

ECONOMICS



North America Commercial Property Monitor

Q1 2026

US momentum moderates from elevated levels, while Canadian sentiment edges closer to neutral

- Headline Sentiment Indices ease in the US after a strong Q4, while in Canada the reading moves up to its least negative outturn since 2022
- Credit conditions diverge further between the two markets, deteriorating sharply in Canada while still expansionary, albeit less so, in the US
- Capital value expectations for prime assets remain positive across both nations

The latest edition of the RICS Global Commercial Property Monitor (Q1 2026) suggests that activity across the North American commercial property markets has entered a more nuanced phase. As shown in Chart 1, the headline Commercial Property Sentiment Index in the US eased to +10 from +17 previously, moving back closer to its longer-run trend after the strong outturn recorded in Q4. In Canada, by contrast, the index improved further to -1 from -3, edging closer to neutral and marking the least negative reading since early 2022.

This shift is also reflected in respondents' perceptions of the property cycle. In the US, the share identifying the market as being in an early upturn fell to 29% (from 40%), although this was largely offset by a rise in the share placing the market in a mid-upturn phase (up to 21% from 7%). In Canada, the picture is more mixed, with 34% of respondents now placing the market in mid-downturn (up from 20%), although the share viewing conditions as being in an upturn held broadly steady at 38%.

Diverging credit conditions remain a key feature

Turning to credit conditions (Chart 2), the contrast between the two markets has become more pronounced. In the US, the net balance eased to +38% from +52%, although this remains comfortably positive and continues to indicate a broadly accommodative financing backdrop. In Canada, the picture has deteriorated more visibly, with the net balance falling sharply to -15% from +9%, the first negative reading since 2024 and likely reflecting the inflationary pass-through from higher energy prices linked to the Iran war.

Investment enquiries followed a similar pattern. In the US, the headline net balance moderated to +30% from +37% but remained firmly positive, with strength now more evenly spread across the major sectors: office enquiries firmed to +21% (from +18%), while

industrial (+35% from +45%) and retail (+36% from +47%) eased back from particularly strong Q4 readings. In Canada, the headline reading slipped back into negative territory at a net balance of -5% (from +9%), with office (-13%) and retail (-7%) both contracting. Industrial demand remained positive according to a net balance of +6% of respondents, although down from +18% in Q4. The broad-based softening across Canadian sectors is consistent with the deterioration in credit conditions, as investor turn more cautious on the back of the recent global energy market volatility.

Bifurcation between prime and secondary assets persists, with alternatives still set to outperform

Looking ahead over the next twelve months, capital value expectations remained firmly positive for prime assets across both countries, while secondary expectations have stayed weaker. In the US, the all-property average edged down to +1.2% from +1.4%, with prime industrial (+3.0%) and prime retail (+2.9%) easing modestly from particularly strong Q4 readings. Secondary office remained the only segment in clearly negative territory at -1.6%. In Canada, expectations actually strengthened at the aggregate level, with the all-property average rising to +0.9% from +0.3%, driven by upgrades to prime industrial (from +0.5% to +2.0%) and prime retail (from +0.8% to +1.4%).

Capital value expectations for alternative sectors (Chart 4) again pointed to relative outperformance across both countries. Data centres continue to stand out as the strongest-performing asset class, with capital value growth of 6.1% projected for the US (up from 4.3% in Q4) and 4.1% in Canada. In the US, leisure also recorded a notable upgrade to +3.3% (from +1.0%), while expectations for multifamily, aged care and student housing remained firm at close to +2.5%. In Canada, aged care (+2.7%) and hotels (+2.1%) recorded the strongest projections after data centres, while expectations around multifamily (+0.7%) softened from the previous quarter.

Chart 1 - Commercial Property Sentiment Index

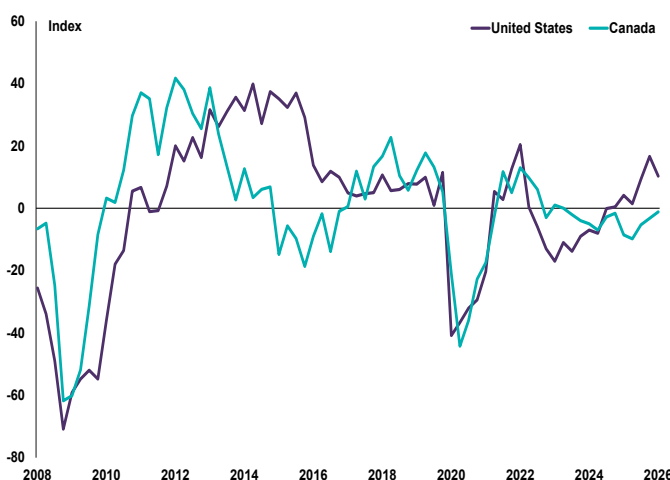


Chart 2 - Credit conditions sentiment

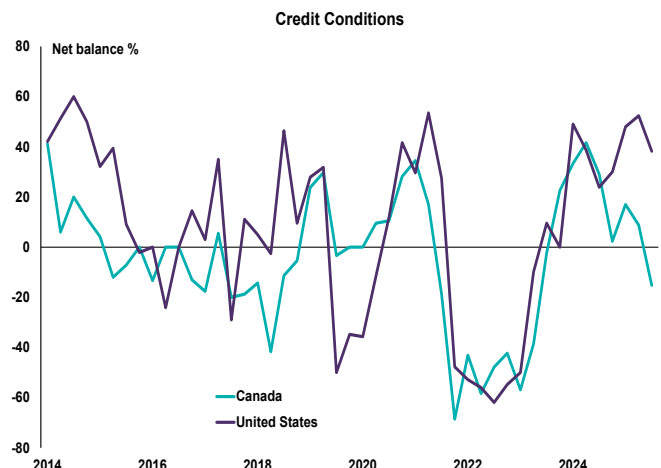


Chart 3 - Investment demand disaggregated by sector

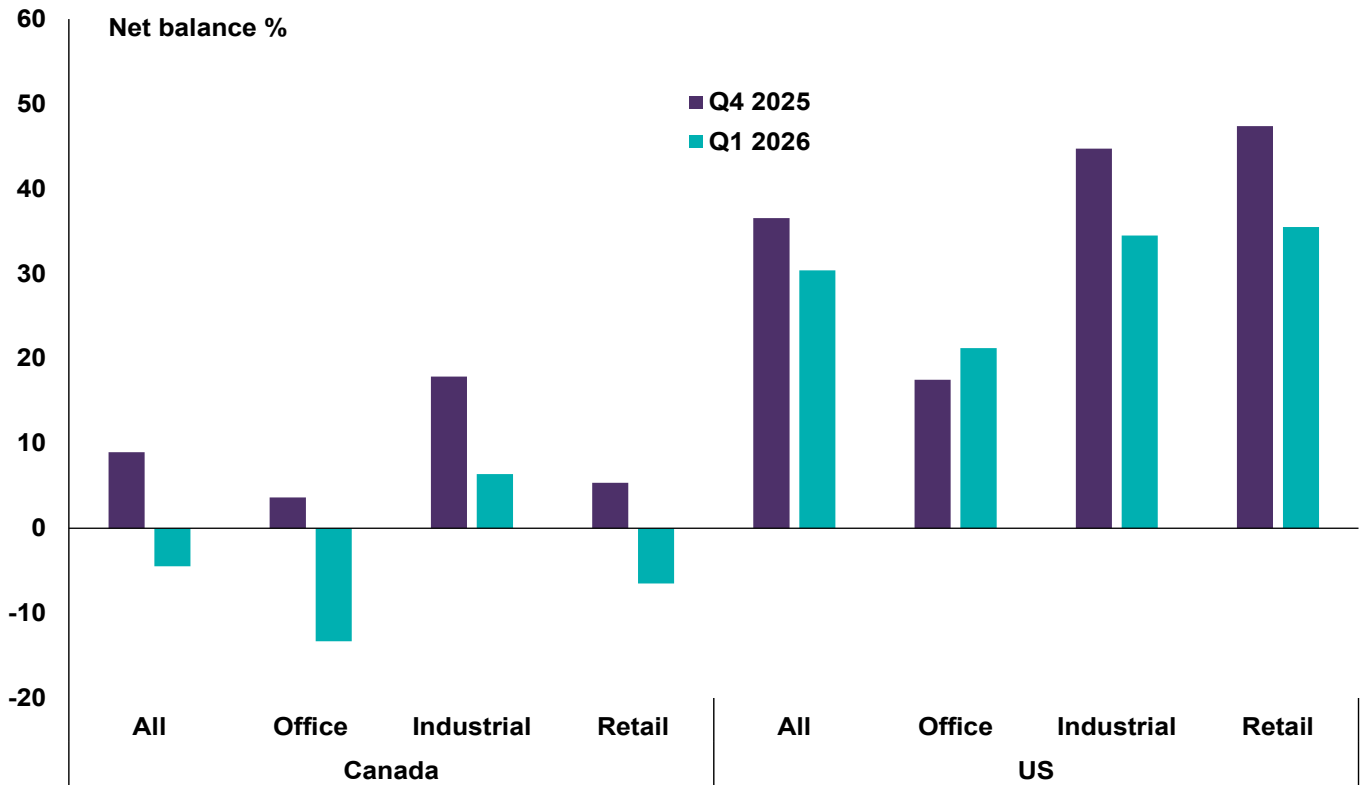
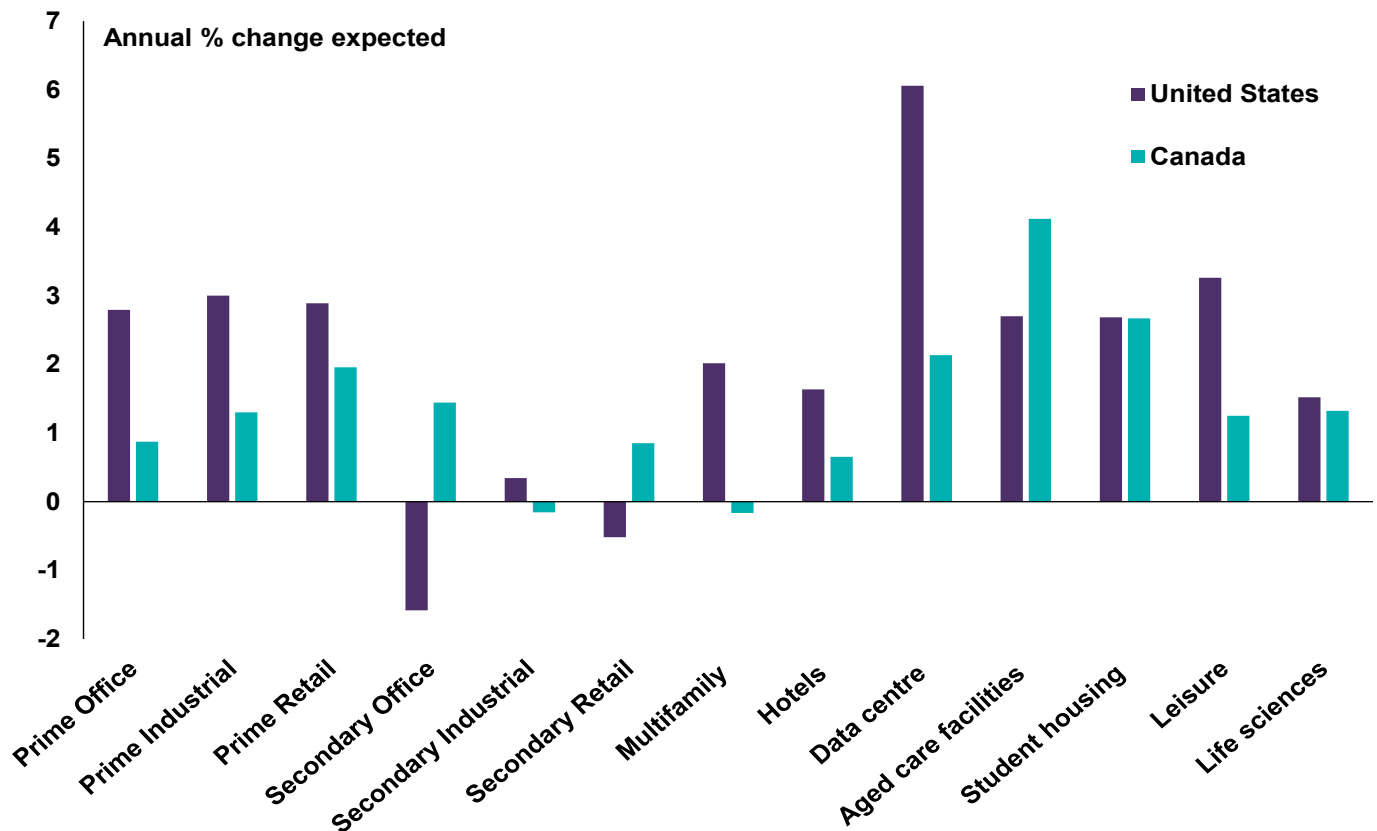


Chart 4 - Twelve-month capital value expectations



Regional comments from survey participants

Canada

Still a strong market in Calgary and Alberta. We are seeing some slowing in the residential side but picking up across other sectors. - Calgary

The Calgary market has been relatively consistent over the past year, with high availability for office product continuing to persist and limited investment demand for that asset class (unless for multi-family conversion opportunities). Strong demand for industrial and retail product from both a rental and investment perspective persists. The multi-family market has seen rents moderate, but continued strong investor demand. - Calgary

Escalating oil prices are starting to drive up prices, and we haven't felt the full impact of the war in the Middle East yet. - Cambridge, Ontario

Looking forward to the day that tariffs and the Middle East wars are in the rearview mirror instead of in the middle of the highway in front of everyone. - Cambridge, Ontario

Increased pressure of tariffs and uncertain global reaction to the Iran-US conflict remain the biggest concerns for uncertainty. With more Canadians remaining at home rather than travelling to the US, we expect to see hotel values increase as the increased income from rack rate increases impact valuations on the positive side. I expect to see major retail construction in the next 12-18 months that I believe will lead second and tertiary market players to deem our market to have become more capable retail. - Charlottetown

Right now the war in Iraq, when combined with instability of prediction of US actions and the very rapid price increases in oil, has made the investment and capital markets nervous, as these metrics add additional instability to forecast risks. - Charlottetown

CBD prime office activity reduced from Q4 high levels. Suburban prime markets seeing a bump in activity, partly driven by several early adopters of hub and spoke office configuration. - Toronto

Tough to determine impact on this region of the Iran war. However, office remains a bifurcated category. Prime in key locations is well occupied and in demand; sub-prime outside key locations is experiencing large vacancy and minimal demand. Industrial is still a very strong performer, as occupancy stays above 95% and in-place rents on average are still below market in spite of a small drop in average market rents. Prime retail is doing better than anticipated, with traffic volume and sales per sf improved. - Toronto

A lot of uncertainty caused by the US administration. - Vancouver

Very uncertain times with large government deficits. - Vaughan, Ontario

United States of America

Stable. - Charlton

The DFW market continues to show strength due to in-migration of both companies and residents. There does not appear to be any significant change likely in the near term. - Dallas

At this time we do not disseminate AI results or decisions to clients, and won't until it is certain that AI's accuracy is based upon legitimate and accurate information. - Jacksonville

Overall, our market is proving resilient to the economic headwinds. The industrial and retail sectors remain the best performing in terms of rental and value growth. New office developments do well as we are still seeing a 'flight to quality'; however, the future is less certain for second-gen offices, with the increasing use of AI reducing the need for the kind of functions that were typically undertaken in these buildings. The mood remains positive. Hopes are it remains so for the rest of 2026. - Nashville

Older assets face persistent rent pressure. - New York

Secondary office market continues to suffer in all major markets; however, I would expect activity to pick up as these properties are refurbished and re-capitalised. - New York

Slow recovery hindered by the war in Iran and uncertainty in interest rates. - New York

This market is now as schizoid and illogical as I have ever seen it. Buildings are in special servicing while raising rents to new peaks. New projects require rents in excess of \$300 per RSF, and firms seem willing to pay such rents because their competitors have agreed to them. Every time we have hit this part of a cycle, a number of tenants get stuck with astronomical rents that look like a beanstalk growing to the sky. - New York

With tariffs, war on Iran and continuing uncertainty, interest rates staying flat and not dropping, we are still in a downturn, with Mark Zandi at Moody's predicting recession chances now at 48%. - New York

Investor demand in the U.S. has been mixed but generally subdued. Banks remain cautious with CRE lending, especially office. Higher interest rates continue to pressure refinancing. AI adoption is real but early-stage for most U.S. real estate organisations; many firms are in pilot projects. - Orlando

High end office is getting stronger overall while secondary and tertiary office is getting weaker. - Pittsburgh

The property market is facing its toughest challenge in the last 50 years. - San Francisco

Palm Beach is experiencing high demand for offices. - West Palm Beach

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 18 March 2026 with responses received until 24 April 2026. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1300 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentiment Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

Contact details

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