

MOODY'S

Q1 2026 CRE Quarterly Economic Briefing: Prospects Brighten

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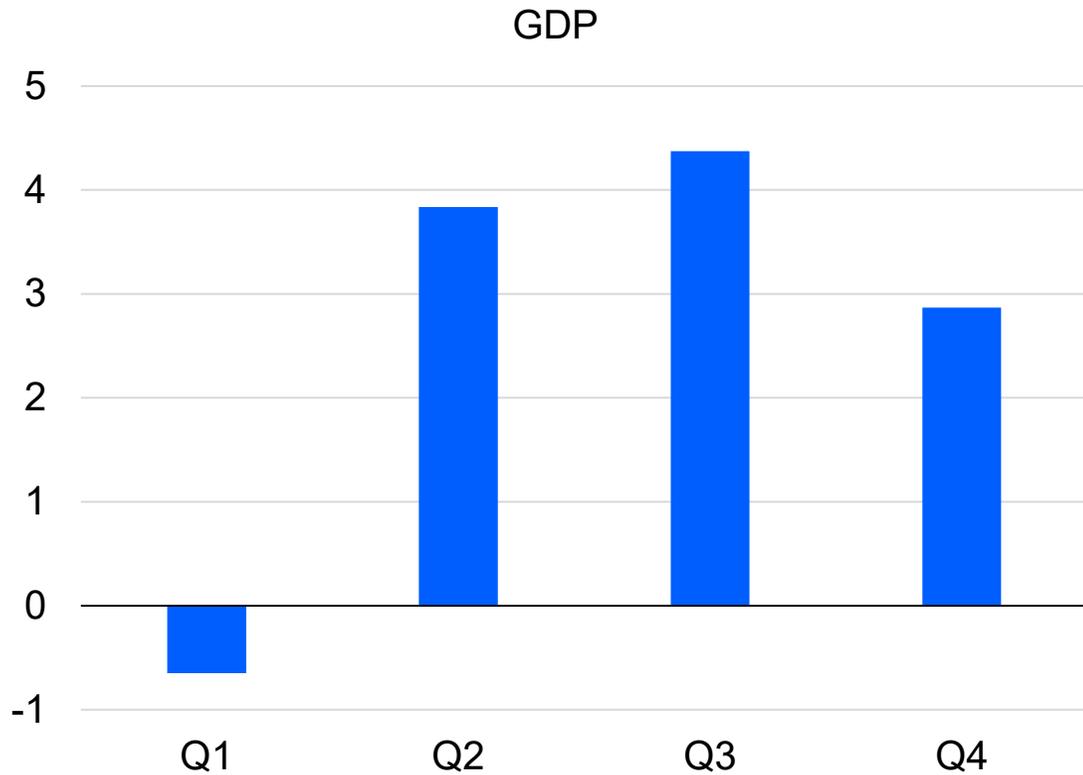
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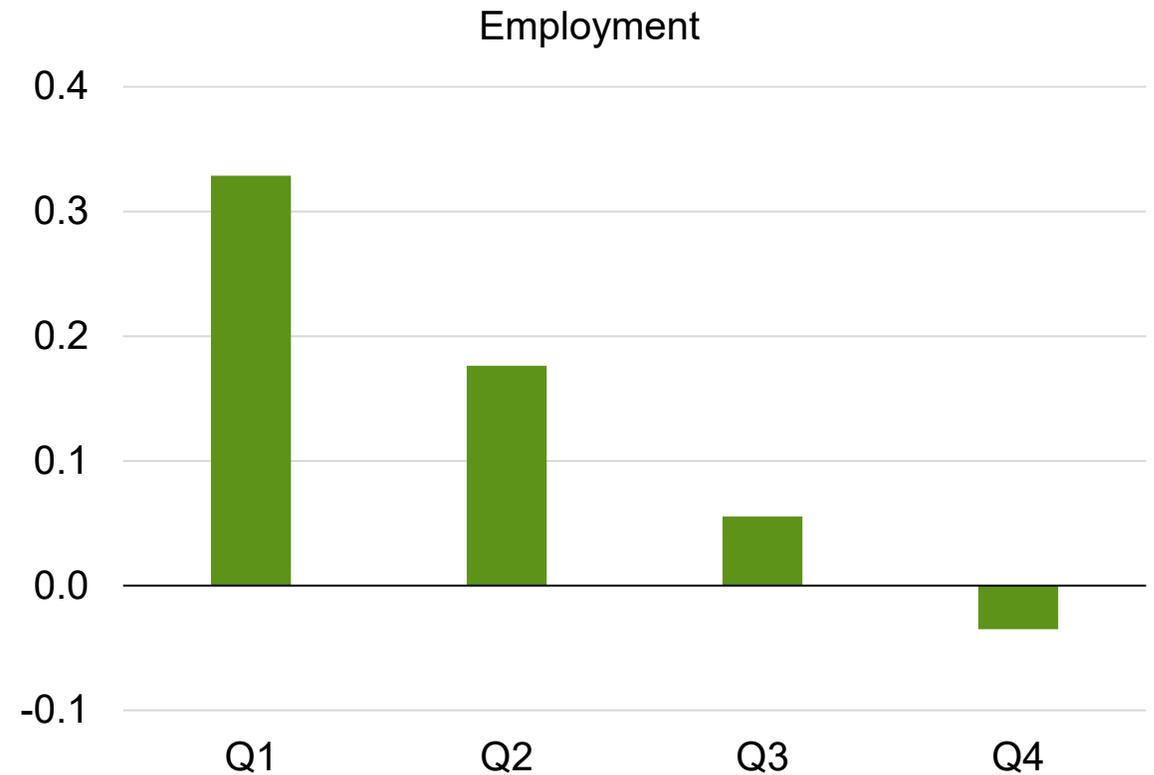
February 2026

GDP and Employment Growth Move in Opposite Directions

Annualized % change, 2025



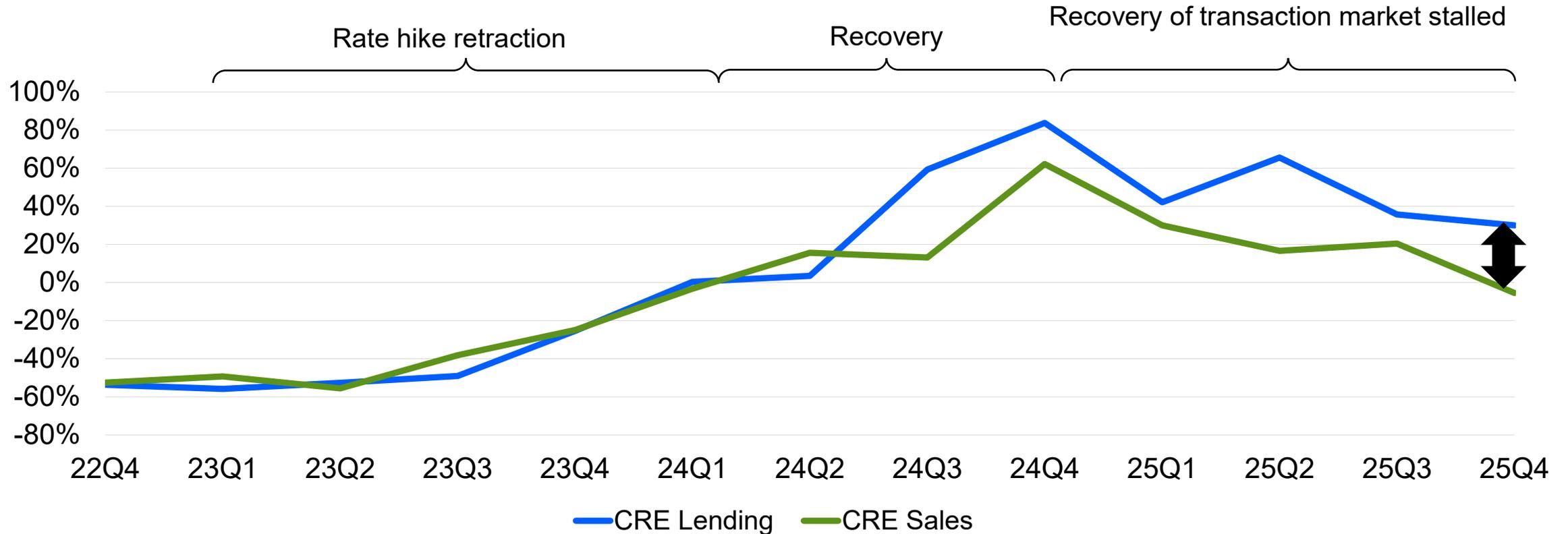
% change



Sources: BEA, BLS, Moody's Analytics

CRE Lending Finishes Strong, but Limited by Relatively Soft Sales Market

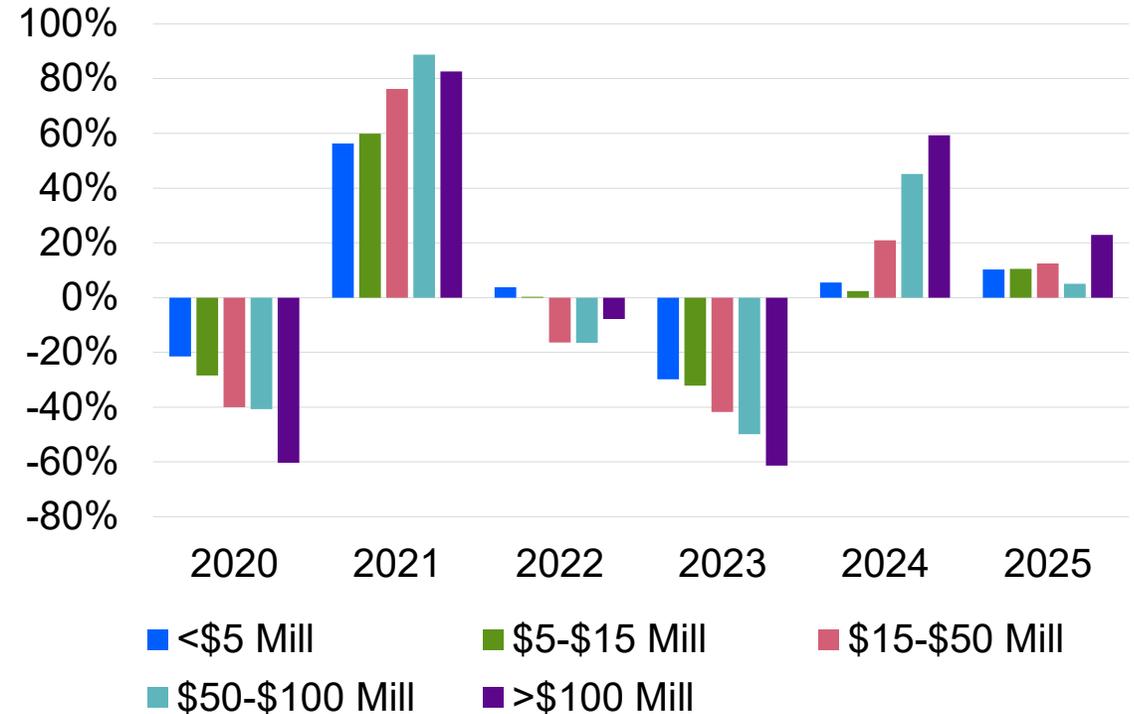
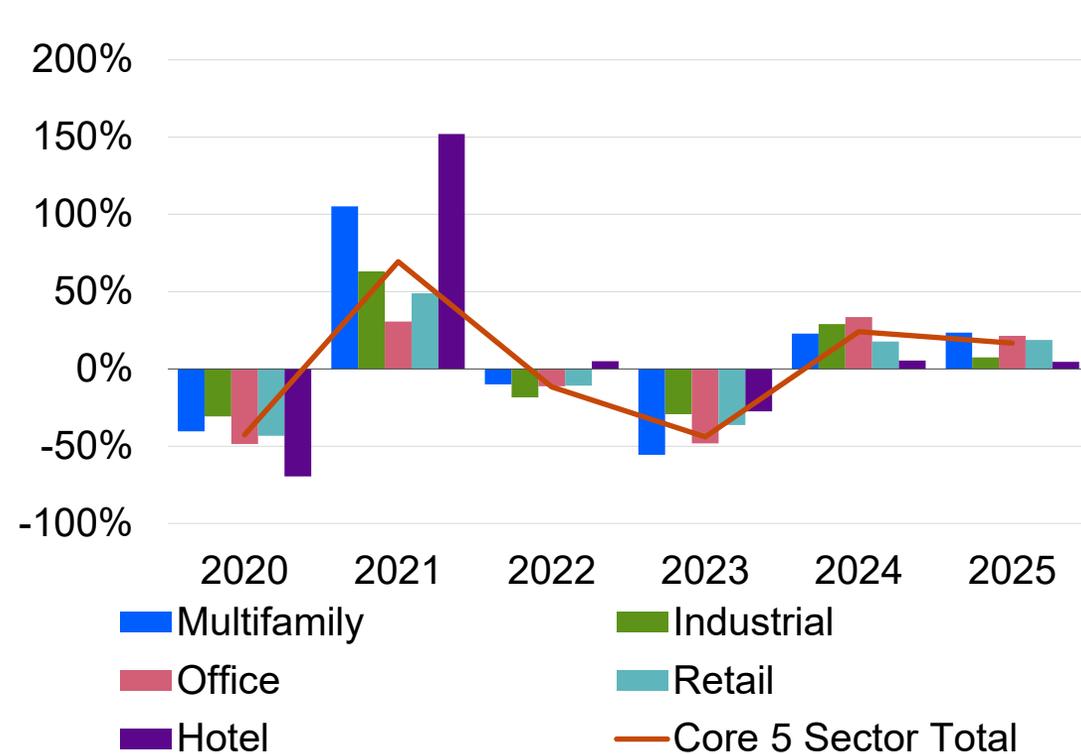
Volume growth, % yr ago



Sources: Mortgage Bankers Association, Moody's Analytics
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Large Deals, Multifamily and Office Led as 2025's More Subdued Growth

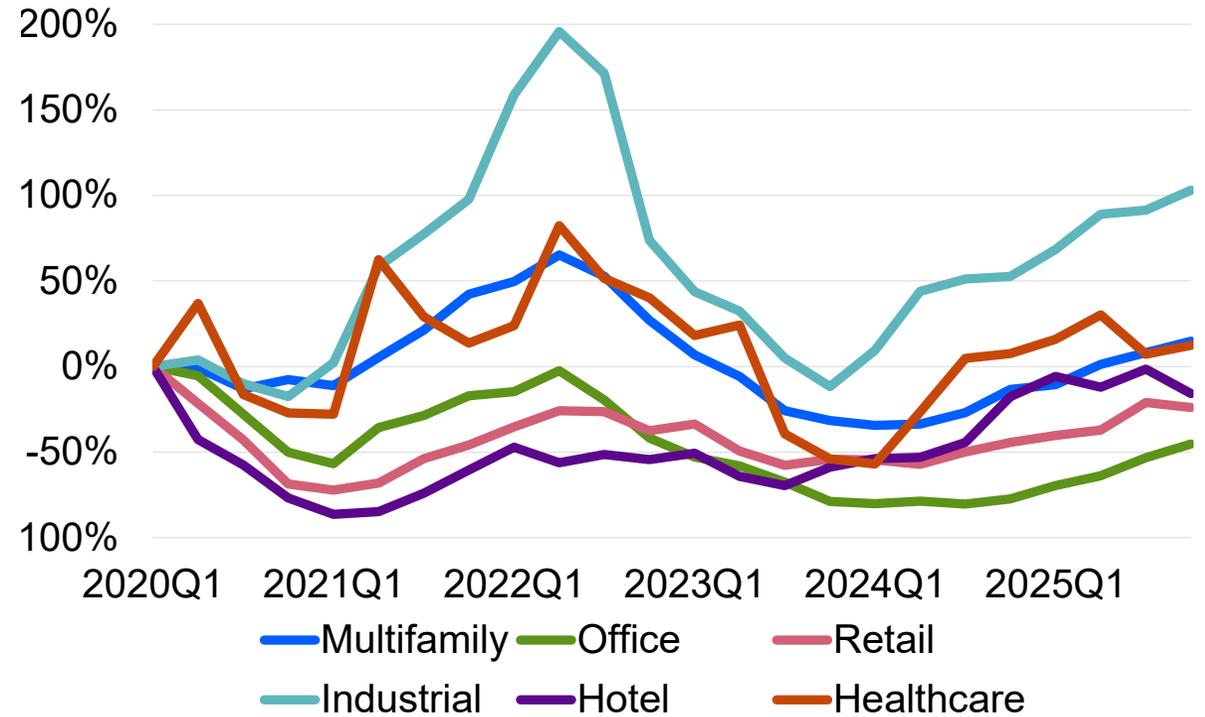
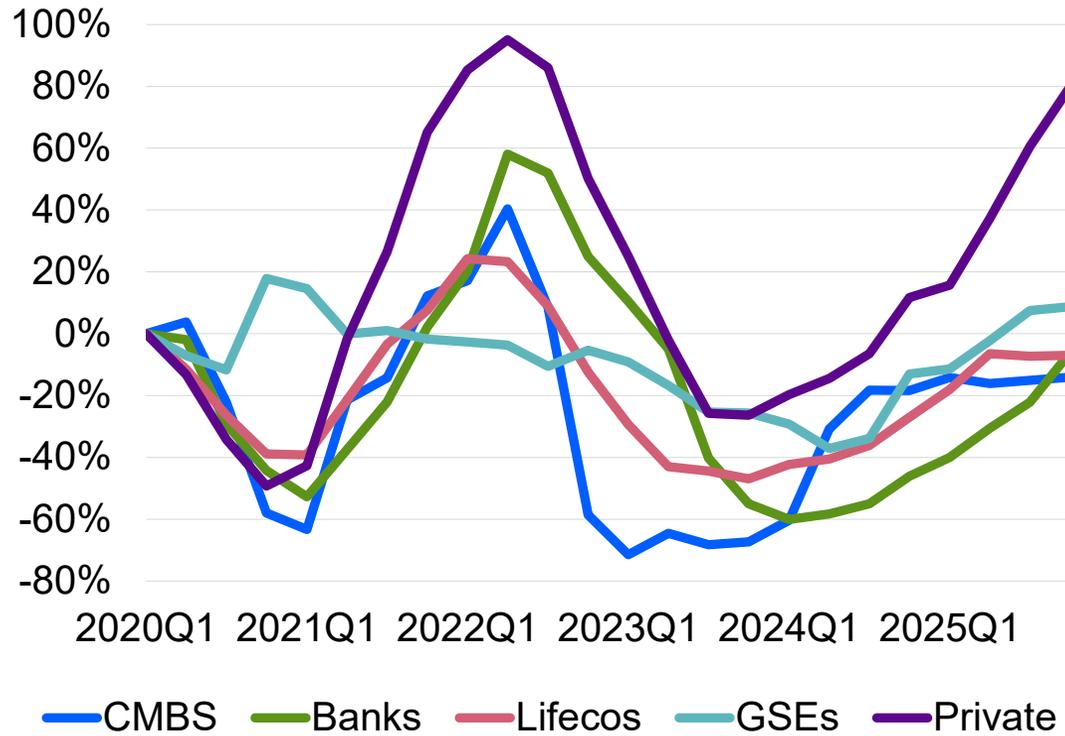
Volume growth by property sector and sale size, % yr ago



Sources: Mortgage Bankers Association, Moody's Analytics
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Lending Volume Effectively Back to Pre-COVID-19 Levels

Trailing 4-qtr lending volume change, % vs. equivalent pre-COVID-19 period



Sources: Mortgage Bankers Association, Moody's Analytics
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Lending Volume Back to Pre-COVID-19; Optimistic Forecast for 2026

Upside expectations

- Dovish Fed
- Return of acquisitions
- Market liquidity
- Greater policy clarity
- Fiscal stimulus
- Regulatory relief

Year	Volume (\$ bil)	Jan 2024 Forecast	Jan 2025 Forecast	Jan 2026 Forecast
2018	669			
2019	713			
2020	614			
2021	891			
2022	816			
2023	429			
2024	498	576		
2025	634	717	583	
2026		784	709	805
2027			712	743
2028				714

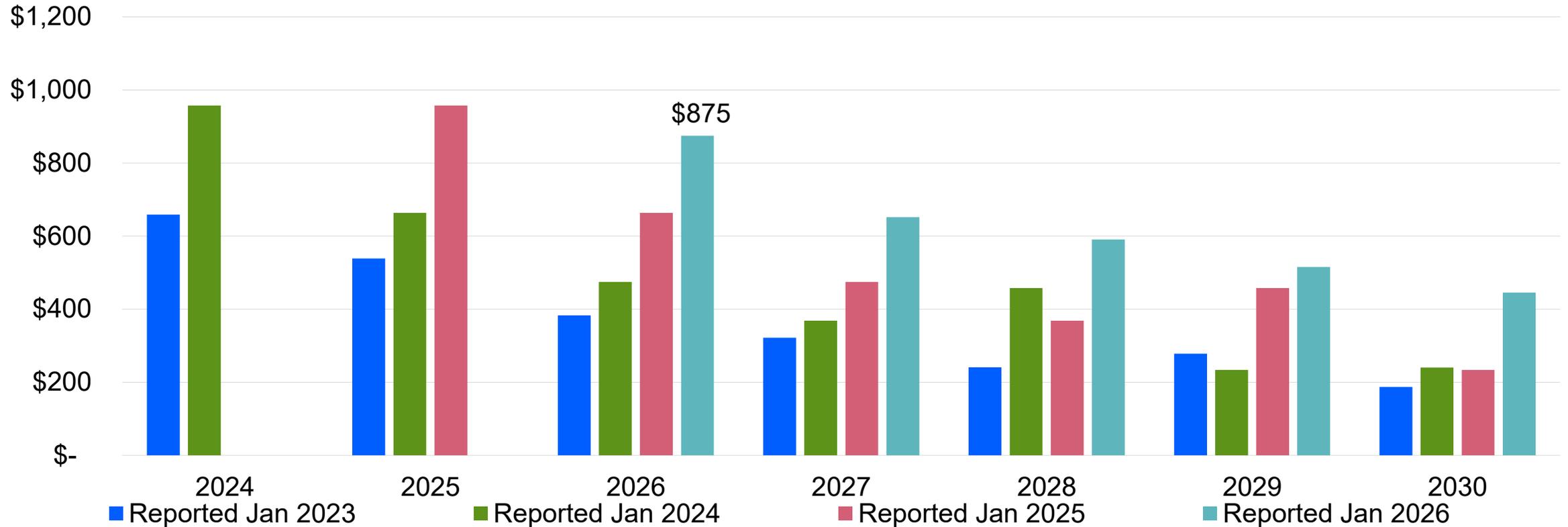
Downside expectations

- Sticky Treasuries
- Federal debt
- Election year turmoil
- Rent vs. expense growth
- Further valuation pressure

Sources: Mortgage Bankers Association, Moody's Analytics
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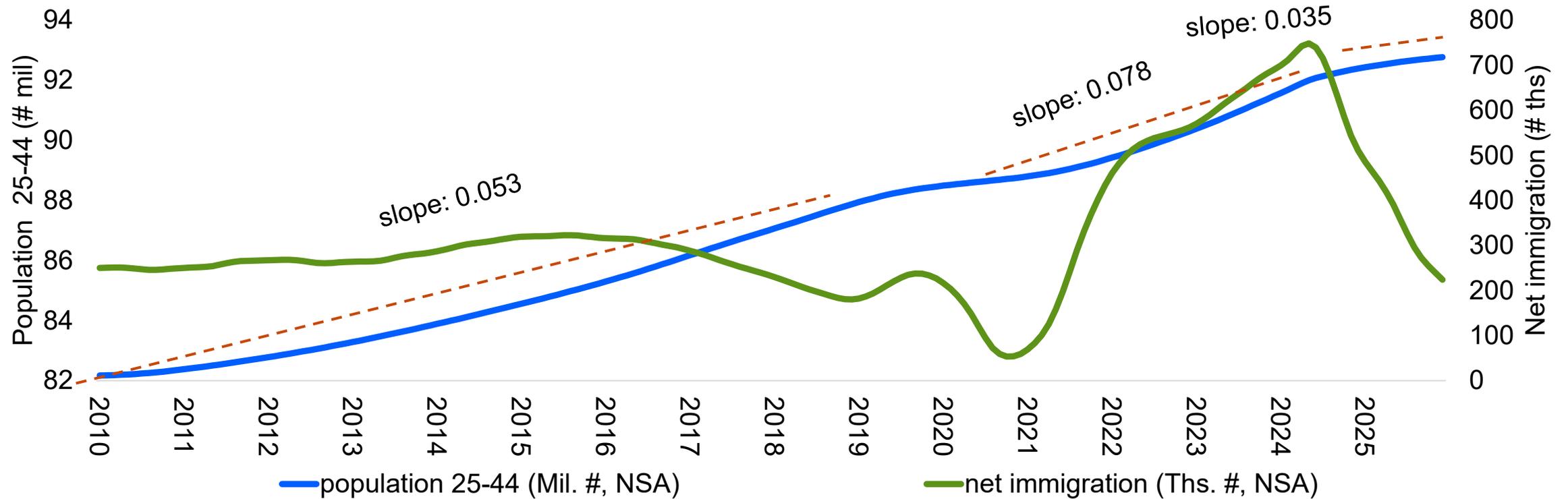
Can Gets Kicked as Extensions and Shorter-Term Loans Persist

Total CRE loan maturity volume by reporting yr, \$ bil



Sources: Mortgage Bankers Association, Moody's Analytics
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Plummeting Net Immigration Placed a Drag on Population Growth



Sources: Census Bureau, Moody's Analytics

National Apartment Market Performance

Quarterly & annual market conditions

- » **The average vacancy rate edged up 10 bps in the final quarter of the year**, as lingering supply pressure persists and household growth slows.
- » **Asking and effective rent decline widened**, removing all the gains accumulated in the first half of the year.
- » **Performance forecast softened** as fundamentals weakened.

Quarterly

Year	Qtr	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	4	\$ 1,478	1.0	\$ 1,406	1.0	4.8
2019	1	\$ 1,487	0.6	\$ 1,414	0.5	4.7
2019	2	\$ 1,508	1.4	\$ 1,434	1.4	4.6
2019	3	\$ 1,522	0.9	\$ 1,449	1.0	4.6
2019	4	\$ 1,530	0.5	\$ 1,456	0.5	4.7
2020	1	\$ 1,536	0.4	\$ 1,463	0.5	4.8
2020	2	\$ 1,531	-0.3	\$ 1,459	-0.3	4.9
2020	3	\$ 1,507	-1.6	\$ 1,435	-1.6	5.1
2020	4	\$ 1,492	-1.0	\$ 1,420	-1.0	5.3
2021	1	\$ 1,493	0.1	\$ 1,421	0.0	5.4
2021	2	\$ 1,514	1.4	\$ 1,442	1.5	5.4
2021	3	\$ 1,631	7.7	\$ 1,559	8.2	4.9
2021	4	\$ 1,687	3.4	\$ 1,613	3.5	4.8
2022	1	\$ 1,736	2.9	\$ 1,661	2.9	4.9
2022	2	\$ 1,789	3.0	\$ 1,714	3.2	4.9
2022	3	\$ 1,825	2.0	\$ 1,749	2.1	4.9
2022	4	\$ 1,859	1.9	\$ 1,782	1.9	5.0
2023	1	\$ 1,856	-0.1	\$ 1,779	-0.2	5.3
2023	2	\$ 1,876	1.1	\$ 1,799	1.1	5.3
2023	3	\$ 1,887	0.6	\$ 1,803	0.2	5.4
2023	4	\$ 1,879	-0.4	\$ 1,784	-1.0	5.8
2024	1	\$ 1,883	0.2	\$ 1,789	0.3	5.8
2024	2	\$ 1,895	0.6	\$ 1,801	0.7	6.0
2024	3	\$ 1,904	0.4	\$ 1,809	0.5	6.2
2024	4	\$ 1,910	0.3	\$ 1,815	0.3	6.4
2025	1	\$ 1,913	0.2	\$ 1,817	0.2	6.5
2025	2	\$ 1,927	0.7	\$ 1,831	0.7	6.6
2025	3	\$ 1,925	-0.1	\$ 1,829	-0.1	6.6
2025	4	\$ 1,910	-0.8	\$ 1,815	-0.8	6.7

Annual

Year	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2021	\$1,687	13.1	\$1,613	13.6	4.8
2022	\$1,859	10.2	\$1,782	10.5	5.0
2023	\$1,879	1.1	\$1,784	0.1	5.8
2024	\$1,910	1.6	\$1,815	1.7	6.4
2025	\$1,910	0.0	\$1,815	0.0	6.7
2026	\$1,944	1.8	\$1,842	1.5	6.5
2027	\$1,998	2.7	\$1,891	2.7	6.3
2028	\$2,049	2.6	\$1,940	2.6	6.1
2029	\$2,105	2.7	\$1,994	2.8	5.8
2030	\$2,168	3.0	\$2,055	3.0	5.7
2031	\$2,233	3.0	\$2,117	3.1	5.4
2032	\$2,303	3.1	\$2,184	3.1	5.2
2033	\$2,376	3.2	\$2,254	3.2	4.9
2034	\$2,452	3.2	\$2,325	3.2	4.5
2035	\$2,530	3.2	\$2,399	3.2	4.4

Source: Moody's Analytics

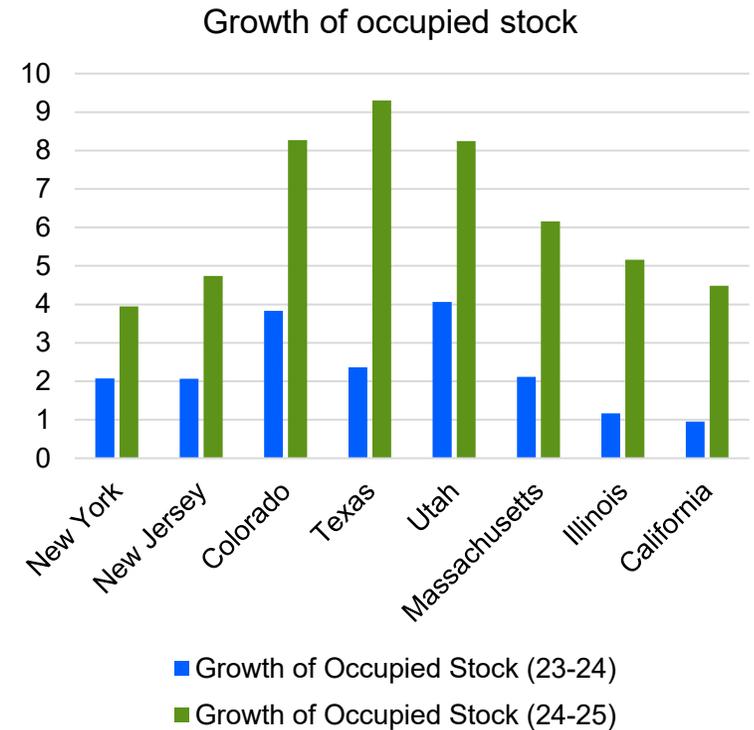
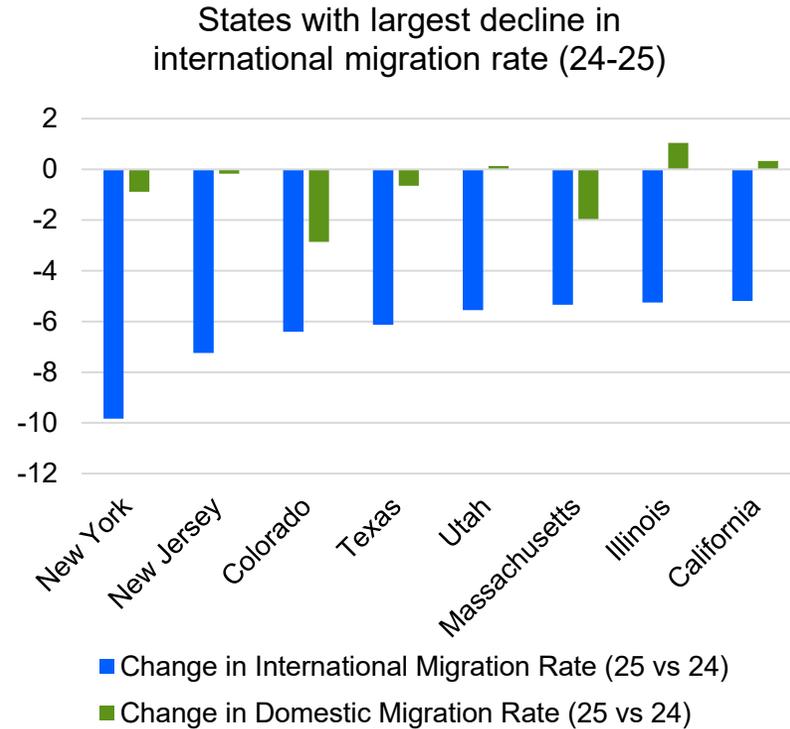
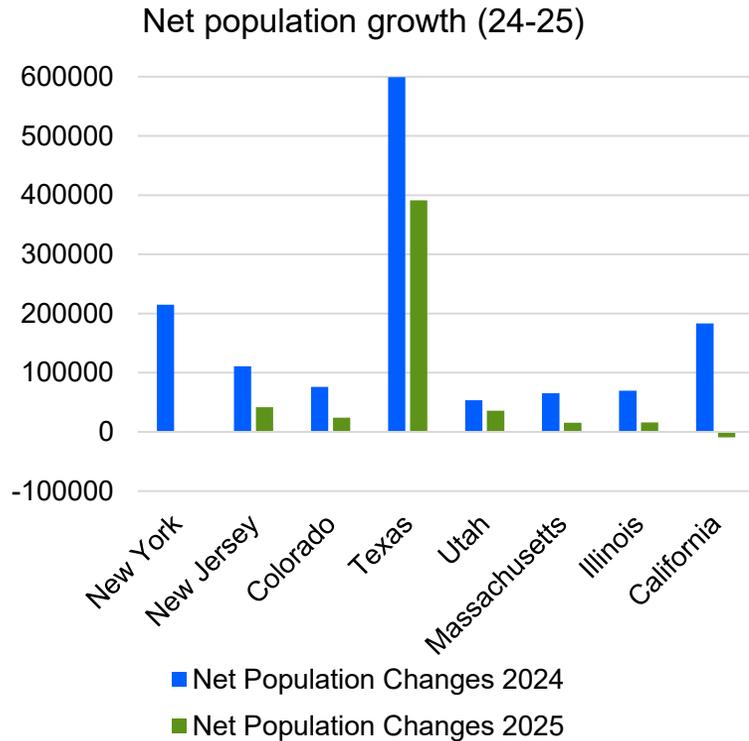
Performance Variation Across Regions

Ppts, ranked by unemployment growth in ascending order

Region	Vacancy Rate (2024)	Vacancy Rate (2025)	Vacancy Change (2025)	Inventory Growth (2025)	Unemployment Growth (2025)	Household Growth (2025)
West	5.6	5.7	0.1	1.8	1.2	1.0
Southwest	9.1	9.4	0.3	2.7	1.2	1.5
Northeast	4.4	4.9	0.5	2.6	4.8	0.5
Midwest	5.2	5.5	0.3	1.2	9.0	0.3
South Atlantic	7.3	7.6	0.3	2.6	9.9	1.5

Sources: Moody's Analytics, BLS, Census Bureau

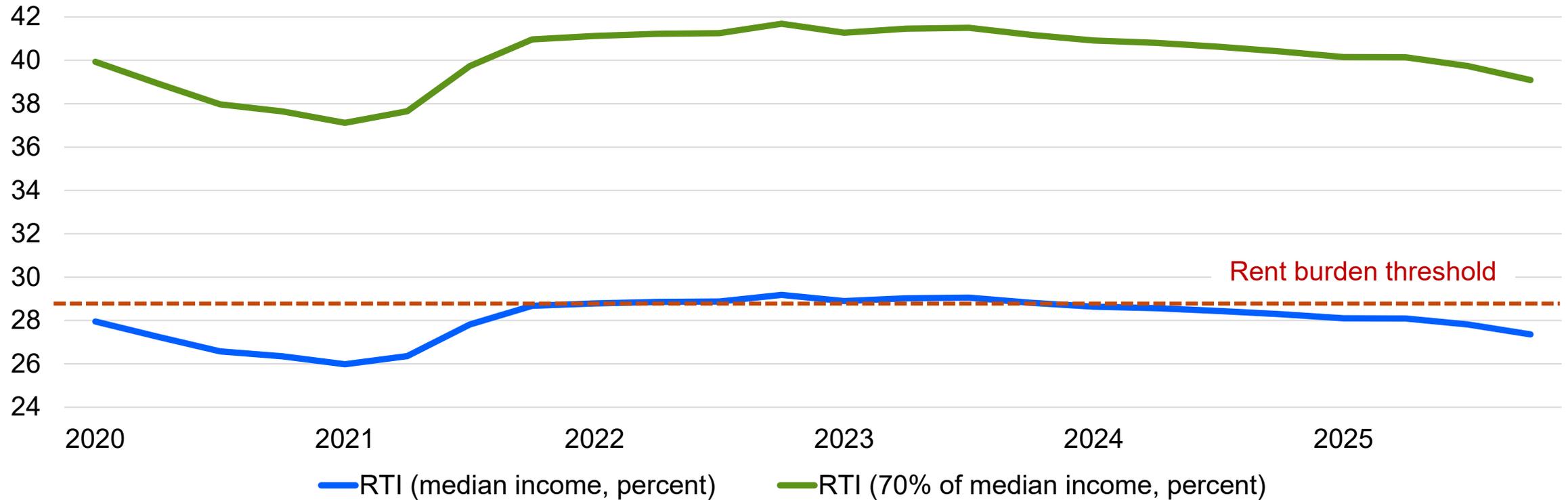
(A Bit) Too Early to See



Sources: Census Bureau, Moody's Analytics

Rental Affordability – Not a Uniform Problem

Rent-to-income ratio, ppts

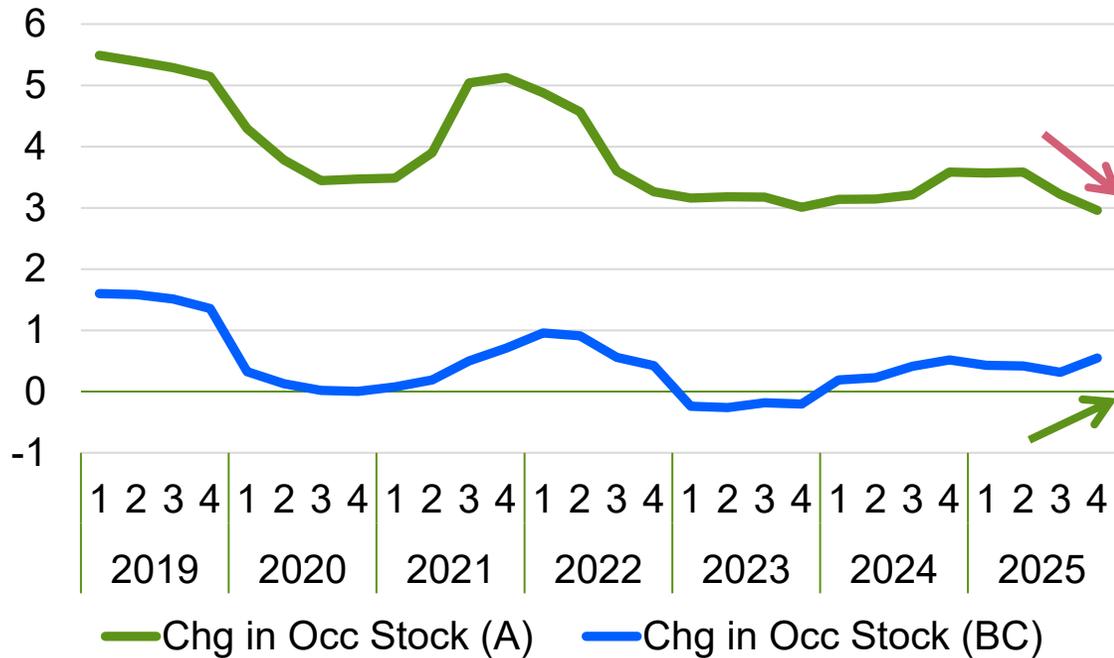


Sources: Census Bureau, Moody's Analytics

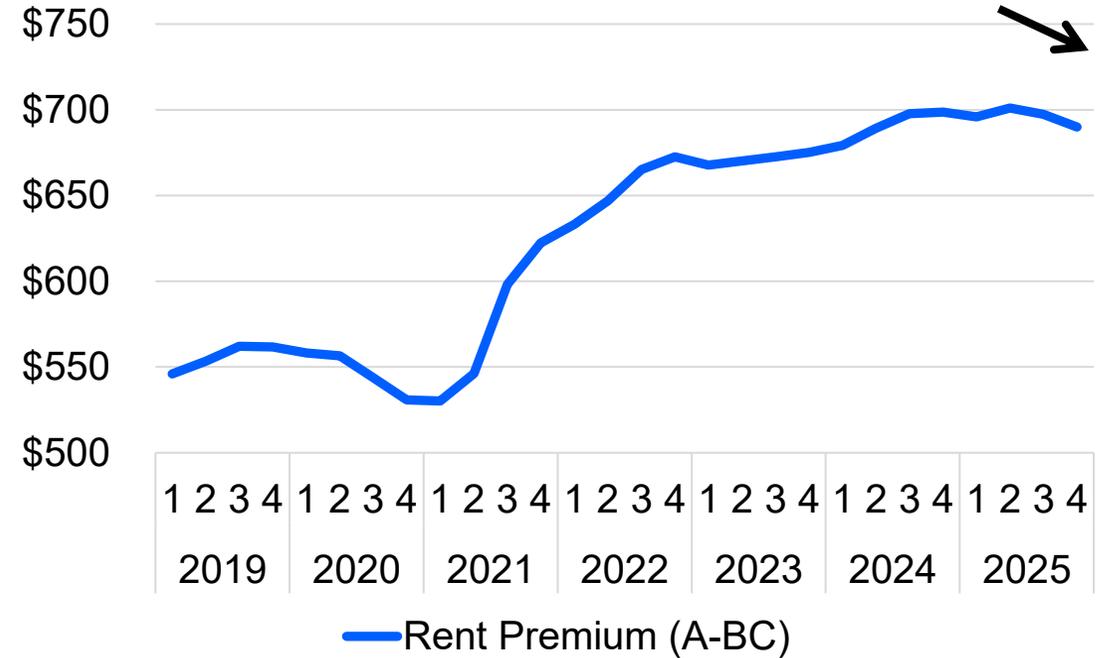
Demand for Multifamily BC Units Up, Rent Premium Down

Ppts

A vs. BC change in occupied stock

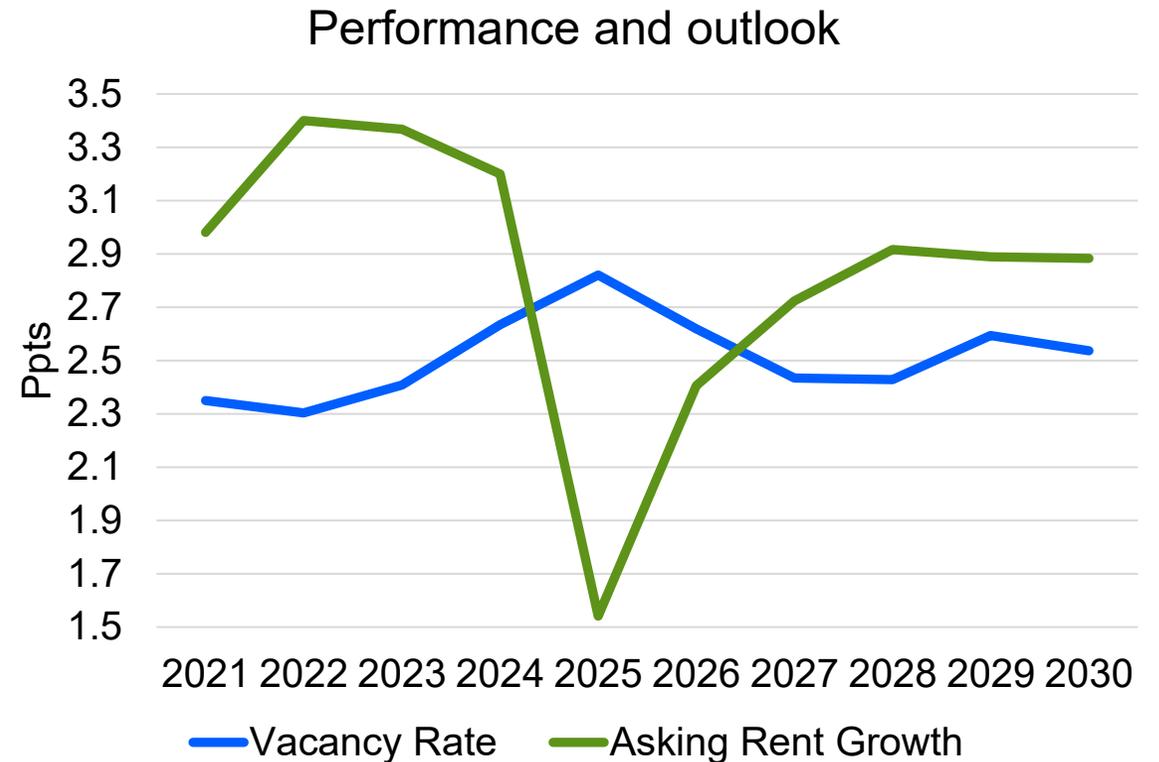
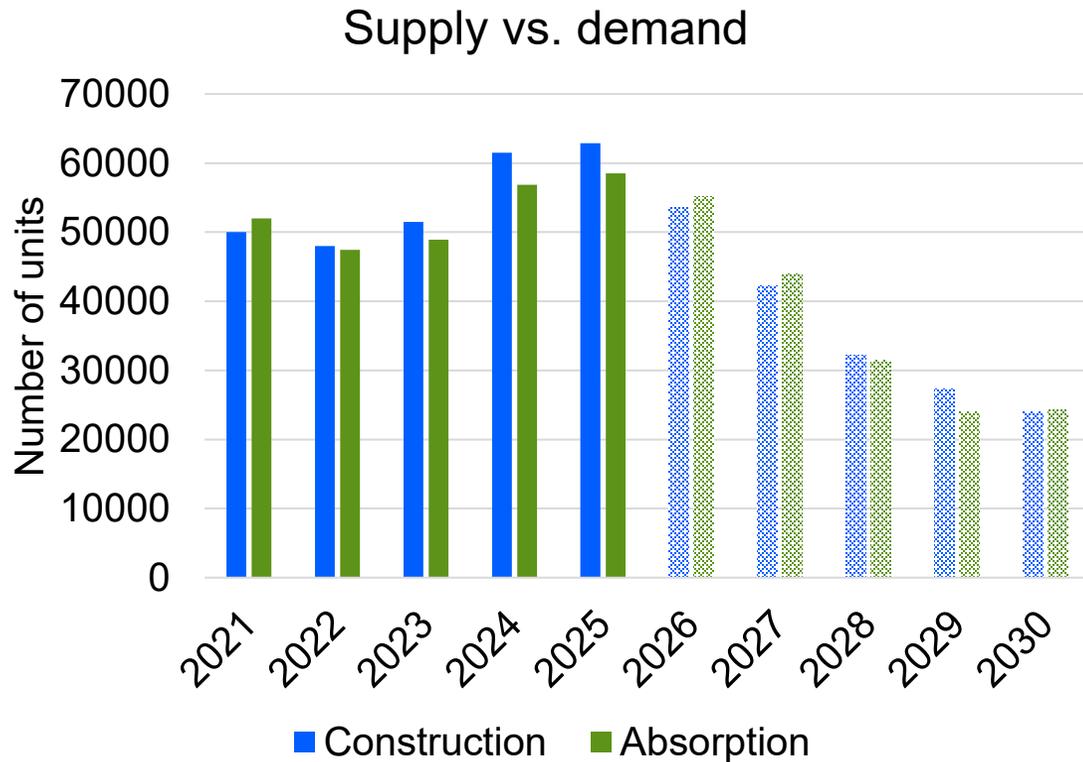


Rent premium (A-BC)



Source: Moody's Analytics

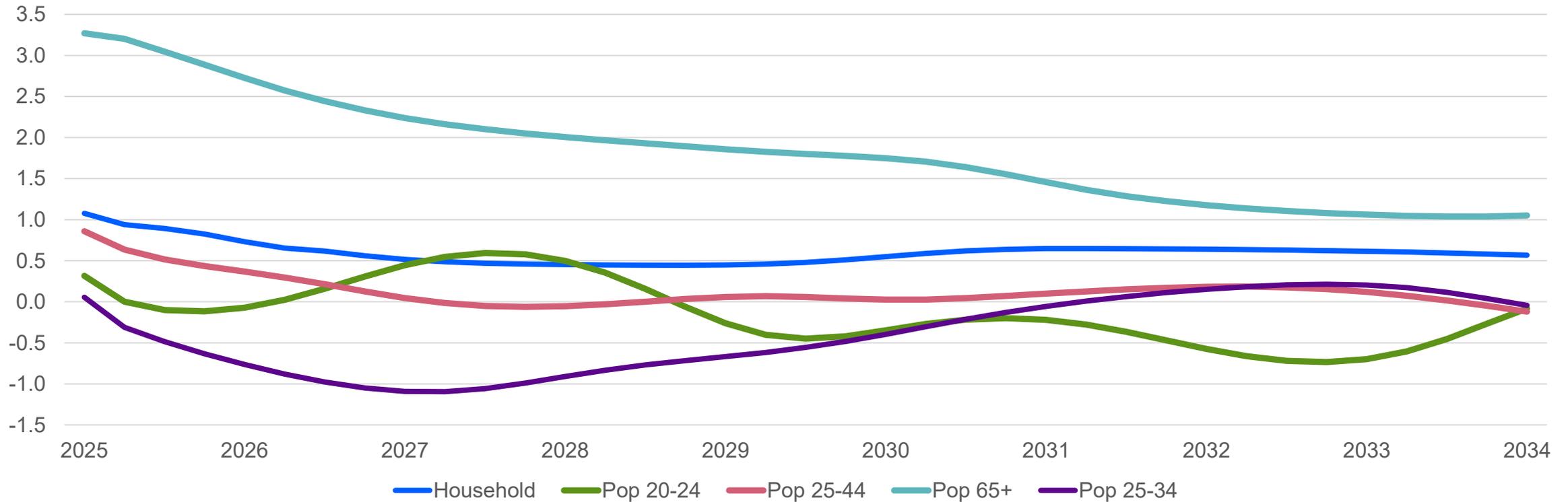
Affordable Housing Fundamentals and Outlook



Source: Moody's Analytics

Demand Weakens in the Near Term

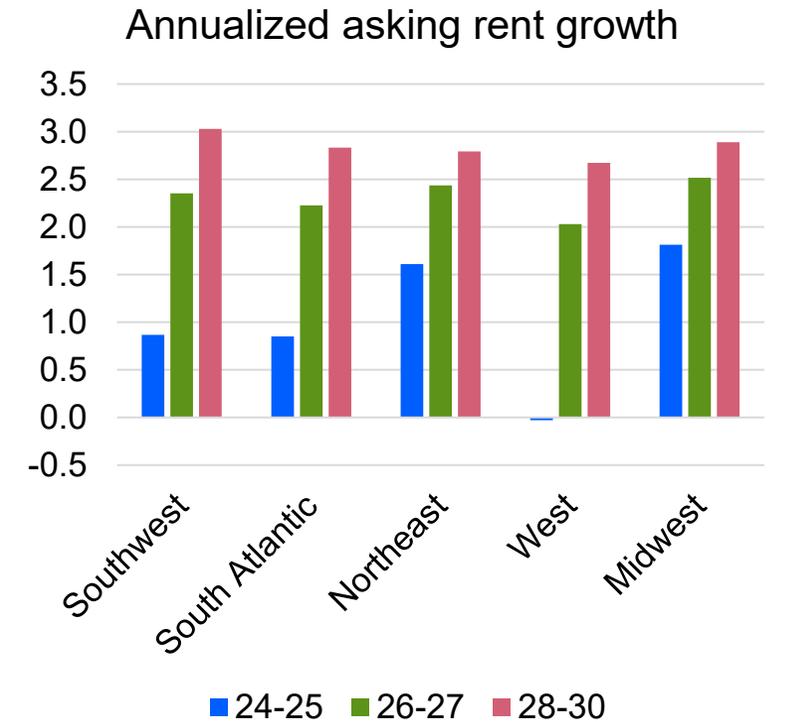
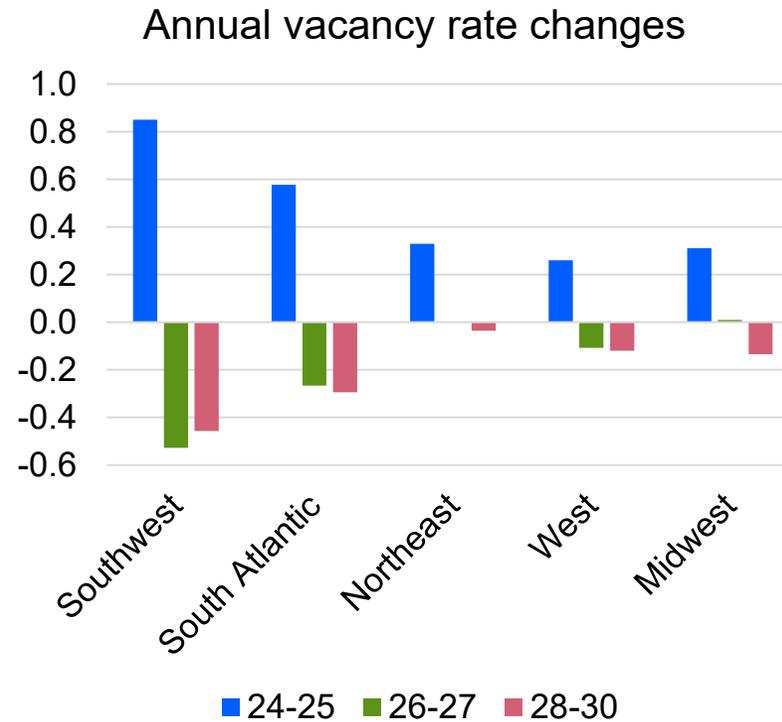
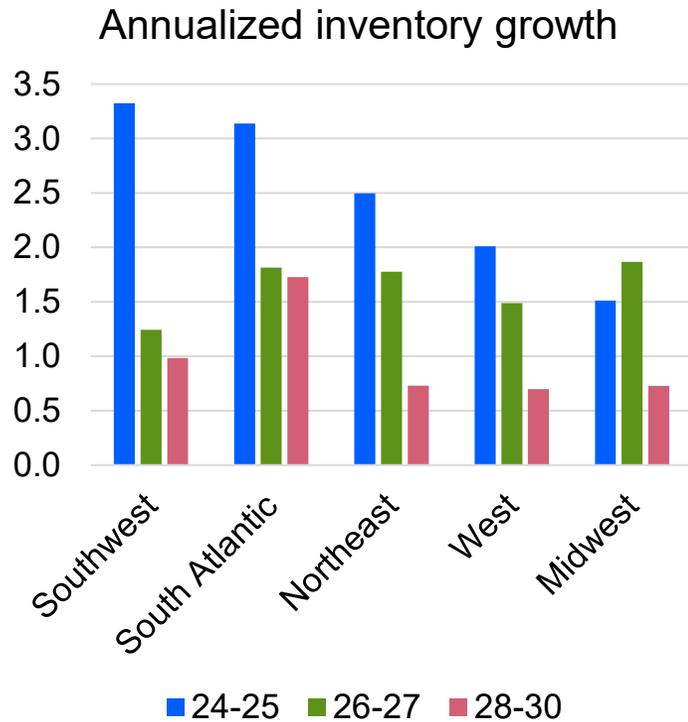
Ppts



Sources: Census Bureau, Moody's Analytics

Midwest and Northeast Lead Construction Trend in the Next Two Years

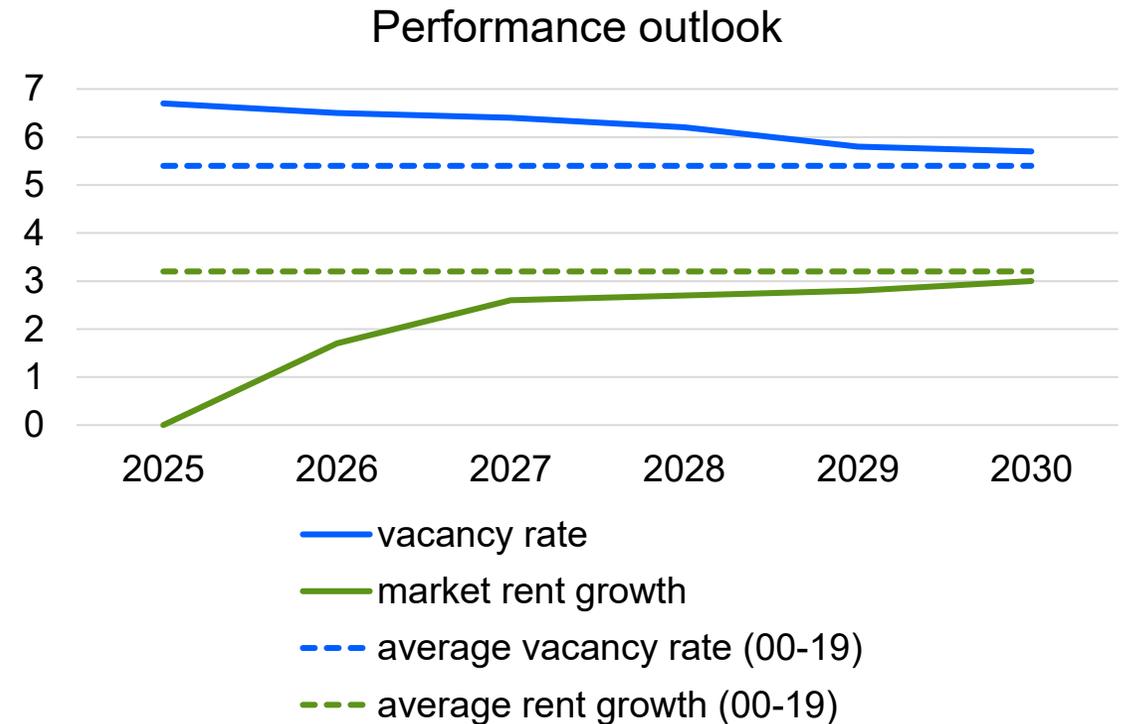
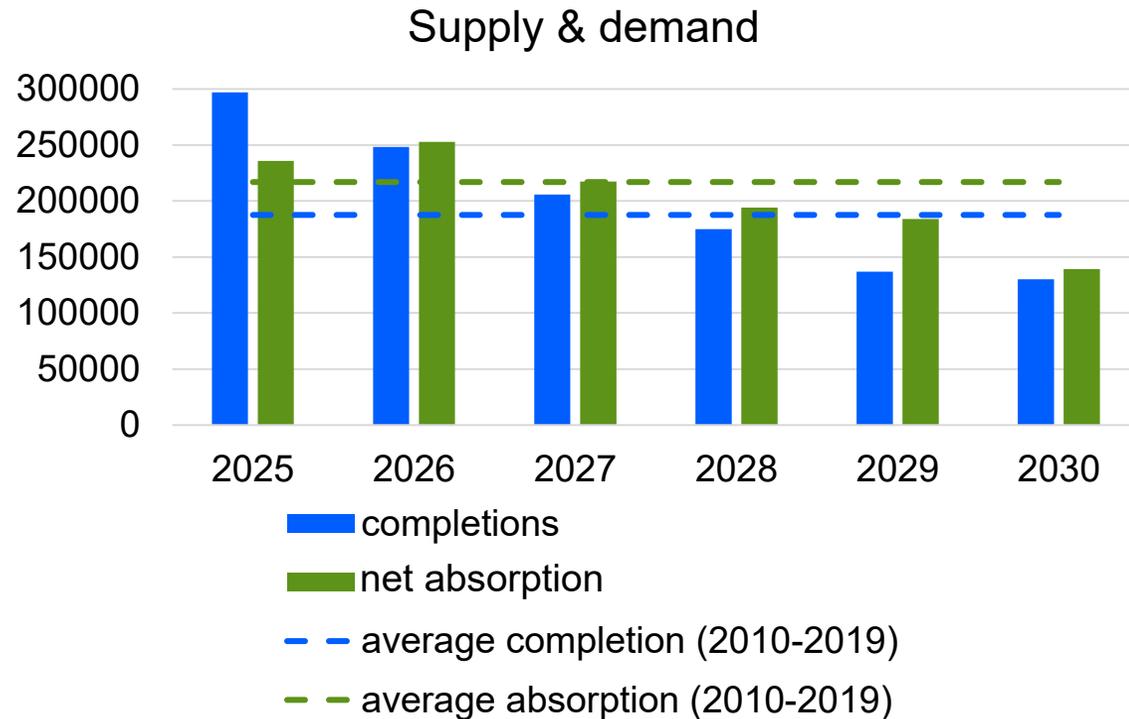
Ppts



Source: Moody's Analytics

Outlook Weakens, but Remains Positive

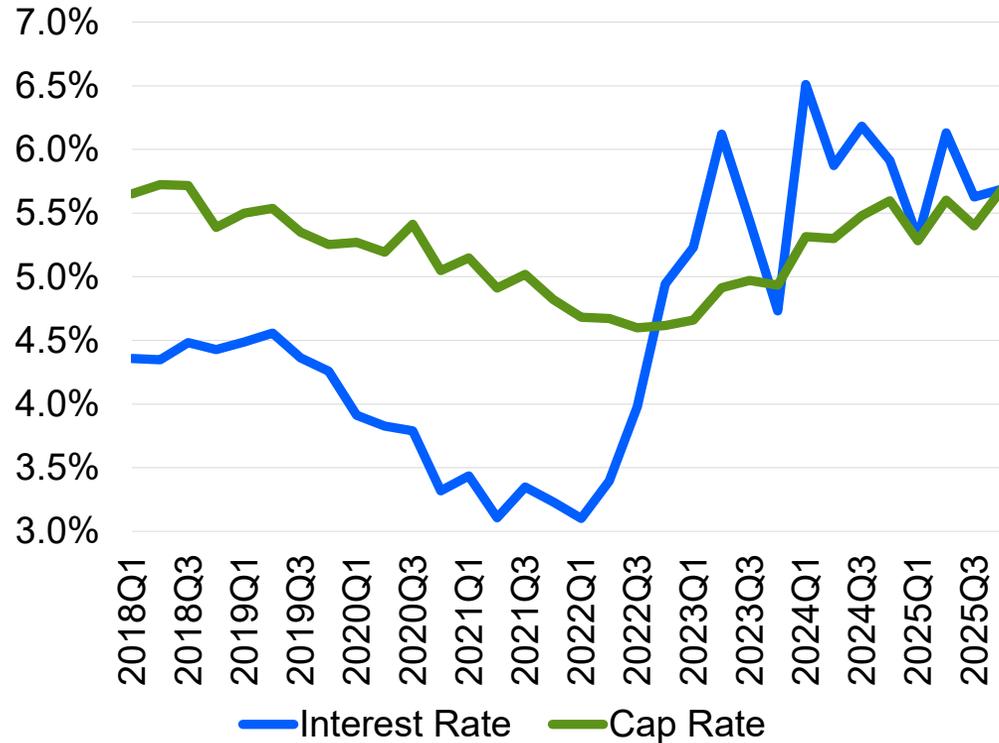
Units (L), % (R)



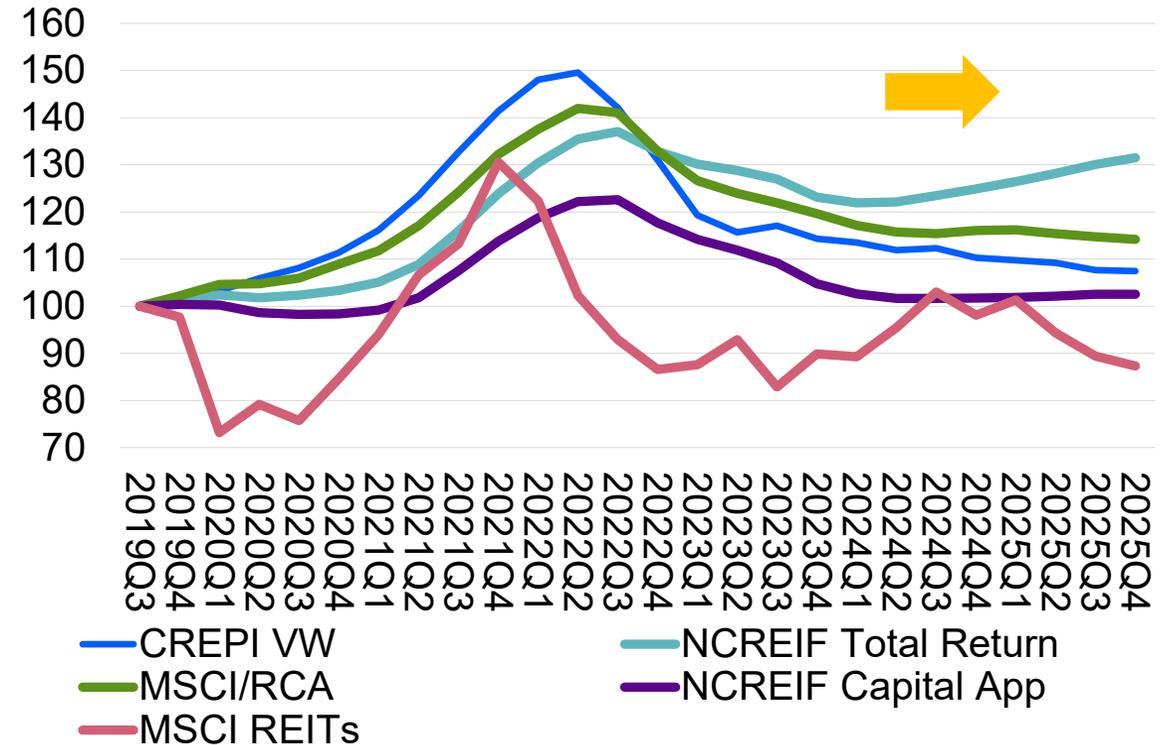
Source: Moody's Analytics

Multifamily Faces Headwinds, Despite Excess Housing Demand

Multifamily CMBS loan interest and cap rates



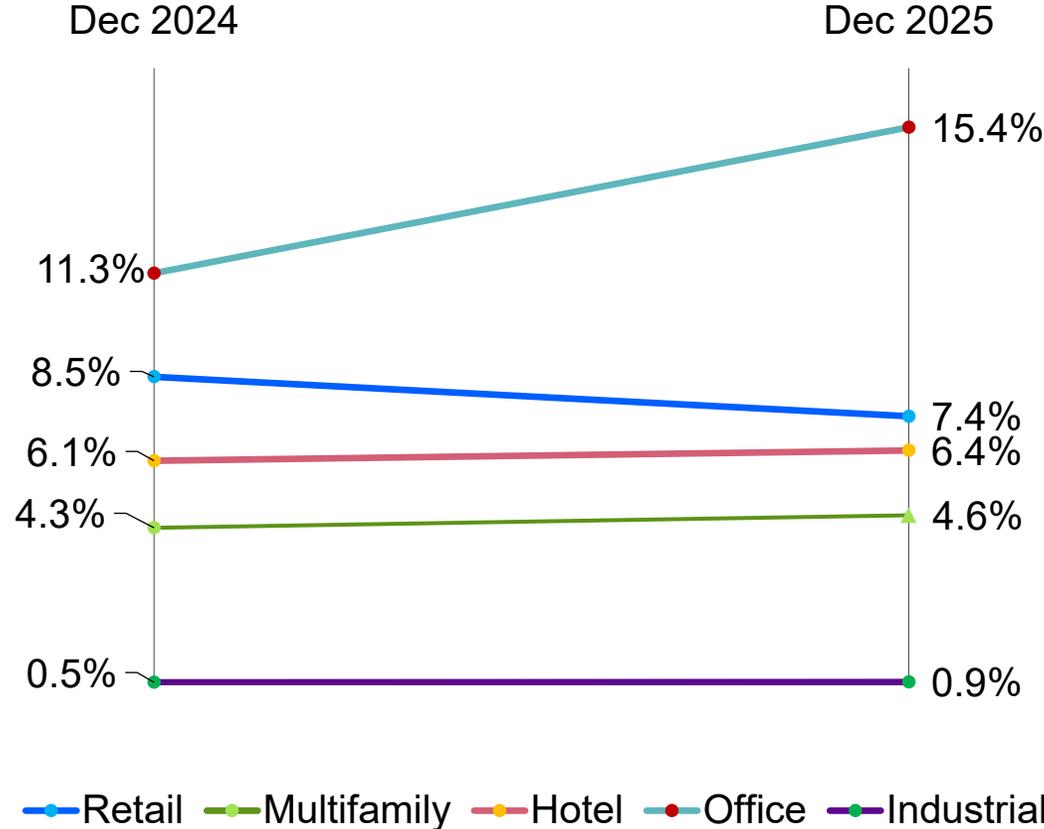
Multifamily prices, 2019Q3=100



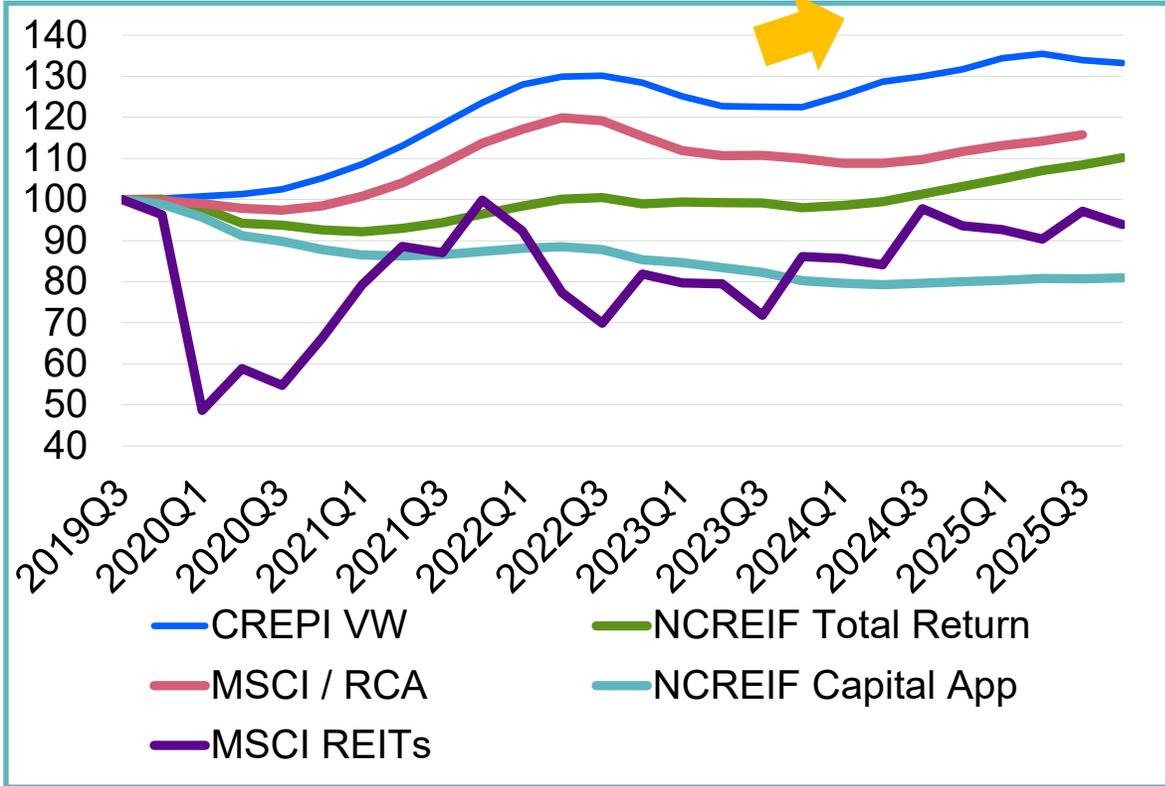
Sources: Moody's Analytics, MSCI, NCREIF

Most Signs Point to the End of the Retail Apocalypse

CMBS loan delinquency rate by property type



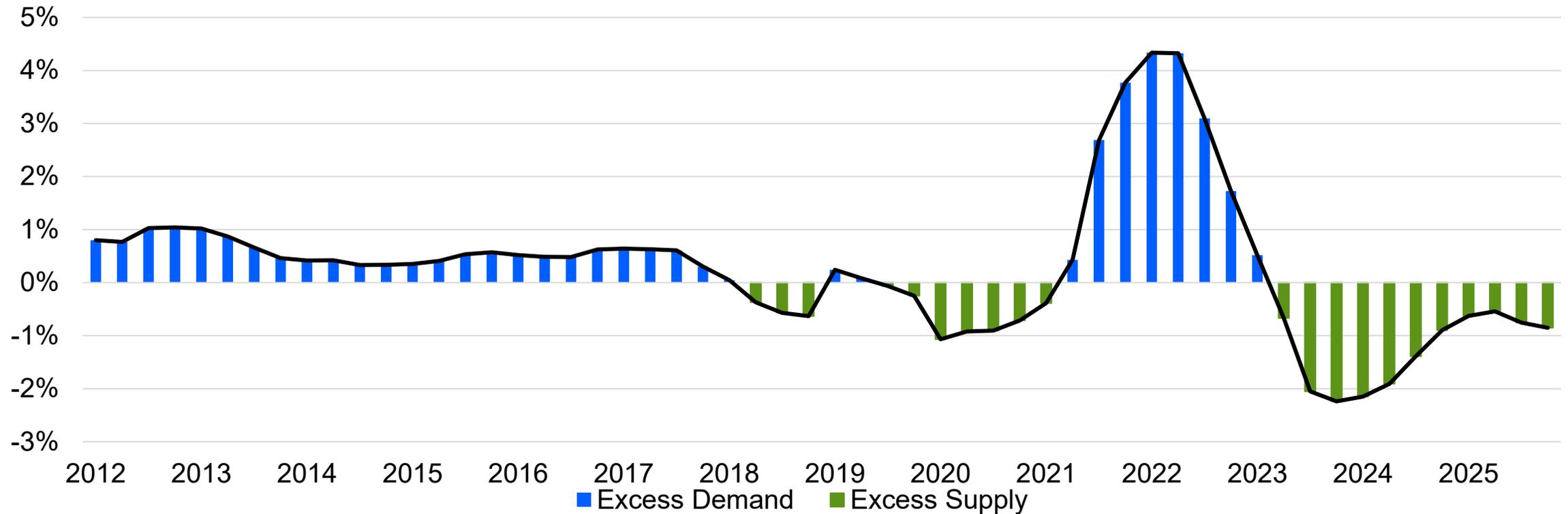
Retail property prices, 2019Q3=100



Sources: Moody's Analytics, Various as shown

Oversupply Headwinds Persist

Excess supply to inventory



Excess demand is defined as net absorption less total completions on a rolling 12-mo basis divided by inventory.

Source: Moody's Analytics

Office Market Performance

Change in leased space over a 5-yr period (2020Q4 to 2025Q4)

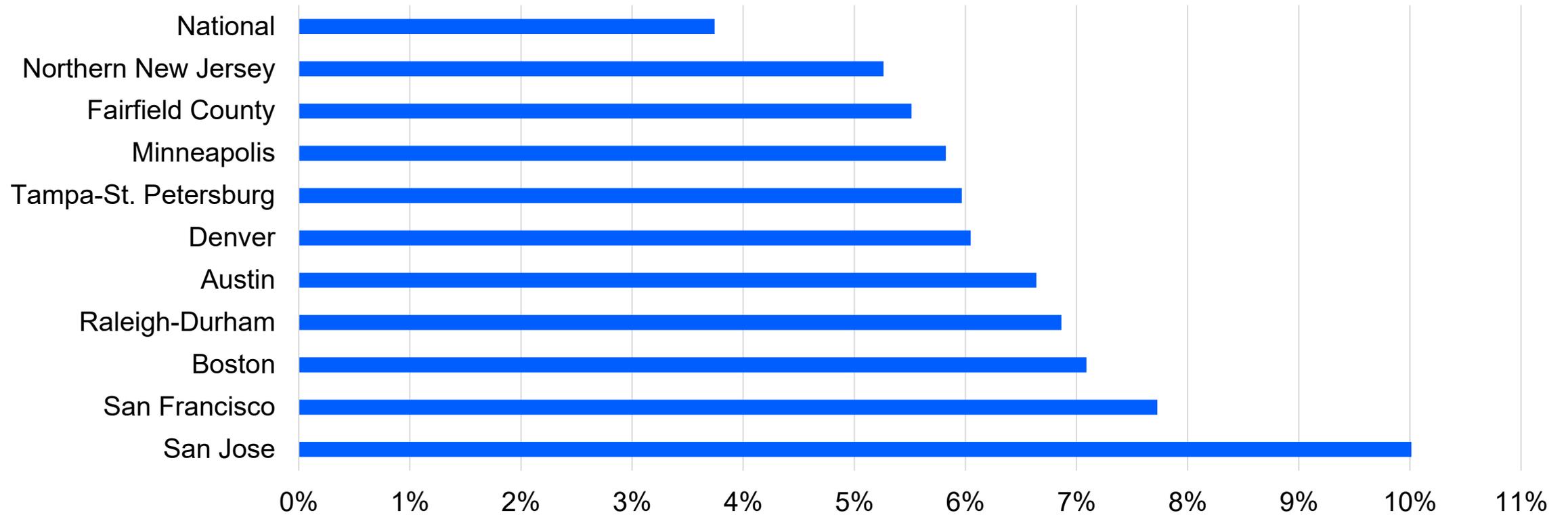
Top 10	
Metro	Occupied Stock (% change)
Nashville	12%
Dayton	8%
Knoxville	8%
Miami	8%
Wichita	8%
Atlanta	7%
Palm Beach	6%
Lexington	6%
San Bernardino/Riverside	6%
Tucson	6%

Bottom 10	
Metro	Occupied Stock (% change)
Raleigh-Durham	-5%
St. Louis	-5%
Chattanooga	-5%
Orlando	-5%
Milwaukee	-5%
Hartford	-6%
Tulsa	-7%
Portland	-8%
Denver	-9%
San Francisco	-10%

Source: Moody's Analytics

Office Sublet Vacancy Rates

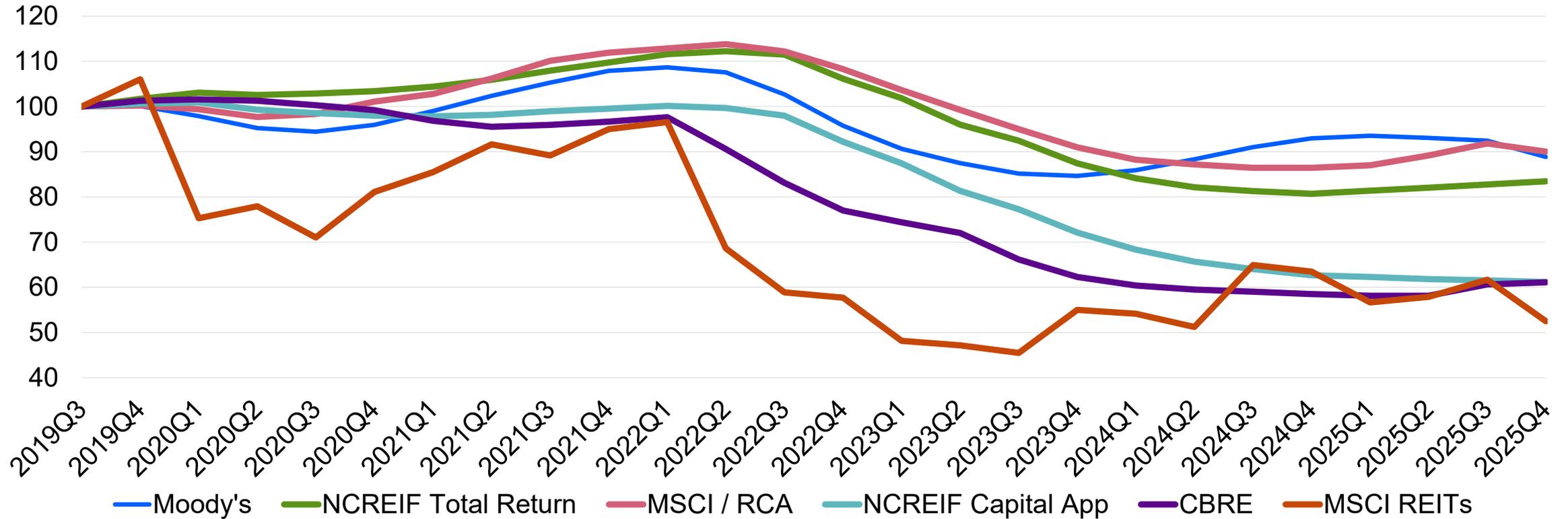
Top 10 metro sublet vacancy rates as of 2025Q4



Source: Moody's Analytics

Segments of Performing Office Drive Nascent Recovery

Property price indicators, indexed to 100 at 2019Q3



Sources: Moody's Analytics, Various as shown