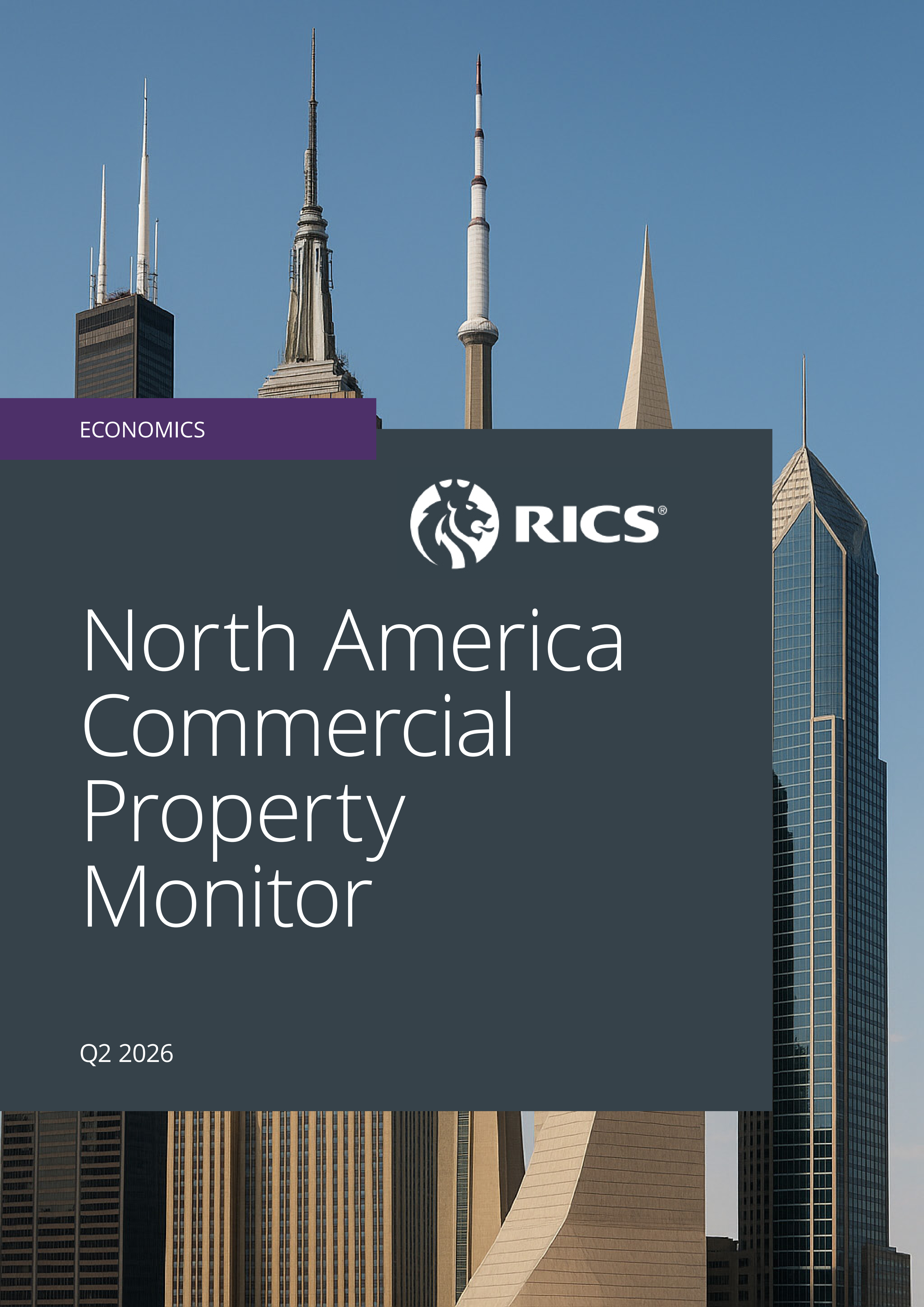

ECONOMICS

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North America Commercial Property Monitor

Q2 2026

ECONOMICS

Demand conditions reportedly strengthening across both nations, led by the US office market

- Headline sentiment index improves in both markets, with Canada returning its first positive reading in three years
- Office demand sees solid growth, with the US occupier interest series at a post-pandemic high
- Credit conditions metric shifts noticebly in the United States, while the Canadian reading turns marginally less negative

The Q2 2026 GCPM results point to a firmer picture across the North American commercial property markets, with both national readings improving over the quarter. As shown in Chart 1, the headline Commercial Property Sentiment Index in the United States edged up to +13 from +10 in Q1, regaining some of the ground lost last quarter following a particularly strong end to 2025. In Canada, the index moved up to +3 from -1, marking the first positive outturn since 2023 and the strongest reading since the third quarter of 2022.

The improvement in the headline numbers is broadly based, although the underlying drivers are not identical in the two markets. In the United States, a stronger demand picture has emerged despite a markedly less positive trend in credit conditions, while in Canada a slightly less restrictive financing backdrop has coincided with a recovery in investor enquiries following a prolonged period of caution.

Credit conditions appear to be turning less favourable across the United States

The credit conditions series, which specifically captures the financing backdrop for commercial property, is depicted for both nations in Chart 2. In the United States, the net balance moderated to +15% from +38% in Q1, having stood at +52% at the end of last year. Although the reading remains positive, and therefore still consistent with an accommodative financing backdrop, this is the least positive outturn in two years and represents a substantial shift, in keeping with a seemingly more hawkish Federal Reserve narrative in recent months.

In Canada, by contrast, the picture now appears to be turning a little less restrictive. The net balance recovered to -8% from -15% previously, meaning conditions are still viewed as tightening but noticeably less so than in the first quarter. Taken together, the gap between the two markets has narrowed considerably, having been at its widest for several years in Q1.

The contrast between less accommodative US credit conditions and strengthening US activity is the most striking feature of this quarter's results. One interpretation is that occupier and investor momentum is currently sufficient to absorb a less favourable financing environment. Alternatively, the credit series may be signalling a constraint that has yet to feed through, in which case the strength recorded elsewhere in the survey may prove harder to sustain.

Office demand leads the improvement in both markets

Occupier demand strengthened across most sectors

Chart 1 - Occupier and Investment Sentiment Index

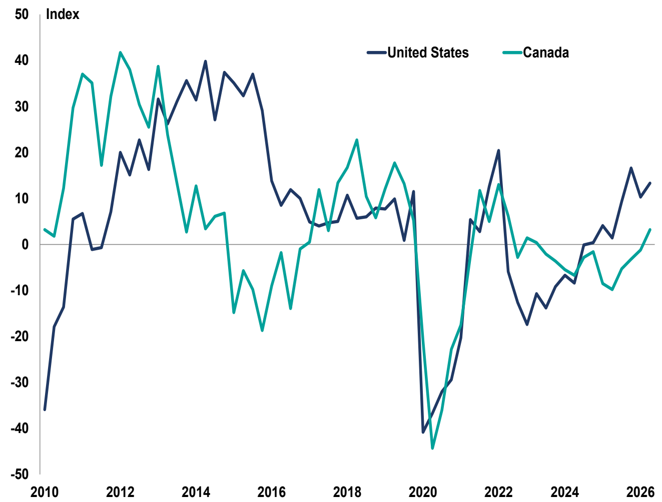
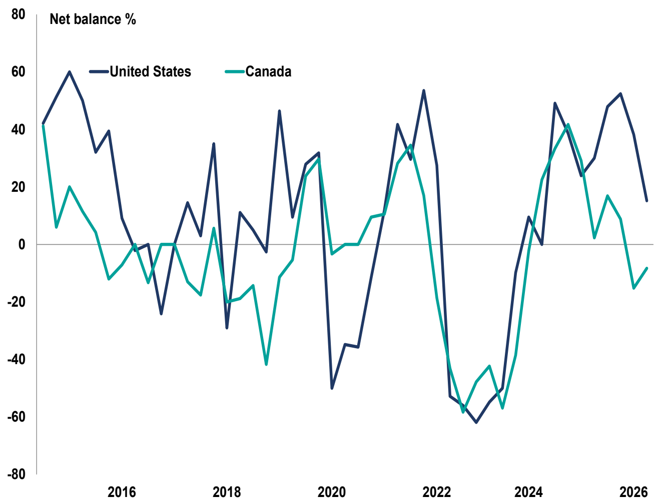


Chart 2 - Credit Conditions Indicator by Country



during the quarter (Chart 3). In the United States, the headline net balance rose to +41% from +35%, with office demand the standout at +58%, up from +43%. Industrial demand also strengthened, with a net balance of +40% of respondents reporting an increase in Q2, up from +30% previously. Retail, although still positive, posted a slightly more moderate net balance of +23%, easing from +31% in Q1.

Canadian occupier demand improved to post a headline net balance reading of +18%, up from +11% previously, with gains reported across all three mainstream sectors. Industrial remains the firmest segment in terms of occupier demand, posting a net balance reading of +23%, closely followed by office at +21%, while the retail tenant demand series returned to positive territory at a net balance of +9%. Alongside this, the office availability indicator slipped into negative territory, consistent with a modest degree of tightening in occupier fundamentals across the sector.

Investor interest returns in Canada

Investment enquiries tell a similar story (Chart 4). US investor demand rose to a net balance of +38% from +30%, again led by the office segment, where the net balance almost doubled to +41% from +21%. Meanwhile, the net balances for industrial and retail buyer enquiries remained firmly positive at +36% and +37% respectively. As such, the overall results across the US point to an increasingly broad-based strengthening in investor appetite for commercial real estate.

In Canada, the headline investment enquiries gauge turned positive at +12%, compared with -5% in Q1, representing the strongest outturn since the second quarter of 2022. Contributing significantly to this, the latest reading for industrial strengthened to +24% from +6%. At the same time, the office investor demand reading moved back into positive territory at a net balance of +9% (from -13%). One area of persistent weakness remains foreign investment enquiries, where the Canadian net balance stayed clearly negative at -17%, little changed over the quarter and suggesting that a recovery in overseas capital flows has yet to be observed.

Chart 3 - Occupier Demand by Sector

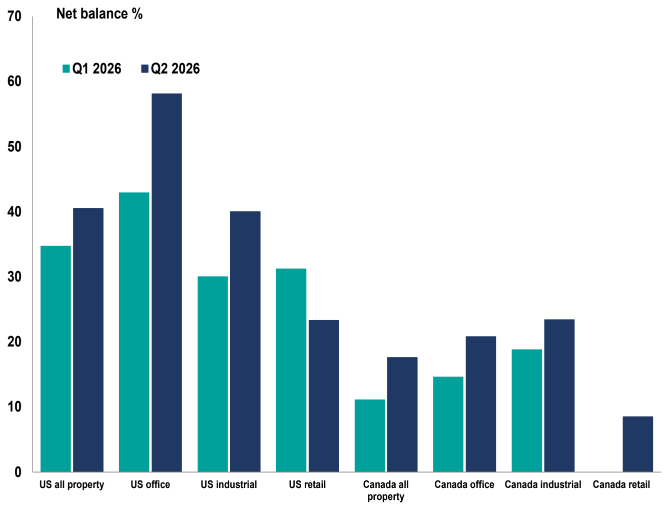
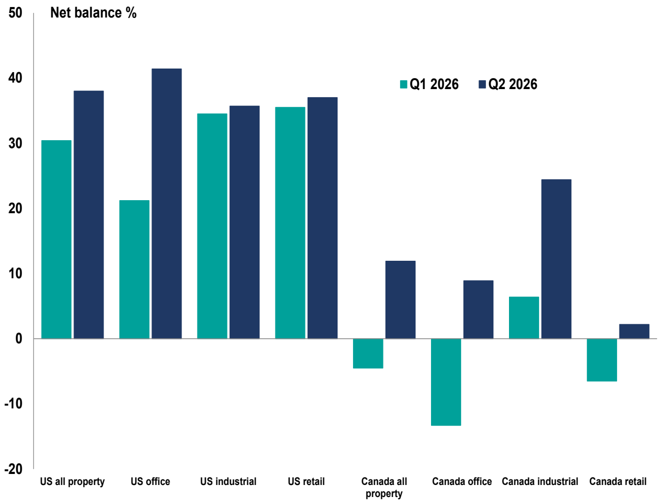


Chart 4 -Investment Enquiries by Sector



Prime and secondary expectations continue to diverge

Looking ahead over the next twelve months, capital value expectations strengthened in the United States and eased slightly in Canada, although both remain positive at the aggregate level. Chart 5 shows the sector details. In the United States, prime office assets are now expected to deliver capital value growth of 4.2%, up from 2.8% in Q1, while prime retail has similarly been upgraded to 3.9%. Conversely, secondary office projections moved further into negative territory at -4.1%, compared with -1.6% previously, meaning the gap between the best and weakest-performing segments has widened once again.

Canadian expectations are more muted across the board, with prime office capital value growth pencilled in at 1.3% and prime industrial at 1.7%. Secondary office is close to flat rather than clearly negative, meaning the divergence between prime and secondary assets is far less pronounced than in the United States. Data centres exhibit the strongest projections of all commercial real estate asset classes tracked in both markets, with capital value gains of 6.5% anticipated in the United States and approximately 4.5% in Canada.

Perceptions of the cycle shift, particularly in Canada

Respondent views on where each market sits in the cycle also moved over the quarter (Chart 6). In the United States, the share identifying an early upturn rose to 39% from 29%, although the proportion pointing to an early downturn also increased to 15% from 9%, leaving a slightly more polarised distribution than in Q1.

The movement in Canada is more clear-cut. The share of respondents placing the market in a mid-downturn phase halved to 16% from 34%, with those views largely redistributing towards the bottom of the cycle, which rose to 25% from 13%. Combined with the early-upturn share of 33%, this points to a growing consensus that the Canadian market has passed its low point, consistent with the improvement recorded across the occupier and investment metrics this quarter.

Chart 5 - Twelve-month Capital Value Growth Projections by Sector

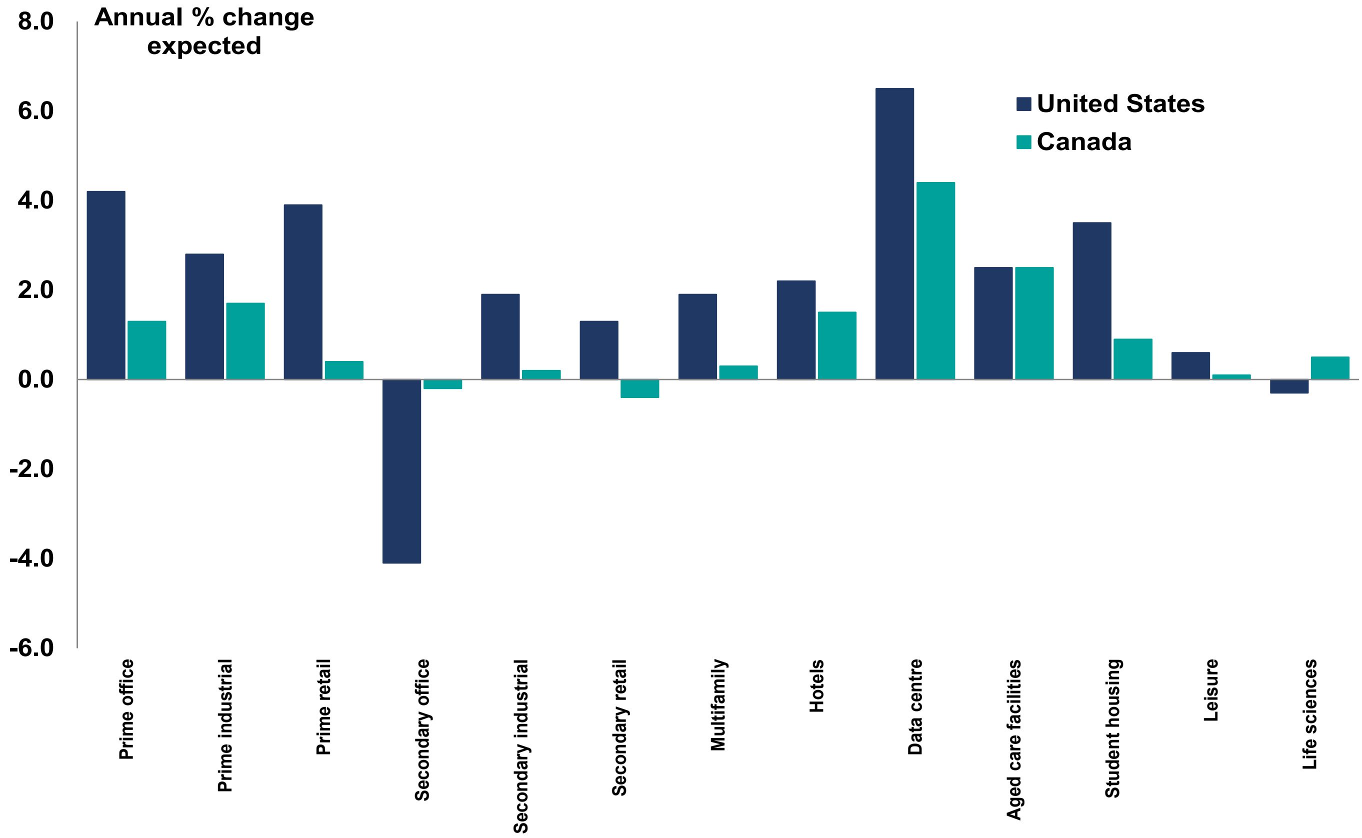
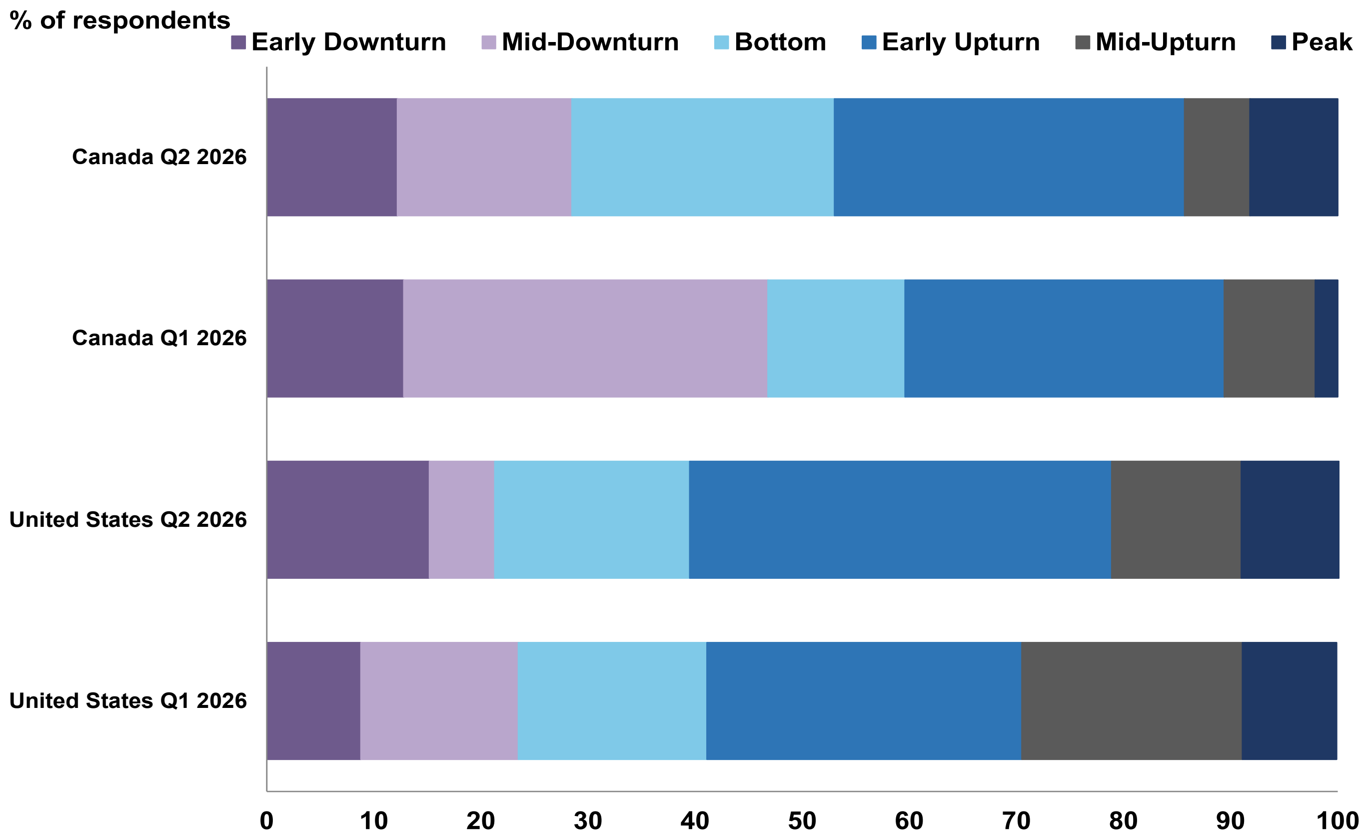


Chart 6 - Perceptions Regarding Point in the Cycle



Regional comments from survey participants

Canada

Until the Tariff discussions for CUSMA are settled between Canada, USA and Mexico, the economy is not going to see significant investment because the rules of engagement are not clearly defined currently and everyone expects them to change in the near future. - Cambridge

Now that CUSMA is not going to be extended without changes, Canada is now well positioned to executing deals with other countries and it should prove to be beneficial to all Canadians. - Cambridge, Ontario

Leveling off of population increase. - Spruce Grove

“Commercial office is neutral as most of the staff are forced to come to office to work.
Residential condos - buyers market, gated community - still buyers market but not to the extend of condo mk
Industrial - supply is balancing the demand and supply
Retail - no new shopping malls in construction
Data centre - raising and in demand. - Toronto”

Investor and lender sentiment continues to improve, albeit with caution in light of current strained US/Canada relations and the broader geopolitical environment. Deal volumes and investor demand are increasing, but with material sectoral and geographic variation. - Toronto

Minimal change in three major asset classes. Industrial in GTA continues strong performance with rents renewing above imbedded rents. Very high occupancy. Prime retail and prime office is doing well, while both categories in secondary locations are performing poorly. The “average” information masks the significant bifurcation in prime versus non prime. - Toronto

Suburban office market activity increasing partly due to downtown tight market for large users. - Toronto

Uncertainties regarding trade relations with the US continues as a drag on the economy, especially in Ontario where manufacturing is a key component of the economy. - Toronto

Very uncertain times with increasing government debt. - Toronto

Based in British Columbia and Washington State, so waiting for current US policy direction to become clearer. - Vancouver

United States of America

Boston, MA, USA — Heightened uncertainty persists fostering a “wait-n-see” posture fueled by increasing inflation, stagnant interest rates, and other factors. Bifurcation within property types is evident with divergence in pricing/spreads between property classes. Distressed asset sales are not pervasive. Boston, a FIFA World Cup host city and at the heart of America’s 250th anniversary celebration, has tempered its economic “boost” expectations for these events. Housing market remains strong. - Boston

Life-Science demand has taken a big hit down but last 3 months have seen some modest leasing. Office usage is slightly up and vacancy has decreased from 29% to 23%. Industrial is still slow in leasing. - Boston

The DFW market remains strong, with more companies still moving to the region. This is continuing to drive demand for new housing and commercial supportive facilities and sustaining the demand for most commercial real estate sectors. - Dallas

The Nashville market remains very resilient to geopolitical and economic headwinds that continue to exist. We are still experiencing a ‘flight to quality’ across all asset classes which means that second gen space, other than industrial, remains vacant longer than has typically been the case. However, the market fundamentals remain strong, and Nashville is still an excellent market to own real estate in. - Nashville

Anything green is being rebranded as ‘resilience’ to avoid political backlash. Investors have no choice but to make their buildings competitive and of the highest quality, which means smart building initiatives. Please look at companies like MSCI, who are number one in providing ESG indices and scoring owners for how green they are. Companies like Nova Group and Carbon Lighthouse continue to flourish, helping owners but probably doing it more on the QT. The political environment is a backlash. - New York

Curiouser and curiouser. It seems our market is racing toward $400 rents for “A” space, at the same time that many buildings are in trouble and close to foreclosure. In fact, some buildings are simultaneously increasing rents and facing foreclosure. These conditions are not sustainable, and are complicated by the unfortunate fact that the current mayor is a communist from Uganda. Nobody knows what will happen next. - New York

Like London NYC a tail of two markets. Class A trophy properties are doing very well. Older buildings not refurbished, overloaded with debt and no money to install amenities make up a significant portion of vacancy rates in all submarkets. - New York City

Across Orlando’s major real estate sectors, rents are expected to stay mostly flat or rise slightly, while capital values are likely to soften or grow only modestly over the next 12 months. About 20% of buildings in Orlando face significant flood risk, and 25% of flood claims occur outside FEMA flood zones, Insurance market stress is already affecting pricing. (Based on current evidence, Middle East geopolitical risk is likely to soften Orlando-area real estate values over the next two years). - Orlando, FL

Emergence of AI companies has impacted office demand and as a result rental housing demand to support those added employees. Seems we have seen the bottom of the cycle overall and trending slowing up. - San Francisco

Still very uncertain times in San Francisco and very much a tenants market for the next ten years or more. - San Francisco

From my perspective, the fundamentals of the San Jose market remain very strong. AI is driving renewed demand for office space and fueling significant data center investment across Silicon Valley. At the same time, venture capital funding is accelerating, creating the next generation of companies that may become tomorrow’s IPO success stories. Meanwhile, housing supply continues to lag job growth, keeping pressure on both home prices and rents. - San Jose

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 10 June 2026 with responses received until 13 July 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 1368 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 Sentimet 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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