North America Commercial Property Monitor

Q3 2026

ECONOMICS



Momentum shifts as US market conditions moderate while Canada strengthens

- US sentiment flattens as credit conditions metric turn negative for the first time since 2023
- Canada records its strongest sentiment reading since early 2022, with occupier and investor demand both picking up
- Capital value expectations downgraded in the US, while projections firm modestly in Canada

The Q3 2026 results point to diverging shifts in momentum between the two North American markets. In the United States, the headline Commercial Property Sentiment Index fell to +6 from +13 in Q2, representing its softest reading since Q2 2025. In Canada, by contrast, the index rose to +10 from +3, its strongest outturn since Q1 2022 (Chart 1). As a result, the Canadian reading now sits above that of the United States for the first time since mid-2024.

Both components of the headline indicator moved lower in the United States, with the Occupier Sentiment Index (OSI) declining to +10 from +16 and the Investment Sentiment Index (ISI) easing to +3 from +10. In Canada, the occupier and investment sides of the market strengthened in tandem, with both the OSI and ISI reaching a net balance of +10, in each case the highest reading since 2022.

Credit conditions turn negative in the United States

The most notable development this quarter is evident in the credit metrics (Chart 2). In the United States, the net balance for credit conditions fell to -21%, from +15% in Q2 and +52% at the end of last year, marking the first negative reading since Q4 2023. In the previous report, we noted that robust market activity appeared increasingly at odds with a steadily tightening global financing backdrop. The latest results suggest that this tension is now being resolved, with less favourable credit conditions beginning to weigh on investor appetite. Continued geopolitical uncertainty, and the associated implications for energy prices and the interest rate outlook, remain a key risk factor in this regard.

Canadian credit conditions remain in negative territory, with the net balance standing at -5%. Nevertheless, the indicator has become gradually less restrictive through the year, having risen from -15% in Q1 and -8% in Q2.

US occupier demand moderates, led by offices

Despite the softer tone at the headline level, the occupier demand series in the United States remains firmly positive, although the net balance slipped to +33% from +41%. The slowdown was concentrated in the office sector, where the reading eased to +30% from the recent high of +58% recorded in Q2 (Chart 3). Industrial demand continued to rise at a broadly

Chart 1 - Commercial Property Sentiment Index

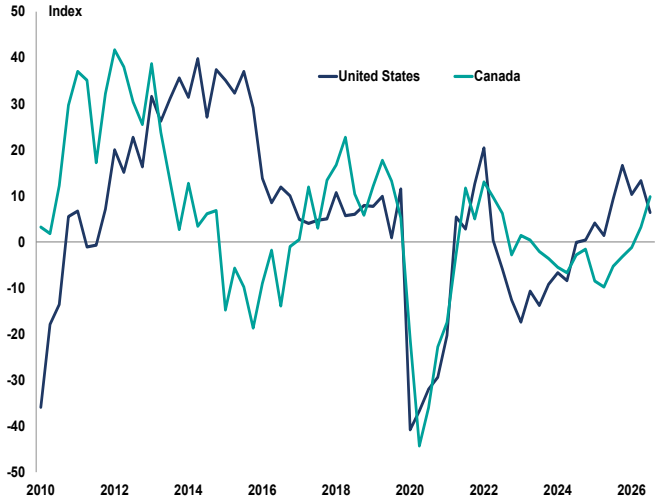
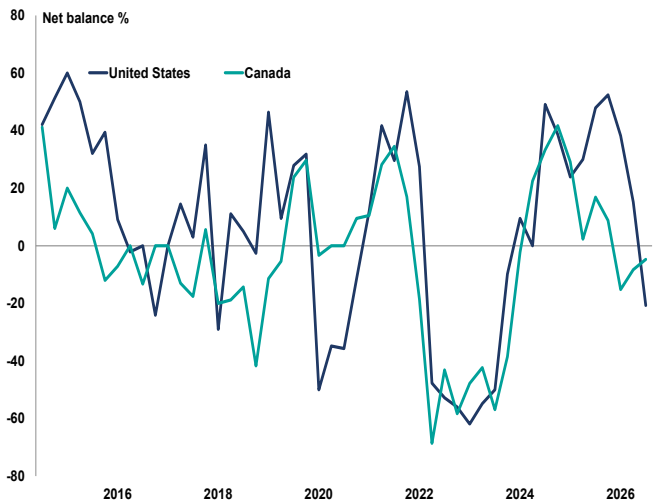


Chart 2 - Credit conditions



similar pace (net balance +36%), while the retail tenant demand reading improved to +35%. At the same time, the net balance for availability rose to +17% from +12%.

In Canada, occupier demand strengthened, with the net balance increasing to +25% from +18%, pointing to the strongest momentum since Q2 2022. Office and industrial demand both returned net balance readings of approximately +32%. Meanwhile, with measures of demand now running ahead of those tracking availability, near-term rental growth expectations were upgraded across Canada (all-sector net balance improved to +21% from +3% previously).

Investor interest diverges

Investment enquiries in the United States moderated, with the net balance halving to +20% from +38%, the least elevated reading since Q2 2025 (Chart 4). Offices accounted for much of the flatter picture, with the net balance for enquiries dropping to +8% from +41%, thereby reversing much of the sharp increase seen in the previous quarter. Growth in industrial enquiries also softened, with the net balance coming in at +17%, while retail remained comparatively resilient at a net balance of +33%. Foreign investment enquiries turned negative, posting a net balance of -22% compared with +2% in Q2.

By contrast, Canadian investment enquiries improved, with the headline net balance rising to +19% from +12%, the strongest reading since Q1 2022. Retail was a particular bright spot, increasing to +22% from +2%. Foreign investment enquiries also moved back into positive territory, recording a net balance of +6% at the all-sector average level for the first time since 2022 after remaining clearly negative throughout 2025 and the first half of this year.

Chart 3 - Occupier demand disaggregated by sector

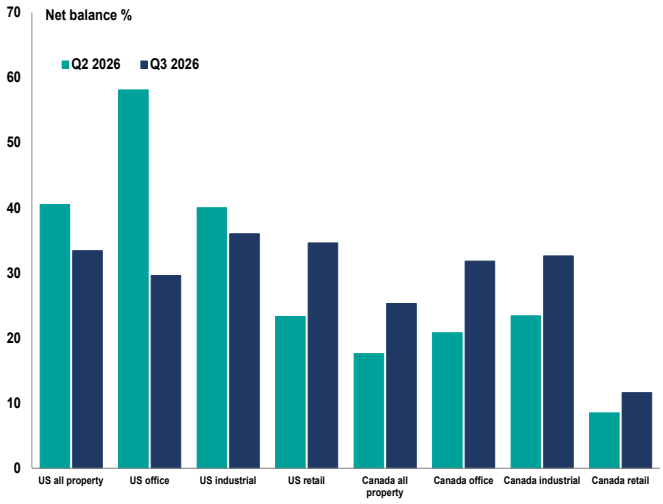
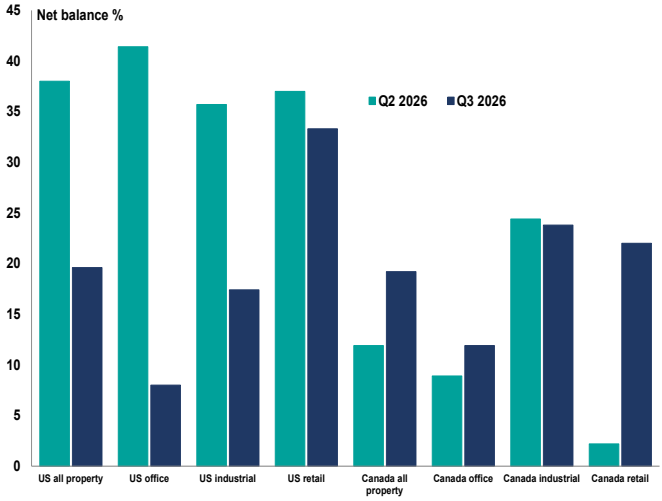


Chart 4 - Investment demand disaggregated by sector



Capital value expectations soften in the US

Twelve-month capital value expectations in the United States weakened considerably, with the headline net balance easing to +12% from +41%. In point estimate terms, prime office expectations were scaled back to 1.0% from 4.2%, while prime retail projections eased to 2.0% from 3.9%. Secondary offices remain the weakest-performing segment, with values expected to decline by 3.7% over the coming year. Data centres continue to lead the growth rankings, with values projected to rise by 4.1%, although this is down from 6.5% in Q2.

Canada saw a more positive trend, with the headline net balance for twelve-month capital value expectations rising to +27% from +15%. The accompanying point estimates suggest growth of 2.1% for prime industrial assets and 1.7% for both prime office and prime retail properties. Among alternative sectors, data centres (6.2%) and aged care assets (5.1%) are anticipated to deliver the strongest gains, with both now exceeding the equivalent projections for the United States.

Cycle perceptions shift in opposite directions

Perceptions of where the market sits in the property cycle continue to show a marked divergence between the two countries (Chart 6). Unlike the preceding indicators, these results are expressed as shares of respondents rather than net balances. In the United States, the proportion of respondents identifying the market as being in an upturn fell to 38% from 52%, while the share viewing conditions as consistent with a downturn increased to 31% from 21%. Although the upturn camp still remains the larger of the two, the gap is now the narrowest it has been in several quarters. In Canada, sentiment moved in the opposite direction. The share of respondents characterising the market as being in an upturn rose to 52% from 39%, reaching its highest level since the start of 2025. Even so, views remain somewhat divided, but the balance of opinion now tilts more clearly towards an upturn than has been the case in recent quarters.

Chart 5 - Twelve-month capital value expectations

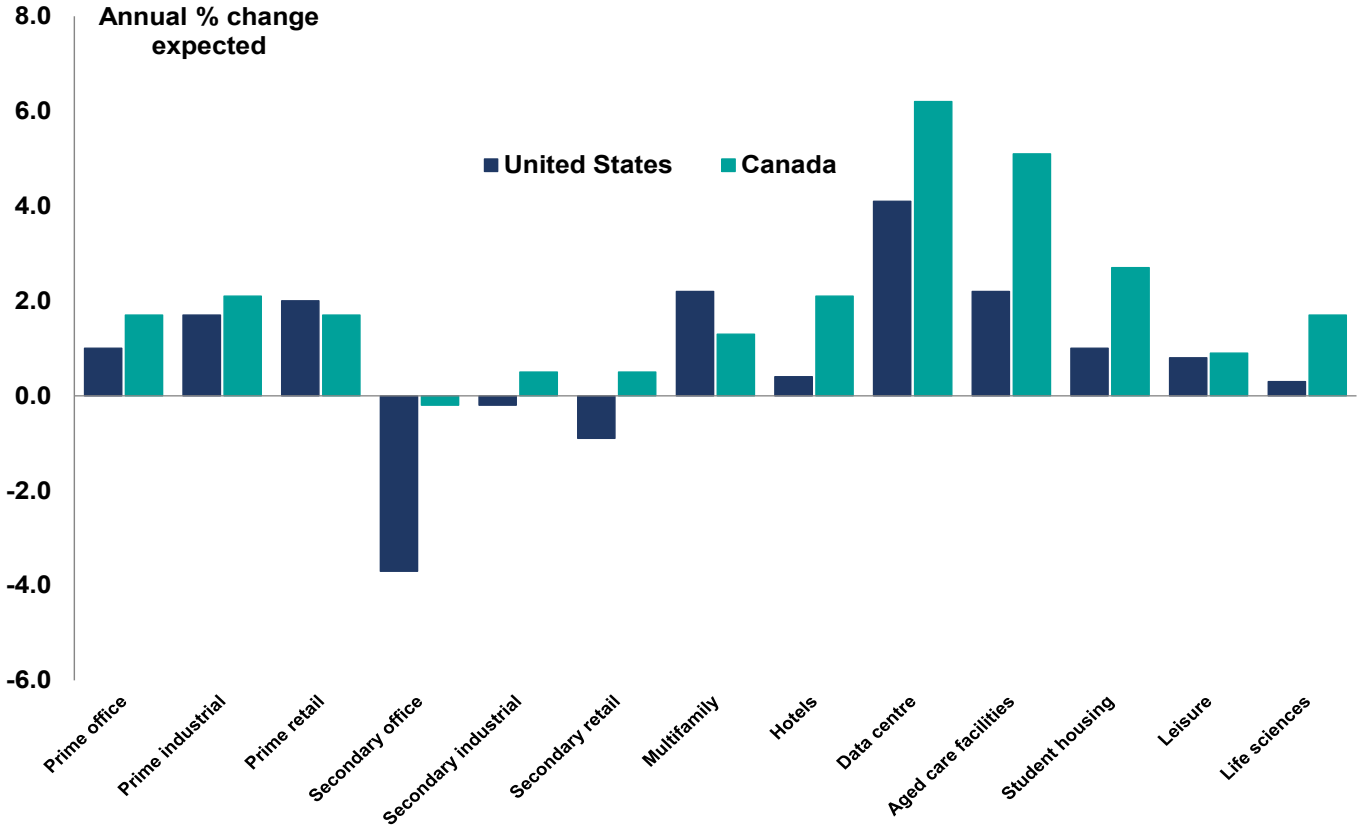
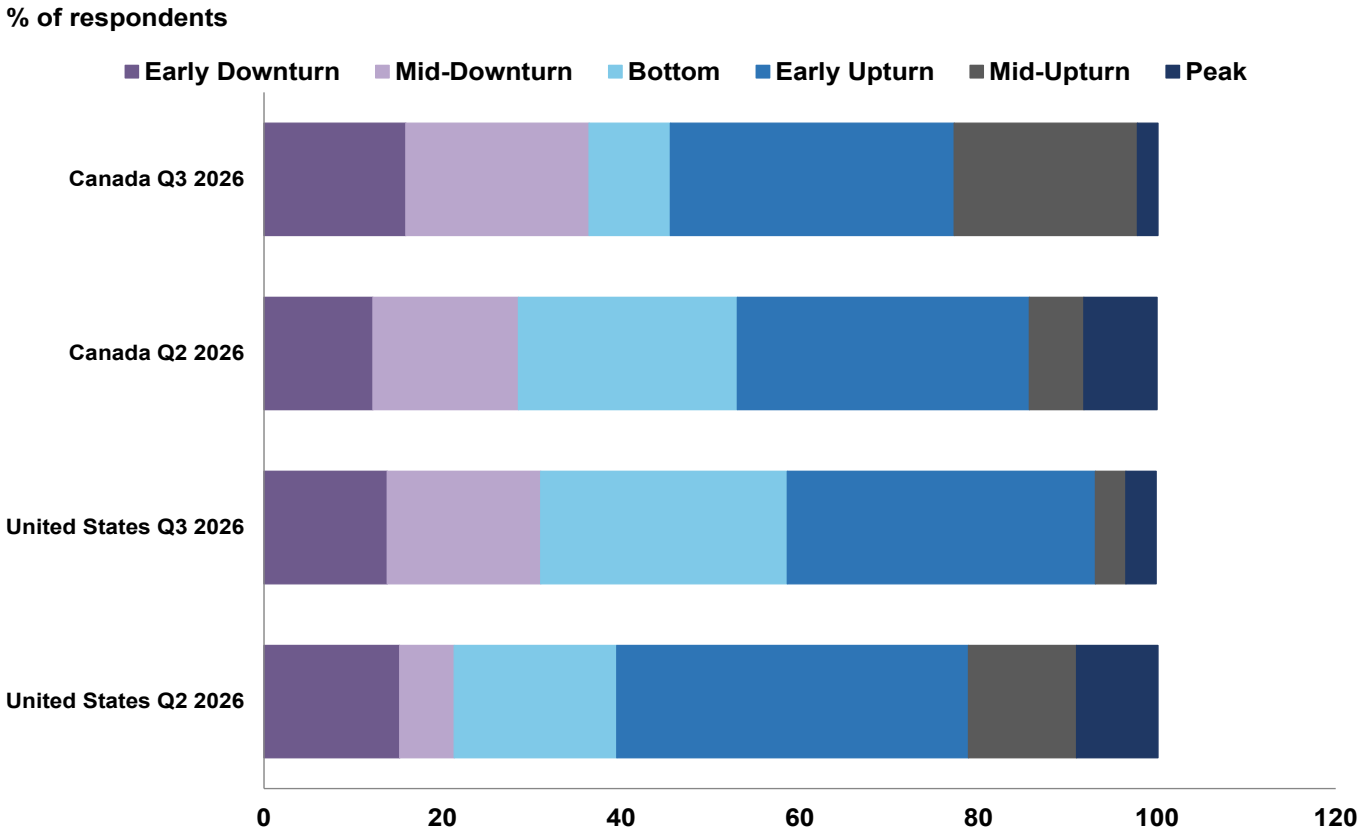


Chart 6 -Perceptions regarding current stage of the property cycle



Regional comments from survey participants in North America

Canada

Calgary has outperformed over the past 12 months, with steady rental growth and capital value appreciation across most sectors. While broader headwinds in the Canadian real estate market are weighing on investor sentiment generally, appetite for Calgary and Alberta capital investment remains comparatively strong. The referendum outcome and wider geopolitical backdrop are key swing factors, but barring a major shift, Alberta should continue to hold its appeal to investors. - Calgary

Exciting times here in Alberta and the Canadian Prairies! - Calgary

Everyone is hoping that the tariff dispute initiated by the US ends this year, and that Canada is able to diversify trade sufficiently with other countries to prevent it returning in the future. - Cambridge, Ontario

Tariff negotiations, or the lack of discussions, with the USA are having a negative impact on the economy at present. However, Canada's ongoing discussions with other countries globally appear to be heading in the right direction and should help to cushion the blow if the USA substantially changes the terms of the current free trade agreement. - Cambridge, Ontario

Many major developments coming to the region. Should spur economic growth and thus property values. - Edmonton

Tariffs. It is hard to know what comes next across the Americas. - Ontario

Overall, it seems we are at the bottom of a J curve. It is hard to say whether we are on the downside, at the bottom or on the upside. - Toronto

Some evidence of office demand moving to a hub and spoke model, primarily as a result of return-to-office requirements, encouraged by rising downtown prime rents. - Toronto

The trade dispute is having an impact. Office is more negative than previously. Industrial, which had been performing exceptionally well, is just slightly slower with a more negative bias than previously. Strongly located, premium retail is holding steady. Prime office is still holding up well, in contrast to secondary office, which is in poor shape. Multifamily in Canada is almost always in a situation where demand outpaces supply. Occupancies remain very high and rents tend to increase by around 5% annually. - Toronto

Tariffs are starting to hurt the economy. - Vaughan, Ontario

United States of America

Inflation is adversely affecting the economy. The Middle East conflict has resulted in a significant increase in the price of fuel. - Birmingham, MI

Potentially increasing headwinds may create a drag across real estate markets and property type sectors in Boston. Heightened uncertainty, fuelled by evolving Federal Reserve monetary policy, elevated Treasury yields pressuring debt pricing, above-target inflation, protracted geopolitical unrest, depletion of consumer savings and increasing debt, tight and expensive housing markets, and a lacklustre jobs market, continues to support a case-by-case approach to real estate asset valuation. - Boston

The Dallas area market remains solid, but high oil and gas prices, the Middle East conflict, rising consumer inflation and uncertainty over the mid-term elections all bring uncertainty at the present time. - Dallas

Prime office sector continues to attract tenant and investor attention. Secondary office remains stressed. Strong activity in the residential land sector. Retail continues to further strengthen. - Harrisburg

Market remains robust, although the overall level of new enquiries has softened slightly. This may be the usual 'summer lull' or could be indicative of a leading edge of a more general slowdown. Only time will tell. - Nashville

Commercial real estate sales activity is experiencing re-trades as interest rates affect investment metrics. Sellers are being forced to cope with the rise in borrowing costs as a push to adjust pricing. - New York

This market is unsettled by a number of factors. There is considerable political uncertainty at both city and state level, alongside policy efforts aimed at improving affordability. The office market is sharply polarised, with rents close to $400 per square foot at the top of the market and $40 to $50 per square foot at the bottom. There are a good number of potential new development sites, although all will require a substantial pre-let. - New York City

Oakland is in an early stage recovery. - Oakland

Interest rates are high, oil is high, and there is still conflict, so a wait and see attitude towards investment persists. Office still has high vacancies, data centres are in strong demand, and with people travelling domestically and in Europe after Covid, hotels are recovering well. - Sag Harbor

Expansion by AI companies has led to a substantial uptick in apartment rents during 2026. - San Francisco

Still uncertain times. Quality projects will be in demand. The secondary market has a questionable future. - San Francisco

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 9 September 2026 with responses received until 19 October 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 1236 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

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. While every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Economics Team

Simon Rubinsohn

Chief Economist

srubinsohn@rics.org

Tarrant Parsons

Head of Market Research & Analysis

tparsons@rics.org

Natali Gordo

Market Research Analyst

ngordo@rics.org

Delivering confidence

We are RICS. As a member-led chartered professional body working in the public interest, we uphold the highest technical and ethical standards.

We inspire professionalism, advance knowledge and support our members across global markets to make an effective contribution for the benefit of society. We independently regulate our members in the management of land, real estate, construction and infrastructure. Our work with others supports their professional practice and pioneers a natural and built environment that is sustainable, resilient and inclusive for all.

Enquiries
contactrics@rics.org

RICS®

rics.org