building to have its own gym. Instead, the latest offerings are “spa-quality wellness centers” with a “fit and finish as if you were in a Four Seasons hotel”—complete with private trainers, massage rooms, and locker rooms worthy of a country club. Michelin-starred chefs are behind new lunchtime offerings, and some landlords are exploring high-end food hall installations. Even the office building’s roof deck is no longer sufficient; one landlord spoke of their “clubby” glass-ceiling rooftop space and oversized terrace that is used by tenants during the day and rented out for private events in the evenings by non-tenants.

### Next Best

After years of elevated vacancy and costly refinancings amid higher interest rates, many landlords do not have the deep pockets to reposition their buildings, and a dearth of new construction over the past few years means that large blocks of trophy-caliber space are no longer available. (The president's July 2025 tax bill that made qualified tenant improvements 100 percent deductible may help improve some second-generation buildings, however.) Instead, many B quality buildings are suddenly finding themselves attractive to occupiers who would otherwise opt for higher quality space. Given the financial challenges for developers post-COVID, just over 27 million square feet of space are under construction according to JLL—matching the lowest levels of new supply since the Great Financial Crisis (GFC). Employers who anticipate any headcount growth in the next few years cannot depend on a stream of new trophy quality deliveries to meet demand, which is one reason space that was described by one broker as “best of the rest” is performing well, particularly against the backdrop of declining sublease space. This concern was echoed in CBRE's occupier trends survey findings, where nearly half of all respondents expressed concern about the availability of good-quality, well-located space, despite historically high vacancy rates.

Rather than a split between trophy versus all other space, there's been a trickle-down effect where tenants are opting for space that is “next best.” Even without the luxury hotel-caliber amenities, however, one emerging shift is the desire for flex space. Taking a page from pre-pandemic co-working providers, landlords are now offering shared workspaces directly to their building tenants. From large conference rooms with catering options to overflow space for individual work (albeit in a group setting), these space options have been key in attracting tenants—enabling them to access more space on an as-needed basis, rather than paying for extra space that may be infrequently used.

### Recalibration Ahead

The office market has clearly turned a corner, but the path ahead won't be linear. While vacancy rates have continued to climb, one reason that the outlook is likely to improve is due to base effects: nearly empty buildings are being removed from inventory due to obsolescence. A leasing director for a major office landlord referred to these buildings as “zombies” and noted that, in many cases, it would be more cost-effective to tear down the building and rebuild from scratch instead of repositioning the existing structure. Lenders,

too, may prefer buildings with the “lights out.” Given the operating complexities of office high-rises, one capital markets broker commented that building management and lease-up by lenders were “never the business model . . . so it's much easier to let the building go ‘zombie’ and then trade it.”

This tacit acknowledgement—that time may not heal all “wounded” buildings—is a positive sign for the sector's recovery, but looking ahead, implies that vacancy rates have further room to rise. Municipalities have begun to focus on innovative programs that incentivize office-to-residential conversion (conversions in Chicago's LaSalle Corridor are one notable example) but economic aid to offset elevated construction and financing costs is only one part of the equation. One broker pointed to the need for “massive rezonings,” which could be a lifeline for underperforming assets—particularly those not located proximate to transit hubs. “People will live in places they will not work,” said the broker, commenting that transit access remains key for employees, the large majority of whom commute.

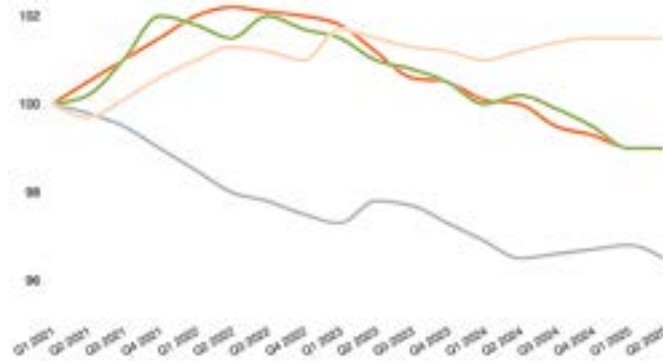
Despite predictions that the “hub-and-spoke model” for office—a larger CBD office surrounded by smaller, suburban satellite offices—would accelerate in the wake of COVID as employees moved further away from the workplace, such forecasts have failed to materialize. As one research head noted, the centrally located office that's “equally inconvenient for everybody” still prevails.

Nonetheless, suburban offices seem to be in a stronger position than their urban counterparts. Occupied stock, on an indexed basis, was flat to modestly higher for suburban offices of both class A and class B/C between Q1 2021 and Q2 2025 while CBD office occupancies contracted over the same period. Reflecting the greater weakness of the urban office market, post-COVID price levels (which hit a low only in Q1 2025), saw a 50-percent peak-to-trough price decline for CBD office assets versus just 19 percent for suburban office assets, in contrast to the price performance of office during the GFC, where prices for urban and suburban office space fell by approximately the same amount (38 and 41 percent, respectively). As Cushman & Wakefield points out, the much larger pipeline of new office construction underway in CBDs versus suburban areas early in the pandemic combined with greater space shedding by larger firms in CBDs during the pandemic means that CBD vacancy rates will come down more slowly than suburban vacancy for several more quarters.

### Office Occupied Stock Index

(Q1 2021 = 100)

■ CBD A/B/C ■ CBD B/C ■ Suburban A ■ Suburban B/C



### Performance of CBD vs. Suburban Office Recent Crisis Periods

	Dotcom - CBD	Dotcom - Suburban	GFC - CBD	GFC - Suburban	Covid - CBD	Covid - Suburban
Under Construction, % Inventory	2.8%	5.6%	2.6%	2.6%	3.9%	2.0%
Start date	Q1 2001	Q1 2001	Q4 2007	Q4 2007	Q1 2020	Q1 2020
Absorption, % Inventory	-3.1%	-1.5%	-3.5%	-2.2%	-7.4%	-4.8%
Start date	Q2 2001	Q1 2001	Q1 2008	Q1 2008	Q2 2020	Q2 2020
End date	Q3 2003	Q1 2003	Q1 2010	Q2 2010	Q2 2025	Q2 2025
Change in Vacancy Rate, pp	8.3	10.9	4.9	4.9	11.5	6.8

## Looking Ahead

The delinquency rate of office commercial mortgage-backed securities—at 11.66 percent in August 2025—represents the sector's worst-ever level, and a full percentage point above even the GFC peak, according to Trepp. Distressed office sales as a fraction of total office sales are at their highest levels in more than a decade. The most severe price corrections may be behind us but select distress will continue, particularly as 49 percent of office leases in place in March 2020 (10,000 square feet and above) have yet to roll over. However, price corrections have opened the door for new capital. CBD office buildings with strong transit access and modern amenities are emerging as the clearest winners. For tenants, landlords, and city policymakers alike, the task ahead is to balance realism with reinvention—recognizing that office demand is evolving, not disappearing, and that long-term value will flow to those who recalibrate, rather than retreat.



### 5. Self-Storage

#### Niche Expansion of Self-Storage Emerges

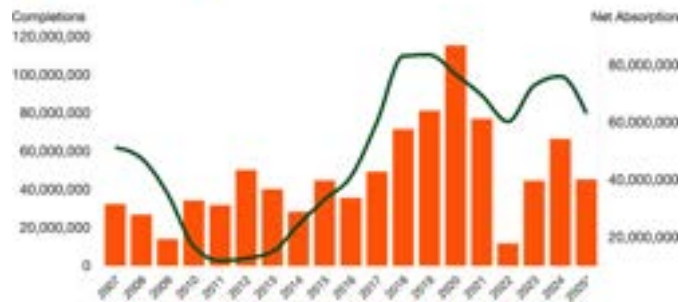
- Demand for self-storage continues to rise, with the share of U.S. households renting space showing its largest increase in recent years.
- Renters are gravitating toward longer leases and larger units, reflecting greater lifestyle integration and space needs.
- A new asset type is emerging in response—the storage-industrial-flex condo—offering expanded capacity and ownership opportunities.

The use of self-storage space is on the rise. The share of households in the United States that rent at least one storage unit rose from 11.1 percent in 2022 to 13.4 percent in 2024—the largest jump between any two survey periods in the Self-Storage Association’s recurring study. In that same span, there was also an estimated net absorption of more than 150 million square feet of storage space. While vacancies are rising—up 20 basis points year over year to 9.1 percent in June 2025—much of that pressure has come from new supply. More than 71 million square feet of self-storage space was completed over the 12-month period ended in the second quarter, which is only about 13 million square feet under the record delivery tallies from 2018 and 2019. Development pressure is easing, however. The most recent April to June period marked the least amount of new space in a quarter since early 2022.

#### Self-Storage Supply and Demand Trends

United States

■ Completions (Total Sq. Ft.) ■ Net Absorption (Total Sq. Ft.)



Sources: Marcus & Millichap Research Services, Radius+, Yard Matrix, \*Forecast

Amid these favorable demand trends, renters are also showing a stronger orientation toward longer stays and larger units. Last year, roughly 60 percent of surveyed users expected to stay in their units for more than one year—a new high. These trends may be a partial reflection of the current housing market.

Elevated home prices and mortgage rates are keeping many households—notably homeowners with built up equity—from changing their living situation. This dynamic is weighing on relocations, which are the second most commonly cited reason for renting self-storage units. The share of households that moved within the past year fell to 20 percent in 2023—down 7 percentage points from 2017. The inability to obtain a larger home with a basement, garage, barn, or other free space may be creating demand for off-site storage. Yet interior units larger than 300 square feet are uncommon at most self-storage properties.

## Chapter 2: Property Type Outlook

To address demand for larger spaces, a new storage solution is developing: the storage–industrial–flex condo. Storage condos straddle the gray area between a self-storage facility and a small industrial warehouse. Properties house multiple condo units, each spanning between 1,000 and 2,000 square feet. Units are also often equipped with electrical and water hookups, allowing for the installation of home comforts such as bathrooms, kitchenettes, or entertainment areas. This optional utility immediately separates storage condos from traditional self-storage units, along with the form of ownership. As the name implies, individual storage condo units are typically sold by the developer or operator to private parties, not rented.

Affluent individuals and households are the most common type of owner, with motor vehicles the most common item stored. A storage condo facility operator who has found early success with ground-up projects in Colorado reiterates the interest of private households. In their experience, as much as 80 percent of a facility's units are owned by such individuals for personal use. Their developments, however, have also garnered interest from those who acquire a unit intentionally to rent to a commercial tenant, using these condos to fill another gap in the commercial real estate spectrum.

Some storage condo owners have found success renting the units to businesses looking for a modest industrial space. Common tenants include heating and ventilation companies, landscaping businesses, and event-related firms such as caterers, who use the space to store equipment or as a preparation area for off-site work. In this capacity, these condos fulfill a need underserved by traditional industrial space. Less than 10 percent of the nation's industrial inventory comprises buildings 10,000 square feet or less. This scarcity is reflected in less available space. Vacancy among buildings at or under 10,000 square feet was around 2.8 percent in mid-2025, whereas the overall industrial vacancy rate has climbed 400 basis points over the past three years, reaching 7.6 percent in June, amid a supply-demand mismatch in larger spaces. For small investors, these units can provide a lower entry cost option than other, more traditional asset types, and they have less competition.

Limited competition has also drawn developers and operators of storage condo facilities and they are finding opportunities in local communities where no comparable property exists. Although data is incomplete, the inventory of storage condos may be less than 5 percent of the size of the traditional self-storage sector. Yet roughly one in ten American households has a net wealth of \$1.6 million or higher and the discretionary resources to consider this property type. It is this dynamic—slim competition against a small but underserved user profile—that underlines the strong appeal of the property type.

—Marcus & Millichap



### Affordability Shapes Multifamily Trends

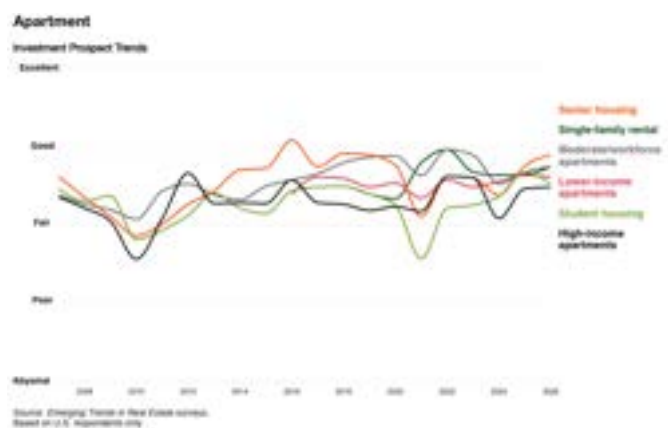
- Deliveries are waning alongside sharply decelerating starts, while demand moderates amid slower job growth and reduced immigration.
- The growing affordability gap is driving migration to smaller cities and prompting policymakers at all levels to devise strategies to deliver more housing.
- Multifamily remains a favored asset class for investors, but deal flow is limited by questions about whether its perceived stability justifies current low acquisition yields.

Going into 2025, expectations were for a transitional year for the multifamily sector. Dwindling starts created optimism that rents would pick up after two weak years, but it now appears that slow rental growth will extend into 2026 and possibly longer.

“Everyone thought that 2025 would be the year of recovery; now everyone is hoping that 2026 will be the year for that,” said the chief executive of a national apartment trade group. “Will there be a switch flipped where everything gets back to where it was a few years ago? Probably not; it will be a slow process.”

That is not to say the multifamily outlook is bearish. Investors believe in multifamily’s long-term growth and stability—starts are plummeting during a long-term housing shortage—and have capital lined up for when the price is right.

At the same time, the rising cost of housing continues to draw national attention to affordability and has spurred bipartisan action. The impacts of these efforts will be felt in the years ahead. Meanwhile, affordability plays a role in driving migration and property performance. Lower-cost tertiary markets will continue attracting households migrating from larger markets, contributing to higher rent increases. Rent growth has become a regional phenomenon driven by affordability and supply growth. Asking rents are increasing modestly in low-supply markets in the Northeast and Midwest and decreasing in many high-supply markets in the Sun Belt and West.



### Apartment

#### Buy/Hold/Sell Recommendations

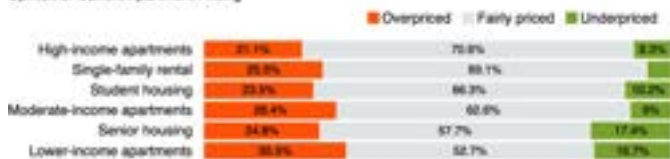


Source: Emerging Trends in Real Estate 2026 survey

Note: Based on U.S. respondents only

### Apartment

#### Opinion of Current Apartment Pricing



Source: Emerging Trends in Real Estate 2026 survey

Note: Based on U.S. respondents only

years, while rents could continue to grow in Northeastern and Midwest markets where new units will be in short supply.

*Emerging Trends* interviewees predict little change to these regional trends in 2026, with rent growth highest in areas with moderately strong demand but also less new supply. The consensus of interviewees is that top rent growth performers will include markets with weak supply growth (Chicago, Philadelphia, Detroit); demand from return-to-office policies (New York, San Francisco); or population growth driven by job growth and less expensive apartments (Columbus, Minneapolis, and Kansas City).

Still, high-supply markets where weak rent growth will persist in 2026 and possibly into 2027 remain good long-term bets because of strong job and population gains. “Eventually markets like Phoenix will move into equilibrium,” said the head of research at a national brokerage. “Long term it’s a strong market, but short term there are headwinds.”

## Decelerating Supply and Demand

Multifamily dynamics are shifting. Demand and supply, both red-hot in recent years, are likely to continue slowing in 2026. “The supply/demand dynamic will be disappointing for the next few years,” said a chief economist at a private equity firm. “Anyone expecting a gangbusters recovery from the slowdown might find themselves a little disappointed.”

### Supply

Multifamily starts dropped by more than 40 percent between 2023 and 2025 and are likely to remain weak due to the high cost of materials, persistently high interest rates, and worries about oversupply in the Sun Belt. Less new supply should provide an impetus for rents to grow again, depending on the market and whether demand holds up. The impact of a 40 percent drop in deliveries varies because supply growth has differed greatly by metro area.

High-supply markets will eventually get some relief from fewer starts, but so many properties are still under construction in certain metro areas—including Orlando, Austin, Miami, Nashville, and Phoenix—where 4 to 5 percent will still be added to stock in 2026 and 2027. Deliveries are also dropping in some markets such as New York City and Chicago that have only added 1 to 2 percent to stock in recent years and are seriously undersupplied. With these varying dynamics, rent growth may be slow to return to Sun Belt markets as they absorb excess deliveries of the last few

### Demand

Some demand drivers will remain positive. Fewer renters are moving out to buy homes, since many first-time buyers cannot scrape together down payments or prefer to stay in apartments longer than past generations as marriage and childbearing get pushed to later in life.

However, other sources of demand will be weaker. The immigration boom that saw 6 million newcomers over two years is over. With the domestic birth rate at long-term lows, “there’s a nonzero probability that the U.S. population contracts for the first time,” a chief economist at a private equity firm said, noting that markets with large immigrant communities would be most affected.

Weakening consumer financial health may be another drag on multifamily housing demand. Job growth slowed in 2025. The economy added an average of 75,000 jobs per month in 2025 through August, down from 166,000 per month in 2024 and more than 300,000 per month over the previous four years, according to the Bureau of Labor Statistics. Consumer delinquencies on credit card debt have remained over 7.0 percent since 2023 while delinquencies on all consumer loans were 2.8 percent in Q2 2025, the highest level since 2012, according to the Federal Reserve. “There’s a change in the financial health of a significant portion of the renter base, which could inform the decisions of some renters,” said a senior industry researcher.

### Impacts of the Drive for Affordability

Affordability has been a major driver of migration in recent decades from expensive primary metro areas to secondary markets in the Sun Belt and West, fueled in part by the search for housing within the means of middle-class families. The problem worsened after a post-COVID-19 burst of demand led asking rents to increase in 2021–2022 by an average of about 25 percent nationally, and even more in rapidly growing Sun Belt markets where population surged.

Some *Emerging Trends* interviewees said the growing cost of housing in secondary markets is now leading to a wave of migration to even less expensive markets. One noted growth in cities where college graduates are finding jobs in cities such as Birmingham, the Twin Cities, Raleigh, and Milwaukee. “A trend we expect in the next few years is that people will be looking for fringe markets that are more affordable,” said a researcher at a multifamily real estate investment trust. “Places like Columbus and Indianapolis are not exciting for investors, but they are driving decisions for households.”

A researcher who tracks migration for a consulting firm has found that affordability is prompting growth in outer suburbs or satellite cities near larger metro areas. Examples of this type of move include Lakeland, Florida, from Tampa; Killeen, Texas, from Austin; Ocala, Florida, from Orlando; and Colorado Springs or Fort Collins from Denver.

Data confirms the point. Since the beginning of 2020, rapidly growing tertiary markets accounted for 80 percent of the top 25 metro areas in absorption as a percentage of stock, according to Yardi Matrix data. Among those top 25 markets are Boise (35.5 percent of stock), Lafayette, Louisiana (32.3 percent), Charleston (30.5 percent), Southwest Florida Coast (30.4 percent), Greenville, South Carolina (27.8 percent); Madison, Wisconsin (25.9 percent), and Huntsville, Alabama (25.5 percent).

The interest in affordability has led to a bipartisan national push at all levels of government to make housing easier to build. The federal tax bill in 2025 contained a permanent 12 percent increase in 9 percent Low-Income Housing Tax Credits that will set funding at \$14 billion per year. The bill also reduced the threshold for a 4 percent tax credit that is commonly used to preserve affordable housing and extended the Opportunity Zone program, which provides tax credits for developments in areas with low area median incomes.

The program has been responsible for about 300,000 new apartments since its establishment in 2017.

Nearly two dozen states adopted policies to increase housing development in 2025, according to the National Council of State Housing Agencies (NCSHA). NCSHA reported that more than 400 pro-housing bills were introduced in state legislatures, and more than 100 were signed into law as of the fall, including in California, which passed legislation to streamline environmental reviews, speed up permitting and approvals, and increase financing for housing.

Taken together, strategies embedded in these efforts include tax abatements, facilitating adaptive reuse projects, zoning reform, opening government land to build housing, streamlining the permitting process, implementing by-right development, and creating a one-stop shopping process for housing applications.

The United States has a 600,000-unit apartment shortage created by underbuilding in the wake of the global financial crisis, and needs to build 4.3 million units by 2035, according to the National Multifamily Housing Council and National Apartment Association. “One of the constructive things we are seeing in the political debate is the recognition that cities can’t have a housing crisis that makes them unaffordable places to live,” said an executive at a housing advocacy group. “The industry needs to ramp up its creativity to solve the crisis.”

### Investors Bullish, Wary of Risk

While 2026 could be the year to break the logjam on transaction activity that has stalled since interest rates jumped in 2022, that is no sure bet. Much depends on the direction of the 10-year Treasury yield. “If rates drop substantially, to 4.0 percent or lower, we could see a dramatic increase in activity as cap rates recalibrate,” said the head of research at a national brokerage.

Transactions have concentrated in a few categories. One is stable properties bought by large institutional buyers who have access to cheap capital and use little or no leverage. Another is value-add properties purchased by investors who are betting on pushing rents higher. And distressed properties are being recapitalized by the legion of investors ready to supply bridge and mezzanine capital.

The sticking point for property sales has been the slim premium over Treasury rates, creating a dance between sellers reluctant to sell at reduced prices and buyers trying to avoid negative leverage when mortgage rates are generally in the 5.5 to 6.0 percent range. Multifamily capitalization rates are 4.5 to 5.0 percent for most stable assets and about 6.0 percent for value-add properties, according to CBRE. That creates yield premiums well below historical levels of 200–300 basis points.

Some interviewees believe thin yields are justified and likely to persist, contending that multifamily performance risk will be diminished over the next few years due to robust renter demand and the housing shortage. Such optimism may be justified, but it puts the market in a precarious position in the event of a downturn or slower-than-expected growth over the next few years. Baking bullish forecasts into acquisitions has often triggered larger problems in down cycles. Even so, optimists contend that risk is reduced due to the large amount of dry powder waiting for the opportune moment to pounce.

“Investors are making a bet that multifamily is a stable asset, and they’ll take a slightly lower yield for the stability of the principal,” said an executive at an industry trade group. “As an investment, institutional investors believe multifamily is head and shoulders above other property types.”

Supporting this view is the very liquid commercial mortgage segment, boosted by a resurgent commercial mortgage-backed securities market and growing private equity lending while traditional banks and life companies remain active. Multifamily’s biggest lenders, government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, are also expected to maintain market share, despite a likely overhaul in 2026 as the Trump administration floats plans to sell public shares and remove them from conservatorship.

While details of the overhaul remained unclear into the fall, most mortgage executives believe the changes will not jeopardize the GSEs’ core lending functions and the implicit government guarantee that is the key to their operation. Change, however, comes with risk. “The net positive if GSEs go private is [that] nothing happens,” said an affordable housing executive. “The net negative is something goes horribly wrong.”

### Weak Growth but Stable

The prospect for the multifamily sector in 2026 is one of low growth but stability. There is risk to the outlook if the economy sinks into stagflation or if operating expenses return to pandemic-era inflation, but the downside is limited by strong demand and underbuilding in many metro areas. As an investment, the worst-case scenario is a continuation of weak deal flow and a mild uptick in acquisition yields, while the upside is lower interest rates and a rebound in activity.

“Current trade and immigration policies come with significant risk, and if I was investing, I would worry,” said an executive at a national brokerage. “That said, multifamily supply and demand metrics generally appear favorable.”



### Industrial

#### Trade Ups and Downs: Navigating the New Supply Chain

- Global trade dynamics continue to shift under ongoing tariff and policy changes, reshaping supply chains while U.S. logistics demand remains anchored in domestic consumption.
- Industrial occupiers are emphasizing long-term network optimization and expansion, prioritizing strategic locations and future-ready facilities over short-term market fluctuations.
- New development will remain limited as elevated construction costs and compressed margins constrain near-term supply.

U.S. logistics real estate demand is largely insulated from direct impacts of trade-related shocks, a trend supported by longstanding structural characteristics. Only 15 percent of U.S. logistics demand is tied directly to global trade, while 75 percent is tied to locations near population centers for deliveries to U.S. consumers. This anchors demand around major metropolitan areas, providing a stabilizing foundation for logistics real estate, even as trade policies evolve. While port and intermodal hubs are more exposed, the broader market is defined by domestic-facing activity, including e-commerce fulfillment, essential goods distribution, and retail restocking.

Market-level data further underscore the resilient demand drivers. High-population port markets such as Southern California demonstrate that only about 25 percent of occupier demand is directly trade-related. Even in regions with notable import exposure, diversification across industries and sourcing strategies has mitigated downside

risk. Industrial real estate user behavior has shifted in 2025 to focus on long-term leasing strategies over the short-term fluctuations in goods sourcing, reinforcing the future-proofed nature of global supply chains.



### Industrial/Distribution

#### Buy/Hold/Sell Recommendations



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

### Industrial/Distribution

#### Opinion of Current Industrial Pricing



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

Still, the industry remains watchful for tariff-related impacts on consumer spending. An economist characterized today's landscape as a "bifurcated economy." Higher-income households, supported by equity market and home equity wealth, continue to spend, while lower-income households are under acute financial strain from high costs and are very cautious with spending. This divergence sustains headline consumption but masks underlying fragility, as real disposable income growth is insufficient to sustain broad-based consumption. Retail sales have remained strong at +4.2 percent year-over-year for the first half (1H) of 2025 but continued pressure leads many economists to believe this will decelerate. As of September 2025, evidence of the cautious consumer is already visible in soft discretionary spending, from home improvement to travel, even as spending on essentials holds up.

The very structure of global trade is undergoing a transformation, not only because of tariffs, but as part of a broader long-term shift from single-origin sourcing that pre-dates April 2 tariff announcements. A freight expert noted that production is no longer anchored in a single dominant hub but is fragmenting into the "China + many" model. The drivers are both geopolitical and commercial: the United States seeks to reduce vulnerability to Chinese supply chains, while industrial users seek greater resiliency in sourcing. Tariffs imposed on Chinese products since the first Trump presidency have also accelerated diversification of sourcing beyond China, supported by bipartisan efforts during the Biden presidency. Still, as of October 2025,

tariffs have not reversed U.S. reliance on imports, as labor competencies, supplier networks, and available resources remain competitive constraints for large-scale U.S. manufacturing.

## Cautious Demand for Logistics Real Estate, but Occupiers Still Executing

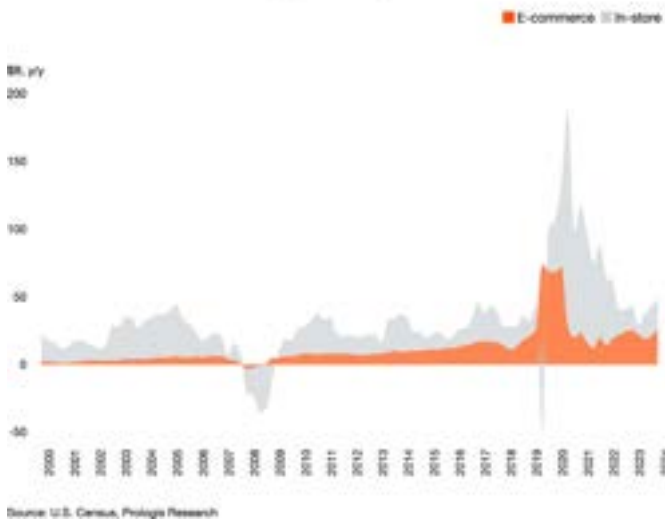
User demand in 2026 reflects both macroeconomic concerns and strategic repositioning. New leasing volume, proposals, and tenants in the market grew in Q2 2025 compared to the first quarter as more users shifted their priorities toward long-term supply chain buildouts despite prolonged uncertainty. On the other hand, many occupiers remain cautious, with leasing decisions delayed or escalated to higher executive levels. On net, the pipeline volume of new requirements is healthy, while the pace of leasing remains slower than historical norms.

Occupier behavior varies significantly by industry according to an expert on industrial users, with essential sectors such as food and beverage or health care navigating tariff-related risks more effectively, while others with complex global sourcing models and varying consumer demand are hitting pause as they wait for clarity on materials, energy availability, and cost structures that remain in flux.

## E-commerce Serving as a Structural Driver

E-commerce demand remains stable but more rationalized, with growth led by logistics users optimizing for automation and fulfillment speed. Online retail continues to capture a growing share, and U.S. e-commerce penetration is projected to reach 30 percent by 2030, up from 24 percent today, according to the U.S. Census Bureau and Prologis Research estimates that this share shift alone would generate 250 million to 350 million square feet of logistics demand by 2030. Retailers' real estate strategy reflects this: strategies now reflect a reduction in storefronts, down 2.4 percent in total since the pre-pandemic period, and expansion of logistics space to meet e-fulfillment needs, seen in logistics footprints expanding 12 percent in the same period. Retailers and cross-border platforms drive leasing in key hubs while diversifying into secondary and urban markets to meet consumer expectations.

Annual Retail Sales Growth by Channel, U.S.



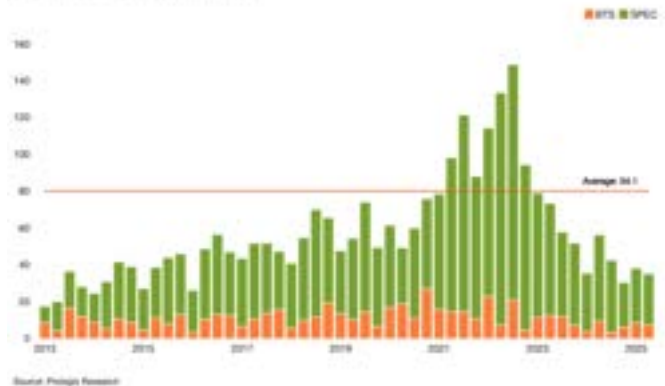
### Manufacturing Demand Generating New Requirements

Reshoring is happening for select industries, with investments concentrated in markets in the Southeast and Central United States where lower labor and real estate costs provide long-term advantages. In these areas, manufacturing now accounts for 20 percent of new leasing, up from 13 percent pre-pandemic. An expert on manufacturing leasing says manufacturing activity in the Central United States is experiencing a steady shift, led by light manufacturing and reshoring of high-value technology sectors such as electronics, semiconductors, and components for data centers and consumer devices, along with defense and aerospace companies. While these moves reflect the onshoring of high-value and national security priorities and long-term supply chain strategy, large-scale expansion is still constrained by several structural barriers including power infrastructure, skilled labor availability, and material costs. Advanced manufacturing users, in particular, face challenges filling roles that cannot be automated in the near term, and many are weighing capital outlays for automation as a substitute for labor that is either unavailable or too costly to recruit within the United States. While the trend is positive for manufacturing, the magnitude of growth will likely plateau with the majority of logistics real estate demand still focused on serving consumption.

### Supply Disciplined, with Power and Water Constraining Development

New supply will remain constrained in 2026, as 2025 year-to-date starts are down 25 percent compared to the 2017–2019 average. As a result, deliveries in 2026 will be down more than 70 percent versus the pandemic peak. In the United States, replacement cost rents are roughly 20 percent above class A market rents, a spread that continues to curtail new supply in most markets. Only Texas and parts of the Southeast are recording an increase in starts; demand in these locations is strong enough to support absorption of new buildings. The build-to-suit share of starts is also rising to historical averages (approximately 20 percent share), indicating emerging scarcity of suitable available buildings and strong demand for best-in-class, tailored facilities. During the recovery stages of prior downcycles, demand is often the strongest for large, new buildings, but with construction of more than 750,000 square feet of buildings down 85 percent according to Prologis Research, big-box scarcity could arise in 2026.

U.S. Industrial Development Starts



Access to reliable power infrastructure has emerged as a significant gating factor in the development of new industrial product, contributing to both construction delays and constrained future supply. Across multiple markets, larger users are encountering one- to two-year delays for sufficient power access, with even standard upgrades requiring up to 12 months, according to a development expert. Developers are increasingly forced to pre-purchase power or engage in on-demand energy agreements to secure future capacity, adding both cost and complexity to project planning. The issue is further compounded by energy regulation and pricing volatility, particularly for AI-related and environmental, social, and governance-compliant developments. Consequently,

older product is often retained for light manufacturing due to its power availability.

Innovations in industrial products are evolving in response to rising costs, regulatory pressure, and operational complexity, according to an expert in new construction technology. Developers are experimenting with software-enabled precast panels and thinner slab-laying methods to reduce material usage and manage structural costs. Drones are increasingly deployed for real-time site surveys and construction monitoring, improving reporting efficiency and reducing labor demands. While many of these technologies are in the early stage, they reflect a shift toward simpler, scalable solutions aimed at controlling development risk and maintaining competitiveness in a high-cost environment.

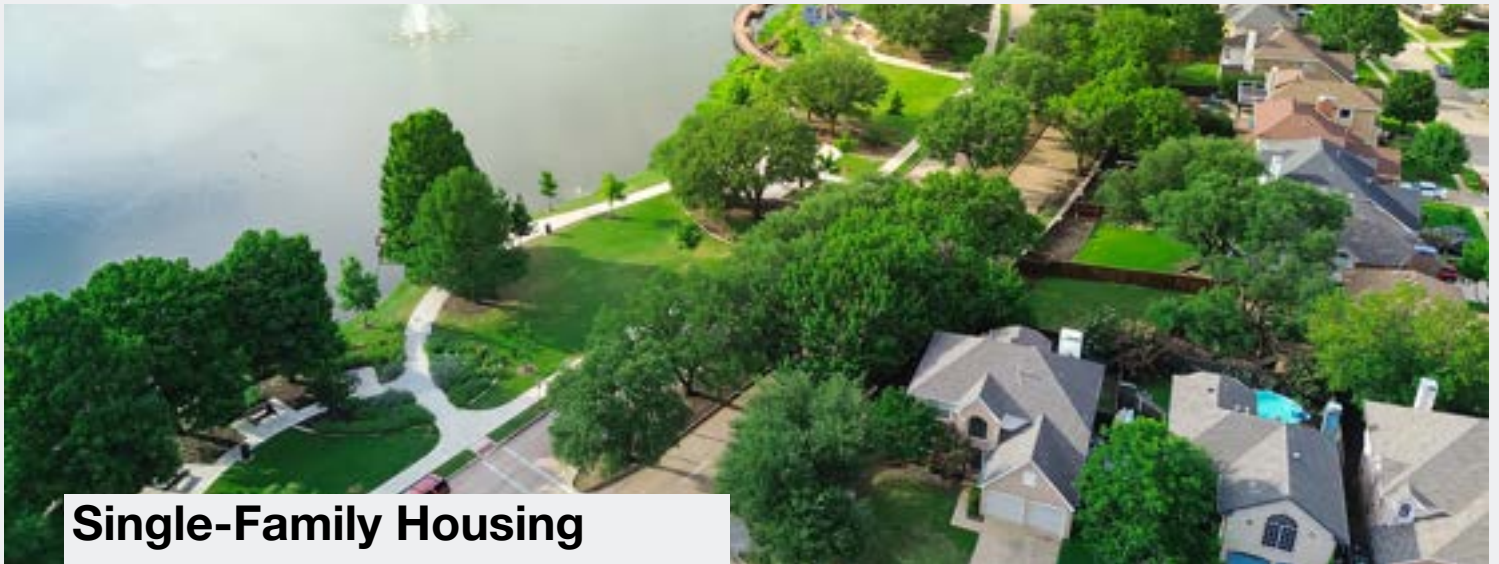
### **Capital Markets Volatile but Mostly Resilient**

Industrial real estate transactions could fall further as investors recalibrate their needs amid a high cost of capital and navigate uncertainty. The first half of 2025 was marked with volatility with transaction volume in Q1 rising 1 percent versus the same period in 2024, followed by a dip of 6.3 percent in Q2 year-over-year. Cost of capital remains high and previous expectations of transaction volumes have been pushed off as investors focus more on investments they can control. This has driven interest in smaller vehicles where investors can focus on asset selection and active management, recognizing that location, year built, and operator quality have become critical to performance. Data centers have become the latest focus of investor enthusiasm, with construction and capital flows accelerating, pulling from infrastructure and commercial real estate allocation buckets.

According to a capital markets expert, investors continue to direct money to institutional assets poised for long-term performance. Cross-border investment into the United States has slowed, but domestic capital remains strong, with smaller funds, net asset value real estate investment trusts, and opportunity zone vehicles increasingly active.

### **Conclusion**

Trade policy changes have created ripples through industrial real estate in 2025 and will continue to shape the future of the sector into 2026, even as the bulk of demand remains centered on consumption. Industrial users are navigating the changes to global supply chains and heightened economic uncertainty while shifting focus to long-term drivers amidst volatility. Trade and economic uncertainty will continue to introduce volatility to industrial demand into 2026.



### Single-Family Headwinds and Opportunities

- Builders are looking to the future with guarded optimism, though they recognize the headwinds will remain significant over the next year.
- Affordability remains the greatest challenge and is being addressed by constructing smaller, lower-spec homes, as most buyers are willing to sacrifice size and finishes for price relief.
- New homes and resale inventory are rising, and builders are shifting to single-family rental partnerships and slowing land purchases to manage excess supply and cancellations.

The single-family home market struggled in 2025, faced with a combination of slowing demand, weak affordability, and increased supply from slower sales and rising resale inventory. Builders are looking to the future with guarded optimism, though they recognize the headwinds remain significant over the next year.

Most builders described new home demand in 2025 as “slow.” New home sales per community were down 15 percent year-over-year in August, according to the John Burns Homebuilder Survey. Yet despite the moderation in sales, builders averaged 2.4 net sales per community in August, still 4 percent above the 2012–2019 August seasonal average.

Builders seek to grow sales over the next three years but acknowledge significant challenges.

**New Home Net Sales per Community YOY % Change**  
Weighted averages August-25 vs. August-24



Source: John Burns Research and Consulting (JBREC)

### Affordability Is the Top Concern for the Future of Housing

Despite the widespread use of incentives (builder incentives averaged 7.5 percent of base prices in August), affordability remains a top concern among homebuyers. The Burns Affordability Index, which measures housing-cost-to-income ratios, is currently near an all-time high of 39 percent (versus a norm of 31 percent).

Looking to the next few years, one method builders are using to combat affordability is by building smaller homes. The average size of a new single-family home has fallen to 2,386 square feet in 2Q 2025 from a peak of 2,692 square feet in 2016.

### Size of New Single-Family Homes

Rolling 4 Quarters

SF starts: average floor area  
Current = 2,386

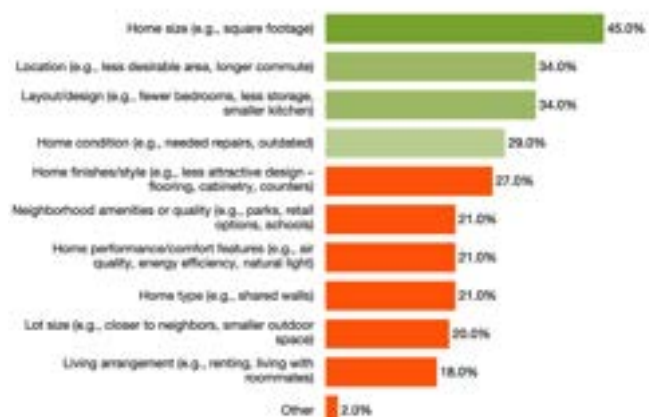


Source: Census Bureau (Data 2025, Pub: Sep-25)

Buyers are increasingly willing to trade space for affordability. According to a recent New Home Trends Institute survey, more than 60 percent of current home shoppers say they would compromise on home size in order to purchase a new home.

### Which aspect(s) of your current home did you compromise on due to affordability?

Share of US homeowners and renters who made compromises due to affordability when choosing their current home



Respondents were instructed to select all that applied. Results will not total 100%.

Source: New Home Trends Institute by John Burns Research & Consulting, LLC June 2025 survey of 1,288 US homeowners and renters

Some builders are lowering the spec level of homes to save costs. One builder noted lowering ceiling height and providing fewer windows and lower-finish countertops to

save on costs. These changes have not had a material impact on home demand, as buyers are willing to trade the lower spec level for affordability.

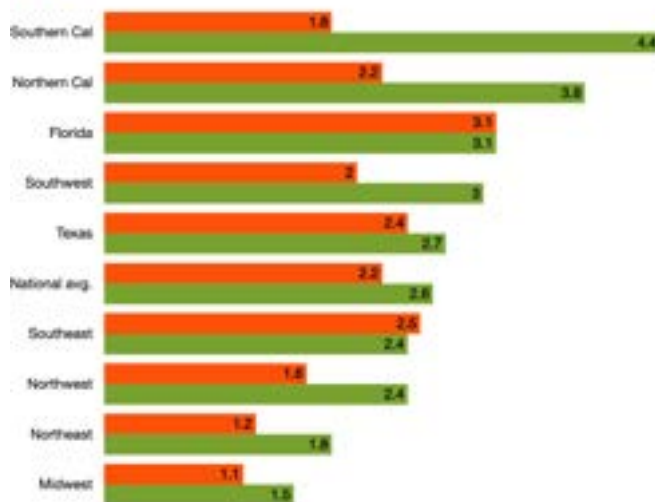
## The Supply Backdrop Will Remain a Headwind Through 2026

Builders continue to report increased competition from new home inventory and resale supply. Unsold finished inventory is rising—up 18 percent year-over-year in August to 2.6 homes per community, per John Burns Builder Survey. The inventory varies by region, with Southern California the highest (4.4) and the Midwest the lowest (1.5). Resale supply is at or above 2019 levels in most markets (except the Midwest and Northeast).

### Number of Unsold, Finished New Homes per Community

Weighted averages

24-Aug 25-Aug

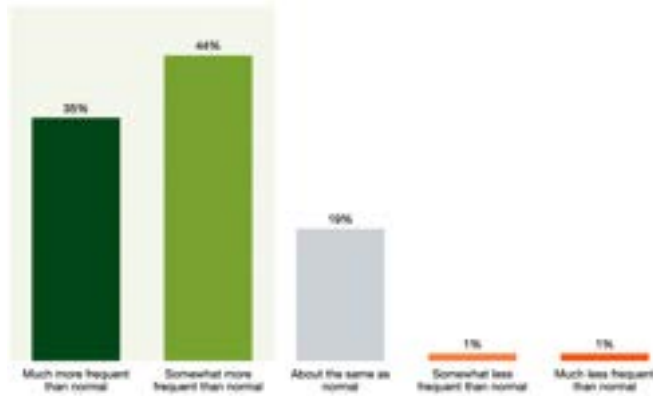


\*Note: Inventory levels can be influenced by builder strategies, type of community (such as active adult), and seasonality that varies significantly by market. The above chart shows year-over-year comparisons for all respondents.

Source: John Burns Research and Consulting, LLC, independent survey of ~16% of all US new home sales, NSA (Date: Aug-25, Pub: Sep-25)

To combat supply, builders are increasingly turning to single-family rentals as a strategy to absorb excess supply by selling inventory homes or acting as a fee-builder to a single-family operator. In addition, builders report a slowing of land purchases in select markets where supply has become a concern. A recent John Burns Land Survey indicated nearly 80 percent of land brokers are seeing more frequent land transaction cancellations and renegotiations compared to normal.

Frequency of Land Transaction Cancellations and Renegotiations



Source: Source: John Burns Research and Consulting, LLC, independent survey, NSA (Data 2Q25, Pub: Jul-25)

### Costs Improved in 2025 but Could Be a Headwind for 2026 and Beyond

While most builders concede that costs declined somewhat and stabilized in 2025, many believe rising costs—both labor and materials—could be a major headwind over the next two years. In a recent survey, John Burns Research asked builders if recent immigration policies have impacted the labor force yet and only 7 percent of large homebuilders surveyed said “yes.” But builders we spoke to note a challenging future ahead with one noting, “How do we get the same work with fewer people?” Another builder noted longer lead times for drywall and framing due to labor availability. And while materials costs have improved in 2025, builders are concerned for 2026 and beyond. One builder highlighted two lumber mills that recently closed due to “business challenges.” When market demand returns, the builder predicted rising prices due to a “strain in the supply chain.”

Labor and material cost concerns are growing, and builders continue to monitor the changes in these costs. Some work to secure their pipelines to provide a steady flow of work for their subcontractors. One builder noted conducting research into technology and prefabricated materials to save labor costs, and others are seeking alternative materials in anticipation of materials shortages or cost overruns.

### More Cooperation Is Needed with Municipalities

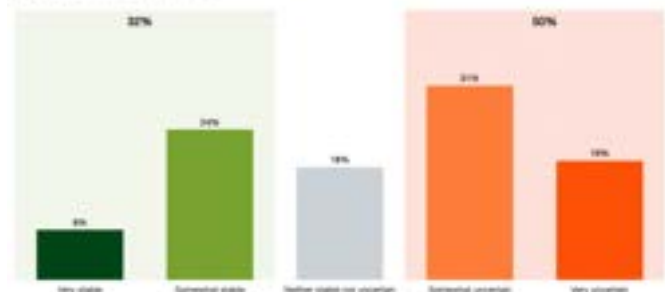
Nearly all builders we spoke with voiced concern over municipalities’ unwillingness to allow additional density needed to reduce housing costs. In addition, municipal fees and complicated rules continue to hinder the pace of

new development, proving costly for homebuilders. One builder noted, “Permitting is our biggest challenge, which is impacting the timing of starts,” while another notes, “The city permitting process is long. City staff are not collaborative.” To combat these municipal hurdles, builders emphasized a strategic shift toward markets where development is more straightforward and collaboration with local governments enables smoother project approvals.

### The Biggest Headwind for the Future Is Consumer Sentiment

Most builders identified consumer uncertainty and ongoing market volatility as the primary headwinds to growth. According to a recent New Home Trends Institute survey, half of consumers feel uncertain about the U.S. economy, with their concerns most closely tied to current economic conditions. As one builder explained, “The American consumer lacks confidence when it comes to making housing purchases.”

Description of Current State of the US Economy  
Share of US homeowners and renters



Source: New Home Trends Institute by John Burns Research & Consulting, LLC, June 2024 survey of 1,388 US homeowners and renters

### Builders Continue to Seek Opportunities

Affordability, increased supply, rising costs, municipal codes, and consumer sentiment will likely remain concerns for the single-family industry over the next few years. But builders remain optimistic. They recognize the need for new homes and are focusing efforts on finding the right opportunity—whether through smaller homes, new locations, different product types, or new technologies. All builders agreed that a decline in mortgage rates will increase traffic and sales, especially as prospective buyers can sell their resale home. In the current market environment, builders recognize that strong leadership, strategic marketing, and an innovative mindset are critical for establishing a competitive advantage, even amid persistent economic headwinds.



### Retail

#### Uncertainty Fatigue and Faith in Retail Resilience Heading into Cloudy 2026

- Vacancies due to rising chain store closures and bankruptcies have thus far been offset by an influx of new user tenant types in the market and record low levels of development.
- The impact of tariffs on the economy, consumers, and retailers remains a major concern heading into 2026, and slower growth and rising vacancy rates are anticipated.
- The mood is less one of pessimism than one of uncertainty fatigue, at worst, and pandemic-earned confidence in retail resilience at best.

In last year's *Emerging Trends* report, we highlighted how retail's post-pandemic rebound was increasingly challenged by a rising wave of bankruptcies and store closures. Though retail sales remained largely in positive territory, the long-term impacts of the 2022–2023 inflationary wave, the Federal Reserve's interest rate hikes, and rising levels of consumer debt were starting to take their toll. The Census Bureau's monthly retail sales data reflected average annual gains of 3.6 percent across 2023, but this number had dropped to just 0.7 percent across the entirety of 2024.

Some categories continued to outperform, especially discount and food-related retail, while others including furniture, electronics, and appliances struggled. Bankruptcies and closures reflected these divides, as well as the continued structural issues facing a drugstore sector where all three of the nation's largest chains were in sharp consolidation mode, with one of them entering bankruptcy only to close the last of its stores in October 2025. According to chain-store tracking firm Coresight Research, traditional merchants closed more stores than they opened in 2024 for the first time since 2020.



### Retail

#### Buy/Hold/Sell Recommendations



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

### Retail

#### Opinion of Current Retail Pricing



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on U.S. respondents only.

Yet despite these headwinds, retail real estate recorded occupancy gains in 2024. According to the CoStar Group, the U.S. market recorded positive net absorption of 21.2 million square feet in 2024. Though historically tepid—the market has averaged 71.7 million square feet of occupancy gains per year since 2013—the fact that retail managed to record occupancy growth at all comes down to two basic factors: a lack of new development and the continued rise of non-traditional tenants taking space in shopping centers. As one institutional landlord told us, “Some of our legacy merchants are struggling in certain categories, but we see brisk leasing from restaurants, service-oriented concepts, experiential, and even some categories that weren’t major players in retail just a few years ago.”

Despite the modest occupancy gains of 2024, retail vacancies still rose. CoStar reported that overall retail vacancy climbed from 4.0 to 4.1 percent—with more pronounced increases in certain shopping center types—as developers added 28.7 million square feet of new space, outpacing the year’s 21.2 million square feet in occupancy gains. “Last year’s numbers were tepid all around,” the research director of a major brokerage told us. “The lack of new development out there has been a major factor in the market’s ability to absorb this level of closures. My big

concern heading into 2025 and beyond has been whether this dynamic could hold. I suspect we are going to see vacancy levels climbing much more visibly in 2026.”

That question was increasingly put to the test in 2025. In discussions with market players for this year’s report, uncertainty was the universal theme. Yet, pessimism was not. As one of our interview subjects told us, “The vibe I get in the market doesn’t feel like cautious optimism. Is hopeful pessimism a thing? Or am I just describing uncertainty fatigue?”

Another told us, “It just seems like the last few years we have had a greater level of economic uncertainty baked into the cake. In 2023 and 2024, that question of ‘recession or not,’ was about inflation and interest rates and could the Fed engineer a soft landing. Now that’s the same thing but it’s about the tariffs. After a while you just start to tune it out. I mean, other than deals taking a little longer to get done, we’ve been holding our own and doing ok.”

As the CEO of a REIT told us, “We were hopeful that coming into 2025, some of the things the new administration was promising—like corporate tax cuts and deregulation—would juice the economy and be a boon to retail. We were less concerned about the president’s rhetoric over tariffs. We figured we would be looking at a repeat of the tariff policies of his first term. That didn’t happen and we have had to deal with a huge amount of uncertainty injected into the economy. Our tenants seem to be weathering those challenges so far, but my biggest concern is what’s ahead. I don’t think we have felt the full impact of these policies yet.”

Retail bankruptcies and closures only escalated in 2025. Coresight predicts that store closures for the year will top 15,000, double the number recorded in 2024.

The Brown Book, which tracks growth plans for both traditional and nontraditional retailers, reports that most chains entering 2025 in expansion mode have since pulled back. “A lot of retailers have scaled back growth plans since the start of the year—particularly traditional merchants.” They report that the beauty, discount, grocery (particularly small-format, discount, ethnic, or organic), and off-price apparel categories remain in robust growth mode. Fitness and restaurants are also expanding overall, though some concepts within these categories are contracting. Meanwhile, newer tenant types including aesthetics/MediSpa concepts, cannabis dispensaries, car washes, medical, pet-related, and

## Chapter 2: Property Type Outlook

veterinary concepts all remain highly active, though not at 2024 levels.

Through the third quarter of 2025, the CoStar Group was reporting that national retail vacancy had jumped to 4.3 percent with 10.6 million square feet of negative net absorption through the first nine months of the year. Deliveries had fallen to 19.6 million square feet, with 2025 on pace to be the third weakest year for new development this century.

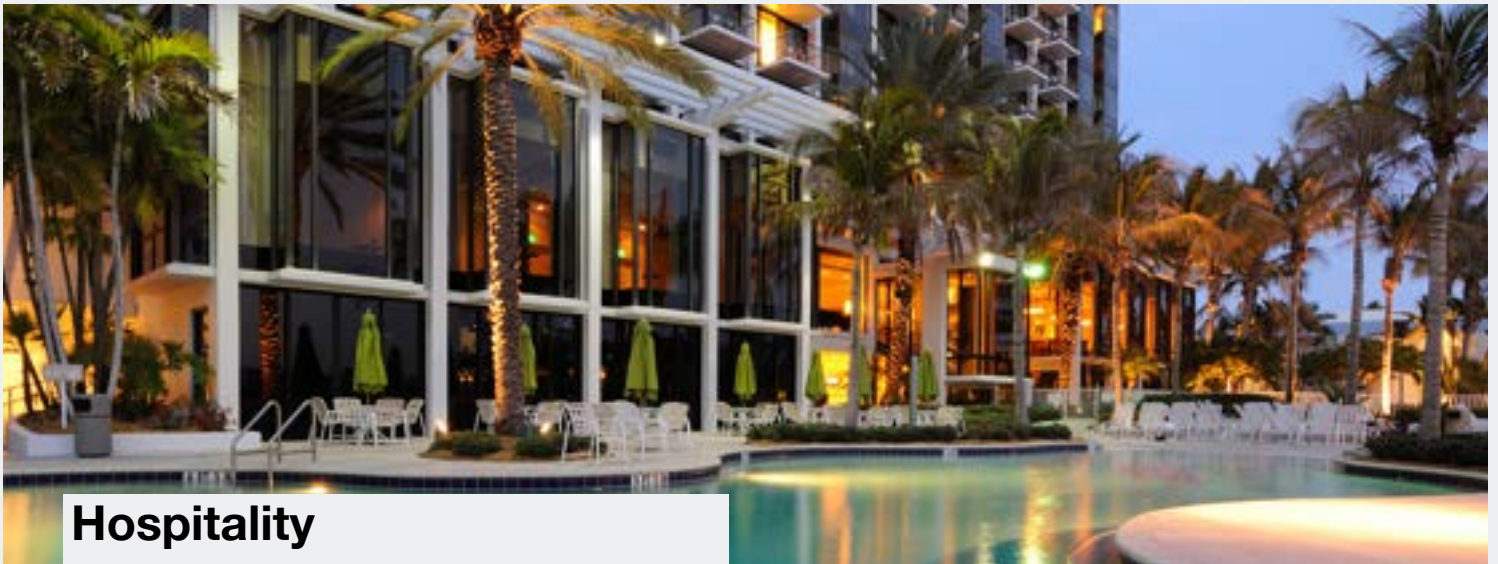
Still, they also report that rent growth remained positive through Q3 2025 to the tune of 1.8 percent, although most of the brokers we spoke to anecdotally report stronger gains. “If you have quality real estate and it is either small shop space of 5,000 square feet or less or if it is junior box space in the 20,000- to 30,000-square-foot range, there’s still a shortage of opportunities for tenants, even if that tenant pool has been slowly declining for the last couple of years,” we were told by one national tenant representation specialist. “I am still seeing aggressive asking rents for this kind of space.”

A site selection specialist for a national chain shared, “Where we are seeing the greatest willingness to negotiate or offer better inducements is in challenged space, like former drug stores, where we have done a few deals though their sizes are larger than our typical store footprints, or in tertiary markets. Not a ton of opportunities right now for opportunistic tenants overall—but I suspect the opportunities will grow in 2026.”

Our subject interviews in Q3 2025 shared a common concern that the final months of the year will be an inflection point for retail heading into 2026. As one researcher shared, “While most analysts agree we have only started to feel the impacts of tariffs on inflation, no one knows what the full impact will be. But the timing of price increases and possibility of inventory shortages could present some of our weaker chains with a make-or-break scenario.” Meanwhile, another respondent told us, “I am just as concerned as to what the state of the consumer will be post-holiday. Even if we have a solid season, we might be looking at a tapped-out consumer to start 2026.”

One institutional landlord noted, “Looking ahead, I expect an intensification of the trends we have seen play out the last few years. Whenever inflation is elevated, the winners have been value-oriented retail. At the other end of the economic scale, luxury brands usually hold their own so I am sure that sector will do fine. But once again, it is probably going to be a lot of unwelcome news ahead for those brands in the middle that are undifferentiated to the consumer in terms of price or prestige.”

Most of our interview respondents expressed major concerns about the economy heading into 2026, but none were especially downbeat. As one dealmaker told us, “If you were in this industry during the pandemic, you learned that our sector is way more resilient than any of us thought it was.” Another of our interviewees put it another way, “If the economy goes off the rails in 2026, it will likely be because of a voluntary policy decision that could be reversed in an instant. And last I checked, 2026 is an election year, so keep that in mind.”



### Hospitality

#### Headwinds and AI in a Two-Speed Hotel Economy

- Hotel performance remains flat, with modest RevPAR gains as higher rates offset softer occupancy; outlook hinges on macro stability and a potential rebound in international travel from events including the 2026 FIFA World Cup.
- AI adoption is accelerating across hospitality, driving scalable personalization, dynamic pricing, and operational efficiencies that enhance profitability and guest engagement.
- A widening performance gap underscores continued premiumization, with luxury hotels thriving on exclusivity while economy segments face pressure from weaker demand and alternative lodging options.

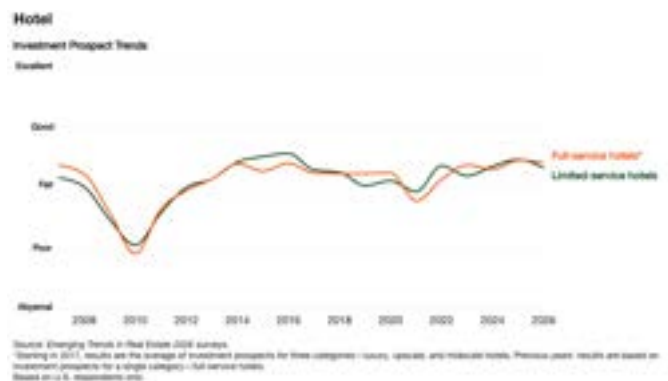
Hotel sector performance has remained largely stagnant over the past year, marked by a marginal gain in revenue per available room (RevPAR). According to STR data as of August 2025, year-to-date RevPAR grew by 0.2 percent, driven by a 1.0 percent increase in the average daily rate (ADR), which was offset by a 0.8 percent decline in occupancy. Against the backdrop of this stagnant growth, the sector is being shaped by transformative trends that will define its trajectory in 2026 and beyond.

One of the defining themes shaping the industry is the ongoing rapid rise of artificial intelligence (AI). Adoption of AI is helping deliver more personalized guest experiences, optimize revenue management, and identify meaningful cost-saving opportunities at both the company and property levels. In addition, AI has emerged as a disruptive marketing channel, as travelers are increasingly turning to

AI platforms for trip inspiration, itinerary planning, and hotel recommendations.

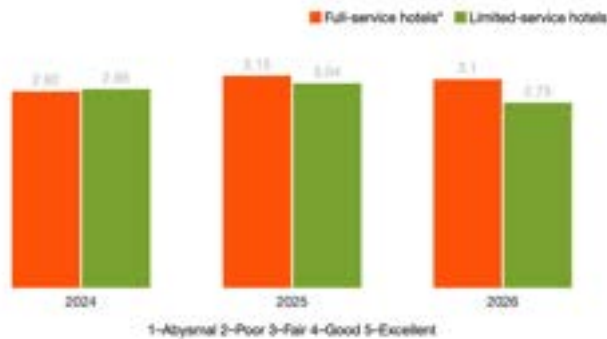
Beyond AI trends, the bifurcation in hotel performance between higher-priced segments and economy segments has not only persisted but intensified, compared to last year. This widening gap has contributed to the continued premiumization of the hotel industry, where luxury hotel companies seek to differentiate themselves through exclusivity and distinctive experiences.

At the same time, international travel has become a significant headwind for the industry, driven by shifting geopolitical dynamics and more restrictive travel policies. Looking ahead, however, there are signs of a potential recovery in 2026, with the FIFA World Cup expected to serve as a major catalyst for inbound demand and a possible turning point for international tourism.



### Hotel

#### Development Prospect Trends



Source: Emerging Trends in Real Estate survey.

\*Starting in 2017, results are the average of investment prospects for three categories—luxury, upscale, and midscale hotels. Previous years' results are based on investment prospects for a single category—full-service hotels.

### Hotel

#### Buy/Hold/Sell Recommendations



Source: Emerging Trends in Real Estate 2026 survey.

Note: Based on U.S. respondents only.

### Hotel

#### Opinion of Current Hotel Pricing



Source: Emerging Trends in Real Estate 2026 survey.

Note: Based on U.S. respondents only.

## Personalization at Scale

Hospitality brands and operators have long sought to distinguish their product through personalization; 2026 is shaping up to be the year it firmly establishes itself as one of the industry's defining trends. Travelers are increasingly expecting experiences that reflect their individual preferences, and companies that hesitate to fully embrace personalization risk falling behind their competitors.

The opportunities for personalization span the entire guest journey. Pre-arrival, hotels can leverage guest profiles and past behaviors to deliver tailored offers and curated

itinerary suggestions. At check-in, personalization can take the form of individualized greetings, relevant upgrade opportunities, or honoring past requests, such as preferred room location. During the stay, technology enables more dynamic engagement, from personal greetings on in-room televisions to customized dining recommendations and wellness promotions. At every stage, personalization creates opportunities to deepen guest loyalty and drive incremental revenue.

Delivering personalization at scale requires more than just data collection; it requires the effective integration of AI. Among the various applications of AI within the hotel sector, personalization stands out as one of the most compelling. AI-powered tools enable hotels to analyze large volumes of guest data, identify patterns, and translate those insights into individualized experiences. While hotels have long sought to use data for better decision-making and targeted marketing, such efforts have historically been labor-intensive and costly. AI fundamentally changes this equation, making personalization both scalable and more cost-efficient than before. As adoption of AI accelerates, personalization has the potential to shift from a differentiator to an industry standard, reshaping the competitive landscape of hospitality in 2026 and beyond.

## AI's Expanding Role in Hotel Profitability

In addition to enabling more personalized guest experiences, AI is increasingly being deployed to improve hotel profitability by both boosting revenues and reducing costs.

Revenue management has been one of the earliest and most impactful applications of AI in hospitality. By leveraging real-time data on booking pace, competitor pricing, local events, and even weather patterns, AI-driven systems can dynamically adjust rates to maximize revenue for hotels. These tools also enable more accurate demand forecasting, allowing operators to allocate inventory across distribution channels more effectively. The ability to optimize revenue management in a scalable and cost-efficient manner has accelerated adoption, with a growing number of hotel companies now embedding AI into their core pricing strategies.

On the operating cost front, AI is driving significant labor and operational efficiencies. Occupancy forecasting powered by AI allows hotels to better align staffing levels with anticipated

demand, reducing overstaffing during slow periods and ensuring adequate coverage during peak periods. Routine guest interactions are increasingly being automated through chatbots and AI-enabled concierges, which are able to provide dining recommendations and answers to a variety of guest questions, reducing front desk workload. The adoption of self-check-in kiosks is another cost-saving measure, particularly prevalent in budget and mid-scale hotels where margins are tighter and guests place less emphasis on customer service at check-in.

AI is also transforming hotel operational functions, particularly in energy management and maintenance. Hotels are increasingly leveraging smart systems to optimize HVAC performance, using occupancy forecasts to pre-condition rooms and regulate energy consumption more efficiently. AI-enabled lighting systems adapt to natural light levels and occupancy, further reducing energy waste. In facilities management, AI is facilitating a shift from reactive to predictive maintenance across key systems such as HVAC, elevators, and plumbing. This transition reduces the incidence of emergency repairs, minimizes downtime, and extends the lifespan of these assets.

Beyond revenue management, staffing, and operational efficiencies, AI has also been deployed in hospitality call centers with measurable impact. On the revenue side, PwC analysis indicates that AI has reduced call abandonment rates by 6 to 8 percent and increased reservation conversion by 25 to 35 percent. From a cost perspective, AI has decreased call volume by 20 to 30 percent and reduced average handle time by 15 to 25 percent, freeing up agent capacity and lowering overall staffing requirements.

While implementation costs and economies of scale have positioned large hotel brands at the forefront of AI adoption, the technology's applications and adoption are expected to broaden rapidly across the industry, reshaping how hotels drive profitability in an increasingly competitive landscape.

### AI Optimization for Hotel Marketing

While AI is reshaping the guest experience and on-site operations, a critical trend reshaping consumer-facing industries is the transition from traditional search engine optimization (SEO) to AI optimization as companies seek new ways to reach customers. Much like SEO transformed digital marketing when it first emerged, AI optimization is poised to become a revolution of its own, with adoption still

in its preliminary stages. According to an April 2025 study by the Pew Research Center, 57 percent of U.S. adults interact with AI at least several times per week. As this number grows and consumers become increasingly comfortable with AI tools, the potential influence of AI optimization will expand significantly.

This shift is particularly relevant for the hotel industry. For more than a decade, travel bookings have largely originated from search engines such as Google and online travel agents (OTAs). Over the past few years, however, travelers are increasingly turning to AI platforms to plan trips, frequently asking tools such as ChatGPT for hotel recommendations. As this technology evolves, hotels and OTAs must ensure that their platforms are ready to be scaled for use by agentic models. Unlike traditional SEO, AI search optimization requires hotels to structure information in ways that can be easily processed and surfaced by AI systems. This technical complexity underscores the need for investment in digital infrastructure and marketing technology, enabling hotels to better understand how AI agents curate and recommend content. Those that adapt early will be best positioned to capture demand in a marketplace where AI increasingly serves as the first point of contact between travelers and hotels.

### Bifurcation in Performance Persists

In *Emerging Trends in Real Estate® 2025*, we highlighted the growing performance gap between luxury and economy hotels as an emerging theme within the industry. Over the past year, this bifurcation has not only persisted but accelerated. According to STR data as of August 2025, the luxury hotel segment posted year-to-date RevPAR growth of 5.3 percent compared to the same period in 2024, while the economy segment recorded a decline of 1.8 percent. Notably, luxury and upper-upscale hotels were the only two chain scales to achieve positive RevPAR growth on a year-to-date basis through August 2025. The strength of the luxury segment has been driven primarily by rate increases, with ADR up 5.0 percent year over year, highlighting the strong spending propensity of higher-income households.

### Hotels

US Occupancy & ADR % change by Chain Scale  
August 2025 vs August 2024



Source: STR Data for the Month of August 2025

This divergence continues to be shaped by the broader macroeconomic environment, as economic uncertainty has disproportionately impacted lower-income households and reduced their ability to spend on discretionary travel. This can be seen through a sharp deterioration in consumer confidence, with the University of Michigan Consumer Sentiment Index declining 21 percent between September 2024 and September 2025. As a result, demand has softened at the lower end of the chain scale spectrum, while higher-income travelers, buoyed by stock market gains and more resilient discretionary spending power, have continued to support performance at the luxury level.

In addition to macroeconomic headwinds, lower chain scale hotels are facing heightened competition from vacation rental platforms such as Airbnb and VRBO, which target price-sensitive travelers. The expansion of this alternative supply has constrained pricing power in the economy and mid-scale segments, ultimately limiting growth prospects for hotels in these categories.

Given the persistence of economic uncertainty and weakened sentiment among U.S. consumers, this bifurcation in hotel performance is likely to endure in the near term. While its trajectory will depend on broader macroeconomic conditions influencing consumer confidence, the current environment

suggests that the performance split between luxury and economy hotels will remain a defining trend for the industry in the near future.

### Premiumization of Travel

Embedded within the broader bifurcation of hotel performance is the continuing premiumization of travel. Luxury hotels have emerged as the primary growth engine of the hospitality industry, and operators are increasingly seeking ways to capture this demand. At the same time, travelers in the luxury segment are demonstrating heightened expectations for exclusivity, personalization, and differentiated experiences.

In response, hotels have been compelled to evolve their offerings, as a luxury room alone is no longer sufficient to attract and retain high-end guests. Instead, luxury travelers now expect a holistic experience that combines personalization, wellness, and culinary offerings to enhance their stays. This premiumization is also tied to a broader social dynamic, with travel acting as a status symbol. Affluent consumers are placing greater emphasis on travel experiences and are willing to pay a premium for exclusivity. This dynamic has enabled luxury hotels to achieve significant rate growth, with the segment demonstrating both pricing power and resilience even amid broader economic uncertainty.

Looking forward, the premiumization of travel is expected to deepen, and luxury hotels will continue to invest in distinctive offerings. The ability to deliver curated, exclusive experiences will be critical not only to capturing demand at the top end of the market, but also to sustaining growth in an increasingly competitive luxury market.

### International Tourism Outlook

External forces have thrown a wrench in the hospitality sector's ability to accurately paint a picture of what's ahead. The geopolitical environment has experienced volatile changes over the past year, with repercussions across a wide array of industries. The travel sector has been no exception as international visitation to the United States is projected to experience a notable decline in 2025. According to a May 2025 report by the World Travel & Tourism Council, the United States is projected to lose \$12.5 billion in international traveler spending in 2025, representing a 6.6 percent decrease from 2024. Similarly, a June 2025 forecast from Tourism Economics projects an 8.2 percent decline in international arrivals to the United States in 2025.

## Chapter 2: Property Type Outlook

This downturn is being driven in part by international travelers' perceptions of the current political environment in the United States, particularly proposed and implemented policies regarding stricter immigration laws and the imposition of tariffs. While the precise impact of this is difficult to quantify, it has clearly emerged as a major headwind to inbound travel. Policy changes have compounded these challenges, as the current administration has enacted tighter requirements for travel visas and Electronic System for Travel Authorization (ESTA) applications, including higher fees and stricter vetting procedures, which have increased the likelihood of denial.

The most pronounced decline of inbound tourism has been from Canada, historically the largest source of inbound travelers to the United States. According to Tourism Economics, Canadian visitation fell 23.7 percent year-to-date through June 2025 compared to the same period in 2024, reflecting heightened tensions between the two countries stemming from tariff disputes and policy strife.

Looking ahead to 2026, however, there are yet some reasons for cautious optimism. As the world becomes more acclimated to the evolving U.S. policy landscape, the initial shock to international demand should begin to ease. In addition, the 2026 FIFA World Cup, which will be hosted in the United States, is poised to reignite inbound travel and has the potential to provide the momentum needed to reverse the downturn of 2025.



### Medical Office

#### In Times of Uncertainty, Health Care Real Estate Offers Stability

- Health care real estate is positioned to outperform in 2026, supported by demographic tailwinds, sustained outpatient demand, and its role as a core defensive asset.
- Tight market conditions and limited new construction will continue into next year, maintaining upward pressure on rents and reinforcing stable fundamentals.
- Investor activity is expected to strengthen in 2026 as capital markets ease and confidence builds around the sector's long-term growth trajectory.

In times of market uncertainty, investor focus tends to shift to sectors that are anticyclical and can weather a storm. The inelastic demand for health care services and the real estate that supports it becomes even more attractive. Despite an overall softening of the labor market, health care continues to be one of the strongest sectors tracked by the Bureau of Labor Statistics: health care employment growth annually was 2.8 percent as of August 2025 (down from approximately 4 percent levels in 2024) while total nonfarm growth has slowed to 0.9 percent as of August (from levels of 1.3 percent in 2024).

Demand for health care services continues to grow as the population ages, new discoveries and medical advances increase the amount of medical issues that can be addressed, and the focal shift from reactive medical care to preventative care and wellness continues. The real estate that supports the health care system is largely made up of hospitals and inpatient care and medical office buildings or medical outpatient buildings (collectively, MOBs). There are 7,273 hospitals in the United States making up 1.9 billion

square feet and 42,260 MOBs representing 1.6 billion square feet. MOBs can include any number of tenant types and services including urgent care and emergency services, dialysis, ambulatory surgery, and imaging, as well as standard physician offices.

The MOB sector has continued to see an increase in demand. With advancements in health care technology, many services are now able to be performed in an outpatient setting rather than inpatient, freeing up space in the hospital for more advanced and complicated cases. In recent years, many of these MOB locations have been moving off-hospital campus and out into the community to make them more accessible for patients. This helps providers and hospital systems build market share and more effectively serve a wide range of patients and cases.

#### The One Big Beautiful Bill Creates Future Questions to Consider

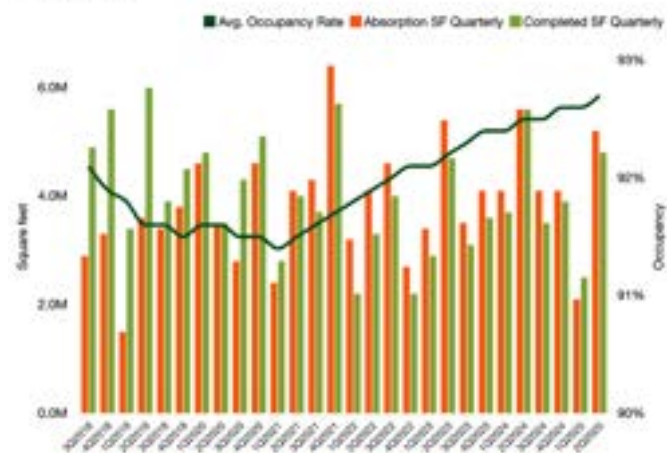
Despite increasing demand for the MOB sector, the recent passage of the “One Big, Beautiful Bill” (OB BB) has created several questions for investors and stakeholders to consider. The OB BB was signed into law on July 4, 2025. The bill calls for steep cuts to Medicaid of almost \$1 trillion over 10 years. There is concern within health care circles that rural providers with a higher prevalence of Medicaid patients will feel the worst pain while many hospitals will see their uncompensated care costs rise, impacting cash flow and profitability. The bill also rolls back parts of the Affordable Care Act, and the Congressional Budget Office estimates that millions could lose health care coverage. This could result in the uninsured choosing to visit the local emergency room rather than their local doctor's office. However, the bill could also benefit the MOB/outpatient sector as health systems and providers may choose to invest in lower-cost

settings of care. Many of the impacts from the OBBB remain to be seen but it is wise to consider these topics in an analysis of the MOB sector.

### Occupancy Rates Continue to Climb Across the MOB Sector

Occupancy rates across the top 100 metro areas for MOBs have been on the increase for several years. Emerging from the COVID-19 pandemic, a new paradigm for MOB fundamentals has taken hold. Construction levels have fallen as construction costs have risen while, at the same time, demand for space has increased. This has caused the occupancy rate to reach a cyclical high in 2025 of 92.7 percent in the top 100 metro areas (see chart below). During the past three years, 44.4 million square feet of MOB space has been completed within the top 100 metro areas, while absorption (the change in occupied space) has increased by 48.9 million square feet. The result during these three years has been an increase in the occupancy rate of 70 basis points (bps) to 92.7 percent in 2Q25. While high occupancy rates are the result of strong fundamentals, they often lead to “tight” conditions in many markets where providers and other tenants have limited space options to consider for growth.

**MOB Quarterly Absorption, Completions, Occupancy (%), Top 100 Metro Areas**



Source: ResearchNow.com

With this, rents within the MOB sector continue to rise. The average triple-net (NNN) rent across the Top 100 metro areas was \$25.35 per square foot as of 2Q 2025. The average NNN rent has climbed by 8.8 percent from three years ago, averaging year-to-year rent growth of 2.4 percent over the past three years and currently 1.8 percent.

### Metro Level Observations

Looking at the MOB markets, different pictures emerge regarding growth opportunities as well as current conditions. Growth markets have generally been in the southern part of the United States. Metro areas within Florida, for instance, have outperformed most other markets on occupancy growth, absorption, and even completions during the past several years. In 2019, significant portions of Florida’s certificate of need laws were repealed. This helped to spur a boom in hospital and outpatient construction, which was pushed further by population growth due to Florida’s response to the COVID-19 pandemic.

Metro areas in Texas have also seen greater amounts of construction during the past few years. Houston is the number one ranked market as of 2Q 2025 for trailing 12 month (TTM) net absorption. With 46.6 million square feet in inventory, Houston’s MOB market had absorption of almost 900,000 square feet during the past year while completions were approximately 520,000 square feet resulting in TTM net absorption of 374,830 square feet. The top 25 markets ranked on TTM net absorption as of 2Q 2025 are listed in the table below. Metro areas along the coasts generally boast higher MOB occupancy rates compared to other markets. Los Angeles is the second-ranked metro with 218,072 square feet of TTM net absorption and an occupancy rate of 92.7 percent in 2Q 2025. Philadelphia is third, at 162,124 square feet and is also 92.7 percent occupied as of 2Q 2025.

Investors also target other markets on the notion that health care is everywhere, and you can often find strong outpatient ecosystems in interior, smaller, or even tertiary markets. Milwaukee makes the 2Q 2025 list with 78,945 square feet of TTM net absorption. Milwaukee also has the 120th ranked average NNN rent at \$16.33 in 2Q 2025, which could provide an upside in rent growth for some investors.

## Chapter 2: Property Type Outlook

**Top 25 Metro Areas Ranked on TTM Net Absorption (2Q 2025, 7,500+ sq. ft. MOBs)**

	Total Sq. Ft.	TTM Occupancy Rate (percent)	TTM Net Absorption Sq. Ft.	NNN Rent Avg.
Houston	45.6M	89.10	374,890	24.44
Los Angeles	60.6M	88.70	218,072	26.38
Philadelphia	32.5M	88.70	182,124	24.52
San Antonio	13.8M	89.30	128,953	26.52
Columbus	14.3M	88.10	119,504	17.52
Indianapolis	14.6M	88.80	117,048	21.80
Birmingham	8.1M	91.30	107,188	30.53
New York	77.7M	93.80	100,073	22.30
Memphis	7.3M	83.50	87,282	25.41
Minneapolis	10.7M	93.20	78,845	16.53
Denver	18.0M	91.10	73,853	23.61
Raleigh	7.4M	91.60	72,143	25.71
Chicago	47.1M	92.90	68,293	24.02
Dallas	30.6M	90.00	64,585	26.05
Portland	6.9M	83.80	62,180	17.38
Atlanta	34.2M	92.40	62,156	22.28
Richmond	8.4M	92.70	61,366	22.39
St. Louis	17.2M	90.90	57,258	28.25
Charlotte	13.3M	93.40	50,234	26.86
Austin	8.7M	86.40	48,302	28.88
Boston	27.0M	94.20	45,603	29.81
Las Vegas	9.4M	90.70	40,278	25.82
Sacramento	9.2M	93.50	36,664	25.27
Riverside	12.8M	93.60	34,786	26.86
Baltimore	15.5M	93.00	29,588	23.90

Source: RevistaMed.com

### MOB Transaction Activity Still Muted

MOB transaction volume is still slow throughout the first half of 2025. Transaction volume was just \$3.7 billion compared to \$4.8 billion in the first half of 2024. Despite the lower volume, there are indications that MOB transaction activity will pick up in the second half of 2025. The recent decision by the U.S. Federal Reserve to cut interest rates is good news for borrowers. Lenders are reporting that spreads are tightening slightly, which can also help facilitate transaction activity. For these reasons, there is optimism for transaction activity heading into 2026 as well. There are also several portfolios currently on the market, and a large portfolio of 33 MOBs was purchased in September 2025 in a sale-leaseback transaction.

The resurgence of portfolio transactions has also pushed a favorite investor strategy within the MOB sector. The idea is that an investor can create additional value by utilizing an aggregation or portfolio strategy. The data supports this strategy over the long term. From the period 2017 to mid-2023, MOBs that traded as a part of a portfolio had a cap rate that was roughly 60 bps lower than MOBs that traded as a single property. But in mid-2023, the investment world changed and the “portfolio premium” all but disappeared, so

portfolios were generally not trading. This changed, however, toward the end of 2024. With the resurgence of portfolio transactions, the premium has also returned. As of 2Q 2025, the average MOB portfolio cap rate was 6.5 percent, which compares to 7.2 percent for an MOB that trades as part of a single property/asset (see chart below).

**MOB Portfolios vs. Single Property Cap Rate Trend**



Source: RevistaMed.com

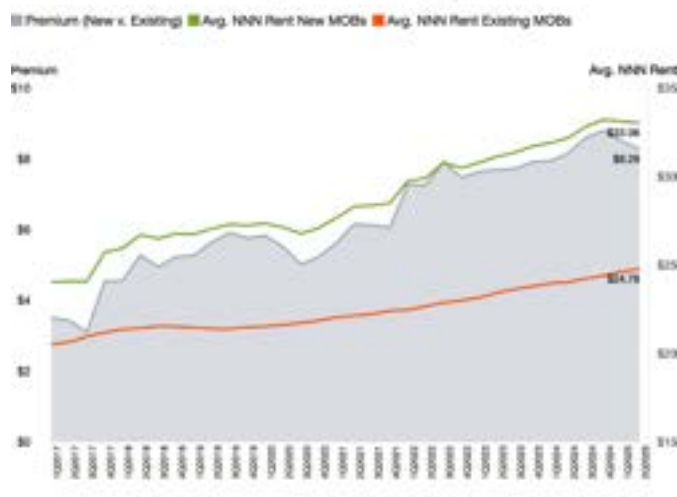
### Construction

MOB construction activity appears to be near a cyclical bottom in 2025. Overall, the in-progress pipeline is still near a cyclical low of 33.5 million square feet. Completions are still outpacing construction starts. TTM completions were 19.2 million square feet in 2Q 2025, compared to 22.4 million square feet one year ago.

A big reason construction levels are low in the sector is that the cost of building has risen dramatically over the past few years. This translates into developers needing to charge higher than market rents to successfully deliver a project to a client. An analysis by RevistaMed shows that newer MOBs have a NNN rent of \$33.06 per square foot compared to \$24.78 for existing MOBs (see chart below). This gap of over \$8 per square foot has risen over the past few years. This data provides an opportunity for investors to have data driven discussions with health systems on rents for new construction. It also provides intelligence for owners of existing properties to capture as much of the \$8-per-square-foot gap through redevelopment or renovation.

## Chapter 2: Property Type Outlook

### New MOB Rents vs. Existing MOB Rents - Top 125 Metro Areas



Despite the construction lows, there are signs that construction may be picking up, albeit slightly. Construction starts have risen each of the past three quarters and in 2Q 2025, 5.8 million square feet of MOBs started construction. This figure is up dramatically and is the highest quarterly value in three years. This may be a sign of increased construction activity to come.

### MOB Sector Outlook

A shift toward outpatient care and an aging population are some of the secular trends in place that will help fuel the outpatient sector for years to come. Supply and demand fundamentals within the MOB sector are also resistant to a slowdown in the economy. These characteristics have attracted many investors to the sector over time. Beyond these strengths, potential challenges include local health care market dynamics, potential impacts from the One Big Beautiful Bill, and overall U.S. health system changes.

—Revista



### Life Sciences

#### Navigating Near-Term Headwinds While Building Long-Term Resilience

- The life sciences sector is expected to stabilize in 2026 as construction slows, venture capital activity improves, and supply-demand conditions begin to rebalance across major research hubs.
- Federal funding uncertainty and proposed pharmaceutical tariffs will continue to pressure sentiment next year, even as innovation and onshoring of manufacturing support long-term fundamentals.
- AI-driven efficiency gains and demographic demand for new therapies position the sector for renewed growth beyond 2026, with manufacturing-oriented assets outperforming in the near term.

The life sciences sector and its supporting real estate had experienced unprecedented growth since the onset of the pandemic, driven by the race to develop, manufacture, and distribute COVID vaccines on a large scale. In 2021, a record amount of venture capital funding was deployed in the sector, but the subsequent years dropped back closer to pre-pandemic levels.

In response to heightened interest, real estate developers significantly expanded the construction pipeline, reaching historic levels by 2023. The industry is now navigating occupancy losses related to this oversupply, and while the peak of deliveries has passed, 2025 has brought new challenges. The current administration has proposed substantial cutbacks to federal funding for the sector and is working to enact pharmaceutical specific tariffs, and pressuring pricing with the “most favored nation” mandate.

Despite the current obstacles facing the life sciences sector, there are reasons to remain optimistic about the long-term outlook. The aging demographic in the United States will drive sustained demand for pharmaceuticals and related health care innovations. Technological advancements and ongoing innovation position the sector to meet this demand, adapt to challenges, and support continued growth and resilience.

#### Inventory Growth and Fundamentals

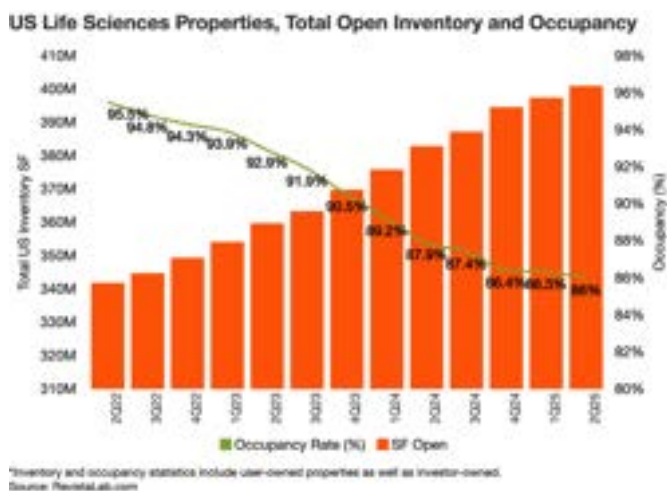
Life sciences real estate includes any property that supports the research and operations of companies involved in pharmaceutical and biotech research, development, and production. This includes any property where 100 percent of the space is laboratory, manufacturing, or supporting office space. Revista currently tracks over 400 million square feet of existing life sciences space in more than 3,100 buildings across the United States. These buildings are mostly owned by third-party investors, with 54 percent of square feet representing either REIT or private investor ownership. The remaining inventory is owned by the occupying user, typically a pharmaceutical or biotech company or university. This dynamic is most pronounced in the core clusters—Boston, San Francisco, and San Diego. In these three markets, 78 percent of life sciences inventory is owned by either a REIT or private investor.

Responding to increased space demand in the sector, the construction pipeline began its upward march in 2022, peaking at 63 million square feet nationwide in 2Q2023. Much of this pipeline was speculative—assuming demand would fill the space upon completion. Unfortunately, this coincided with a reset in venture capital funding for life sciences, a result of rising interest rates and lower risk tolerance. This decrease in capital reduced the number of

## Chapter 2: Property Type Outlook

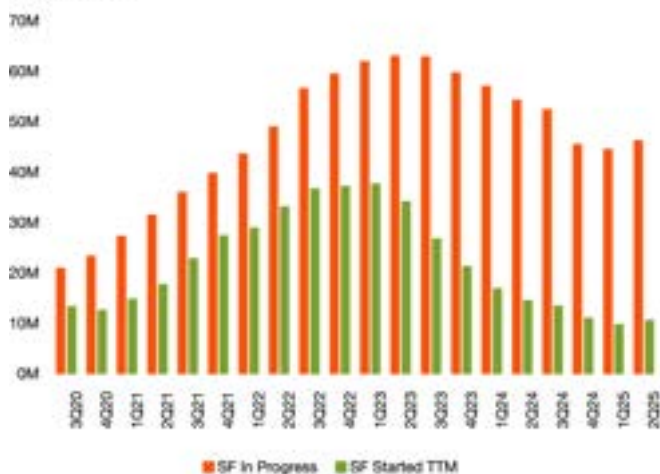
companies achieving funding and shortened the runway for many start-ups, causing them to be more careful with the amount of space they lease and to work harder to increase efficiency. Demand for space softened substantially.

As these projects began to reach completion, occupancy began to decline. Over the three-year period from 2Q2022 to 2Q2025, occupancy fell from 95.5 to 86.0 percent; almost 1,000 basis points.



Starting in late 2023, and continuing into 2025, construction starts have materially slowed. Most of what is being started in the current environment are projects that are self-developed by the pharmaceutical/biotech company or build-to-suit projects by third-party developers. This shift will give a much-needed break in the new supply picture with much less unleased space coming to market.

**US Life Sciences Properties Construction in Progress Pipeline and Annual Starts**



Some areas have seen more significant declines in occupancy, while others have been more insulated. The top three cluster areas—Boston, San Francisco, and San Diego—have seen substantial investor-driven inventory growth in recent years and the resulting occupancy deterioration. In 2Q2025, Boston stood at 80.1 percent, San Francisco at 79.0 percent, and San Diego at 73.3 percent. All three have fallen from occupancies in the mid-90s in 2022 when space was scarce and demand high. Meanwhile, Philadelphia has been a particularly strong market. Inventory has grown more than 21 percent in the past three years, but occupancy loss has been muted. Typically, those areas with greater amounts of user-owned inventory and/or biotech manufacturing are more sheltered, as these properties have seen less of a reduction in demand.

Cluster	2Q25 SF Open	2Q22-2Q25 New Inventory	2Q22-2Q25 Inventory Growth	2Q25 Occupancy (%)	2Q22-2Q25 Occupancy Change (Basis Points)
Boston	67.7M	15.2M	29%	80.1	-1490
San Francisco-San Jose	51.1M	6.8M	15%	79.0	-1310
San Diego	30.8M	6.1M	25%	73.3	-1950
New York	30.3M	1.8M	6%	83.5	-670
Raleigh-Durham	21.8M	4.2M	24%	83.4	-1520
Philadelphia	20.0M	3.5M	21%	87.3	-470
DC-Baltimore	14.1M	3.0M	27%	81.8	-1520
Chicago	11.5M	1.4M	13%	86.9	-1060
Los Angeles	8.8M	0.4M	5%	94.5	-450
Seattle	8.7M	1.5M	20%	81.5	-1200
Denver-Boulder	6.2M	1.2M	24%	84.9	-1070

Note: Inventory and occupancy statistics include user-owned properties as well as investor-owned.  
Source: RentMarketLab.com

Even within the largest clusters, not all submarkets are created equal. Many of the up-and-coming micro-markets were more impacted than the longstanding core research hub locations. For example, Cambridge in Boston, the most concentrated and established research hub, has not seen the same decline as the urban edge, a newly expanding research area nearby.

### Acquisition Activity

Life sciences property acquisition activity remains sluggish in the first half of 2025. Cap rates continue to expand, climbing from a trough of 4.4 percent in early 2022 to 6.6 percent in the most recent quarter. If interest rates continue with some measure of downward progression, activity may pick up. In the current market, there are opportunities for both stabilized prime assets in established research hubs as well as new developments still struggling to lease up.

### Looking Forward

The challenges facing the life sciences sector appeared to be easing as 2025 began. The prior year, 2024, marked the peak in new project completions, while the rate of new construction starts had slowed significantly. Combined with increasing venture capital funding, the sector was poised to begin a meaningful recovery. However, new obstacles came with the new administration, including significant proposed budget cuts to National Institutes of Health (NIH) funding. NIH funding plays a crucial role in supporting early-stage research, with most awards granted to universities and hospitals. This foundational research is where many start-ups originate. Continued reductions in NIH funding raise concerns about the future pipeline of start-ups, as fewer research initiatives may lead to fewer new companies emerging in the coming years.

In the short term, while some universities and hospitals may lease space for their research activities, many continue to operate out of properties they own. As a result, the immediate impact on leasing demand may be limited, but the long-term effects on industry growth and innovation could be significant.

Beyond the proposed reductions in federal funding, several other factors are contributing to heightened risk perceptions among investors in the life sciences sector. The introduction of pharmaceutical-tariffs, which could significantly increase costs for companies that rely on global suppliers, combined with ongoing policy efforts to ensure that U.S.

pharmaceutical pricing remains at the “most favored nation” status are pressuring industry profitability.

In addition, there is ongoing uncertainty regarding the recent Food and Drug Administration staffing cuts, which may affect the timing and efficiency of drug approval processes. While these policy developments remain in flux, together they are compounding the challenges faced by life sciences companies and further dampening investor sentiment during an already uncertain period.

There are some silver linings and green shoots. Beginning with supply chain issues in 2020 and 2021, many pharmaceutical companies began preparations to “onshore” or “reshore” their manufacturing operations. For some, those plans are now coming to fruition at just the right time. More than a dozen of the largest pharmaceutical companies have announced plans for significant investment in their U.S. manufacturing in the near term. Life sciences properties that contain a manufacturing component have consistently higher occupancy—still above 90 percent nationwide.

Artificial intelligence (AI) has also been making a splash. AI has a unique use case in biotech as a way to speed up drug discovery and streamline clinical trials. This increased efficiency may help many companies achieve more with less funding, which is certainly helpful in the current environment.

### Long-Term Outlook

Despite the current headwinds, the life sciences sector remains in its early stages and holds substantial long-term growth potential. The sector will be driven by ongoing drug discoveries and technological innovations, which could continue to shape and expand the industry. With an aging population and increasing prevalence of chronic disease, demand for new treatments and health care solutions will likely be sustained. Although the path forward may include periods of uneven growth and supply-demand fluctuations, substantial potential and opportunity remain as the sector grows and matures.

– Revista

# 03

## Markets to Watch

“Dallas mirrors the national economy in its sector diversification, making it resilient and attractive for investment.”

“Attractive real estate markets are determined by a combination of demographic growth and supply constraints, with the Northeast and Southeast regions currently seen as particularly favorable.”

We provide two quotes to reflect the persistent placement of Dallas/Fort Worth as the top market to watch while illustrating the renewed focus on tracking and underwriting granular trends within markets and sectors. In this chapter, we introduce a new regional framework for analyzing results based on movement among primary markets and across markets within their respective U.S. regions.

In this year’s *Emerging Trends* survey, we asked industry participants to rate markets for investment and development prospects in 2026 across property types, and to rate aspects of their local markets. These ratings were combined and calculated to determine the overall real estate market rankings. Participants expect real estate prospects for 2026 to be fair but improving with an average score of 2.81 on a five-point scale, up from 2.75 for 2025 in last year’s survey and 2.74 for 2024. The last time the average real estate prospects score was above three was a 3.19 average for 2022.

### Overall Real Estate Prospects

Market	2026 Rank	2025 Rank	Change	Region
Dallas/Ft. Worth	1	1	-0	South Central
Jersey City	2	19	+17	Northeast
Miami	3	2	-1	South Atlantic
Brooklyn	4	14	+10	Northeast
Houston	5	3	-2	South Central
Nashville	6	8	+2	South Central
Northern New Jersey	7	22	+15	Northeast
Tampa/St. Petersburg	8	4	-4	South Atlantic
Manhattan	9	11	+2	Northeast
Phoenix	10	10	-0	West
Raleigh/Durham	11	12	+1	South Atlantic
Orlando	12	6	-6	South Atlantic
Atlanta	13	7	-6	South Atlantic
Charlotte	14	16	+2	South Atlantic
Seattle	15	9	-6	Northeast
Detroit	16	17	+1	Midwest
NYC Other	17	26	+9	Northeast
Orange County	18	29	+11	West
San Antonio	19	13	-6	South Central
Palm Beach	20	23	+3	South Atlantic
Washington D.C. - Northern VA	21	27	+6	South Atlantic
Seattle	22	24	+2	West
Salt Lake City	23	9	-14	West
Kansas City	24	33	+9	Midwest
Fort Lauderdale	25	16	-9	South Atlantic
Long Island	26	20	-6	Northeast
Chicago	27	36	+9	Midwest
Las Vegas	28	38	+10	West
Pittsburgh	29	40	+11	Northeast
Austin	30	18	-12	South Central
Philadelphia	31	44	+13	Northeast

## Chapter 3: Markets to Watch

### Overall Real Estate Prospects Continued

Westchester/Fairfield	32	50	↑ 18	Northeast
Tallahassee	33	89	↑ 36	South Atlantic
San Diego	34	21	↓ -13	West
New Orleans	35	42	↑ 7	South Central
Charleston	36	35	↓ -1	South Atlantic
Jacksonville	37	25	↓ -12	South Atlantic
Columbus	38	31	↓ -7	Midwest
Richmond	38	30	↓ -8	South Atlantic
San Jose	40	60	↑ 20	West
NW Arkansas	41	46	↑ 5	South Central
Indianapolis	42	32	↓ -10	Midwest
Denver	43	36	↓ -7	West
Los Angeles	44	34	↓ -10	West
San Francisco	45	66	↑ 21	West
Greenville	46	55	↑ 9	South Atlantic
Portland, ME	47	75	↑ 28	Northeast
Sacramento	48	43	↓ -5	West
Washington D.C. - District	48	48	- 0	South Atlantic
Minneapolis/St. Paul	50	37	↓ -13	Midwest
Madison	51	77	↑ 26	Midwest
Omaha	52	47	↓ -5	Midwest
Des Moines	53	37	↑ 8	Midwest
Honolulu	54	51	↓ -3	West
Oklahoma City	55	41	↓ -14	South Central
Inland Empire	58	62	↑ 8	West
Cincinnati	57	40	↓ -17	Midwest
Memphis	58	39	↓ -19	South Central
Louisville	59	63	↑ 4	South Central
Greensville	60	64	↑ 4	South Atlantic
Cleveland	61	52	↓ -9	Midwest
Boise	62	61	↓ -1	West
St. Louis	63	53	↓ -10	Midwest
Norfolk	64	73	↑ 9	South Atlantic
Chattanooga	66	71	↑ 5	South Central
Knoxville	66	48	↓ -18	South Central
SW Florida	67	54	↓ -13	South Atlantic
Milwaukee	68	70	↑ 2	Midwest
Birmingham	69	60	↓ -4	South Central
Albuquerque	70	59	↓ -11	West
Orlando/Daytona Beach	71	58	↓ -13	South Atlantic
Baltimore	72	56	↓ -16	Northeast
Washington D.C. - MD Suburbs	73	67	↓ -6	South Atlantic
Tacoma	74	72	↓ -2	West
Buffalo	75	76	↑ 1	Northeast
Spokane-Coeur d'Alene	76	76	- 0	West
Providence, RI	77	74	↓ -3	Northeast
Tucson	78	88	↑ 10	West
Oakland-East Bay	79	79	- 0	West
Portland, OR	80	80	- 0	West
Hartford	81	81	- 0	Northeast

Source: Emerging Trends in Real Estate 2026 survey.

### Homebuilding Prospects

Housing Rank	2026 Rank	2025 Rank	Change	Region
Dallas/Ft. Worth	1	4	↑ 3	South Central
Fort Lauderdale	2	2	- 0	South Atlantic
Houston	3	7	↑ 4	South Central
Inland Empire	3	3	- 0	West
Washington D.C. - Northern VA	5	11	↑ 6	South Atlantic
Tampa/St. Petersburg	6	1	↓ -5	South Atlantic
Los Angeles	7	16	↑ 11	West
Atlanta	8	5	↓ -3	South Atlantic
Phoenix	9	9	↓ -3	West
Philadelphia	10	13	↑ 3	Northeast
Detroit	11	12	↑ 1	Midwest
Seattle	12	10	↓ -2	West
Boston	13	8	↓ -5	Northeast
Minneapolis/St. Paul	14	9	↓ -5	Midwest
San Francisco	15	19	↑ 4	West
Orange County	16	22	↑ 6	West
Manhattan	17	26	↑ 11	Northeast
Chicago	18	14	↓ -4	Midwest
Sacramento	19	23	↑ 4	West
Charlotte	20	17	↓ -3	South Atlantic
Denver	21	24	↑ 3	West
Miami	22	25	↑ 3	South Atlantic
Las Vegas	23	26	↑ 3	West
Orlando	24	16	↓ -8	South Atlantic
San Diego	25	21	↓ -4	West
San Antonio	26	20	↓ -6	South Central
Austin	27	27	- 0	South Central
Baltimore	28	29	↑ 1	Northeast
Westchester/Fairfield	29	40	↑ 18	Northeast
Portland, OR	30	30	- 0	West
Long Island	31	31	- 0	Northeast
Oakland-East Bay	32	32	- 0	West
Palm Beach	33	38	↑ 5	South Atlantic
St. Louis	34	15	↓ -19	Midwest
Columbus	35	40	↑ 5	Midwest
Pittsburgh	36	49	↑ 13	Northeast
Raleigh/Durham	37	33	↓ -4	South Atlantic
San Jose	38	36	↓ -2	West
Nashville	39	35	↓ -4	South Central
Kansas City	40	42	↑ 2	Midwest
Indianapolis	41	41	- 0	Midwest
Oklahoma City	41	39	↓ -2	South Central
Brooklyn	43	52	↑ 9	Northeast
Norham New Jersey	44	43	↓ -1	Northeast
Jacksonville	45	34	↓ -11	South Atlantic
Washington D.C. - MD Suburbs	46	48	↑ 2	South Atlantic
Norfolk	47	47	- 0	South Atlantic
Milwaukee	48	46	↓ -2	Midwest
Providence, RI	49	64	↓ -15	Northeast
Cincinnati	50	37	↓ -13	Midwest
NYC Other	51	53	↑ 2	Northeast
Washington D.C. - District	52	51	↓ -1	South Atlantic
Tacoma	53	70	↑ 17	West
Cleveland	54	50	↓ -4	Midwest
Charleston	55	54	↓ -1	South Atlantic
Greenville	56	59	↑ 3	South Atlantic
Buffalo	57	64	↑ 7	Northeast
Honolulu	58	66	↑ 8	West
Richmond	59	61	↑ 2	South Atlantic
Salt Lake City	60	58	↓ -2	West
Birmingham	61	62	↑ 1	South Central
Louisville	61	60	↑ 1	South Central
Albuquerque	63	57	↓ -6	West
SW Florida	64	56	↓ -8	South Atlantic
Omaha	65	56	↓ -7	Midwest

Homebuilding Prospects Continued

Hartford	66	66	↑ 3	Northeast
New Orleans	66	67	↑ 1	South Central
Memphis	66	67	↓ -1	South Central
Tucson	69	69	↓ -6	West
Knoxville	70	66	↓ -16	South Central
Madison	71	76	↑ 8	Midwest
NW Arkansas	72	71	↓ -1	South Central
Portland, ME	73	72	↓ -1	Northeast
Chattanooga	74	79	↑ 4	South Central
Greenville	75	75	↓ 0	South Atlantic
Jersey City	76	81	↑ 5	Northeast
Des Moines	77	77	↓ 0	Midwest
Boise	78	74	↓ -4	West
Tallahassee	79	80	↑ 1	South Atlantic
Daytona/Daytona Beach	80	75	↓ -7	South Atlantic
Spokane-Coeur d'Alene	81	76	↓ -6	West

Source: Emerging Trends in Real Estate 2026 survey.

Regional Framework

The real estate prospects scoring enables markets to shift relative to each other as well as up or down compared with prior survey results. To capture industry sentiment across large and small markets, and within and across regions, a regional framework is applied to the survey results.

The 81 markets rated by participants in the survey are divided here into five regions—Midwest, Northeast, Southeast, South Central, and West—that correspond to the U.S. Census Bureau Regions and Divisions. The sixth market group—Primary Markets—includes one or two major metropolitan areas from each region to capture dynamic changes among large markets in the survey results. The Primary Markets are metropolitan areas that boast total payroll employment of 3 million or more workers, indicating significant depth of demand for real estate. Investors concentrating their market allocation in primary markets tend to allocate capital across these markets regardless of region, thereby warranting a separate group within the regional framework.

Regional Framework with Primary Markets

Region*	States	Emerging Trends Markets
Midwest	Illinois Indiana Iowa Kansas Michigan Minnesota	Missouri Nebraska North Dakota Ohio South Dakota Wisconsin
Northeast	Connecticut Maine Massachusetts New Hampshire New Jersey	New York Pennsylvania Rhode Island Vermont
Southeast	Delaware Florida Georgia Maryland North Carolina	South Carolina Virginia Washington, D.C. West Virginia
South Central	Alabama Arkansas Kentucky Louisiana	Mississippi Oklahoma Tennessee Texas
West	Arizona California Colorado Idaho Montana New Mexico	Nevada Oregon Utah Washington Wyoming
Primary Markets	Atlanta, Brooklyn, Chicago, Dallas/Ft. Worth, Houston, Long Island, Los Angeles, Manhattan, Northern New Jersey, NYC Other, Orange County, Philadelphia, Washington D.C. - District, Washington D.C. - Northern Virginia, and Washington D.C. - Maryland Suburbs	

\*U.S. Census Bureau Geographic Levels: Three Census Regions—the Midwest, Northeast, and West—are applied as is to Emerging Trends markets, while the South Region is split into two groups by Census Divisions to balance the market count across categories. The South Atlantic Census Division is applied as the Southeast region and the Census East, South and West South Divisions are combined to form the South-Central region.

Markets to Watch

Examining the survey results across these six groups brings real estate prospects into finer focus. The Primary Markets have an average score of 3.08, indicating a more favorable outlook for the largest markets. Notably, three regions—Southeast, South Central, and Northeast—have average real estate prospect scores above the overall average of 2.81, while the Midwest and West lag the overall average.

The movement of markets within each category also differentiates the strength of each group. Primary Markets are generally moving higher in the ranks, as are the Northeast region markets. Combined, this shift in the results shows rising prospects for the greater New York City market. However, there is more to uncover beneath these results when we examine how individual markets move within each category.

Regional Framework with Primary Markets

Region	Market Count	Mean Score	Market Rank Movement 2025 - 2026		
			Up	Flat**	Down
Primary*	15	3.08	33%	13%	33%
Southeast	26	2.90	38%	20%	42%
South Central	13	2.89	31%	23%	46%
Northeast	15	2.87	67%	7%	27%
Midwest	12	2.75	38%	8%	54%
West	25	2.68	25%	30%	45%
All Markets	81	2.81	38%	17%	45%

\*Primary Markets are also included within their respective regional counts, ranks, and mean score.  
\*\* Indicates markets ranked within one place of prior year.

### Primary Markets Move Up

Over half of the 15 Primary Markets are among the top 20 markets rated for overall real estate prospects in 2026, supporting a solid 3.08 average real estate prospects score and indicating sound investment and development conditions across the largest U.S. markets. Dallas/Fort Worth leads all markets as well as the Primary Markets, maintaining their top spot for another year.

Further, over half of the Primary Markets moved up the ranks this year versus last year's survey. The greater New York City area led this activity with upward movements for Brooklyn, Northern New Jersey, Manhattan, and the other NYC Boroughs. The ratings for these markets are similar to those for Houston and Atlanta, creating a cluster of Primary Markets to Watch.

Orange County, Chicago, and Philadelphia also made sizable gains in the ranks as each market moved up more than 10 spots versus 2025. The most notable downward movement among Primary Markets is Los Angeles, which slipped 10 spots to the middle of the pack overall, but above only Washington D.C. in the Primary Market group.

### Southeast Holding Strong

Among the five regions, the Southeast boasts the largest number of markets in the top 20 ratings of overall real estate prospects. The Southeast also has the highest average rating (2.90).

Within this region, Miami ranks highest for real estate prospects, placing third overall of all 81 markets in the *Emerging Trends* survey. The buy-hold-sell results show solid investor interest in Miami's hotels, retail, and office properties with more relative caution for apartment acquisitions. Comparatively, Southeast apartment buys are viewed more favorably in Tampa/St. Petersburg, Raleigh/Durham, and Palm Beach.

Miami and three other Southeast markets—Raleigh/Durham, Charleston, and the Washington D.C. – District—held within one ranked spot from 2025. More Southeast markets moved down the ranks than up, with three Florida markets—Deltona/Daytona Beach, Southwest Florida, and Jacksonville—declining by more than 10 spots. Among the seven Southeast markets moving up the rankings in 2026, Tallahassee stands out with a 36-place movement, flipping from near the bottom of the ranks last year to the top half of the overall prospect list.

### Southeast economies to watch

The Southeast boasts the largest regional concentration of top markets for income and job growth rates, as projected by Moody's Analytics. Three regional markets—Raleigh/Durham, Orlando, and Charlotte—have stronger job growth forecasts than the top ranked market overall.

In Florida, the job and income growth rate forecasts for 25th-ranked Fort Lauderdale exceeds its neighbor, third-ranked Miami. The Fort Lauderdale per capita income growth outlook through 2030 is akin to eighth-ranked Tampa/St. Petersburg. Charleston, which ranks 36th, has similar real per capita income in 2025 and forward income and job growth prospects to Charlotte, which ranks 14th.

### South Central led by Texas and Nashville

One-third of the 12 South Central markets rank among the top 20 overall, including number one, Dallas/Fort Worth. Despite this, the average real estate prospects score for the region is 2.89, reflecting the downward movement of four South Central markets by more than 10 places in the 2026 rankings.

Dallas/Fort Worth is a perennial favorite for real estate investors and developers, clenching the top spot in both the commercial and homebuilding prospects list this year. Investors completing the survey offer strong net buy recommendations for Dallas/Fort Worth retail and industrial, although results are similar for these property types in Nashville too.

Houston slipped just slightly in the ranks from third in 2025 to fifth in 2026, followed closely by Nashville. Industrial is the preferred property type for acquisitions in Houston, while office received a net sell rating in the 2026 survey.

Austin is notable for dropping out of the top 20 overall—from 15th to 30th place. However, the largest downward movements occurred among Tennessee markets, with Memphis down 19 spots and Knoxville down by 18 spots.

### South Central economies to watch

Top ranked Dallas/Fort Worth leads projected job gains over the next five years, according to Moody's Analytics, followed closely by the outlook for fifth-ranked Houston. San Antonio leads the Texas markets for its projected per capita income growth rate, while Austin leads for its job growth rate, despite higher absolute gains expected in Dallas/Fort Worth and Houston.

Housing costs are increasingly a challenge in these markets, but construction in Austin and income growth in San Antonio bear watching for the potential improvement to affordability. Meanwhile, dynamic demographic changes are boosting incomes in New Orleans and Northwest Arkansas.

### Northeast Ascending

The Northeast boasts the most upward movement in the rankings with 10 of 15 markets gaining in the ranks for real estate prospects. Six of the 15 Northeast markets are in the top 20 overall markets to watch.

The average Northeast real estate prospects score of 2.87 is above the overall average score and reflects a wide dispersion of scores in this region's rankings. Four Northeast markets—Jersey City, Brooklyn, Northern New Jersey, and Manhattan—are in the top 10 markets to watch, while four regional markets—Baltimore, Buffalo, Providence, and Hartford—are in the bottom 10.

Offices in Brooklyn and Manhattan are considered a net buy according to investor buy-hold-sell recommendations in the survey. Northern New Jersey is considered a net buy for apartments, while second-ranked Jersey City is broadly considered for acquisitions outside of office properties.

The largest upward movement occurred in Portland, Maine, which jumped 28 spots from the bottom of the 2025 overall ranks to the middle of the pack this year. Pittsburgh, Philadelphia, and Westchester/Fairfield each rose more than 10 spots in the overall ranks to land in the middle of Northeast regional prospects in 2026.

#### Northeast economies to watch

The greater New York City area is projected by Moody's Analytics to add a significant number of jobs over the next five years, although this equates to a low growth rate. Slower growth rates for primary Northeast region markets allow two overlooked areas to shine for their regional economic growth prospects—Pittsburgh and Portland. Low relative business costs in Pittsburgh allow for elevated economic output per capita and a strong per capita income growth rate through 2030. Portland, Maine, has a similar five-year growth outlook and affordable housing may attract new residents as the local economy expands.

### Midwest Led by Motor City

Detroit tops the list of Midwest regional prospects in 2026, as it did last year, and remains the only Midwest market in the top 20 overall. Across property types, the industrial sector is considered the best buying opportunity in Detroit. The average real estate prospects score for the Midwest is 2.75, as more markets move down than up in the survey results.

Seven of 13 Midwest markets moved down in the ranks in 2026, led by Cincinnati and Minneapolis/St. Paul, which shifted from the top half of overall prospects last year to the bottom half this year. Indianapolis and St. Louis also moved down in the ranks by 10 spots each.

On a positive note, Madison and Chicago had significant upward momentum in real estate prospects this year. Madison rose 26 spots in the overall rankings from the bottom of Midwest prospects last year to the middle of regional rankings. Chicago moved up 11 spots from the middle of overall real estate prospects to the top third.

#### Midwest economies to watch

Cleveland and Milwaukee ranked in the bottom third of Markets to Watch but are among the top *Emerging Trends* markets for their projected per capita income growth rate, at roughly 2.0 percent per year through 2030. These markets also have a relatively young population with nearly one-third of residents in each market under 24 years old. Milwaukee housing affordability is in line with the national average, while both markets have attractive costs for doing business.

### West Wobbles, Tech Markets Improve

The West region has the lowest average real estate prospects score among the five regions, at 2.68 in 2026. Only two—Phoenix and Orange County—of the 20 West region markets rank among the top 20 markets for overall real estate prospects, while nine West markets rank in the bottom third overall. In Phoenix, retail is the favored property type for acquisitions, while industrial and apartment properties are favored in Orange County.

Nearly half of the West region markets moved down the rankings in 2026, with five of those markets moving down by 10 or more places. Salt Lake City is notable among them for moving down 14 spots to drop out of the top 20 overall, although it still ranks highly among markets in the West region.

## Chapter 3: Markets to Watch

Two markets—San José and San Francisco—moved up over 20 places in the 2026 ranking, indicating a brighter outlook for real estate prospects in Northern California. These tech-centric markets rose from the bottom third of all markets to the middle of the overall market rankings in 2026.

Of the two West region markets in the top 20, Phoenix held its 10th place showing, while Orange County moved up 11 places to rank 18th in 2026.

### West economies to watch

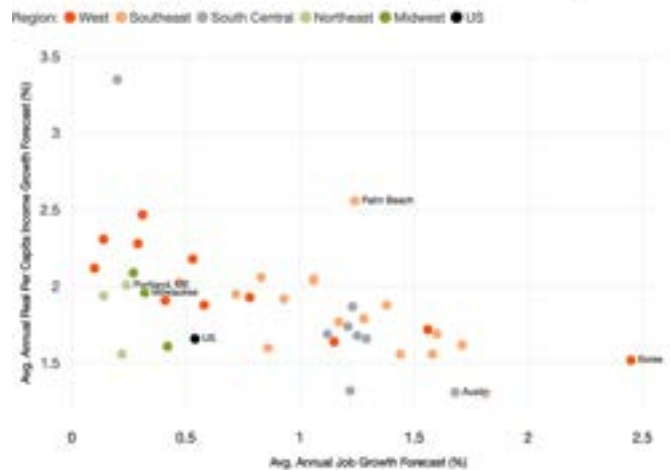
Despite wobbling in the market rankings this year, 11 of 20 West region markets are included among the top markets for per capita income and job growth over the next five years, according to Moody's Analytics.

The high-income markets in the Bay Area are expected to see continued per capita income growth through 2030, supporting consumer spending and residential rents despite below average job growth rates. While Orange County is the lone California market in the *Emerging Trends* top 20, it is neighboring Los Angeles and the Inland Empire that have the highest projected job and per capita income growth rates in Southern California.

Boise, which ranked 62nd among Markets to Watch, leads Moody's Analytics national job growth rate projections through 2030. This small market has a young population and relatively affordable housing as potential economic drivers, like the drivers that spurred the expansion in Salt Lake City, which has the seventh-highest five-year average annual job growth forecast across *Emerging Trends* markets.

As real estate industry participants navigate through the fog, course corrections may be warranted depending on how the economies to watch align with market expectations.

Income and Employment Growth Outlook by Market and Region

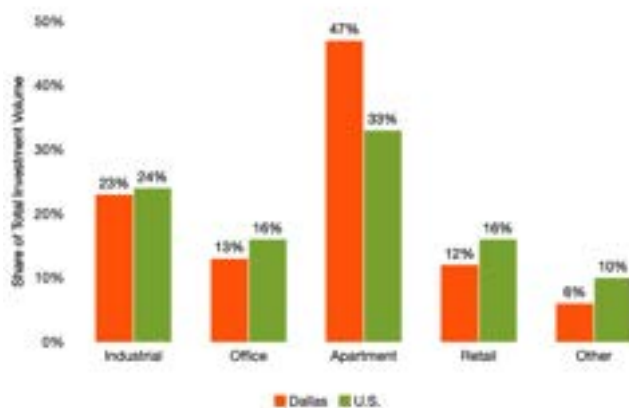


### 1. Dallas/Ft. Worth

Named the fastest-growing “Sprawling Darling” in CBRE’s 2024 *Shaping Tomorrow’s Cities* report, Dallas outperforms its rivals due to its accessibility, low cost of living, and ease of doing business.

Known for its business-friendly environment, Dallas attracted 100 corporate headquarters between 2018 and 2024. Dallas led the state of Texas’s 111 percent increase in investment banking and securities employment over the past 20 years and is now the second largest financial market in the country. The pending launch of the Texas Stock Exchange in downtown Dallas, along with local expansions of NYSE and Nasdaq, underscore the metro area’s status as a leading financial center.

Dallas: \$10.8 billion in H1 2025



Source: CBRE Research, MSC, Q1 2025.

The metro area ranked eighth in CBRE’s Scoring Tech Talent 2025 report. This was partly due to the massive demographic shift currently favoring Dallas and Texas more broadly. Texas ranked as the No. 1 destination for Generation Z, with net migration almost double that of the second-ranked state. This bodes well for Dallas’s economic prospects, as Gen Z is projected to account for one-third of the U.S. workforce by 2030.



While the city’s overall office vacancy remains high at 27.6 percent, negative net absorption of late has been driven by the Class B market, with prime space having a vacancy rate of just 14.2 percent. Sublease availability has declined to 3.6 percent of total inventory from a high of 4.5 percent in 2023. An under-construction pipeline totaling 2.7 million square feet is already more than 60 percent prelease, due to strong demand for top-quality space. Almost 75 percent of this new construction will be in the Uptown/Turtle Creek submarket.

Vibrant mixed-use districts including Uptown, Legacy, and the new Knox District have created lively urban and suburban communities. Office-to-residential and hotel conversions are enhancing Dallas’s standing as a model for other cities to adapt to new styles of working. Dallas-Fort Worth currently has 20 conversion projects underway or planned that will remove approximately 6 million square feet from the office market and help ensure the city’s continued standing as a top metro area for economic growth.

—CBRE

### 2. Jersey City

Jersey City is a fast-growing commercial hub with convenient proximity and connection to New York City that enhances its appeal to startups and established firms alike. It offers access to top talent, investors, and global markets, while maintaining a more affordable and scalable business environment. Light rail within the city and the PATH train to Manhattan and other Jersey metro areas make it very convenient for residents.

The New York metro area, which includes Jersey City, ranked third among 50 North American markets in CBRE's Scoring Tech Talent 2025 report. More than half of Jersey City's population has a bachelor's degree or higher, which helped support the metro area's high rank.

Jersey City: \$177.4 million in H1 2025



Source: CBRE Research, MSC, Q2 2025.

As a very walkable city and just a seven-minute ferry ride away from Manhattan, Jersey City offers unbeatable access and amenities for both commuters and remote workers. There are over 1,300 acres of parkland throughout the city, along with numerous high-quality dining options. These amenities and the city's notable price discount to nearby Manhattan help explain why it has seen a 7.5 percent population increase between 2020 and 2024.



Despite a 20 percent increase in Jersey City's apartment inventory over the past five years, its multifamily vacancy rate is just 2.8 percent as of Q2 2025. Apartment rental rates on a same-store basis have increased 2.4 percent over the past 12 months, double the national average growth rate.

Jersey City provides effective real estate solutions for those seeking proximity to New York City at a fraction of the cost. From innovative lab spaces and skyscraping office towers to spacious warehouses and dynamic retail environments, the market has plenty to offer. While its office market is certainly diversifying, financial firms likely will continue to dominate leasing activity for some time. From 2022 to 2025, firms in the finance, insurance, and real estate (FIRE) sector accounted for 63 percent of all leasing activity in Jersey City.

Average asking rent for office space along the Hudson River waterfront—which includes Jersey City, Hoboken, and Weehawken—currently sits at \$44.51 per square foot, which is 32 percent above the broader Northern New Jersey average but still 42 percent below the Manhattan average. The waterfront's overall office vacancy rate remains elevated at 24.6 percent but is down from a high of 25.8 percent at the end of 2024.

—CBRE

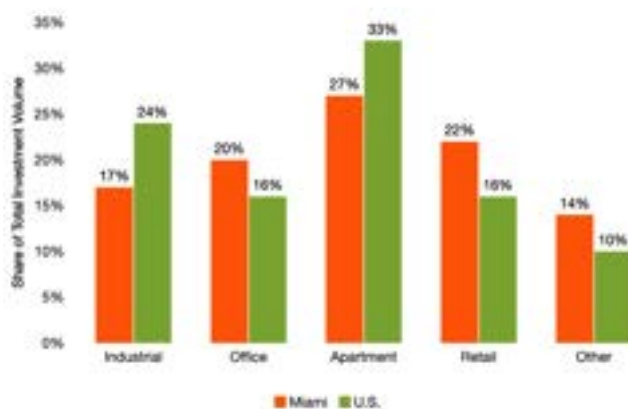
### 3. Miami

With the pandemic as a catalyst, Miami-Dade County has seen unprecedented growth since 2020, attracting 127 companies that occupy 2.2 million square feet of office space. More broadly, South Florida attracted 205 companies occupying 3.5 million square feet over the same period. This includes a strong footprint of law firms, with 21 of the Am Law 50 and 38 of the Am Law 100 now having a presence in Miami-Dade County.

New-to-market leasing has normalized recently, as would be expected after the pandemic boom. In 2021, new-to-market companies accounted for about 20 percent of total leasing volume versus a more normalized 3 percent today.

These new tenants typically relocate from markets with much higher office rents. As such, these tenants have spurred meteoric rent growth over the past five years. Miami's average Class A office rent increased by 7 percent over the past year and by more than 50 percent from the Q1 2020 average, to \$73.28 per square foot. Asking rents for new construction and prime office space propelled this rent growth, doubling over the past five years as demand outpaced supply for the best buildings.

Miami: \$7.7 billion in H1 2025



Source: CBRE Research, MDC, Q2 2025.



Miami's overall office vacancy rate stood at 14.9 percent at the end of Q2 2025, below its 15.1 percent pre-pandemic average. Miami has maintained the lowest sublease availability as a proportion of overall inventory in the nation, reflecting tenant certainty amid ever-changing market dynamics.

Led by Orlando and Miami, Florida was the No. 1 state for domestic tourism last year with a 15.5 percent share and was No. 2 for international tourism with nearly 9 million foreign visitors.

The city also attracts many Latin American and European investors, leveraging its status as a gateway for financial transactions, investments, and business dealings with Latin America and the Caribbean. A large presence of international banks further drives foreign direct investment in the metro area's financial services sector.

Miami is also a top hub for trade with Latin America and the Caribbean. It handles 85 percent of all U.S. air imports from Latin America via Miami International Airport, one of the nation's largest cargo airports. PortMiami, known as the "Cruise Capital of the World," is also a major container port, processing over 390,000 TEUs (20-foot equivalent units) of imports annually, making it one of the 15 most active container ports in the United States.

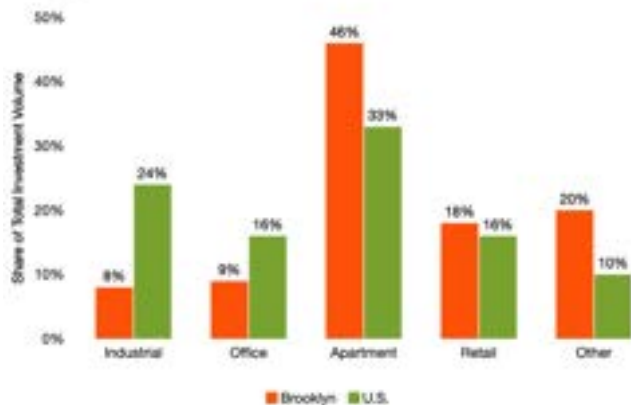
—CBRE

### 4. Brooklyn

With a population of 2.7 million, the New York City borough of Brooklyn by itself would be the fourth largest city in the country. Given its size and cultural prominence, it is surprising that Brooklyn is “up and coming” from a commercial real estate perspective. With an office inventory totaling 37 million square feet spanning from the South Brooklyn Waterfront to Williamsburg/Greenpoint, Brooklyn alone is among the 40 largest commercial office markets in the country. Fifty-three percent of Brooklynites are either millennials or Gen Zers and 43 percent have a bachelor's degree or higher, both of which bode well for Brooklyn's longevity as a thriving commercial office market.

Brooklyn's overall office vacancy rate of 17.9 percent has remained relatively unchanged since January 2020. The Downtown Brooklyn submarket, long a beneficiary of spillover demand from Manhattan, saw vacancy grow to 15.1 percent as of Q2 2025 from 5.4 percent in Q1 2020 due to the pandemic-related increase in remote work. Brooklyn's DUMBO submarket office vacancy rate also increased to 29.3 percent from 24.6 percent over the same time.

Brooklyn: \$4.1 billion in H1 2025



Source: CBRE Research, MGIC, Q2 2025.



Meanwhile, the Brooklyn Navy Yard, South Brooklyn Waterfront and Williamsburg/Greenpoint all saw vacancy rate declines of seven percentage points on average over the past five years. Shifting work patterns have increased demand for creative space closer to population centers within Brooklyn, while simultaneously reducing demand for space in the downtown commercial hub.

Only approximately 2 percent of Brooklyn's roughly 570,000 apartment units tracked by CBRE are currently vacant, slightly below its long-run average of 2.7 percent. Same-store apartment asking rents increased by 3.2 percent year-over-year in Q2 2025, versus just 1.2 percent nationally.

As a cultural hub with close proximity to Manhattan, Brooklyn's residential market continues to thrive, while at the same time the borough evolves as a standalone commercial center. It offers a diversity of cultures and neighborhoods, along with a plethora of award-winning restaurants in walkable enclaves.

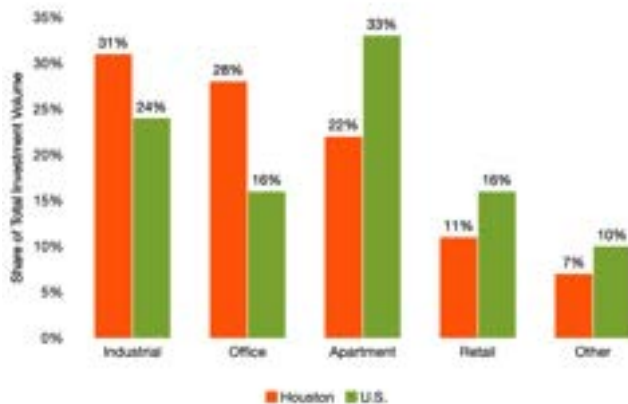
—CBRE

### 5. Houston

With over 7.5 million residents, the Houston metropolitan area is one of the fastest-growing regions in the nation. This thriving market boasts a diverse array of industries that create thousands of jobs, contributing to a 7.9 percent year-over-year increase in gross metropolitan product (GMP) to \$697 billion. Houston GMP is expected to double by 2042.

Billing itself as the energy capital of the world, Houston's economy today has a surprisingly diverse set of drivers. The Texas Medical Center is one of the largest medical facilities in the world, treating approximately 10 million patients annually. The region also has one of the world's largest industrial bases, with more than 7,000 manufacturers producing over \$75 billion in products each year.

Houston: \$5.8 billion in H1 2025



As a prime distribution hub, Houston has 50 percent of the U.S. population within a 1,000-mile radius and is home to the Port of Houston, the leading U.S. port in terms of foreign waterborne tonnage. Houston handles 73 percent of U.S. Gulf Coast container traffic and 97 percent of Texas container traffic. Not only is it the nation's fifth-ranked container port by total TEUs, it also boasts the highest percentage increase of container volume since 2019.



The Houston metro area is also home to more than 500 space, aviation, and aerospace firms and institutions. Of the 50 largest aerospace manufacturing companies in the United States, 10 have a presence in the Houston region.

Within the Houston office market, building quality and location have become more important than ever. There has been a consistent trend of major companies relocating their headquarters westward to the Energy Corridor. This shift in demand has driven substantial positive net absorption in the Katy Freeway submarket over the past five years. Office vacancy along the Katy Freeway is currently 7.4 percent, compared with 24.3 percent for Houston as a whole.

While the flight-to-quality trend is a national phenomenon in the office market, it is amplified in Houston. The gap between the newest Class A properties and older buildings has widened substantially over the past five years. Vacancy in new buildings since 2015 currently sits at 10.8 percent, roughly in line with the 2019 average. Pre-2015 Houston office buildings have triple the overall vacancy rate at 30.7 percent. This delta between pre- and post-2015 buildings is the largest seen, and is expected to continue widening through the end of 2025.

Given its diverse industry base, fast-growing population, and dominant presence of some of today's leading economic growth sectors, Houston is well-positioned to further establish itself as a predominant driver of U.S. economic growth.

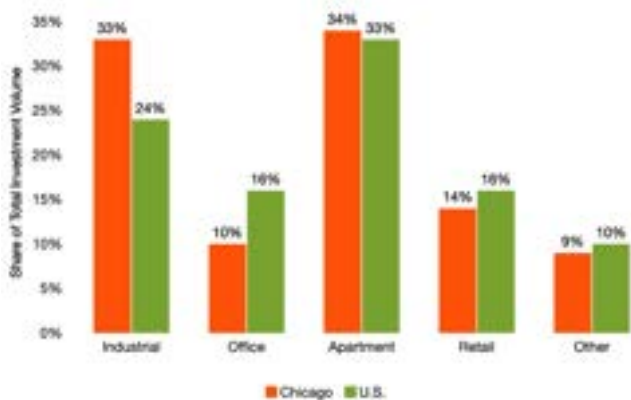
—CBRE

### Chicago

Chicago is a compelling market for commercial real estate occupiers and investors due to its diverse economy, strategic location, and strong talent pool. The city's appeal is evident in its status as a corporate hub, boasting 32 Fortune 500 headquarters and nearly 450 corporate expansions and relocations since 2022. The Chicago area saw the greatest number of new or expanded corporate facilities in the United States over the past decade, according to *Site Selection* magazine.

As the nation's third-largest city with a metropolitan area population of approximately 9.5 million, Chicago is one of its most important financial, industrial, and cultural centers. The city's strong and stable economy is supported by a base of 4.8 million highly skilled workers and a gross regional product of more than \$834 billion. Businesses in Chicago benefit greatly from the sizable and concentrated pool of specialized services and highly educated employees.

Chicago: \$5.1 billion in H1 2025



Nearly 40 percent of Chicago's population above age 25 has attained a bachelor's degree or higher, which exceeds the 34 percent national average. More than half of the city's population is made up of millennials and gen Zers—a key indicator of future economic growth.



Chicago's accessibility and growth are largely driven by its excellent transportation network, highlighted by its two international airports, and extensive public transportation system. O'Hare International is one of the world's busiest and largest airports and is currently undergoing a \$6.6 billion modernization program. Midway International Airport completed an extensive \$800 million expansion and renovation over the past several years. On the ground, the Chicago Transit Authority is one of the country's top public transportation systems in terms of both size and ridership.

Chicago's office market, while still challenged in the wake of the pandemic, is driven by a diverse group of industries. The city's overall office vacancy rate remains elevated at 25.5 percent, but the rate for prime space is just 15.9 percent. A dwindling construction pipeline will further tighten availability of prime space, which should prompt renewed interest in office development. At the same time, lower-tier buildings will increasingly undergo redevelopment or demolition, which will further help restore supply-demand balance. Trailing-four-quarter leasing activity as of Q2 2025 was up by 26 percent year-over-year and by 111 percent from the pandemic-era low.

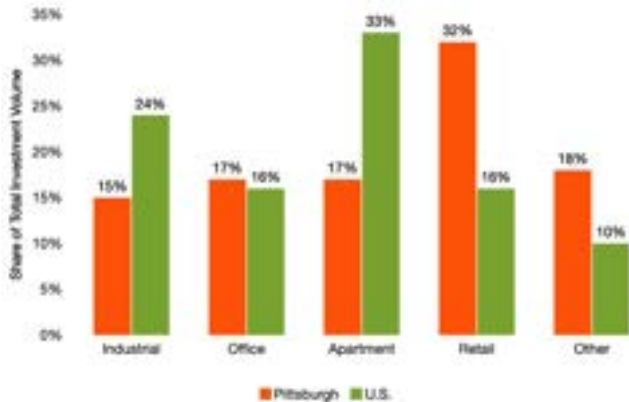
—CBRE

### Pittsburgh

Pittsburgh's transformation from an industrial center to a hub of technology, education, and health care innovation has accelerated over the past decade. The city has seen a revitalization of its downtown and surrounding neighborhoods, with several new residential and commercial developments.

An influx of tech companies—including major U.S. tech giants—has turned Pittsburgh into a burgeoning tech center, attracting a younger, more diverse population. In addition, the city's robust education and health care institutions—including Carnegie Mellon University and the University of Pittsburgh Medical Center (UPMC)—continue to drive economic development. Infrastructure improvements and a focus on sustainability have also contributed to Pittsburgh's reputation as a vibrant, livable city.

Pittsburgh: \$706.4 million in H1 2025



One of the key drivers of Pittsburgh's success is its affordability. Compared with other major metropolitan areas, the cost of living—including housing and commercial rents—remains relatively low. This affordability creates an attractive environment for businesses looking to establish or expand operations, as well as for individuals seeking a high quality of life without the exorbitant expenses of other cities. The city's commitment to improving infrastructure, transportation, and overall quality of life further enhances its appeal.

The city's robust economy is bolstered by a diverse array of industries. Health care and life sciences are major pillars, with



UPMC and the Allegheny Health Network driving innovation and employment. The financial services sector—anchored by multiple large banks—contributes significantly to the city's economic strength. Furthermore, Pittsburgh is experiencing a surge in tech and innovation, attracting some of the largest technology companies. These key industries provide a solid foundation for commercial real estate investment, as they require office space, research facilities, and other commercial properties.

Despite a strong economic foundation, Pittsburgh's office market remains challenged in its post-pandemic recovery. A lack of new construction is expected to whittle away the city's record-high 17.3 percent overall office vacancy rate, while modest conversion and demolition activity will remove functionally obsolete buildings from the market. Trailing-four-quarter leasing volume, while 7 percent below the pre-pandemic average, is up by 9 percent year-over-year and by 143 percent from the pandemic-era low.

Pittsburgh's educational institutions—including the University of Pittsburgh and Carnegie Mellon University—provide a steady stream of research talent that fosters innovation and attracts businesses. These institutions not only fuel the economy but also contribute to the city's vibrant cultural scene and intellectual capital.

The city's unique neighborhoods add to its allure. From the historic Strip District to the revitalized Lawrenceville and the cultural heart of Oakland, each neighborhood boasts its own character, attractions, and commercial opportunities. This diversity creates a broad range of options for commercial real estate investors, catering to various business needs and investment strategies.

Pittsburgh is also undergoing several major redevelopment projects, such as the transformation of the Lower Hill District into a vibrant, mixed-use center and the modernization of its international airport. These projects not only enhance the city's infrastructure and appeal but also create opportunities for commercial real estate development and investment.

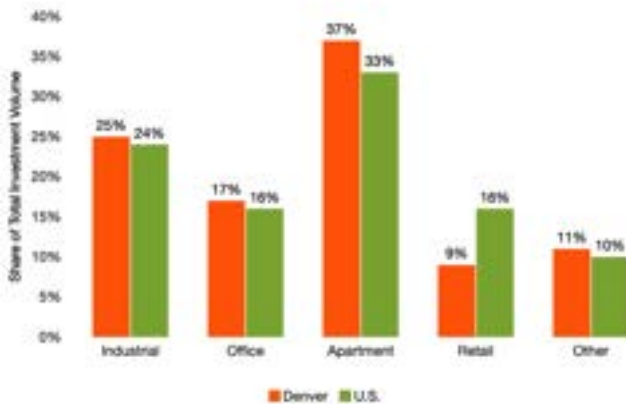
—CBRE

### Denver

Denver remains an attractive and dynamic market for both commercial real estate investment and overall economic prosperity. A confluence of factors—including a thriving economy, a talented workforce, a high-quality of life, and strategic infrastructure—makes it a top destination for businesses and people alike.

The city's economy has transformed significantly over the past few decades, moving away from its reliance on the energy sector to become a diverse hub for technology, life sciences, aerospace, and other high-growth industries. This diversification provides stability and resilience, making the city less susceptible to economic downturns. Metro Denver ranks eighth in GDP growth among the nation's 30 largest metro economies. This growth is fueled by a supportive business environment and a highly educated workforce.

Denver: \$3.6 billion in H1 2025



Source: CBRE Research, MGI, Q2 2025.

Between 2018 and 2024, 23 companies moved their headquarters to Metro Denver, making it the No. 6 market nationally for headquarters relocations during that time. Denver also ranked 14th for tech talent, according to CBRE's Scoring Tech Talent 2025 report.

Denver is not without challenges, particularly in the wake of changing work patterns. The current office vacancy rate of 27.4 percent is the highest on record since the global financial crisis. However, there are signs of improvement, as sublease availability is down 23 percent from its peak in



Q1 2023. Rolling-four-quarter office leasing volume, while 16 percent below Q1 2020 levels, is up by 5 percent year-over-year and by 76 percent from a pandemic-era low in Q1 2021. A nearly non-existent pipeline of new construction will also help to normalize supply-demand fundamentals in the medium term.

Denver's exceptional quality of life, with its many outdoor recreational amenities and vibrant cultural scene, attracts and retains talent, further supporting the commercial real estate market. Denver International Airport is a major transportation hub, connecting the city to both domestic and international markets. The city also has a well-developed mass transit system, including RTD FasTracks that provides easy access to the entire metro area.

The city government is committed to making infrastructure improvements that will support future growth. Ongoing projects, such as the Denver International Airport Great Hall, the Peña Master Plan, and the 16th Street Mall Improvement Project will enhance connectivity and improve the overall quality of life for residents and businesses.

Overall, Denver remains a top market for commercial real estate investment. Its diversified economy, talented workforce, high quality of life, and strategic infrastructure position it for continued growth and prosperity. In the short term, there likely will be diverging performance between submarkets. Mixed-use districts with plentiful amenities, such as Cherry Creek will be favored. Nevertheless, the overall outlook for Denver's commercial real estate market remains positive, making it an attractive destination for investors and businesses seeking long-term value.

—CBRE

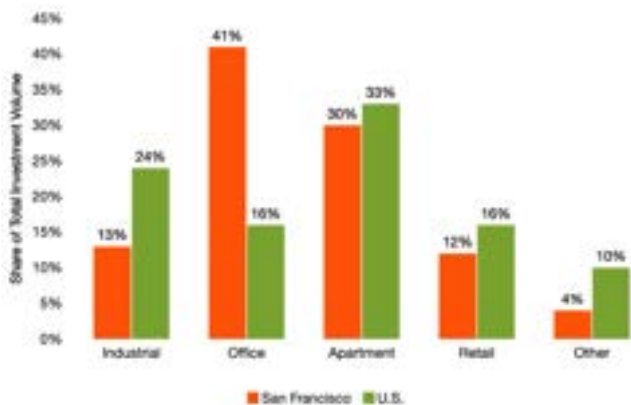
### San Francisco

Growth of the artificial intelligence (AI) industry, along with more workers returning to the office, has begun to lower office vacancy rates across the San Francisco and Silicon Valley region. Net absorption was firmly positive in the first half of 2025 as more workers returned to the office, reinvigorating workplace vibrancy and spurring retail store openings.

The city of San Francisco has benefited the most with rising demand and falling supply. AI-related companies have received more than \$100 billion in venture capital funding since 2024 and now occupy 6.3 million square feet of office space.

AI-related-demand has revitalized areas including San Francisco's Financial District and Mission Bay, where rising office occupancy is boosting demand for daytime services from restaurants and retailers.

San Francisco: \$10.2 billion in H1 2025



Source: CBRE Research, MSCJ, Q2 2025.

Despite downtown San Francisco's 35 percent overall office vacancy rate, much of this space does not meet the needs of tenants currently in the market. Many occupiers only consider high-quality buildings in prime locations with modern, move-in-ready space that does not require costly, time-consuming tenant improvements.



The vacancy rate for space in trophy buildings stood at just 14 percent as of midyear 2025, while prime buildings had a 25 percent rate and non-prime buildings a 43 percent rate. Similarly, average rent for space in trophy buildings is 7 percent above pre-pandemic levels, while that for non-prime buildings is 20 percent below.

The San Francisco Bay area is also a major life sciences hub, supported by Stanford University and the University of California, San Francisco. As AI begins to transform the health care sector, life sciences companies are well-positioned to tap into the Bay Area's large tech talent workforce.

As companies scale and seek collaborative environments, demand for high-quality office and research and development space is expected to remain strong, particularly in urban centers that offer proximity to talent, infrastructure, and institutional capital. Housing demand will also grow as new high-paying jobs are created.

Looking ahead, the Bay Area is set to lead the next wave of innovation and offers unique property investment opportunities. AI and other advanced technologies are applicable across industries and the region's unique blend of talent, capital, and institutional strength will drive sustained economic growth and real estate demand.

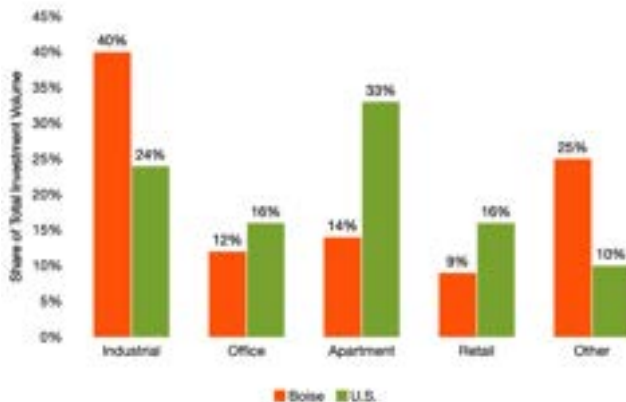
—CBRE

### Boise

Boise is rapidly emerging as a compelling market for commercial real estate and economic development. The city's affordable, pro-business environment, high-quality of life, and beautiful natural surroundings are increasingly attracting new companies and residents alike.

Idaho has capitalized on large amounts of net migration over the past several years. From 2010 to 2020, it was the second-fastest-growing state in the nation, with a 17.3 percent increase in population. Boise consistently ranks among the top locations in the United States for economic growth, job growth safety, and local governance.

Boise: \$502.9 million in H1 2025



Boise has a rich offering of outdoor amenities, including hundreds of miles of hiking trails, thousands of acres of parks, and numerous ski resorts. This has increasingly attracted young, highly educated residents.

Robust job creation has resulted in the market's overall office vacancy rate of just 8.2 percent, well below the 19.1 percent national average. In turn, the average office rent has grown by 3.9 percent annually over the past five years.



Boise benefits from a diverse demographic, supported by robust in-migration as individuals seek a market that offers low costs, along with unparalleled recreational and cultural amenities. In 2021, Business Facilities magazine named Boise one of the country's top three "millennial magnets," citing the region's status as a rising tech hub.

Like many rapidly growing markets, Boise faces challenges related to affordability, infrastructure strain, and maintaining its unique character. However, these challenges also present opportunities for innovative solutions and sustainable growth strategies. Boise is emerging as a compelling market for commercial real estate development. Its combination of economic growth, quality of life, skilled workforce, and positive real estate market trends position it for continued success.

—CBRE

# 04

## Emerging Trends in Canadian Real Estate

“Everything is hard in real estate right now. It’s like we’re parents of teenagers.”

### Executive Summary

The Canadian real estate industry is navigating a period of profound transformation, marked by both significant challenges and emerging opportunities. While housing supply and affordability remain at the centre of national attention—given their outsized impact on the broader economy and real estate sector—the market’s story is far more diverse. Asset classes such as retail, student housing, self-storage, and industrial properties are demonstrating resilience and, in many cases, outperforming expectations.

### Housing: The Economic Multiplier and Sector Catalyst

Housing continues to be the sector’s most pressing issue, with affordability and supply constraints affecting not only homebuyers and renters but also the health of the entire real estate ecosystem. The multiplier effect of housing means that delays or failures in addressing these challenges will have ripple effects across other asset classes, from retail foot traffic to industrial demand and beyond.

Recent policy shifts and government incentives are beginning to support new rental and affordable housing development. Notably, the federal government’s launch of Build Canada Homes (BCH) represents a significant commitment to accelerating housing supply, providing funding and policy tools to enable more affordable and purpose-built rental construction across the country.

A key feature of the BCH plan—and a recurring theme in this year’s interviews—is the emphasis on innovative construction methods, particularly prefabricated and modular housing. These approaches are being prioritized to speed up delivery, reduce costs, and address future labour shortages, making it possible to scale up housing supply more efficiently. These measures, alongside provincial and municipal initiatives, are helping to lay the groundwork for increased supply. But the path forward requires continued innovation, cross-industry collaboration, and streamlined regulatory processes to fully address the scale of the challenge.

Looking across the country, Calgary stands out as a market of relative strength and resilience. The city has experienced record levels of new home construction, supported by strong population growth, more affordable land, and proactive municipal policies. Purpose-built rental stock in Calgary has surged, and vacancy rates, while rising, remain manageable as the city continues to attract new residents and investment.

### Strength Beyond Housing

Despite the focus on housing, other segments of the market are performing well and attracting capital. Retail properties—especially grocery-anchored and open-air formats—are experiencing strong tenant demand and robust rental performance, with experiential and mixed-use developments gaining traction. Student housing is emerging as a high-potential asset class, driven by demographic trends and institutional partnerships, even as immigration policies evolve. The self-storage sector is benefiting from urban densification and changing consumer needs, while industrial real estate, though past its recent growth peak, remains a solid performer in several regions, particularly in categories such as small-bay assets and data centres.

Seniors' housing is also gaining momentum as demographic shifts accelerate demand for new and innovative care models. Investors and operators are increasingly focused on developing modern, operationally efficient facilities that address the needs of an aging population. This includes not only traditional retirement residences but also medical office space (rebranding as outpatient delivery centres) and community-based care solutions, which are proving resilient and attractive even amid broader market uncertainty. The growing interest in seniors' housing highlights the sector's potential for stable returns and its critical role in meeting Canada's evolving social and health care needs.

### **Dealmaking: Signs of Optimism amid Uncertainty**

While distress-driven transactions—particularly those involving land and development assets—have meaningfully increased, deal activity is broadening beyond these constrained segments. Creative deal structures, new sources of capital—including private real estate investment trusts (REITs), family offices, infrastructure funds, and private debt—and a narrowing gap between buyer and seller expectations are fuelling renewed optimism. Investors are increasingly looking beyond traditional asset classes, with private capital stepping in to fund emerging opportunities in student housing, medical offices, and other alternative sectors. This shift signals a market that's adapting to uncertainty with agility and innovation.

At the same time, a notable trend is emerging around the value of land held for condominium development in Toronto and Vancouver. In the current environment, some interviewees view this land as significantly impaired—its value has dropped sharply due to the collapse of the condo pre-sale model, high carrying costs, and limited prospects for near-term project viability. As a result, owners of such land are facing tough decisions, including selling at a loss, pivoting to alternative uses such as purpose-built rental, or seeking joint ventures with institutional or nonprofit partners. This dynamic is reshaping deal flow, as well-capitalized buyers and creative investors look to acquire or repurpose distressed land assets, further contributing to the evolving landscape of real estate transactions in Canada.

### **Strategic Reinvention for a Complex Future**

Success in today's market is no longer about simply identifying the best asset class or city—it's about recognizing and capturing the right opportunities at the intersection of real estate and other industries and executing with operational excellence. This year's interviews highlighted numerous examples of an evolving investable thesis around real assets, where value is being unlocked far beyond traditional property boundaries.

Interviewees described how real estate companies are partnering with technology firms to develop smart buildings, collaborating with energy providers to integrate clean power solutions, and working with health care and life sciences organizations to create new models of care and community living. The accelerating rise of data centres, modular construction, and mixed-use developments further illustrates how real estate is enabling new domains of growth.

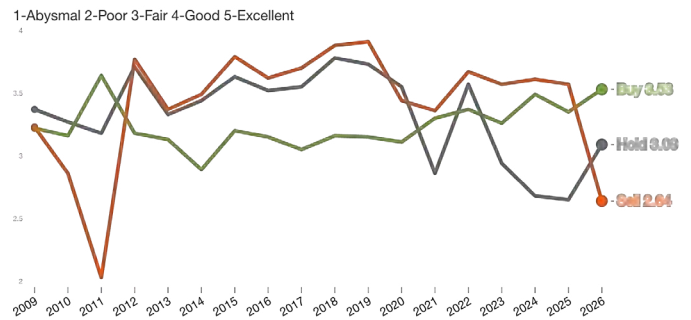
The integration of technology—especially artificial intelligence (AI)—is not only driving efficiencies and new business models within real estate, but also enabling the sector to unlock value in adjacent domains such as energy, digital infrastructure, and health. Partnerships across industries—including with government and nonprofits—are creating new opportunities, from sustainable energy generation to community-based care solutions.

The investable thesis for real estate is evolving: value is increasingly found in assets that enable cross-industry collaboration. Companies that embrace reinvention, invest in talent and digital capabilities, and maintain a disciplined yet creative approach to capital will be best positioned to thrive—not just as real estate operators, but as key enablers of the next wave of economic and societal transformation.

### Optimism Rooted in Adaptation

Beneath a cloud of macroeconomic uncertainty lies the opportunity to chart a new path. “Overall, we’re optimistic on Canada,” said one developer. “We’ll have a tough few years, but there’s [an] upside.” This optimism is rooted not in a return to the old market, but in the potential to adapt and find emerging sources of growth. The Canadian real estate sector faces a challenging environment, but also one rich with opportunity. Addressing housing is essential, but the industry’s future will be shaped by its ability to adapt, diversify, and innovate across all asset classes. As deal activity picks up and new growth domains emerge, the sector is poised to chart a new path—one defined by resilience, collaboration, and long-term value creation.

Emerging Trends Barometer 2026



“Real estate right now is like driving in fog. Drive too slow, and you’ll get hit from behind. Drive too fast, and you’ll fall off a cliff.”

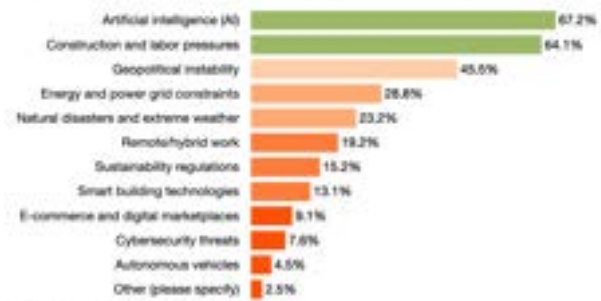
### A New Era for Canadian Real Estate: Reinvention Key to Driving Future Growth

Canada’s real estate companies are experiencing profound change that requires them to reimagine their business models and how they operate. Take the example of the condominium market, which is facing a wide range of challenges, including the collapse of a business model often focused on large numbers of presales of units to investors. Among the many implications of the sector’s downturn is the urgency to rethink how condo builders finance new developments.

“There will be innovation in this time because we have no choice in this market,” said one interviewee, acknowledging the pressures companies are under to adapt their business models amid the challenges in the condo market.

It’s not just the condo market or even the broader real estate industry that’s facing the need for a deep rethink. [PwC’s recent Value in Motion](#) research analyzed the scale of disruption affecting all sectors of the economy. It found trillions of dollars in value will change hands in the coming decade due to growing resource constraints and the supply and demand impacts of global megatrends such as climate change, demographic shifts, and AI. In this year alone, companies reinventing their business models will account for up to US\$7.1 trillion in redistributed revenues globally, the research found.

Top Emerging Disruptors Reshaping Real Estate (2026–2028)



Source: *Emerging Trends in Real Estate 2026* survey.  
Based on Canadian respondents only.

These three megatrends—climate, changing demographics, and AI—are creating investable growth opportunities in domains at the intersection of real estate and other industries, including energy, technology, health care, and government. What does this look like in practice? Consider how real estate companies, working across industries, can turn buildings into revenue-generating sources of clean energy. Or how they can reimagine seniors’ housing to meet the needs of an aging population. And how they can use advanced manufacturing and technology to lower homebuilding costs through modular construction.

Among this year’s interviewees, one developer described how their business model evolved to include acting as a general contractor, which they believed could save them money by allowing them to take control of site construction. The push to reinvent was also evident in [PwC’s 28th Global CEO Survey](#). More than half (52 percent) of real estate respondents who took part in the survey said their organization had begun competing in new sectors in the last five years, showing the industry’s openness toward changing how it does business.

### Shifting the Focus to New Domains of Growth

Another way to look at business reinvention is to consider emerging areas of business activity that offer significant growth potential for real estate companies in the future. Some of the opportunities can be seen in PwC's Value in Motion research, which explored the emergence of new business ecosystems that enable companies to participate in what are called domains of growth focused on serving fundamental human needs: how we move, make and build things, fuel and power our economy, and feed and care for ourselves. Underpinning these six domains are the funding, connectivity, and computing power and governance that support our industrial system in meeting these critical human needs. The evolution of these domains, which [PwC Canada's analysis](#) shows could represent up to \$3.65 trillion in Canadian economic activity in 2035, is creating new growth opportunities for companies.

Each of these domains has a real estate component. Consider, for example, how megatrends will alter existing mobility preferences, create new ones, and change how we move. The rise of autonomous vehicles and accelerated investment in transit could prompt city planners and developers to question long-held assumptions about parking. This includes reconsidering the number of parking spaces in new high-rises and redesigning buildings to support new mobility infrastructure, such as dedicated storage for e-bikes and more charging stations for electric vehicles.

Similarly, new capital allocation models are emerging with the potential to rethink how large-scale projects are funded. This cross-sector collaboration between nontraditional partners could change not only how capital is deployed, but who deploys it. For example, to help close Canada's infrastructure gap, financial players could partner with governments to issue public/private infrastructure bonds. These bonds reduce risk and provide the stable, long-term financing that development firms need to undertake major projects, including the construction of affordable and sustainable housing. This creates an opportunity for developers to innovate. By offering fixed-return infrastructure bonds, developers can tap into new sources of capital to fund the next generation of real estate and infrastructure assets.

These shifts in mobility and funding are just two examples of the large pools of value that organizations from different sectors that intersect with real estate can capture. The following sections describe other domains that will form

and grow, offering opportunities for Canadian real estate companies to seize a share of the value in motion.

### How We Fuel and Power

One of the biggest cross-sector opportunities relates to the intersection of real estate, energy, and infrastructure enabled by efforts to digitize, decentralize, and decarbonize our power systems. These shifts create an important role for various classes of real estate, given the scarcity of land and the need to manage energy costs.

This is a chance for real estate organizations to align their sustainability objectives with their growth goals. As one developer explained, the decision to invest in alternative energy sources such as geothermal is a business-driven choice focused on creating new long-term revenue streams.

But the opportunities extend even further. Consider the possibility of embedding battery storage components in building materials such as cement. By storing power generated by renewable energy sources to provide electricity and supply the grid as needed, buildings can generate new revenues and better manage costs.

There's also the example of real estate companies putting solar panels on the roofs of industrial buildings and retail properties such as grocery stores. This is by no means a new phenomenon, but it's one that's gaining traction in some countries, especially given the new possibilities enabled by creative partnerships that can make rooftop solar panel projects more viable given traditional barriers including initial capital outlays.

Examples include grocery stores partnering with solar panel companies to install energy infrastructure at no upfront cost. The grocery store in effect becomes an energy-producing asset as the solar panels feed electricity into the grid. The retailer also benefits from cost savings used to pay back the solar panel company.

### How Canadian Real Estate Companies Are Putting AI to Work

Canadian real estate companies are advancing along a spectrum of AI adoption. While some organizations remain in the exploratory phase—testing AI for basic administrative functions—others are using AI to drive operational efficiencies and unlock new sources of value. The most advanced firms are moving beyond pilots, integrating AI into core business processes, and achieving measurable results.

#### Moving Beyond Pilots: Real-world Impact

Some companies have already realized significant benefits from AI. For example, a Vancouver property manager implemented an AI virtual leasing agent across thousands of units, resulting in an increase in tour-to-lease conversions and improvement in tour-to-application rates. In Toronto, some organizations are using AI-powered lease extraction tools to process agreements and are achieving critical time savings over manual methods. Elsewhere, companies are demonstrating how AI can deliver tangible business outcomes in leasing and tenant engagement. These include AI-powered dynamic pricing that adjusts rents in real time, predictive maintenance platforms that cut maintenance costs and improve tenant satisfaction, and AI-driven tenant screening and retention tools that lower turnover and improve rent collection.

#### Data Quality and Integration: A Foundational Challenge

Despite these successes, a recurring theme is the lack of clean, integrated data. Many interviewees cited data integration as their top challenge, with legacy systems consuming a large amount of information technology (IT) budgets. Fragmented and outdated property management systems limit the effectiveness of AI for analytics and forecasting. While some companies have made progress in data management, real estate-specific integration remains a significant hurdle.

Quebec stands out for its data governance leadership. Driven by Law 25 compliance, several Quebec-based real estate organizations have invested in centralized data lakes and standardized governance frameworks, enabling robust AI applications in asset optimization and risk management.

Real estate organizations that prioritize cross-provincial data standards and invest in scalable infrastructure can enhance AI outcomes nationally. Collaboration with real estate boards and technology councils can accelerate the development of shared data protocols, reducing duplication and improving interoperability.

#### Privacy, Security, and Responsible AI

Privacy and security concerns are especially acute in provinces with stringent data protection regimes, such as Quebec's Law 25, which imposes penalties up to \$25 million or 4 percent of global revenue for noncompliance. Rather than hindering adoption, this regulatory clarity has accelerated responsible AI implementation by providing compliance certainty.

Enterprise security implementations are also advancing. For example, a Toronto-based REIT deployed AI to protect both IT and operational technology (OT) infrastructure, including elevators and building management systems. This unified approach to security is critical as Internet of Things (IoT) adoption increases across the sector. In contrast, some firms report uncertainty around compliance requirements, which has slowed AI adoption. Establishing province-specific compliance playbooks and investing in ongoing staff training can help address these gaps.



### Fostering an Innovation Mindset and Upskilling

Organizational culture also remains a critical hurdle, especially in traditionally risk-averse real estate organizations. Cultural barriers often outweigh technical constraints in limiting AI adoption. However, targeted initiatives can accelerate transformation. For example, the Alberta government is working with an Edmonton AI company to encourage the growth of AI skill sets. And British Columbia offers opportunities for real estate professionals to enhance their AI literacy through the province's educational and technology sectors.

Executives who champion experimentation, reward innovation, and embed AI competencies into professional development can drive broader cultural change within their organizations. Sharing success stories across provinces can help demystify AI and build momentum, especially in regions where uncertainty remains high.

### The Rise of Agent AI in Real Estate

While many companies look to AI solutions in pursuit of efficiency gains, the next frontier is using AI to create new business models and revenue streams.

In Calgary, an investment manager used AI-powered analytics to identify market trends and inform capital allocation. In Vancouver, an AI system combined MLS data with a large language model to provide property analyses and market intelligence, serving hundreds of daily users.

Yet the next wave of AI in real estate is likely to be driven by agent AI—autonomous, conversational, and decision-support systems that go far beyond today's chatbots or workflow automation. These AI agents will fundamentally reshape how real estate is transacted, managed, and experienced.

For agents and brokers, agent AI holds the potential to automate lead qualification, property matching, and client communications, freeing up time for high-value relationship building. It's positioned to provide real-time market intelligence, pricing recommendations, and negotiation support, enhancing both speed and accuracy in dealmaking. Agent AI will also enable

24/7 virtual property tours, document generation, and transaction management, improving client experiences and reducing cycle times.

For owners and investors, agent AI is expected to continuously monitor asset performance, flagging risks and opportunities based on live data feeds. It can enhance leasing, maintenance, and capital-planning decisions through predictive analytics and scenario modeling. In addition, opportunities exist to facilitate compliance and reporting by automatically tracking regulatory changes and updating documentation.

For tenants and end-users, agent AI holds the promise of personalizing the search, leasing, and service experience, offering tailored recommendations and instant support. It may also integrate with smart building systems to increase comfort, energy use, and security.

While only a few interviewees said they're currently investigating the use of agents, the future impact will be profound. Agent AI will compress transaction timelines, reduce operational costs, and unlock new revenue streams. It will also raise the bar for data quality, privacy, and ethical governance, as these systems will require access to sensitive information and make increasingly autonomous decisions.

### A Call to Action for Canadian Real Estate Executives

This year's interviews illustrate that Canadian real estate companies have made meaningful strides in AI adoption in 2025, with firms actively using AI and achieving success in energy management, leasing optimization, and operational efficiency. The next 12 to 18 months represent a critical window for Canadian real estate firms to advance their AI strategies.

### How We Connect and Compute

Another key trend generating significant new demand for real estate is the growth of data centres in the connect and compute domain. Combining attributes related to infrastructure, technology, and real estate, data centres represent another example of how lines between different sectors and players are blurring. It's also an area where constraints are a significant concern, given both the need for substantial amounts of electricity to power and cool a data centre and for sufficient land close to sources of demand.

Data centres have been a top prospect for investment and development in *Emerging Trends* surveys of Canadian real estate companies in recent years, and some interviewees raised them as an area of focus for their business. Despite challenges such as power availability and large capital requirements, data centres remain an opportunity given the significant amount of compute capacity needed for AI models.

Part of what's happening is a rationalization of what had been an oversupply of interest in data centres to focus on investors with the balance sheets and capital needed to move massive projects forward. Even so, there are opportunities for others to play in this space without making massive investments in new data centres. There may be ways, for example, to upgrade existing data centres to serve AI computing needs. In other cases, real estate companies can acquire existing data centres sold by other players and then partner with an operator to run the facility.

These examples show that while data centres do come with a complex set of considerations, requirements, and constraints, there remains a key role for the real estate industry in providing the land, expertise, and capital needed to develop them.

### How We Care

Another domain that is seeing the impacts of key megatrends—notably demographic shifts and technological disruption—is how we care for ourselves. An aging population is driving notable change in real estate, evidence of which can be seen in the much warmer sentiment among interviewees this year toward seniors' housing. "The silver tsunami is coming," said one interviewee. "People are now waking up to the reality of senior living."

But opportunities in this domain extend beyond traditional seniors' housing. One area gaining attention is medical office space, an asset class one developer noted is largely uninfluenced by economic cycles. Demand is instead driven by two powerful forces: the demographics of an aging population and a government policy shift toward delivering more health-care services in community settings. As specialized assets with unique infrastructure requirements, medical offices are a clear example of an emerging real estate category that requires new partnerships and capital to scale. This opens the door to thinking even further about what the future of care could look like and the innovative real estate models to support it.

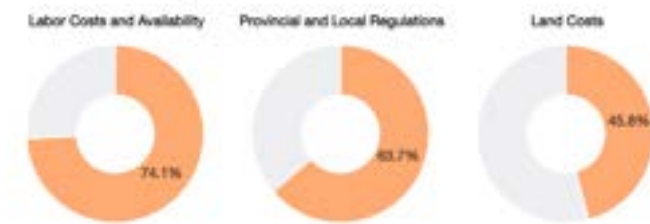
Consider, for example, the possibility of gently densifying single-family home lots to include multiple units to house seniors while allowing the owner to age in place. Such an approach could include consideration of other aspects of caregiving, such as setting aside a unit for a personal support worker to care for the seniors residing there. Builders could also work with partners to incorporate technological solutions such as fall-detection tools that link seniors directly with first responders in case of an emergency.

The point about technology integration is critical when it comes to looking at seniors' housing that includes an operational component. While operating assets overall are seeing increasing interest as a way to grow business during these challenging times, costs remain a significant concern, highlighting the need to invest in technologies such as AI solutions that improve efficiencies and streamline operations.

### How We Build

The domain that relates most directly to real estate, how we build, is also evolving in response to the urgent need to significantly increase housing supply and affordability—not just in Canada but also in many other countries. As builders face constraints such as labour availability and rising costs, attention is shifting to construction methods that have the potential to speed up homebuilding. Among them are various forms of prefabricated homes, such as modular housing, that have quickly risen up the agenda of policymakers and the real estate industry during 2025.

Real Estate/Development Issues for Real Estate in 2026



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Percentage of experts who selected each issue. Based on Canadian respondents only.

By combining standardization of home designs and building processes with advanced technologies such as AI and innovative manufacturing capabilities, modular housing has the potential to increase productivity and, if scaled significantly, help mitigate cost and affordability pressures. As with other domains, partnerships will be critical to enabling modular housing given the need to bring together diverse players across engineering, construction, manufacturing, technology, finance, and real estate.

That is not to say that the real estate industry doesn't have concerns about the viability of modular homes as a solution to Canada's housing challenges, an issue one interviewee alluded to when they asked, "How do you get modular to work?" Interviewees noted the significant structural, financial, and operational challenges associated with modular housing, including the need for consistent demand for units to justify large upfront capital expenditures to build new facilities and achieve scale.

One interviewee highlighted the importance of engaging consumers on what modular housing entails. "Modular is less choice but not less quality, and that's part of the education," they noted.

Many interviewees acknowledged the role of modular housing as part of a broader reinvention of the industry and how homes are built, but they also emphasized the importance of supportive public policies. These include measures that de-risk the industry against downturns in demand through government procuring modular homes and acting as a first buyer to help companies scale their operations.

Another key challenge relates to regulatory issues such as building codes that can create barriers to efficiently building modular housing. Interviewees also emphasized the need to carefully study experiences with modular housing elsewhere in the world, including not just countries that have seen successes but also those where government efforts to stimulate the industry have failed to deliver expected outcomes.

A recurring theme from this year's interviews is the urgent need for new financing models tailored to modular construction. Unlike traditional builds, modular projects require significant upfront investment in materials and manufacturing, but conventional project financing only releases funds as onsite milestones are met. This mismatch creates a major barrier to scaling modular solutions and highlights the importance of bridging the gap between upfront capital needs and traditional financing models.

Government support—through procurement, first-buyer programs, and underwriting upfront costs—can address this challenge. At the same time, innovative private financing structures, such as equipment, inventory, and revenue-based models, are emerging to better align with modular production cycles. Bulk order commitments, like those from BCH, also enable manufacturers to secure expansion financing and reduce investor risk, further supporting industry growth.

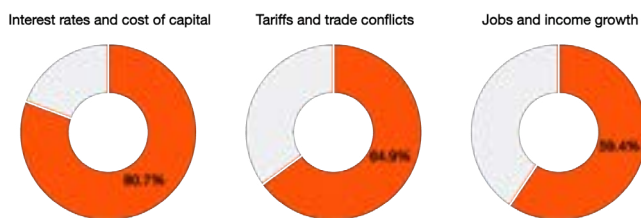
“The easy money in real estate is gone.”

### A New Playbook for Dealmaking

The players shaping Canadian real estate dealmaking are shifting. As pension funds and public REITs pace new acquisitions more slowly, private capital is filling the void—and doing so at a time when emerging asset classes such as student housing and medical offices are scaling and need funding.

But success in this environment hinges on more than just having capital. It requires deploying it with speed and creativity. The ability to use innovative deal structures to bridge valuation gaps is a key element that will help separate the successful from the sidelined in the year ahead.

#### Economic/Financial Issues for Real Estate in 2026



Source: *Emerging Trends in Real Estate 2026* survey.  
Note: Percentage of experts who selected each issue. Based on Canadian respondents only.

### A Disciplined Approach Constrains Traditional Capital

Traditional capital channels are under significant pressure, according to several interviewees.

On the equity side, many public REITs are trading at a significant discount to their net asset value (NAV), making new equity issuance dilutive and unattractive. At the same time, Canada's largest pension funds are pacing their real estate investments slowly, with some reducing allocations as real estate competes with other asset classes such as private equity.

Meanwhile, the availability of debt financing is bifurcated. For high-quality sponsors, debt remains accessible on favourable terms. But for others, bank underwriting is more rigorous, evident in lower loan-to-value ratios and a preference for shorter loan terms. Lenders also face profitability pressures, with one investment adviser noting that spreads on new loans are thin.

Against this constrained backdrop, opportunities are emerging that require new capital relationships. One investment manager observed that alternative assets such as student housing remain underserved, creating scaling opportunities that need funding. In this environment, property operators are expanding their relationships as they look for new capital sources. This is already evident in areas such as seniors' housing, where one operator said they're expecting increased capital allocation from investors who haven't traditionally been active in the sector.

## Equity Capital for Acquisitions

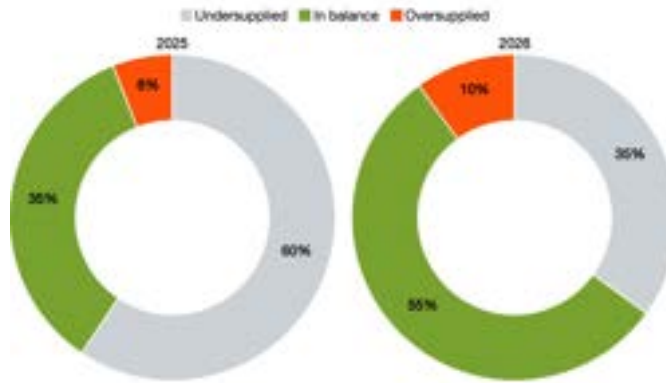
Real Estate Capital Market Balance Forecast, 2026 versus 2025



Source: Emerging Trends in Real Estate survey.  
Note: Based on Canadian respondents only. Total may not add up to 100% due to rounding.

## Debt Capital for Acquisitions

Real Estate Capital Market Balance Forecast, 2026 versus 2025



Source: Emerging Trends in Real Estate survey.  
Note: Based on Canadian respondents only. Total may not add up to 100% due to rounding.

## Equity Capital for Development/Redevelopment

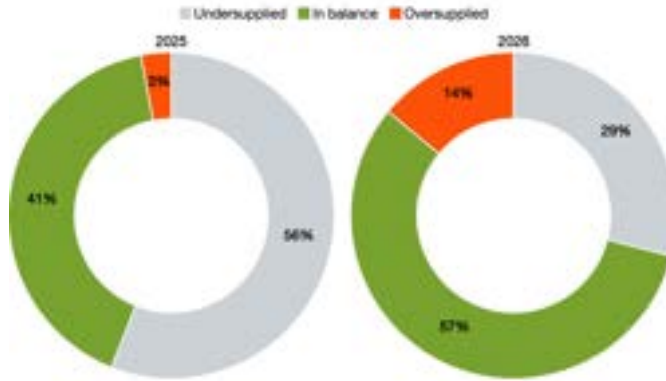
Real Estate Capital Market Balance Forecast, 2026 versus 2025



Source: Emerging Trends in Real Estate survey.  
Note: Based on Canadian respondents only.

## Debt Capital for Refinancing

Real Estate Capital Market Balance Forecast, 2026 versus 2025



Source: Emerging Trends in Real Estate survey.  
Note: Based on Canadian respondents only.

## Debt Capital for Development/Redevelopment

Real Estate Capital Market Balance Forecast, 2026 versus 2025



Source: Emerging Trends in Real Estate survey.  
Note: Based on Canadian respondents only.

### Private Capital Steps into the Void

Constraints on traditional channels are accelerating a shift in how real estate opportunities are funded. As a result, four distinct, though sometimes overlapping, sources of capital are gaining prominence.

#### Private REITs Tap a Growing Retail Channel

As one interviewee bluntly put it, “Everyone in the fund management business is choosing to or being forced to turn to retail capital.” This trend is underpinned by a structural shift in wealth management: the long-term decline of defined-benefit pension plans means a larger pool of retirement savings is now self-directed by individual Canadians.

Private REITs have become a key vehicle for this capital, offering an alternative to the recent volatility of public REITs. Underscoring this focus, one industry association noted that private REITs are increasingly targeting the professional wealth channels where this capital is managed, such as private banking divisions. Even so, these private REITs are not immune to broader market headwinds. Deep discounts in public REIT valuations are also making it harder for some private REITs to raise equity, according to one interviewee. In this environment, successful private real estate firms are leaning into their structural advantages. Their agility, for instance, lets them move quickly on distressed land and property sales, according to one REIT. Others are tapping debt markets, issuing notes and debentures as alternatives to equity.

#### Family Offices Gain Visibility

Family offices are a significant source of capital in Canadian real estate. Following a global trend, they’re also refocusing on this asset class: their real estate investments accounted for 28 percent of their total deal volume in the first half of 2025—up from just 7 percent in that same period four years earlier, according to [PwC’s Global Family Office Deals Study 2025](#). This has positioned them to step into opportunities that larger institutions may be slower to pursue. One interviewee predicted that family offices will play a larger role in affordable housing, a sector where efforts to expand supply are creating significant capital requirements.

This ability to move decisively is a key differentiator. While large institutions navigate complex approval processes, nimble family offices can underwrite and fund deals more quickly. To pursue larger opportunities, some are teaming up to pool equity. PwC’s Global Family Office Deals Study found 72 percent of Canadian family office transactions in the first

half of 2025 were club deals. This highlights the opportunity to explore new ways of creating value through collaboration, an approach that can also help some family offices overcome their lack of deep in-house real estate experience.

#### Infrastructure Capital Crosses into Real Estate

A third channel of capital is emerging from dedicated infrastructure funds. This trend is most evident at large, integrated investment platforms—both global asset managers and Canada’s own pension-backed real estate arms—that manage separate, well-capitalized funds for both infrastructure and real estate. They’re tapping these pools to finance real estate projects that have infrastructure-like qualities, such as long-term contracted revenues.

This trend is occurring as many institutions re-evaluate their real estate portfolios. Some investors are moving away from traditional office and retail and toward assets at the intersection of real estate and infrastructure. As one property owner and manager noted, there’s a continuing shift of institutional capital to data centres, student housing, manufactured housing, and self-storage. These sectors are moving into the mainstream, explained another interviewee, and feature both lower competition and high demand.

#### Private Debt Fills Financing Gaps

With traditional bank lending more disciplined, private lenders are stepping in to fill financing gaps, offering flexible solutions such as mezzanine financing, subordinated debt, and other forms of structured credit.

For those providing the capital, the asset class offers attractive returns, according to one investment manager. This is leading some asset managers to explore formalizing their offerings by structuring their various debt products into a dedicated vehicle. But the strategy is not without its complexities, including the willingness to enforce loans against business partners and a market where slower transaction volumes mean fewer deployment opportunities.

### Deal Structure Becomes the Solution

While lower interest rates have improved investor sentiment, they haven't spurred a broad-based wave of transactions. While some interviewees report that the gap in price expectations between buyers and sellers is closing, others say that vendor expectations have still not aligned with the market—a challenge compounded by a tight supply of high-quality assets for sale. In this environment, as one private equity investor explained, success now hinges on creative dealmaking.

To bridge this valuation gap, dealmakers are using a range of innovative structures. For land acquisitions, some are using performance-based pricing, where the final price is tied to development outcomes. These can function as earn-outs for landowners, who may also participate as equity partners. In other cases, dealmakers are using vendor take-back financing to make transactions work.

Another factor is also emerging in financing and deal structuring discussions: sustainability. Using sustainability during dealmaking to preserve and create value goes beyond environmental metrics and includes a broader range of factors, such as supply chain and reputational risks. Against this backdrop, a well-defined sustainability strategy—accompanied by clear metrics and transparent reporting—can lower a borrower's cost of capital.

### The Emerging Dynamics Shaping the Deals Market

Looking ahead, several powerful trends are poised to reshape the Canadian real estate deals market in 2026 and beyond:

- **Consolidation pressure on public REITs:** With many public REITs trading at a discount to their NAV, several interviewees predicted a period of consolidation and public-to-private transactions. This trend is already playing out in the market, with recent high-profile privatizations of REITs in the industrial, office, and multifamily sectors. As one executive stated, the public REIT space will likely contract before it rebounds.
- **Opportunities for private capital in emerging asset classes:** As traditional institutional investors remain selective, private capital may find increased opportunities in alternative asset classes that are scaling and need funding. This trend is already evident, with examples such as recent partnerships between universities and private investment firms to develop student housing. Investors are also exploring opportunities in assets such as medical offices and urgent care clinics that offer characteristics that appeal to both real estate and infrastructure investors.
- **The maturation of family offices:** While Canadian family offices are currently a significant force in real estate, their long-term strategy may evolve. As they mature, some may further diversify into other asset classes. This potential shift could change the composition of real estate capital over the next decade.
- **Distressed assets accelerate developer consolidation:** The current slowdown in the condo market, combined with rising construction and financing costs, is putting significant pressure on smaller developers—some of whom are unable to complete projects or are facing insolvency. Large developers with strong balance sheets and access to capital are stepping in to acquire these distressed or stalled projects, often at a discount. This trend is increasing market concentration as major players expand their portfolios by taking over projects that smaller firms can no longer sustain. With more distressed assets expected to come to market, this dynamic is likely to accelerate, further strengthening the position of large developers and reshaping the competitive landscape.

“The shortage in housing coming will be more pronounced than ever before. Now is the time for rental housing.”

### Changing Markets: The Decisive Shift Toward Rental

Affordability has long been considered in the context of home ownership. But as rental supply has fallen behind demand, there's increasingly been discussion around affordable rental and its critical role in helping address scarcity challenges. This shift to rental has been a long time coming. In the *Emerging Trends in Real Estate® 2018* report, we predicted rising affordability concerns in Toronto and Vancouver would lead to the rise of what we called then the “permanent-renter lifestyle.” Six years later, we're in the midst of a national affordable rental crisis.

Social/Political Issues for Real Estate in 2026



Source: *Emerging Trends in Real Estate 2026* survey.  
Note: Percentage of experts who selected each issue. Based on Canadian respondents only.

The past year saw a collapse in the Canadian condo market, which has long served as a source of future rental stock. Rising costs in the past few years led many condo developers to reduce unit sizes to make project numbers work. This has resulted in an oversupply of small units that, in many cases, don't serve the needs of the changing rental community, increasingly made up of families, new immigrants, and students.

Demand for rental units beyond the one-bedroom continues to increase across the country. Even with changing federal policies designed to limit the number of nonpermanent residents and international students, immigration will likely continue to drive rental demand. Increasing unemployment rates, especially among younger demographics, will also likely have a significant effect on demand for rental.

With investors moving away from the condo market, capital and development activity have shifted decisively to purpose-built rental and mixed use. And as investor capital shifts toward rental, institutional investors—including pension funds, foreign buyers, REITs, and family offices—are also focusing on growing the rental pool.

Purpose-built rental starts are on the rise, and the recent trend of declining rents provides evidence of this surge. According to the Canada Mortgage and Housing Corporation's (CMHC's) 2025 Mid-Year Rental Market Update, in the first quarter of 2025, advertised rents in Toronto, Vancouver, Calgary, and Halifax declined between 2 and 8 percent compared to the same period a year earlier.

This softening is leading some in the industry to ask if the rental market could become oversupplied. As one interviewee pointed out when asked about which asset classes will outperform in 2026: “Multifamily is attractive, but it could face absorption challenges.” However, while this surge has moderated rent growth and even led to declines in some luxury segments, mid-market and family-sized units remain in short supply, and structural underbuilding persists.

For institutional investors, family offices, and global capital looking for scalable, impact-driven opportunities, the Canadian purpose-built rental market isn't just a defensive play—it's a growth engine for the next decade.

### Policy Shifts Incentivizing Building of Rental Supply

Significant policy changes are also supporting this shift to a rental economy. In the last year, federal, provincial, and municipal governments have introduced policies designed to incentivize the building of rental units and improve housing affordability.

The CMHC is, in many respects, leading the way. Developers and financial backers are increasingly relying on support from the CMHC to enable large-scale rental construction. A growing number of these projects are linked to affordability programs that incentivize the creation of energy-efficient, accessible, and affordable housing units. In its 2025 Mid-Year Rental Market Update, the CMHC notes that since 2017, over 200,000 purpose-built rental apartment units have been funded through its multi-unit mortgage loan insurance products and the Apartment Construction Loan Program.

Through its National Housing Co-Investment Fund and Affordable Housing Fund, the CMHC has also been providing significant support for nonprofit housing providers. Programs such as these are enabling nonprofits to develop affordable housing that's both energy efficient and community focused. With the support of these initiatives, many nonprofits are achieving greater levels of affordability than private developers.

In its platform released in March 2025, the now-elected federal Liberal party included plans to reintroduce the tax credit for multi-unit residential buildings (MURBs), first implemented in 1974, and ended in 1981. MURBs are low- and high-rise apartment complexes, condos, and townhouses designed to house multiple families or individuals.

The idea behind incentivizing MURBs is to shift condo investors toward rental development by offering tax incentives, low-interest loans and grants, streamlined approval processes, and changes to zoning and land-use policies. This approach also encourages professional management of rental units, which could be attractive to investors. Many interviewees felt a refreshed version of this policy could represent a significant step toward improving affordability by helping meet demand in urban areas, stabilizing rents and using land more efficiently.

In April 2024, the federal government announced certain rental housing projects would be exempt from the new excessive interest and financing expenses limitation (EIFEL) rules, allowing developers to deduct a greater portion of their interest expenses. Several interviewees expected that in the 2025 federal budget, these exemptions would be broadened to include a wider range of purpose-built rental and affordable housing projects, providing additional after-tax profitability for leveraged developments.

At the municipal level, several jurisdictions have introduced or expanded development charge relief in the last couple of years. For example, in 2024, the City of Toronto established a new purpose-built rental housing incentives stream that provides indefinite deferral of the municipal portion of development charges on projects that meet affordability criteria. In January 2025, the City of Mississauga passed a motion to reform development charges for eligible rental projects.

There are also innovative programs being developed by Canadian banks to support rental construction. One bank interviewee is leading an initiative where the government contributes capital to a fund managed by the bank. This fund is designed to provide low-cost loans to developers, with CMHC incentives layered in to support affordability. The structure helps developers maintain their margins and supplies affordable housing. This model is already being piloted and involves partnerships with nonprofits that have development expertise.

### **Spotlight on Affordability: Top Ideas from Interviewees**

While these policy measures and programs are important, there was widespread feeling among interviewees that these are not enough—especially as more rental stock comes online in the next few years. One interviewee put it bluntly: “The government is the big problem right now. They’re too dependent on development charges. . . . No one can define ‘affordability’. . . . Government needs to help reduce the cost of development.”

#### **Accelerating Approvals and Streamlining Processes**

One recurring idea put forth by interviewees is acceleration of timelines to get approvals, because, as one interviewee put it, “Time is money.” There are signs of progress on this front across the country, but more needs to be done to simplify, clarify, and consolidate city-building rules to improve the end-to-end development approvals process and streamline housing delivery.

The City of Vancouver, for example, recently updated its development approvals process by rolling out standardized zoning district schedules for low-, mid-, and high-rise apartment buildings. If approved, this initiative would allow many property owners to bypass individual rezoning applications and move straight to the development permit application. The goal is to cut processing time and related costs, while accelerating housing delivery in well-connected, walkable communities near transit.

#### **Innovative Infrastructure Financing: Municipal Utility Districts**

Several interviewees recommended leveraging municipal utility districts (MUDs) to raise bond-like vehicles for infrastructure funding. If municipalities were to accept municipal agreement bonds in lieu of lines of credit, this would eliminate significant upfront infrastructure costs from the price of homes, making projects more affordable. Repayment could be structured through utility charges, property taxes, or special assessments over 20 to 30 years. This approach would require no new government spending and would free up capital, with the benefit of not passing these costs on to homebuyers upfront.

#### **HST Relief and Rebates on New Homes**

While this idea is not new, several interviewees highlighted the importance of lifting or rebating the provincial portion of the harmonized sales tax (HST) on the purchase of newly constructed or substantially renovated homes. For example, buyers of new homes in Ontario can receive a rebate of up to \$24,000 on the provincial portion of the HST. If governments were to remove or rebate the provincial sales tax on new or substantially renovated homes for a defined period, increased economic activity and liquidity for consumers would likely follow.

#### **Broad-based Corporate Tax Cuts**

Broad-based corporate tax cuts to enhance Canada’s competitiveness and attract both domestic and foreign capital were also recommended by interviewees. Lowering the overall corporate tax rate would likely make Canada a more attractive destination for investment, including in the real estate and housing sectors. This could encourage both local and international developers and investors to deploy capital in Canadian housing projects, increasing supply and supporting affordability.

#### **1031-like Exchanges**

Interviewees also suggested the introduction of a Canadian equivalent to the U.S. 1031 exchange, which allows for the deferral of capital gains taxes when proceeds from the sale of real property are reinvested in similar property. This would likely incentivize reinvestment in housing and real estate, keeping capital circulating in the sector and supporting ongoing development.

### Strategic Shifts to Prepare for an Uncertain Future

With all this attention on rental, several interviewees questioned what this will mean for the apartment service environment. Leading companies are already using smart building systems, customer relationship management (CRM), and digital platforms to improve operational efficiency and enhance the tenant experience. As more rental properties come on stream, developers will need to consider improved digital services for apartment management. These could include turnover, repairs, security and ancillary services such as pet care and concierge.

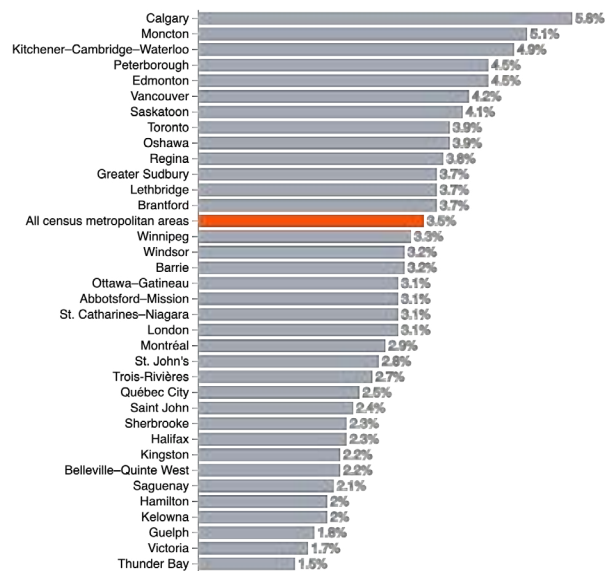
In turn, this growing focus on the rental market is bringing sustainability into sharper focus for some. As one interviewee explained, energy efficiency investments in apartment buildings can directly lead to higher net operating income and improved cash flow—positively affecting a project's credit quality.

There are also larger strategic changes to be aware of as part of the broader move away from single-family home ownership. Emerging models such as co-ownership, rent-to-own, and digital lease platforms are becoming more popular and could become increasingly so in the context of youth unemployment and an aging demographic. For example, one of this year's interviewees facilitates shared ownership through downpayment assistance. Another interviewee was keen on the potential for adapting low-rise housing for elderly care through shared models. In the coming years, tax and policy changes will be needed to support these new models and make sure they're not disincentivized.





Population Growth Rate by Census Metropolitan Area, 2023–2024



Source: Statistics Canada, annual demographic estimates, census metropolitan areas and census agglomerations  
Note: Population estimates as of July 1, 2024

# Markets to Watch

## Calgary

Calgary will continue to have one of the strongest economies in the country despite economic and demographic headwinds that will slow the city's growth over the next several years, according to the Conference Board of Canada (CBoC). Although Calgary's economy has become more diversified, it's still dependent on oil prices, which are weak. Calgary has also benefited from strong population growth, which reached 5.8 percent in 2023/2024, making it the fastest growing city in Canada, according to Statistics Canada. However, this population growth is expected to slow.

Still, the city's real gross domestic product (GDP) growth is expected to accelerate from 1.8 percent in 2025 to 2.6 percent in 2026, which would make it Canada's top-performing city, according to CBoC forecasts. "Calgary continues to be a great market," said one interviewee. This reflects the broader sentiment of survey respondents, who once again ranked Calgary as the top market to watch in Canada. Although they're wary of the cyclical nature of Calgary's economy, respondents said more capital is moving west.

New home construction in Calgary reached a record high in 2024 for the third year in a row, according to CMHC. The level of new home construction is expected to remain elevated due to supportive policy and market conditions, although developers may become more cautious given the substantial increase in supply and expected slowdown in population growth.

Purpose-built rental stock increased by an unprecedented 10 percent in 2024, which caused the vacancy rate to jump from 1.4 percent in 2023 to 4.8 percent in 2024, according to CMHC. While the vacancy rate is forecast to rise to 5.8 percent in 2025, it's expected to decline from there through 2027 as the city's rental stock keeps increasing.

Some interviewees reported that developing purpose-built rental is becoming more challenging because tighter guidelines make it more difficult to get CMHC funding. As a result, some market participants are looking to acquire existing assets and improve their operating model to reduce costs. For instance, some large players are looking at using AI in their call centres.

Calgary’s retail market is showing resilience, particularly in suburban and mixed-use developments that benefit from population growth and new housing. Grocery-anchored and essential service retail remain strong, while some regional mall owners are looking at repositioning or redeveloping space to adapt to changing consumer preferences. Retail vacancy rates declined in the first half of 2025, according to CBRE, and new retail space is often integrated into large residential and mixed-use projects.

The suburban office market in Calgary continues to substantially outperform the downtown market. However, in the second quarter of 2025, the suburban office market experienced negative absorption for the first time since the first quarter of 2023, according to CBRE, and it’s susceptible to the slowdown in population growth. At the same time, the first two quarters of 2025 marked the first time since the first quarter of 2016 that the suburban office market experienced a vacancy rate below 20.0 percent for two consecutive quarters, according to CBRE.

As of the second quarter of 2025, the suburban office market vacancy rate of 19.5 percent was well below the downtown rate of 30.7 percent. The downtown market has been hurt by downsizing in the technology sector and consolidation in the energy industry. Oil price volatility and economic uncertainty may continue to put pressure on the downtown office market.

Calgary has expanded its program to convert underused office space into housing or hotels, and 21 properties are now part of the program. Interviewees highlighted Calgary as a good example of government supporting the creative reuse of existing assets through permitting and funding, and they saw this asset repositioning as a promising growth prospect.

Although the vacancy rate for Calgary’s industrial market has risen over the past couple of years, standing at 4.1 percent in the second quarter of 2025, according to Colliers, the market still offers opportunities for investment and growth. With growing economic uncertainty and high construction costs, the focus is on mid-size spaces as opposed to large industrial properties. Many developers are moving away from speculative building to concentrate on purpose-built projects.

The market may get an additional boost over the next five years from the Prairie Economic Gateway—an inland port and industrial park the City of Calgary says will serve as an industrial, manufacturing, and logistics hub. This project is currently in the land-use approvals stage, with commercial readiness expected sometime between 2027 and 2030.

There is also growing interest in data centres in Alberta, but limited tangible outcomes apart from several power procurement agreements.

Toronto



Housing affordability in Toronto has improved, but not enough to make a difference for many buyers, according to the Royal Bank of Canada (RBC), citing its aggregate housing affordability measure (calculated as homeownership costs as a percentage of median household income). This, along with high consumer debt levels, mortgage rates that have been slow to fall, weak confidence, and elevated economic and policy uncertainty, is straining demand for residential real estate.

Despite these headwinds, interviewees remain confident in Toronto’s long-term fundamentals, naming it the top market for homebuilding prospects for the second straight year. But this optimism doesn’t extend to all housing segments.

The condo market is dead according to many interviewees, although there are faint heartbeats in the low-rise, ground-oriented market. The effects of new immigration policies remain to be seen. For the moment, interviewees said the impact is most evident in the student housing market, where the vacancy rate, although low, is increasing.

A weak condominium market and a slight decline in detached housing starts are expected to result in a decline in total housing starts in 2025, although purpose-built rental apartment starts are expected to increase, according to CMHC. At the same time, new CMHC rules announced in September 2024 increased the price cap for insured mortgages, expanded eligibility for 30-year mortgages, and removed the need for new stress tests when refinancing with

## Chapter 4: Emerging Trends in Canadian Real Estate

a new lender. CMHC forecasts these new mortgage rules and falling mortgage rates will drive a modest increase in detached home starts in 2026 and 2027.

Institutional investors are playing a larger role in Toronto's condominium landscape, which has traditionally been characterized by large numbers of individual investors. Some see this as a positive shift because institutions can bring more sophisticated property management skills and services to managing a portfolio. At the same time, some developers are rethinking their residential products and trying to broaden the appeal beyond investors by offering larger, higher-quality units.

Canadian institutional investors and family offices are assuming new roles in the current real estate downturn. They're acquiring distressed assets and unsold developer inventory at deep discounts, providing alternative financing, and assembling land parcels in preparation for future growth opportunities. Major transit infrastructure investments, including the Eglinton Crosstown, Ontario Line, and GO Expansion rail projects are spurring demand for transit-oriented development and shaping land values and development patterns across the Greater Toronto Area (GTA).

In this environment, developers—incentivized by government policy—are cautiously turning to purpose-built rental, even though higher completions are expected to increase vacancy rates and drive rental rate growth below the 10-year average through 2026, according to CMHC. Already, current rental rates are making many projects unviable, so developers are entering joint ventures with nonprofits and including affordable housing components to increase access to government incentives. They're also exploring possibilities in alternative and operating assets, with some showing interest in hotels.

Cautious optimism is creeping into the top tiers of the downtown office market. Leasing velocity has picked up in higher-class properties in the first half of 2025 as more companies, including most of the major banks, mandate a return to the office and some firms that previously scaled back their footprints look to add space. Net rents hit a seven-quarter high in early 2025, although they eased off slightly in the second quarter of 2025, according to CBRE.

The overall vacancy rate for the downtown Toronto office market was 18.1 percent in the second quarter, CBRE reported, but tenants continue to have a strong preference for space in trophy assets. This helped keep vacancy rates

for this asset class at a relatively low 4.4 percent and its net rents outperformed the rest of the market. Similarly, while downtown saw a total net negative absorption, AAA assets experienced positive absorption in the second quarter, according to CBRE. The completion of a substantially pre-leased 50-storey trophy asset later this year is expected to continue this trend.

Investors are once again considering high-quality offices within the core. Some believe dislocation in the market over the past couple of years has created select opportunities at a time when they also believe the market has bottomed out and cap rates are attractive on a risk-adjusted basis. With current leasing trends putting pressure on available high-quality space, some interviewees speculated discussions about potential new construction could intensify in the coming years.

The peak of the GTA's industrial market appears to have passed, but there's still some optimism, as evidenced by continued, albeit slower, speculative building. The availability rate reached a 13-year high in the second quarter of 2025 and rental rates have fallen for seven consecutive quarters, according to CBRE. Still, pockets of opportunity persist. For instance, small bay is still popular, and landlords with tenants paying below-market rents can still capture some of the rental increases of previous years as these leases turn over.

Retail remains a bright spot in the Toronto real estate market. Grocery-anchored properties have generated the most interest, but other sub-classes are also performing well. While the loss of a major anchor tenant at several shopping centres may temporarily stress these properties, Canadian mall owners have previously adapted to such losses. Although not a replacement for the recently lost anchors, a few malls recently welcomed a national fashion retailer into anchor spaces.

### Edmonton

“Alberta is economically the most positive environment,” said one interviewee. And while U.S. tariff policies, soft oil prices, and decelerating population growth will cool Edmonton’s economic growth, it will still outperform Canada as a whole, according to the CBoC. The city’s real GDP growth is expected to increase from 1.4 percent in 2025 to 2.5 percent in 2026—just behind Calgary for top spot among major Canadian cities.

Edmonton is one of the most affordable housing markets in Canada. And it’s the only major Canadian city expected to build enough homes over the next decade to restore pre-pandemic affordability, according to CMHC. New home construction reached a record high in 2024, spurred on in part by municipal policies and programs. For instance, the city has changed zoning in some areas to allow greater density, made moves to speed up the approval process and created a fund to help cover shared public infrastructure costs for certain multifamily housing developments.

In addition to robust single-detached housing starts, CMHC expects the city’s rental stock to grow robustly through 2027, which will contribute to rising vacancy rates and slower rent growth—particularly as the city’s population growth moderates. Edmonton’s residential rental market is also seeing increased competition among landlords, leading some to offer incentives such as free rent periods or upgrades to attract tenants.

Several Edmonton office landlords said their portfolios continue to perform well, particularly class A or better office space downtown and suburban professional office space, such as that used by medical professionals. Return-to-office mandates are not having a large effect on how many people are working downtown, as a substantial portion of the space is occupied by government workers who have been slow to return full-time.

Over the next two quarters, the market is expecting negative absorption in the government submarket. And although large tenants in high-quality buildings are renewing their leases, they’re taking the opportunity to right-size, which is contributing to negative net absorption in downtown class AA and A buildings, according to CBRE. Additionally, as the flow of international students slows, the university will likely slow its demand for downtown space. However, Edmonton is making ongoing efforts to revitalize its downtown core, including investments in public spaces, arts, and culture, which could help offset some of the challenges in the office sector.

In the first quarter of 2025, the Edmonton industrial market experienced its first quarter of negative absorption since 2020, according to Colliers, which attributes this largely to uncertainty stemming from U.S. tariff policies. While leasing activity rebounded in the second quarter, uncertainty remains, and demand is stronger for small-bay assets over large-bay properties.

Record new housing starts in Edmonton have created a need for supporting retail for new subdivisions, making food-and-drug-anchored neighbourhood retail a short-term winner from this growth, according to interviewees. This asset class is particularly attractive to institutional investors because it better aligns with their risk tolerance requirements compared to other sectors across the province.

### Ottawa

Ottawa is expected to see real GDP increase by just 0.6 percent in 2025 due to slowing population growth, U.S. trade and tariff policies, and meagre employment gains in key industries such as government and health care, according to the CBoC. It expects growth to improve in 2026 and increase 1.7 percent.

The condo market is at a virtual standstill, so the focus has shifted to purpose-built rental, with new development heavily concentrated around current and future transit lines. While CMHC predicts this new stock may lead to a slightly higher vacancy rate, it says the new units will have higher rents, pushing average rents up. As one interviewee put it, many ground-oriented homebuilders are finding “row and low-rise is really the way to go,” as affordability issues are pushing homebuyers to consider suburban semi-detached and row houses.

After two years of declining housing starts, the Ottawa housing market has shown signs of stabilizing this year, but it still faces headwinds. The federal government has announced spending cuts in the public sector and, as departments look to pare expenses, they’re most likely to do so by reducing labour and real estate costs. This is creating apprehension and uncertainty in a city with a substantial population of government workers, and this may slow down home sales.

In 2019/2020, Public Services and Procurement Canada (PSPC) began planning to reduce its office portfolio by 50 percent over the following 10 years by using hybrid work and unassigned seating and disposing of properties that could be better used for other purposes, such as affordable housing.

But a 2025 report by the Auditor General of Canada found that PSPC has only made a slight reduction in office space and may not achieve its originally stated goal.

The federal government's real estate rationalization efforts could accelerate in the coming years, potentially freeing up additional sites for redevelopment or alternative uses, such as affordable housing. As the government continues to evaluate its office space needs and implement cost-saving measures, more properties may become available for conversion or new development, offering opportunities to address housing shortages and revitalize underutilized areas of the city.

But in the short term, planned reductions in government spending may put further pressure on a market that's already seeing weak leasing momentum outside of premier properties. As one interviewee put it, "Return to office is not gaining a lot of steam in Ottawa and with the federal government in particular."

The City of Ottawa has implemented measures to streamline office-to-residential conversions, but only a handful of these have occurred, and they've been done on smaller buildings. Rather than undertake retrofits, one developer is demolishing two downtown office buildings and intends to replace them with rental apartments.

"The primary bet in Ottawa would be in industrial space and warehousing in particular," said one interviewee. Although the vacancy rate rose to 2.5 percent in the second quarter of 2025, average net rent rose 9.9 percent year over year to \$17.33 per square foot, the highest rate in Ontario and higher than the average rent in the Ottawa office market, according to Colliers. This is likely driven by a shortage of product, as the market has long been considered underbuilt by some, stemming in part from a limited supply of land zoned for industrial use.

Yet Ottawa's industrial market is also seeing its highest-ever total square footage under construction, at 3.6 million square feet, according to CBRE. This is largely the result of the construction of a new super warehouse for a major North American e-commerce company. Several other companies already have similar distribution centres in Ottawa and eastern Ontario, areas they find attractive for their proximity to the U.S. border and interstate infrastructure and relatively low costs. At the same time, there's little appetite for newly built mid-market warehouse space but strong interest in reinvesting in and renewing existing mid-market assets.

### Montreal

Montreal's real GDP is forecast to grow just 0.8 percent in 2025 and 1.8 percent in 2026 because of soft consumer and business confidence, weakness in the goods-producing sector, and a shrinking population as international immigration no longer offsets emigration, according to the CBoC.

In much of the country, it's difficult to make the economics work for multifamily developments, but some can "make it work in Montreal," according to one interviewee. For instance, one strategy used by some developers is to construct multifamily buildings on land associated with retail properties they own. This lowers development costs because they already own the land and, once built, the two property types benefit each other.

Virtually no condominium projects are expected to break ground in Montreal this year. Rental units will be the main driver of total housing starts, which are expected to increase for the second consecutive year, according to CMHC. With a growing rental stock and declining population, Montreal's vacancy rate is expected to tick up from 2.5 percent in 2025 to 2.9 percent in 2027, according to CMHC.

Rental projects may start to look even more attractive after Quebec's rental tribunal, the Tribunal administratif du logement, approved the highest allowable rent increase in at least 30 years, with a maximum rate of 5.9 percent when heat is not included in the rent. At the same time, some municipalities in the Greater Montreal Area are exploring ways to streamline approval processes, which would make the suburbs even more attractive to developers.

Despite the operating complexities, seniors' housing is presenting an increasingly compelling opportunity for some market participants. Many operators have exited the space over the past several years due to a provincial regulatory regime that proved too costly and negative press during the pandemic. This has led to a reduction in stock in the face of an aging population, contributing to return on investment and net operating income increases that are attracting investors. Hotels are also piquing the interest of some investors amid high demand and strong revenue per available room. This is prompting some actors to approach hoteliers as they rethink planned condo projects.

In the second quarter of 2025, the office vacancy rate fell for the first time in nine quarters, declining 30 basis points to 19.3 percent, according to CBRE. However, the market is highly bifurcated, as the vacancy rate in AAA buildings is just 8.7

percent. While downtown Montreal remains what CBRE refers to as a “tenant-leaning market,” contiguous space in high-quality buildings is in short supply. Several interviewees said they believe this market could rebound in 2026.

Despite the economic challenges facing the city, Montreal’s industrial market experienced positive net absorption for the first time in two years in the second quarter of 2025, according to Colliers. However, the availability rate increased 20 basis points from the previous quarter to reach 5.4 percent, and the vacancy rate increased by 30 basis points to 4.5 percent. Construction remains steady, and up to 2.2 million square feet of space may enter the Quebec market as a major e-commerce company pulls out of the province, so vacancy rates may continue to rise.

Average net asking rent declined 1.0 percent from the previous quarter to \$14.75 per square foot but remains higher than pre-pandemic levels, according to Colliers. Bay size is a strong determinant of asking rent, with the highest rates being achieved by bays under 25,000 square feet, followed by bays over 100,000 square feet. Bays in between are achieving the lowest rates, according to Colliers, which says this reflects strong local demand for smaller bays and a lack of supply in more urban areas.

Montreal’s retail sector is drawing renewed attention, particularly with the opening of a new luxury shopping and entertainment mixed-use development. The project’s integration of retail with office, residential, and entertainment components exemplifies a broader trend in Montreal, where developers are using mixed-use strategies to enhance property values and create vibrant urban hubs. The project is expected to draw significant foot traffic and tourism, further supporting the city’s economic recovery and positioning Montreal as a premier retail destination in Canada.

Saskatoon



“Saskatchewan and Manitoba are attractive for growth,” said one interviewee, alluding to the economic strength of the broader region. In the Prairies, Saskatoon has been a standout. This positive sentiment is strongly reflected in this year’s survey results. When asked to rate their own city’s prospects, Saskatoon-based interviewees were more optimistic than respondents in any other market.

In 2024, Saskatoon’s economic growth led all major Canadian cities and is expected to be on top again in 2025 with forecasted real GDP growth of 2.5 percent, according to the CBoC. And although other cities are forecast to lead the way in the coming years, Saskatoon is still expected to post a real GDP growth of 2.4 in 2026.

Spurred by this strong economic growth, the housing, office, and industrial real estate sectors are all seeing new construction. While it may be several years before shovels are in the ground, in August 2024, Saskatoon City Council approved a funding plan for a downtown event and entertainment district that will eventually see the construction of a new arena and convention centre.

Saskatoon also has some of the most affordable housing in Canada, according to the RBC aggregate housing affordability measure. This is despite near-record home sales in 2024, according to CMHC. It expects a tight resale market to lead to price growth, which will encourage robust home construction through 2027. Low vacancies and rising rents will also lead to an elevated level of rental construction, which will be the main contributor to total home sales.

The suburban office market is outperforming the downtown office market. Within the downtown market there’s a preference for AAA space, although well-located class B space has performed well, according to Colliers. To take advantage of the strength in the suburban market, several projects are under construction.

Saskatoon’s industrial market is characterized by low inventory levels, low vacancy rates, and rising net rents, but this may be starting to change, according to Colliers. New speculative developments that are only partially occupied are contributing to rising vacancies. Nearly 300,000 square feet of new speculative builds are planned or under construction—this as companies are being cautious in the face of U.S. trade and tariff policies. Currently, demand is greatest for spaces in the 1,000- to 5,000-square-foot range and weak for spaces over 20,000 square feet, according to Colliers.

Halifax

Trade and tariff policies will be among the biggest factors slowing the Halifax economy this year, along with slower population growth and consumer spending, according to the CBoC. After a 3.8 percent increase in real GDP in 2024, the CBoC predicts the city’s economy will only grow 1.3 percent in 2025 and edge down further to 1.2 percent in 2026—last among major Canadian cities.

Despite the forecast of muted growth for the near future, the perception is that over the long term, Halifax is in growth mode, and several new multiresidential developments will come to market over the next 24 months. Despite high construction costs and the risk that it may take some time to fully rent a development as vacancies tick up, rents remain healthy, and building continues. CMHC predicts that multi-unit construction will be the primary contributor to growth in housing starts through 2027.

Modestly priced single-family homes are selling quickly. While more expensive homes can take some time to sell, they’re still selling faster than in years past, according to one market observer. The municipal government has made zoning changes to allow taller towers in select locations and permitted more units per lot in some locations. Still, several interviewees commented that they view land in the area as overvalued.

Overall, office vacancies in Halifax have trended downward since the third quarter of 2022, according to CBRE, but as in many other cities, the Halifax office story is one of bifurcation between high-end properties and the remainder of the market. While class C buildings may struggle to attract tenants and saw rising vacancies in the second quarter of 2025, the downtown class A vacancy rate is at its lowest since the third quarter of 2017, at 14.2 percent, according to CBRE. Similar activity has been seen outside the core, where newly built class A has outperformed, and interviewees believe the office sector will continue its upward trend.

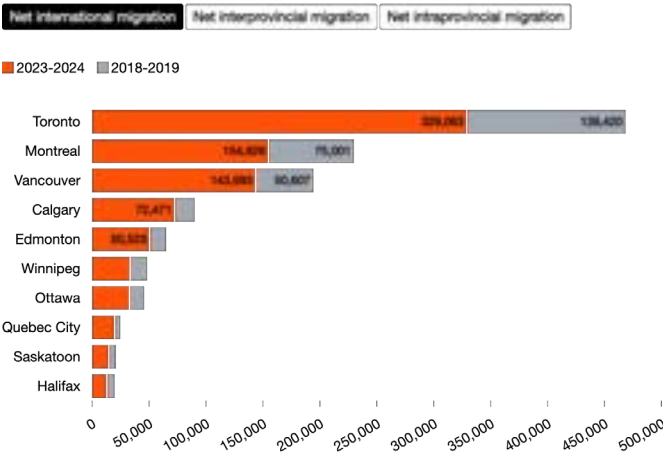
Several newly completed industrial developments have helped push Halifax’s industrial vacancy rate to 10.5 percent, up from below 3 percent just two years ago, according to Colliers. Yet demand is strong for small-bay industrial and net rents have been in the \$15 per square foot range for six consecutive quarters, reflecting strength relative to other Canadian industrial markets, according to Colliers. Still, development continues, and new supply might put further pressure on overall vacancies.

Halifax is home to several major universities. Purpose-built student accommodation is in high demand and continues to attract investor interest and new development.

Tourism is important to the Halifax economy, and a sizable number of new hotels have opened on the peninsula in the past several years.

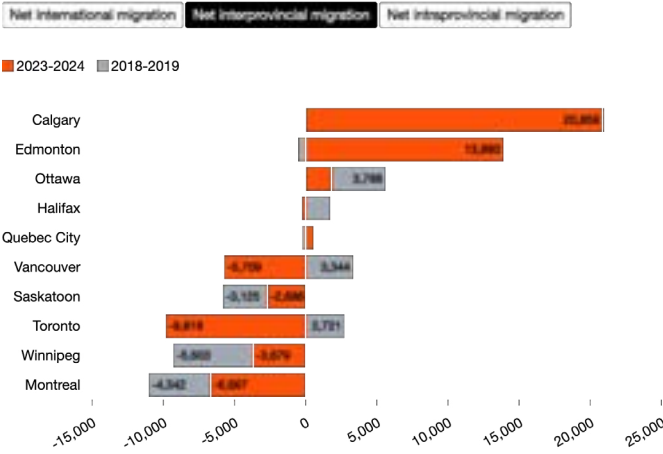
Vancouver

Net International, Interprovincial, and Intraprovincial Migration by Census Metropolitan Area, 2023–24 versus 2018–19



Source: Statistics Canada, annual demographic estimates.  
Note: Figures as of July 1 of each respective year.

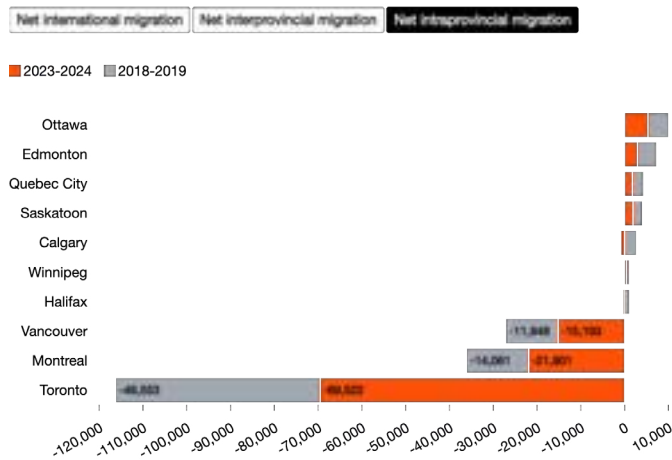
Net International, Interprovincial, and Intraprovincial Migration by Census Metropolitan Area, 2023–24 versus 2018–19



Source: Statistics Canada, annual demographic estimates.  
Note: Figures as of July 1 of each respective year.

## Chapter 4: Emerging Trends in Canadian Real Estate

**Net International, Interprovincial, and Intraprovincial Migration by Census Metropolitan Area, 2023–24 versus 2018–19**



Source: Statistics Canada, annual demographic estimates.  
Note: Figures as of July 1 of each respective year.

Vancouver's economy is expected to see only modest growth over the next several years. The CBoC forecasts real GDP growth will climb slightly from 1.2 percent in 2025 to 1.9 percent in 2026.

The city is among the world's least affordable, to the point that housing costs are a drag on the economy because they reduce discretionary incomes and make it harder to attract and retain talent. High housing costs are also a major driver of Vancouver's consistent emigration to more affordable nearby cities. This has typically been offset by the inflow of international immigrants, which have made up about 80 percent of population gains over the past decade, according to the CBoC. However, this inflow is expected to slow dramatically due to new immigration policies. Over the next two years, Vancouver is expected to see its first population decline since at least 1986, according to the CBoC.

The condo market is expected to continue struggling for the next two years, according to several interviewees. They report low margins and believe companies will have to accept significantly lower margins until the existing supply of unsold newly constructed units is depleted, which could take 12 to 18 months. As a result, virtually no new projects are being initiated, which could hurt supply three to 10 years from now. The situation has prompted the province's development industry to push the provincial and federal governments to roll back restrictions on foreign investment in the housing sector.

Developers are using various strategies to remain viable. For instance, some are laying off staff and selling assets,

while others are taking on marginal projects to keep staff busy and not have to lay them off. But despite their best efforts, some developers have been unable to withstand the mounting pressures in the market. With rising insolvencies, opportunities are emerging for well-capitalized developers to take over existing projects. Although some contrarians are musing this might be a time to initiate projects again to take advantage of the lack of supply that will be coming onto the market several years from now, the consensus of interviewees is that it is still too early.

An influx of rental units has come to market over the past year as firms shift their focus to rental development, attracted in part by CMHC incentives and expedited approvals. As a result, rental rates have flattened or declined slightly, putting pressure on returns. CMHC expects the rental vacancy rate, which was 0.9 percent in 2023, to be 2.1 percent in 2025 and to rise to 2.9 percent by 2027.

Municipal zoning changes have also led to increased density with the development of more laneway homes and the construction of fourplexes and sixplexes on land previously zoned for single-family use. The suburbs, where younger families are more likely to be able to afford a home, are seeing opportunities in townhouse development. Prime urban retail corridors, such as Robson Street and Oakridge, continue to attract investment and redevelopment activity. Grocery-anchored and essential service retail remain resilient, and mixed-use projects often include retail components. Suburban retail nodes are also benefiting from population shifts.

Leasing activity moderated in the Metro Vancouver office market in the second quarter of 2025, but it's still at levels above the five-year average, according to CBRE. The suburban market is outperforming the downtown market, and within the downtown market, AAA is outperforming lower-quality assets, according to CBRE. The Vancouver office market has performed better than the Toronto market, and many interviewees consider office one of their best bets in 2026 as return-to-office mandates take hold.

While the industrial market has peaked or plateaued in markets such as Toronto, it remains strong in Vancouver, and in British Columbia in general, and it is expected to remain strong, given the limited space available for industrial development in Vancouver. Despite this positive outlook, there's still a spread between buy and sell values, and purchasers are proving they're willing to be patient. Small bay provides particularly attractive opportunities due to its

## Chapter 4: Emerging Trends in Canadian Real Estate

flexibility, its ability to grow and transition between different industries and the difficulty in finding tenants for some larger assets.

Industrial rental rates have plateaued or declined from their recent highs, but they're still significantly higher than they were 10 years ago. U.S. tariffs are weighing on the minds of industrial tenants, but interviewees said they're not seeing a business impact yet and tenants are still paying their rent.

Some feel Vancouver has a shortage of hotels. While travel and tourism have rebounded, supply has not kept up, and the province has introduced new regulations that will limit the availability of short-term rental accommodation. This is making hotels an attractive asset class, with interviewees reporting hotels are performing well and appraisal values are high for some existing properties. Early moves to take advantage of this opportunity have resulted in the development of several new serviced apartment properties.

### Winnipeg

Winnipeg's diversified economy will help it outperform most major Canadian municipalities in the face of the economic challenges facing the country, according to the CBoC. It predicts the city will see real GDP growth of 1.1 percent in 2025 and 2.2 percent in 2026. Still, Winnipeg's goods, manufacturing, transportation, and warehousing sectors are expected to slow in the face of U.S. tariffs, according to the CBoC.

Winnipeg's steady population growth in recent years has come mostly from inflows of international immigrants. As such, new federal immigration targets will dramatically slow the city's population growth, affecting several sectors including educational services, according to CBoC forecasts.

The city has one of the most affordable housing markets in Canada, according to the RBC aggregate housing affordability measure. Price growth for single-family homes is expected to be slower than in other Prairie markets, according to CMHC. The agency also forecasts vacancy rates to increase gradually but remain below historical averages through to 2027 and rent growth to be strong in 2025 before moderating.

Winnipeg is expected to see steady, gradual growth in housing starts through 2027, according to CMHC. This will be led by purpose-built rental, with CMHC forecasting single-detached construction to slowly decline over the medium term. Through grants and tax increment financing, the city reportedly helped fund 28 housing developments through

various programs and announced it had chosen developers to build affordable housing on five city-owned properties. The CBoC also noted the province has removed sales taxes on new rental housing and does not cap the size of rent increases on newly constructed development.

"Exurban and suburban markets will outperform urban cores," said one interviewee. This prediction seems to be playing out in Winnipeg's office markets. In the second quarter of 2025, the downtown office market had a vacancy rate of 17.7 percent, while the suburban market had a vacancy rate of only 11.0 percent, according to CBRE, which notes that with lower rents and locations near residential areas, suburban offices are attractive to firms with hybrid work policies.

Leasing activity in the industrial market remained steady in the second quarter of 2025, and national investors have shown interest in the market, according to Colliers. Still, the brokerage firm notes that U.S. trade policies and high construction costs are engendering caution around starting new construction projects and most sales were for properties less than 8,000 square feet.

The transformation of downtown Winnipeg continues. Work has begun on turning a major downtown retail property into a complex that will include a 265,000-square-foot health centre, a 15-storey residential tower in which up to 40 percent will be rented at affordable rates, neighbourhood and community spaces, parks, retail, and parking.

### Quebec City

Quebec City is expected to have one of the lowest growth rates of major Canadian cities as U.S. trade and tariff policies and new federal and provincial immigration targets create uncertainty for businesses and consumers and lead to a deceleration of population growth, according to the CBoC. It predicts the city will see only 0.2 percent real GDP growth in 2025 and then pick up to 1.3 percent in 2026.

There's strong demand for housing in Quebec City, fuelled by decreasing interest rates and a low unemployment rate. Housing starts are expected to remain relatively high through 2027, with apartments accounting for most of them, according to CMHC. Despite this, strong demand means the rental market will remain tight. Vacancy rates are expected to be 1.0 percent in 2025 and to only rise to 1.5 percent by 2027, while rents for the average two-bedroom unit will rise 8.3 percent over the same period, according to CMHC.

## Chapter 4: Emerging Trends in Canadian Real Estate

Despite enthusiasm to build in Quebec City, its aging infrastructure threatens to slow development. For example, in early 2025, Lévis, a city across the river from Quebec City, was forced to impose a construction moratorium for up to two years while it increases the capacity of two water treatment plants.

In the second quarter of 2025, the office vacancy rate in Quebec City stood at 14.1 percent, an improvement on the 11-year high of 15.3 percent recorded the previous quarter, according to CBRE. This high vacancy is the result of the provincial government and several tenants in the financial industry vacating their spaces or downsizing due to hybrid work policies resulting in low in-office attendance. No new construction is taking place and despite the increase in the vacancy rate, net asking rates remain stable.

The Greater Quebec City industrial market slowed in the second quarter of 2025 because of increased supply. It experienced negative net absorption, the vacancy rate increased to 5.8 percent and net asking rents fell to \$13.80 per square foot, down 0.7 percent from the previous quarter, according to Colliers. Most new buildings are build-to-suit, with tenants looking for modern buildings with clear heights of 24 feet or more, multiple docks, and flexible layouts, according to Colliers.

Interest continues in constructing multifamily developments on excess land associated with malls and construction of several new boutique hotels is underway. Some interest has been expressed in building data centres in the region. However, new development of these centres is likely to be curtailed due to provincial government restrictions on power procurement, which make it difficult to secure new energy agreements.

### 2026 Forecast Economic Indicators by City

	Real GDP growth	Total employment growth	Unemployment rate	Household income per capita growth	Population growth	Total housing starts (units)	Retail sales growth
Calgary	2.6%	1.1%	7.1%	1.6%	1.3%	16,961	5.6%
Edmonton	2.5%	2.1%	7%	2.1%	1.4%	16,083	4.8%
Saskatoon	2.4%	1.7%	4.9%	1.6%	1.4%	3,315	3.4%
Toronto	2.3%	0.6%	7%	2.4%	-0.1%	40,542	2.8%
Winnipeg	2.2%	0.6%	5.8%	2.2%	0.2%	6,350	3.7%
Vancouver	1.9%	0.6%	5.4%	3.5%	-0.4%	24,125	3%
Montreal	1.8%	0%	5.4%	2.7%	-0.7%	17,240	2.9%
Ottawa-Gatineau	1.7%	0.5%	5.5%	1.9%	0.3%	13,400	3%
Quebec City	1.3%	0.5%	3%	2.3%	0%	5,950	2.4%
Halifax	1.2%	1%	5.2%	2.1%	0.3%	3,190	2.8%

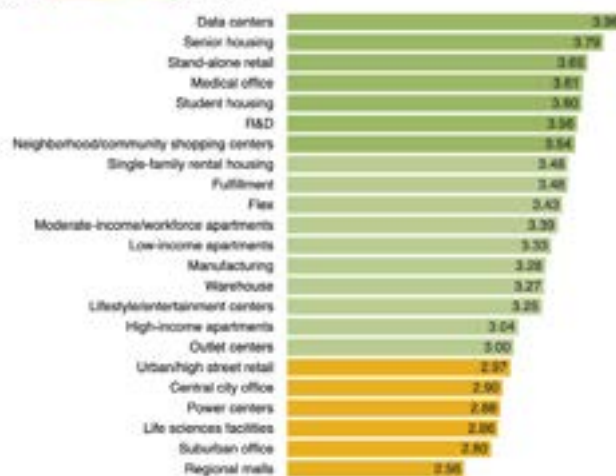
Source: Conference Board of Canada, Major City Insights, summer 2025

## Property Type Outlook

### Prospects for Commercial/Multifamily Subsectors in 2026

Investments prospects

1-Absymal 5-Excellent

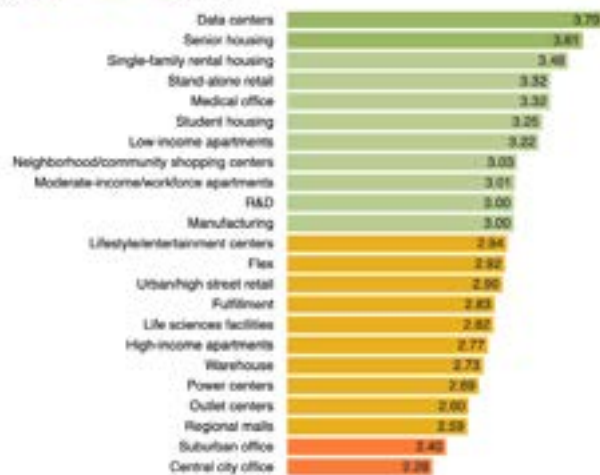


Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on Canadian respondents only.

### Prospects for Commercial/Multifamily Subsectors in 2026

Development prospects

1-Absymal 5-Excellent



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on Canadian respondents only.

Industrial Property

Industrial Space, Q2 2025

City	Availability Rate	Under Construction (Sq. Ft.)
Vancouver	4.3%	4,128,695
Toronto	4.4%	10,478,002
Montreal	5.4%	1,720,091
Ottawa	3.7%	404,305
Halifax	–	171,470
Winnipeg	–	113,236
Edmonton	7.6%	1,307,933
Calgary	6.3%	1,554,434

Source: Colliers industrial market reports, Q2 2025.  
Note: – Symbol represents data not available.

While activity in the industrial market in Canada is now past its growth peak, it remains a solid performer in several regions. Nationally, Colliers reported an increase in the availability rate to 5.1 percent in the second quarter of 2025 from 4.4 percent during the same period last year and softening rents in markets such as Toronto and Montreal.

The industrial market is evolving as some companies look to enhance the speed and efficiency of distribution centres. One interviewee noted it’s becoming more important for companies to tailor their logistics systems based on market, location, and demand factors, and they highlighted how AI is providing a real opportunity to do so.

The market is also seeing a shift to focus on small-bay assets over large-bay properties. Interviewees noted how small-bay assets can more flexibly transition between tenants as market conditions shift—making them a more attractive bet given economic and trade uncertainties. At the same time, one interviewee described how small-bay projects can be hard to make work given their challenging economics. Prospects for small-bay properties are better in markets such as Ottawa, where there’s an inventory of aging and outdated warehouses that can be refurbished and repurposed to serve new tenants.

Ottawa stands out as being a strong market for industrial real estate more broadly, as evidenced by average asking net rents rising from \$15.74 to \$17.33 per square foot on a year-over-year basis, according to Colliers’s national market snapshot for the second quarter of 2025. Elsewhere, Calgary is attracting interest, driven partly by its greater affordability and lower land costs compared to Vancouver, which had the highest asking net rent (\$20.17 per square foot) among the cities analyzed in Colliers’s industrial market report for the second quarter of 2025.

Toronto continues to see a slowdown in industrial activity, with Colliers reporting a rising availability rate and declining asking rents. Despite this softness, interviewees suggested that people still believe in the market and that some are spec building in a measured way. Interviewees also noted that there are good growth opportunities in lease turnovers. As leases expire, property owners can capture some of the significant rent growth seen over the past five years even though rates have fallen from their peak.

Quebec’s industrial market has also experienced setbacks. In Montreal, the industrial availability rate has risen to 5.4 percent in the second quarter of 2025 from 4.6 percent during the same period last year, according to Colliers. The average asking net rent fell to \$14.75 per square foot from \$15.37.

Looking to the future, several interviewees identified self-storage as a good bet. Densification trends play a role in this, with one interviewee stressing the link between housing development and demand for self-storage, while another emphasized its importance in mixed-use projects.

Data centres were also identified by some interviewees as a growth area, particularly given the rapidly rising demand associated with AI and cryptocurrency mining activities. Others suggested data centres haven’t lived up to their hype given constraints such as power supply availability. While several interviewees suggested they’re not ready to make a move on data centres, they acknowledged they remain attractive in the long term and noted they’re likely more suitable for institutional investors than private developers.

Office

Canadian Downtown Office Markets Statistics, Q2 2025

Market	Under Construction (sq. ft.)	Class A Vacancy Rates	Overall Vacancy Rates
Vancouver	29,386	9.6%	11.9%
Toronto	1,899,887	18.2%	18.5%
Montreal	0	14.9%	18.6%
Ottawa	0	12.6%	15%
Edmonton	0	22.3%	21.1%
Calgary	0	25.4%	30.7%

Source: CBRE, Canada office figures, Q2 2025

The office market in Canada is showing signs of stabilization, with some interviewees voicing optimism that demand will recover given return-to-office mandates by major Canadian banks, some large employers, and the Ontario government. During the second quarter of 2025, the national office vacancy rate stood at 18.7 percent. The market continues

to be bifurcated, with the national downtown vacancy rate at 10.6 percent for core trophy assets and at 25.3 percent for class B and C properties. CBRE suggests vacancy rates have plateaued after showing little movement for some time.

Despite the improving sentiment, the performance and outlook for the office market in Canada vary by region, with downtown class A vacancy rates ranging from 9.6 percent in Vancouver to 25.4 percent in Calgary. The large business centres of Vancouver and Toronto are starting to see renewed interest, with one interviewee highlighting how some large users—such as financial institutions and law firms—are running out of space. Interviewees also noted increasing interest in long-term leases, although this was moderated by concerns over eroding consumer confidence and tenant hesitation over when to make a move on taking on additional space given current trade uncertainties.

Meanwhile, Ottawa's office market continues to struggle. The lack of momentum for return-to-office initiatives across the federal public service, combined with the government's plan to significantly reduce its office portfolio over the next decade, could affect absorption rates and weaken market conditions further. Quebec City's office market is also facing challenges given the strength of hybrid work models within the provincial government and the ongoing trend of tenants looking to downsize space on renewal.

Office construction activity remains muted nationally, driven by a lack of project starts, although one interviewee suggested that the lack of new product could create opportunities in the future. The subdued interest in class B and C offices across Canada was notable, although one interviewee stressed that not all these assets are the same. They suggested that those class B and C assets that have unique attributes could come back eventually while others could be targeted for demolition.

Conversions are gaining some interest, with interviewees pointing to municipal support programs and projects to convert vacant office space to residential in Calgary and to the federal government's pledge to support the conversion of office space, including of vacant federal properties. Interviewees also highlighted several creative opportunities for future conversions, such as turning office properties into transitional communal housing—with shared kitchen and bathroom facilities—which could serve groups including recent immigrants. One interviewee suggested that these types of conversions could help ease pressures on the rental housing market while making use of vacant office buildings.

Investor perceptions of the office market are quite varied. Some believe there is a dislocated market that can provide opportunities. For example, several interviewees reported that there could be opportunities if pricing is attractive with high single-digit cap rates, while others noted that both cap rates and projected yields are becoming more attractive from a risk-adjusted perspective to private equity investors. Other investors remain cautious, suggesting that any deals in the office market will likely involve very strategic buyers rather than anyone looking to place big bets on the space.

### Retail Property

Sentiment toward the retail segment is largely optimistic, as evidenced by the sector's relatively low NAV discount. Several interviewees identified retail as a good bet, with landlords reporting strong tenant demand and rising rental rates.

One interviewee suggested that some vacancies would be welcomed, as it would give them a chance to reset rents at higher levels. Limited construction in recent years has likely contributed to this, putting space at a premium. Some interviewees even suggested they may be looking at building new retail developments. Others noted that with cap rates compressing, those looking at investing in the space will likely find themselves paying more than they hoped.

Open-air retail is performing well: interviewees identified grocery-anchored developments in suburban locations as a best bet for 2026. Several suggested that there will always be a market for good-quality local retail, while others highlighted how mixed-use developments are a key strategy for bringing in customers—with the quality of the residential component bolstering the retail side and vice versa.

Experiential retail is also attracting increasing attention. One interviewee highlighted the concept of “eatertainment”—the combination of food and beverage offerings with novel and sharable entertainment experiences—as an attractive opportunity because of its ability to create destination locations that then support other retail businesses nearby. Some of these experiential offerings are taking up spaces left by anchor tenant departures, helping to reinvigorate retail properties. Several owners are also looking at anchor tenant departures as an opportunity to redevelop larger spaces to unlock new value aligned with evolving consumer preferences.

It's important to note that the positive sentiment toward the retail segment isn't universal. In addition to the loss of a

major department store tenant this year, some interviewees said increased caution about the economy is causing more hesitation among companies considering long-term leases for large spaces, extending the time for property owners to find new occupiers.

### Condominiums

The condo market in Canada continues to face headwinds, including sustained investor pullback, a mismatch between the inventory of unsold units and end-user demand and high development costs in many regions.

Economic uncertainties, rising costs and weak consumer confidence are exacerbating the challenges, leading many interviewees to believe a market recovery remains years away. One interviewee characterized the market as “dead for the next few years,” while another called it lethargic and oversaturated, with companies needing to accept lower margins to sell existing supply.

Conditions are particularly challenging in Toronto, which is expected to see a record number—31,422—of completions in 2025, according to Urbanation’s recent condominium market survey. With market saturation high and new unit sales hitting a 30-year low in the second quarter of 2025, some developers are holding back from new starts, while others are exploring shifting developments to purpose-built rental housing. One interviewee noted how they’re running pro formas on the conversion of condos to rental units in areas where there’s demand—with some penciling out much better despite the complexities involved.

Vancouver’s condo market also remains stalled, with some industry participants voicing concern that the lack of new starts could negatively impact supply in the future. In its 2025 Housing Market Outlook, CMHC suggests increasing inventory, combined with low pre-sales activity, will create challenging conditions, particularly in the city centre where project feasibility depends on higher prices. Several interviewees suggested the government needs to revisit certain policies—such as relaxing the foreign buyer ban and the property transfer tax—to improve market conditions.

As owners with land earmarked for condos decide not to move ahead, there may be a reset on land price, creating opportunities for developers to pick that land up or pivot to the multifamily rental market. Some well-capitalized companies are also looking at the down market as an opportunity to acquire properties at affordable prices.

While new condo starts may take time to recover, the industry is evolving toward larger units as well as medium-density and mid-rise developments. “The condo will evolve to mid-rise units that are end-user dependent,” said one interviewee. When speaking of the shift toward end users, another interviewee cautioned that in the absence of large bulk purchases of units by investors, pre-sales periods will likely take longer, raising questions about how financing will need to adapt.

## Purpose-built Rental Housing

Under Construction Inventory by Intended Market

Market	2020 Homeowner	2020 Rental	2020 Condo	2021 Homeowner	2021 Rental	2021 Condo	2022 Homeowner	2022 Rental	2022 Condo	2023 Homeowner	2023 Rental	2023 Condo	2024 Homeowner	2024 Rental	2024 Condo	2025 Q1 Homeowner	2025 Q1 Rental	2025 Q1 Condo	2025 Q2 Homeowner	2025 Q2 Rental	2025 Q2 Condo
Calgary	3,296	2,001	4,877	4,996	4,370	5,097	8,217	6,989	5,728	6,817	9,211	7,845	7,578	6,895	8,728	7,027	8,803	8,086	7,289	11,832	7,409
Canada	50,313	75,870	131,378	85,434	190,171	143,347	83,027	119,955	194,683	32,711	135,219	184,454	49,541	141,268	154,889	46,984	150,139	147,946	47,650	184,136	143,055
Edmonton	3,684	3,473	3,283	4,887	5,285	1,318	5,914	6,755	1,488	4,872	7,288	1,236	8,218	6,757	1,479	5,934	7,306	1,680	6,460	9,500	1,432
Halifax	907	4,819	4	887	3,790	2	930	5,916	8	885	7,789	15	1,083	8,286	9	1,006	10,237	8	972	15,862	8
Montreal	2,440	18,430	10,161	2,316	28,029	11,726	1,815	23,245	13,362	1,282	19,036	12,062	1,320	19,520	6,795	1,415	21,463	6,494	1,588	24,080	5,812
Ottawa	5,091	2,387	4,507	5,700	2,820	5,058	5,642	4,017	6,639	3,707	8,782	6,422	3,378	7,218	4,454	3,442	8,187	4,579	3,300	9,055	3,286
Quebec City	588	5,545	522	740	8,112	364	728	6,176	323	488	6,156	299	479	6,450	229	519	7,220	232	718	8,581	381
Saskatoon	540	941	365	690	1,288	376	729	1,548	528	807	2,063	507	936	2,397	402	877	1,786	793	960	3,844	212
Toronto	11,772	9,832	60,236	11,802	11,671	62,870	14,848	13,514	73,274	12,312	16,782	79,037	11,818	18,957	69,633	10,532	19,089	64,682	9,852	20,964	62,717
Vancouver	3,850	10,245	30,625	3,353	10,138	31,551	4,389	14,083	30,749	4,721	18,806	37,000	3,208	21,904	38,601	3,087	22,728	37,016	3,721	22,864	36,979
Winnipeg	1,155	3,218	1,822	1,824	4,227	978	2,205	5,075	908	1,463	5,347	937	1,335	4,471	1,021	1,314	4,517	1,082	1,483	4,838	1,221

Source: CMHC Starts and Completions Survey.  
Note: Dwelling types include single, semi-detached, row, and apartment.

The purpose-built rental housing market in Canada continues to see increased interest, driven in part by developers shifting away from the depressed condo space. One interviewee suggested that new purpose-built rental developments are the biggest opportunity in the residential sector, even with pro formas being tight, financing becoming more difficult to obtain, and rental rates trending lower.

There are ways to make purpose-built rental developments more viable, interviewees noted, including taking advantage of affordable housing programs and municipal incentives such as lower development charges. Partnerships—including with nonprofit housing organizations—are also emerging as developers look to access incentives and bridge funding gaps. Some companies are also using their existing land for development purposes given the significantly lower cost compared to purchasing property at current market prices.

In Toronto and Vancouver, some developers have pivoted stalled condo developments to rental projects or are in the process of assessing the possibility of conversions. The decision to pivot isn't straightforward, given factors such as the status of the development, associated land costs and CMHC rules and requirements. With the impact of increasing condo inventory and decreasing immigration numbers on the rental market, rents in Toronto and Vancouver are also starting to soften, which is creating some unease despite the overall positive sentiment toward the multifamily segment.

As with other asset classes, trends in the rental market vary across the country. According to CMHC's Mid-Year Rental Market Update, while several urban centres saw rents decline on a year-over-year basis in the first quarter of 2025, they increased in Montreal, Ottawa, and Edmonton, although at a slower pace compared to previous periods.

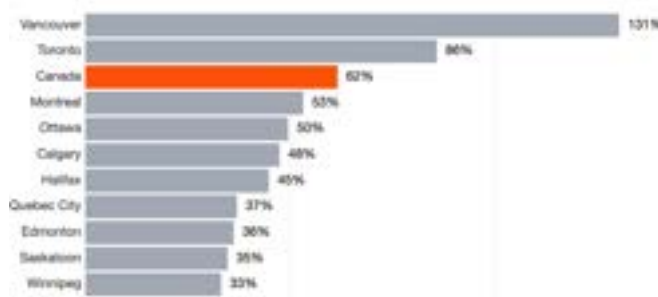
Interest in the purpose-built rental market remains high in both Montreal and Quebec City. Several companies in the province are focusing developments on existing retail assets to make use of excess land, increase density, and drive more value from their properties. Similarly, developers in Ottawa are prioritizing transit-oriented developments as the city builds out its light-rail network.

Looking forward, some interviewees expect to see increasing headwinds, including rising vacancies, softening rents, and declining demand due to shifting immigration policies. There's also concern that changes to CMHC programs could make financing projects more difficult. One interviewee emphasized the importance of capital availability, suggesting the need for more creative approaches to lending to move rental projects forward.

### Single-family Housing

#### Housing Affordability, 2025

##### Single-family detached



Source: RBC Economics, housing trends and affordability reports  
Note: The RBC Housing Affordability Measures show the proportion of median pre-tax household income that would be required to cover mortgage payments (principal and interest), property taxes, and utilities based on the benchmark market price for single-family detached homes and condo apartments, as well as for an overall aggregate of all housing types in a given market.

The single-family housing market in Canada is showing resilience, although affordability remains a challenge. According to RBC's housing trends and affordability report for the first quarter of 2025, while the national affordability measure (which reflects housing costs as a percentage of median household income) for single-family detached homes has come down from 67.2 percent in early 2024, it remains elevated at 61.7 percent.

Affordability fluctuated significantly by market, with Vancouver identified as the least affordable by a large margin (130.6 percent, down 7.2 percentage points from the previous year), followed by Toronto (86 percent, down 10.3 percentage points). Among our 10 markets to watch, the report found Winnipeg to be the most affordable (33.2 percent), followed by Saskatoon (34.8 percent) and Edmonton (36.3 percent).

Affordability and cost factors are shifting the focus of single-family housing developments, with more attention going to smaller lots and townhouses. In suburban areas, developers see townhouses as a good investment due to their affordability and market responsiveness, with offerings suited to young families and those upsizing or downsizing.

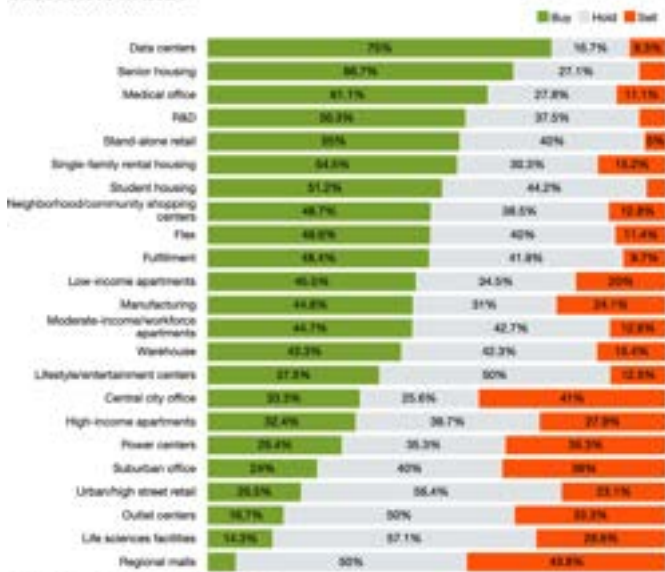
In some cases, condo developers described how they've pivoted to building low-rise suburban townhouses. With the condo market expected to continue to suffer and rents softening on the purpose-built rental side, they viewed the shift toward townhouses in part as a way to keep their people employed without having to make a large investment.

When it comes to regional variations, several interviewees noted how high development fees and slow municipal approval processes are hindering new supply and driving up costs in regions such as the GTA and Vancouver. The outlook is brighter in Alberta, according to one interviewee, who suggested that land affordability, timely approvals, and lower development fees are supporting low-rise growth there. Another interviewee identified single-family developments as a good bet in Alberta given the demand from buyers relocating from higher-cost provinces.

Despite concerns about economic uncertainty and changing immigration policies, there's cautious optimism that the single-family housing market will remain steady, with good absorption of low-rise homes. While CMHC's housing market outlook report suggests there could be a small recovery in housing starts for affordable options like row houses, most interviewees expect activity to remain modest.

### Best Bets for 2026

Investment Recommendations for Commercial/Multifamily Subsectors in 2026



Source: Emerging Trends in Real Estate 2026 survey.  
Note: Based on Canadian respondents only.

### Purpose-built Rental: An Opportunity to Trade Near-term Yield for Long-term Growth

For the second year in a row, purpose-built rental housing is a top best bet, but with a new sense of strategic patience. The current market presents a rare opportunity for investors willing to accept lower yields today in exchange for significant future benefits.

This long-term conviction is underpinned by several powerful trends. A significant structural housing supply deficit exists across the country; in the GTA alone, the rental supply deficit is projected to reach 121,000 units over the next decade, according to Urbanation. While immigration policies have tightened, the resulting population growth continues to fuel the formation of new households and sustained demand for rental housing. At the same time, a large portion of Canada's existing rental stock is aging and in need of upgrades, creating a clear opportunity for new, higher-quality products. Supportive public policy, from tax incentives to new CMHC financing programs, further reinforces the positive outlook for new rental development.

This long-term thesis is attracting a diverse mix of capital, from Canadian pensions and family offices to foreign investors and former condo developers. A recent high-profile example is the \$4-billion privatization of a major multifamily REIT, which saw a foreign sovereign wealth fund and a domestic operator partner take the company private, signaling strong confidence in the long-term value of Canada's rental housing sector. While transaction volumes across the broader commercial real estate market have moderated, the multifamily sector has held up better than most other asset classes, according to CBRE data, underscoring its resilient, defensive qualities in the current market.

But the investment thesis itself—accepting low near-term yields in anticipation of future growth—makes underwriting new acquisitions and developments difficult. Pro formas that rely on future rent growth and a more favourable interest rate environment can be a hard sell for investors and lenders seeking immediate returns. This is compounded by intense competition for assets, which is driving up prices and leading to cap rate compression, making it even harder to find deals that offer attractive returns today.

The question then becomes: how are successful companies making these long-term plays work? A key strategy is focusing on operational excellence to drive net operating income (NOI) growth. This can involve using AI-powered tools and professional management platforms to better manage their portfolios, from rent-setting and tenant screening to energy savings and security.

Creative approaches to land and financing are also critical. Some companies are making development pro formas viable by building on underutilized sites they already own, such as the parking lots of existing retail assets. Others are using private bridge loans to get projects started quickly, bypassing potential delays in traditional financing before securing long-term CMHC debt once the asset is stabilized.

### **Industrial, Storage, and Data Centres: Capitalizing on the New Economy's Physical Footprint**

There's a fundamental shift underway in how people live, work, and shop. This is creating an opportunity for a group of asset classes that form the physical backbone of that shift: industrial properties, self-storage, and data centres. While distinct, they share a common thesis: they are all benefiting from long-term trends such as population growth, e-commerce, and the explosion in data creation and consumption. Interviewees see continued opportunity in these sectors, though the nature of the opportunity is evolving.

The era of rapid industrial rental growth appears to be over. As one investment advisor noted, "Rent growth projections are flattening," though underlying returns remain strong. The sector has seen a significant pullback in transaction volumes but still attracted more investment capital in the second quarter of the year than any other asset class, according to CBRE.

But this pullback in volume does not signal a lack of long-term conviction from sophisticated investors. On the contrary, confidence is evident in significant investments from a range of players. In late 2024, for example, a major U.S.-based logistics REIT made two multi-hundred-million-dollar acquisitions of distribution centres in the Greater Toronto Area. The self-storage sector is seeing active consolidation, with Canada's largest storage provider acquiring significant assets in the first half of 2025. The data centre space—the subsector with the best investment prospects, according to survey respondents—is also attracting specialized infrastructure capital, as evidenced by a recent major transaction involving a portfolio from a national telecommunications company.

The nature of the opportunity in this space, however, is evolving. While some interviewees noted that a focus on small-bay industrial assets in specific markets can de-risk a portfolio, others pointed to the uncertainty created by U.S. tariff policies as a headwind for manufacturers and logistics firms. Most forward-thinking investors are already identifying new sources of demand. One such opportunity is the potential for increased defence spending to drive a new wave of demand for specialized manufacturing and warehousing space.

### **Seniors' Housing: An Opportunity to Scale Existing Models and Invent New Ones**

The seniors' housing sector is re-emerging as a top-tier institutional asset class. The primary impetus remains the demographic wave of an aging Canadian population, which is creating a massive, noncyclical demand base. Beyond demographics, the sector's improving financials are also a key factor; recent capital investment in facilities has allowed operators to increase rental rates and improve operating margins. Survey respondents named seniors' housing as one of the subsectors with the best investment prospects in 2026.

But despite the strong demand story, interviewees consistently pointed to significant challenges. The primary hurdle is the sheer operational complexity of the business. One developer noted that it's a highly specialized field requiring a deep level of expertise to succeed. Success involves more than just managing a property; it means navigating complex regulatory requirements and a variety of fee structures beyond just rent. The high operating costs are another major concern. Others are cautious due to the prominent level of public scrutiny the sector faces, with some investors preferring to act as a lender rather than an equity owner.

Two distinct paths for value creation are emerging in this complex sector. The first is a strategy of scale and modernization, being pursued by large, sophisticated players with deep capital. They are acquiring existing assets and applying professional management and operational platforms. A prime example is a recent major transaction involving a specialized U.S. REIT, which worked with a domestic operator to manage its newly acquired Canadian seniors' housing portfolio.

The second path is focused on innovation and reinvention. To meet the needs of a new generation of seniors, interviewees pointed to emerging models such as mixed-use retirement communities and dedicated "clubs" for active adults within larger developments. These and other innovative concepts, such as adapting existing homes to include caregiver suites, present a significant opportunity for governments to act as a catalyst, as the success of these models will likely depend on supportive changes to zoning and tax policy.

## Interviewees

**23:32 Capital**  
Bryce Stewart

**ACRES Capital, LLC**  
Eldron Blackwell  
Mark Fogel  
Richard Persaud

**Advan Research Corporation**  
Thomas Paulson

**AEW Capital Management**  
Josh Heller  
Lauren O'Neil  
Mike Byrne  
Mike Acton

**Affinius Capital**  
Mark Fitzgerald

**Alberta Investment Management Corporation**  
Ian Woychuk

**Alliance Prével**  
Laurence Vincent

**Allied Properties Real Estate Investment Trust**  
Cecilia Williams  
Michael Emory

**Almadev Inc.**  
Rafael Lazer

**Altree Developments Inc.**  
Zev Mandelbaum

**Altus Group Ltd.**  
Joel Webster

**Anthem Properties Group Ltd.**  
Eric Carlson

**Appelt Properties**  
Greg Appelt

**Arch Corporation**  
Daniel Argiros

**Ares Management**  
Bryan Donohoe  
Jamie Sunday  
Paul Mehlman

**Arkfield Capital**  
Ramin Jalalpour  
Rouh Ramezani

**Arlington Properties**  
William Morris

**Arnon Development Corporation Ltd**  
Gilad Vered

**Asana Partners**  
Saad Sheikh  
Stefan Neudorff  
Tom FitzGerald

**Aspen Properties Ltd.**  
Scott Hutcheson

**Assembly**  
Kathy Hogeveen

**Astria Properties Ltd.**  
David Basche

**ATAPCO Properties**  
Charles Baker  
Russel Powell  
Scott Robuck

**Atrium Mortgage Investment Corporation**  
Robert Goodall

**AvalonBay Communities**  
Craig Thomas

**Avenue Living**  
Max Graham

**Avison Young**  
Meghann Martindale

**Ayrshire Real Estate Management Inc.**  
Adam Rosenfeld

**Barclays**  
P. Sheridan Schechner

**Bain Capital**  
Ben Brady  
Joe Marconi  
Ryan Cotton

**Basis Investment Group**  
Dale Burnett  
Mark K. Bhasin

**Beedie Development Group Holdings Ltd.**  
Beth Berry  
Mason Bennett

**Belcorp Industries Inc.**  
Bruno Di Spirito

**Benefit Street Partners**  
Jerry Baglien  
Marc Weidner

**Berkshire Residential Investments**  
Eric Schrupf  
Gleb Nechayev  
Ravi Ragnauth

**Bernstein Development Corp.**  
Edward Chaglassian

**Bertone Development Corporation**  
Michael Bertone

**BGO**  
Andrew Yoon  
Ryan Severino  
Sonny Kalsi

**BioMed Realty Trust Inc.**  
Ankit Patel

**Boardwalk Reit**  
James Ha  
Sam Kolias

**Bosa Development Group Inc.**  
Clark Lee

**Bothwell-Accurate Company (B.C.) Ltd.**  
George Vassallo

**Brandywine Realty Trust**  
Jerry Sweeney  
Tom Wirth

**Brixmor**  
Steven Gallagher

**Broccolini Inc.**  
Michael Broccolini

**Brookfield Residential Properties Inc.**  
Thomas Lui

**BTB Real Estate Investment Trust**  
Michel Léonard

**Building Owners And Managers Association Of Canada Inc.**  
Caroline Karvonen

**Burning Glass Institute**  
Gad Levanon

**BXP (Boston Properties)**  
Mike LaBelle  
Owen Thomas

**CABN**  
Jackson Wyatt  
Alex Kelly

**Cabot Properties**  
Bradford Otis  
Franz Colloredo-Mansfeld  
Michael McCarthy  
Patrick Ryan

**Caisse de dépôt et placement du Québec**  
Annie Houle

**Caliber Projects Ltd.**  
Zack Staples

**Cameron Stephens Mortgage Capital Ltd**  
Katie Bonar

**Camrost Felcorp Inc.**  
Joseph Feldman

**Canada Lands Company Limited**  
Stéphan Déry

**Canada Mortgage and Housing Corporation**  
Mathieu Laberge

**Canada Post Pension Plan**  
Marie-Josée Turmel

**CanFirst Capital Management Inc**  
Allan Perez

**Cansel Survey Equipment Inc.**  
Lovett Lewis

**Canyon Partners Real Estate LLC**  
Robin Potts

**Cape Group Management Ltd.**  
Lan Zhang  
Reisa Schwartzman  
Zack Ross

**Capital Property Development Inc**  
Alexandra Kau

**Carbonleo Real Estate Inc.**  
Antoine Bernier

**Carmel Partners**  
Bryan Crane  
Phillip Owens

**Caruso**  
Jackie Levy

**CBRE**  
Dave Young  
Julie Whelan  
Peter Senst  
Wei Luo

**CenterCheck**  
Carter Russ

**CenterSquare Investment Management**  
Rob Holuba

**CentreCourt Developments Inc.**  
Andrew Hoffman

**Chartwell Retirement Residences**  
Vlad Volodarski

**Chirisa Technology Parks**  
Spencer Raymond

**Choice Properties Real Estate Investment Trust**  
Erin Johnston  
Rael Diamond

**Clarion Partners**  
Christine Kang  
Indraneel Karlekar  
Jeb Belford

**Clarke Inc.**  
Tom Casey

**Cohen & Steers**  
Jim Corl

**Collecdev-Markee**  
Jennifer Keesmaat

**Colliers International Group Inc.**  
Brian Rosen

**Concert Properties Ltd.**  
Christine Bergeron

**Condor Properties Ltd.**  
Sam Balsamo

## Interviewees

**Construction Ovi Inc.**  
Sébastien Alarie

**Continental Properties**  
Jay Lybik

**COPT Defense Properties**  
Anthony Mifsud  
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**CoStar Group**  
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**CreateTO**  
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**Crombie Real Estate  
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**Crossharbor Capital Partners**  
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Tom Stevens

**Crux Capital Corporation**  
Peter Aghar

**CT Real Estate Investment  
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**CTO Realty Growth**  
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**Cullinan Properties**  
David Schreiber

**Curbline Properties**  
David Lukes

**Cushman & Wakefield**  
Rebecca Rockey

**D2 Asset Management**  
David Brickman

**Darabase**  
Peter Pinfold

**Deacon Construction**  
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**Desjardins Financial Security  
Life Assurance Company**  
Benjamin Chua

**Desjardins Gestion  
internationale d'actifs**  
Richard Dansereau

**Devron Development Corp.**  
Pouyan Safapour

**DG Group Inc.**  
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**Diamond Corp**  
Ty Diamond

**DivcoWest**  
Gregg Walker

**DLC Management Corporation**  
Adam Ifshin

**Domain Capital Group**  
Dave Seaman

**Dorsay Development  
Corporation**  
Geoffrey Grayhurst

**Dream Unlimited Corp.**  
Michael Cooper

**Dynex Capital**  
Rob Colligan

**Eastdil Secured**  
Will Silverman

**EastWest Bank**  
David Starr

**Easterly Government  
Properties, Inc.**  
Darrell Crate

**Empire Communities Corp.**  
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**EQT Real Estate**  
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Pete Lloyd

**EQT Real Estate**  
Alok Gaur

**Jesse Plante**  
Pete Lloyd

**Equity Residential**  
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**Equus Capital Partners**  
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**ESRI Canada Limited**  
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**Ethan Conrad Properties**  
Ethan Conrad

**ETRO Construction**  
Mike Maierle

**FRAM + Slokker**  
Frank Giannone

**Fabric Living Developments  
Ltd.**  
Jordan MacDonald

**Fengate Capital Management  
Ltd.**  
Jaime McKenna

**Fernbrook Homes**  
Albert Chen

**Fero International Inc.**  
Sabrina Fiorellino

**Fiera Real Estate**  
Kathy Black  
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**Fink Advisory Management  
Corp.**  
Paul Finkbeiner

**First Merchants Corporation**  
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**First Washington Realty, Inc.**  
Daniel Radek

**Fonds de placement  
immobilier Cominar**  
Adam Medeiros

**Fonds immobilier de solidarité  
FTQ**  
Roger Lafond

**Forum Asset Management Inc.**  
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**FRAM + Slokker**  
Frank Giannone

**Frankforter Group Inc.**  
Reuben Abitbol  
Yaakov Frankforter

**FreightWaves**  
Craig Fuller

**G2S2 Group of Companies**  
George Armoyan  
George Jr. Armoyan

**Gal Investments Inc.**  
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**GBT Realty**  
Jeff Pape

**Gensler Architecture & Design  
Canada Inc.**  
Steven Paynter

**GID**  
Gregory S. Bates  
Hisham Kader  
Suzanne E. Mulvey  
Thad D. Palmer

**Global Net Lease, Inc.**  
Christopher Masterson  
Michael Weil  
Ori Kravel

**GM Développement Inc.**  
Geneviève Marcon

**Go Residential Real Estate  
Investment Trust**  
Peter Sweeney

**Graham & Company**  
Jack Brown  
Matthew Graham

**Graham Construction and  
Engineering L.P.**  
Andy Trewick

**Granite Real Estate Investment  
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**Great Gulf Group**  
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**Green Brick Partners**  
Jed Doslon

**Greybrook Capital Inc**  
Peter Politis

**Griffin Partners**  
Edward Griffin

**Grosvenor Americas Limited**  
Graham Drexel

**Groupe Commercial AMT**  
Jérôme Jolicoeur

**Groupe Dallaire Inc.**  
Marie-Helene Blouin

**Groupe Germain Inc.**  
Steve Girouard

**Groupe Mach Inc.**  
Laurent Dionne-Legendre

**Groupe Medway Inc.**  
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**Grubb Properties**  
Clay Grubb

**GWL Realty Advisors Inc.**  
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Wendy Waters

**Harbert Management  
Corporation**  
Michael Waldrum  
Todd Jordan  
Wade Armstrong

**Harlo Diversified Canadian  
Real Estate Trust**  
Andrew Lepper

**Harrison Street Asset  
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Tom Errath

**Hartizen Homes**  
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**Hazelview Investments Inc.**  
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**Healthcare of Ontario Pension  
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Eric Plesman

**Heitman**  
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Mary Ludgin

**High Street Logistics  
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Conor Feeney  
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Partnership**  
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**Hopewell Capital Corporation**  
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**Hopewell Development  
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## Interviewees

### **Hopewell Residential Communities Inc.**

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### **HRM Pension Plan**

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### **HRP Group**

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### **Hullmark Developments Ltd.**

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### **IDI Logistics**

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### **Independent Consultant**

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### **Industrial Alliance Insurance and Financial Services Inc**

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### **InnVest REIT**

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### **Intracorp Realty Ltd.**

Alisha Wong

### **Invesco Real Estate**

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Rivka Altman

### **Invest Ontario**

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### **Jayman BUILT Ltd.**

Aasit Amin

### **JBG SMITH Properties**

Angie Valdes  
Jeremy Poteet  
Michelle Tierce  
Moina Banerjee  
Patrick Tyrrell  
Steve Museles

### **JH Investments Inc.**

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### **John Burns Research and Consulting**

Bryan Lawrence  
Eric Finnegan

### **Jones Lang Lasalle**

James Cook  
Mehtab Randhawa  
Peter Miscovich

### **Kayne Anderson**

Anthony Mariano  
John Wain

### **KHP Capital Partners**

Ben Rowe

### **Killam Apartment REIT**

Dale Noseworthy  
Philip Fraser  
Robert Richardson

### **Kimco Realty Corporation**

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Ross Cooper

### **KingSett Capital Inc.**

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### **KV Capital Real Estate Partners**

Darin Rayburn

### **LaSalle Investment Management**

Michael Fraidakis

### **Lazard Freres & Co.**

Matt Lustig

### **Le Groupe Maurice Inc.**

Francis Gagnon

### **Les Immeubles Roussin Ltée**

Nathalie Roussin

### **Liberty Development Corporation**

Marco Filice

### **Lindsay Construction Limited**

Cory Bell

### **LIV Development**

Cole Carter  
Cooper Herrington

### **LoanCore Capital LLC**

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Tyler Shea

### **Long Wharf Capital LLC**

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Philip Murphy

### **Longpoint Realty**

Nilesh Bubna

### **Mack Real Estate Group**

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Priyanka Garg

### **Madison Homes Limited**

Miguel Singer

### **Madison Pacific Properties Inc.**

John DeLucchi

### **Mainstreet Equity Corp.**

Bob Dhillon

### **Mantella Corporation**

Craig Hippern

### **Manulife Investment Management**

Maggie Coleman

### **Marcus & Millichap**

John Chang

### **Marcus Partners**

Paul Marcus

### **Marlin Spring Investments Limited**

Pedro Lopes

### **Mattamy Homes Limited**

Bill Tofflemire  
Brad Carr

### **MCB Real Estate**

Gina Chambers

### **Menkes Developments Ltd.**

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Sean Menkes

### **Metrus Properties Inc.**

Robert DeGasperis

### **Montez Corporation**

Manfred Lau

### **Moody's**

Jeff Havsy  
Thomas LaSilvia

### **Morgan Stanley**

Seth Weintraub

### **Morguard Corporation**

Angela Sahi  
Paul Miatello

### **Morningstar**

John Amman

### **Mortgage Bankers Association**

Jamie Woodwell

### **MSCI/Real Capital Analytics**

Jim Costello

### **Multifamily Impact Council**

Bob Simpson

### **National Apartment Association**

Bob Pinnegar  
George Ratiu

### **National Development**

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### **National Homes Management Inc.**

Deena Pantalone

### **National Investment Center**

Ray Braun

### **National Multifamily Housing Council**

Caitlin Sugrue Walter

### **Newmark**

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Elizabeth Hart

### **Newport Capital Partners**

Derrick McGavie

### **NexLiving Communities Inc.**

Stavro Stathonikos

### **Northcrest Civil Engineering Limited**

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### **Northern Trust**

Brian Bianchi

### **Northview Apartment Real Estate Investment Trust**

Sarah Walker

### **Nuveen**

Brian Eby  
Chad Phillips  
Jack Gay  
Michael Schwaab  
Richard Kimble

### **Ohana Real Estate Investors LLC**

James Cole

### **ONNI Group of Companies**

Sam Parrotta

### **Ontario Infrastructure and Lands Corporation**

Heather Grey-Wolf

### **Ontario Teachers' Pension Plan**

Pierre Cherki

### **OpenForm Properties Ltd.**

Jason Turcotte

### **OPSEU Pension Plan Trust Fund**

Robert Douglas

### **Osmington Inc.**

Lawrence Zucker

### **Ourboro Inc.**

Eyal Rosenblum

### **Oxford Economics**

Ryan Sweet

### **Oxford Properties**

Daniel Fournier

### **Pacific Elm Properties**

Billy Prewitt  
John Rutledge  
Jonas Woods

### **Pacific Urban Investors**

Alex Yarmolinsky  
Alfred Pace  
Arthur Cole

### **Paradigm**

Kris Galletta  
Paul Hastings  
Pablo Clarke

### **PBA Land Development Ltd.**

Vincent Kong

### **Peachtree Group**

Greg Friedman

### **Pebblebrook Hotel Trust**

Thomas Fisher

### **Pegasus Ablon**

Michael Ablon

### **Pennybacker**

Thomas Beier

## Interviewees

### **PGIM Real Estate**

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Jaime Zedra  
James Glen  
Jeremy Keenan  
Justin Gleason  
Lee Meniffee

### **Plaza Retail REIT**

Jason Parravano

### **Polygon Homes Ltd.**

Robert Bruno

### **Porte Industries Ltd.**

David Porte  
Robert Chalhoub

### **Prologis**

Chris Caton  
Dan Letter  
Hardy Milsch  
Jacob Milligan  
Liz Dunn  
Steven Hussain

### **Prologis Ventures**

Rae Oakley

### **PropTech Collective**

Stephanie Wood

### **Public Services and Procurement Canada**

Jérémie Emond

### **QuadReal Property Group Limited Partnership**

Remco Daal

### **Quinn Residences**

Richard Ross

### **Ravelin Properties REIT**

Dan Sheremeto

### **RBC Capital Markets**

David Tweedie

### **RCS Construction**

Doug Doucet

### **Real Property Association of Canada**

Michael Brooks

### **RealTerm**

Franklin Yanofsky  
Nathan Kane

### **Realstar Corp.**

Randy Hoffman

### **Realty Income Corp.**

Jonathan Pong

### **Redbourne Group**

Benjamin Spencer

### **Republic Developments Inc.**

Matt Young

### **Revantage**

Will Hux

### **Revera Inc**

Andrew Higgs

### **R-LABS Canada Inc.**

George Carras

### **RLJ Lodging Trust**

Leslie D. Hale

### **Rohit Group**

Russell Dauk

### **Rosefellow**

Mike Jager

### **Rosen Consulting**

Kenneth Rosen

### **RX Health & Science Trust**

Jesse Ostrow

### **RXR Realty**

Michael Maturo

### **Ryman Hospitality Properties, Inc.**

Jennifer Hutcheson

### **Sabra Health Care REIT, Inc.**

Talya Nevo-Hacohen

### **Salthill Capital Partners**

Cathal O'Connor

### **Savanna**

Jose Torres

### **Schneider Electric**

Stuart Whiting

### **Screpco Investments Corporation**

Kevin Screpnechuk

### **Seregh**

Jonathan Fascitelli

### **Setpoint.io**

Kendall Ranjbaran

### **Sienna Senior Living Inc.**

Nitin Jain

### **Sitings Realty Ltd.**

David Knight

### **SL Green Realty Corp.**

Steve Durels

### **Slokker Canada West Inc.**

Peter Paauw

### **SmartCentres Real Estate Investment Trust**

Mitchell Goldhar  
Rudy Gobin

### **Société de gestion COGIR SENC**

Mathieu Duguay

### **Sonesta Hotels**

John Murray

### **Spanier Group**

Rob Spanier

### **Starlight Investments Capital**

Dennis Mitchell

### **State Street Investment Management**

Tim Wang

### **StepStone Real Estate**

Jeff Giller

### **Stockbridge**

Nicole Stagnaro  
Seth Kemper  
Stephen Pilch

### **Stone Martin Builders**

John Manasco

### **StoneRiver Company**

Blake Sellers  
Donald Gambriel

### **Stubbe's Precast**

Jason Stubbe

### **Sud Group**

Adrian Rasekh

### **Sumitomo Corporation of Americas**

Luke Sasako  
Miwa Aoyama

### **Summit Development**

Aly Worthington

### **Sutton Group**

James Innis

### **TA Realty**

Cullen McGehee  
Jim Raisides  
Lisa Strobe  
Sean Ruhmann

### **TD Asset Management**

Collin Lynch

### **The Armour Group**

Scott McCrea

### **The Bank of Nova Scotia**

Frank Ottavino

### **The Cadillac Fairview Corporation Limited**

Sal Iacono

### **The Daniels Corporation**

Mitchell Cohen

### **The Davis Companies**

Joshua Israel

### **The Econic Company**

James Chung

### **The Green Cities Company**

Molly Bordonaro

### **The Olayan Group**

Erik Horvat

### **The Regional Group of Companies Inc.**

Sender Gordon

### **The Shopping Center Group**

Bryan Chandler

### **The Sorbara Group of Companies**

Greg Tanzola

### **Timbercreek Financial**

Blair Tamblyn

### **Tishman Speyer**

Joe Doran

### **Tricon Residential**

Gary Berman

### **Tridel Corporation**

Bruno Giancola  
Len Gigliotti

### **University of Miami**

Mark Troen

### **University of San Diego**

Norm Miller

### **University of Wisconsin School of Business**

Jacques Gordon

### **Vanprop Investments Ltd.**

Jesse Galicz

### **Vantage Data Centers**

Sharif Metwalli

### **Venturon**

Deena Pantalone  
Joanna Creed

### **Vornado Realty Trust**

Glenn Weiss

### **Walton Street Capital**

Dave Splithoff

### **Waterstone Properties**

Herb Evers

### **Waterton**

Brett Gerig

### **Westbank Projects Corp.**

Matthew Siemens

### **Wharf District Joint Venture**

Andrew Son  
Monte Lippert

### **XPO Logistics**

Adam Crane

### **Yardi Matrix**

Jeff Adler

### **York University Development Corporation**

Salima Rawji



PwC is a passionate, driven community dedicated to helping you build momentum and drive impact. Our purpose — to build trust in society and solve important problems — is at the core of everything we do. It guides how we serve our clients, our people and the world. To help our clients build trust and deliver sustained outcomes, PwC provides professional services across Audit and Assurance, Advisory and Tax. We bring a range of capabilities to help organizations solve faster, achieve more and realize greater value so you can drive to the leading edge. These capabilities include technology and business transformation, deals, sustainability, cybersecurity and regulatory, governance/boards, risk and much more. Across our global network of more than 370,000 people in 149 countries, we're committed to bringing you the latest solutions to your biggest challenges.

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THE URBAN LAND INSTITUTE (ULI) is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission to shape the future of the built environment for transformative impact in communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 84 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. Each year, thousands of events, both virtual and in person, are held in cities around the world.

Connect with your local ULI district council and discover programming tailored to your market. These live events deliver expert analysis and networking to help you stay ahead: [americas.uli.org/et26-events/](http://americas.uli.org/et26-events/)

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at [uli.org](http://uli.org). Follow ULI on [LinkedIn](#), [Instagram](#), [Facebook](#), and [X](#) (formerly known as Twitter).

**Angela Cain**

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## ***Emerging Trends in Real Estate® 2026***

What are the best bets for investment and development in 2026? Based on insights from a select group of the most influential and experienced ULI members, this forecast will give you a heads-up on overarching trends that will affect real estate, where to invest, and which sectors and markets offer the best prospects. A joint undertaking of PwC and ULI, this 47th edition of *Emerging Trends* is the forecast that you can count on for no-nonsense, expert insight.

ULI is the largest network of cross-disciplinary real estate and land use experts who lead the future of urban development and create thriving communities across the globe. As a ULI member, you can connect with members around the world in Member Directory ([members.uli.org](https://members.uli.org)), find ULI opportunities to lead and volunteer on Navigator ([navigator.uli.org](https://navigator.uli.org)), and explore ULI's latest research and best practices on Knowledge Finder ([knowledge.uli.org](https://knowledge.uli.org)), including all the *Emerging Trends in Real Estate®* reports published since 2003. Visit [uli.org/join](https://uli.org/join) to learn more about ULI's exclusive member benefits.

## **Highlights**

- Tells you what to expect and what the expected best opportunities are.
- Elaborates on trends in the capital markets, including sources and flows of equity and debt capital.
- Indicates which property sectors are most promising and what the risk factors are.
- Provides rankings and assessments of a variety of specialty property types.
- Describes the impact of social and geopolitical trends on real estate.
- Explains how locational preferences are changing.
- Elucidates the increasingly important intersection of real estate and technology.