MOODY'S

Q4 2026 CRE Quarterly Economic Briefing: Supply Fades, Rates Bite

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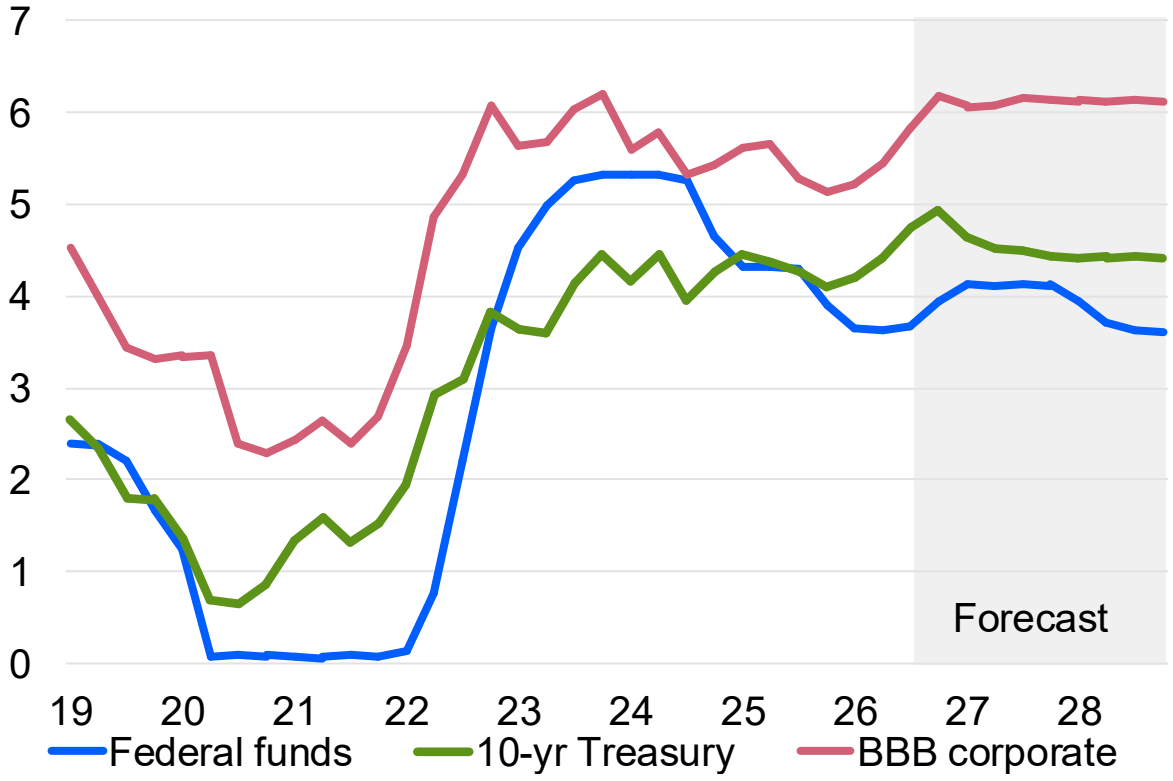
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November 2026

Macro Overview

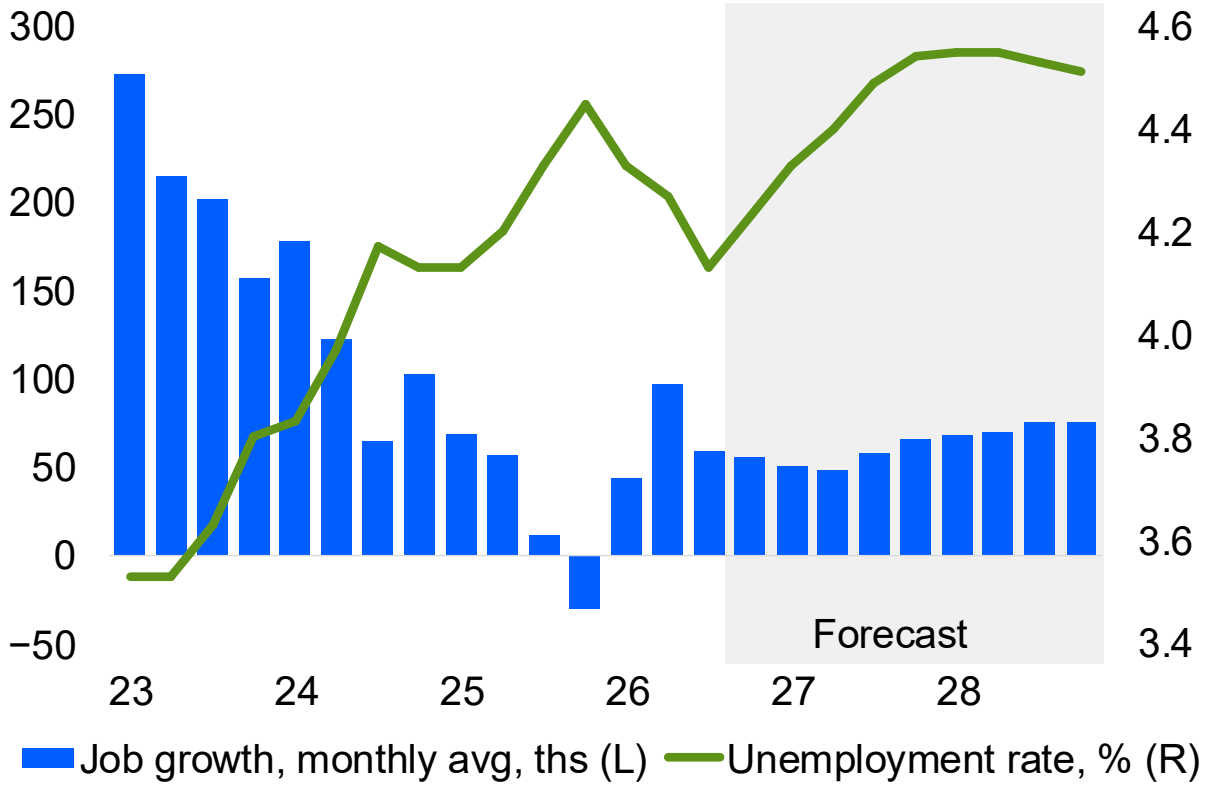
Two Forces Drive CRE Now: Higher Rates and Moderating Demand

Interest rate outlook, %, quarterly avg



10-yr: 4.76% in 26Q3, 4.93% in 26Q4, 4.4% by end-2027; BBB corporate stays near 6.1%

Labor market outlook

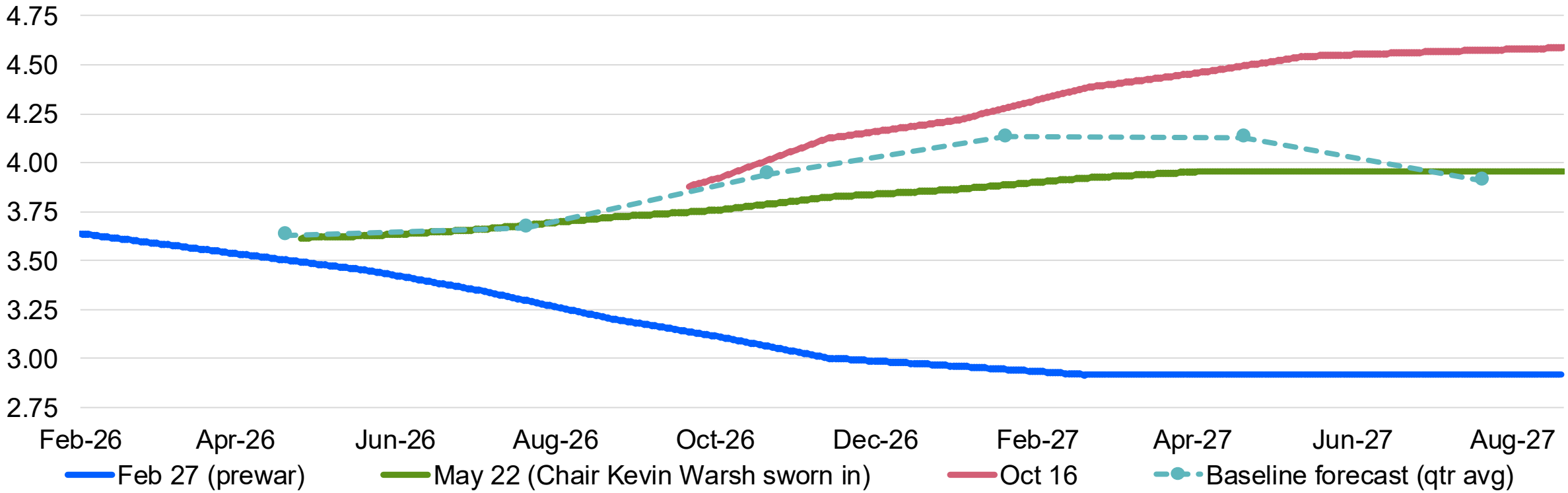


Job growth: 211K a month in 2023, 64K in 2026, 56K in 2027; unemployment peaks near 4.5%

Sources: Federal Reserve, ICE BofA, BLS, Moody's Analytics (Nov 2026 baseline)

Rate Risk Is Not Over: Markets Expect More Hikes Than We Do

Federal funds rate, %

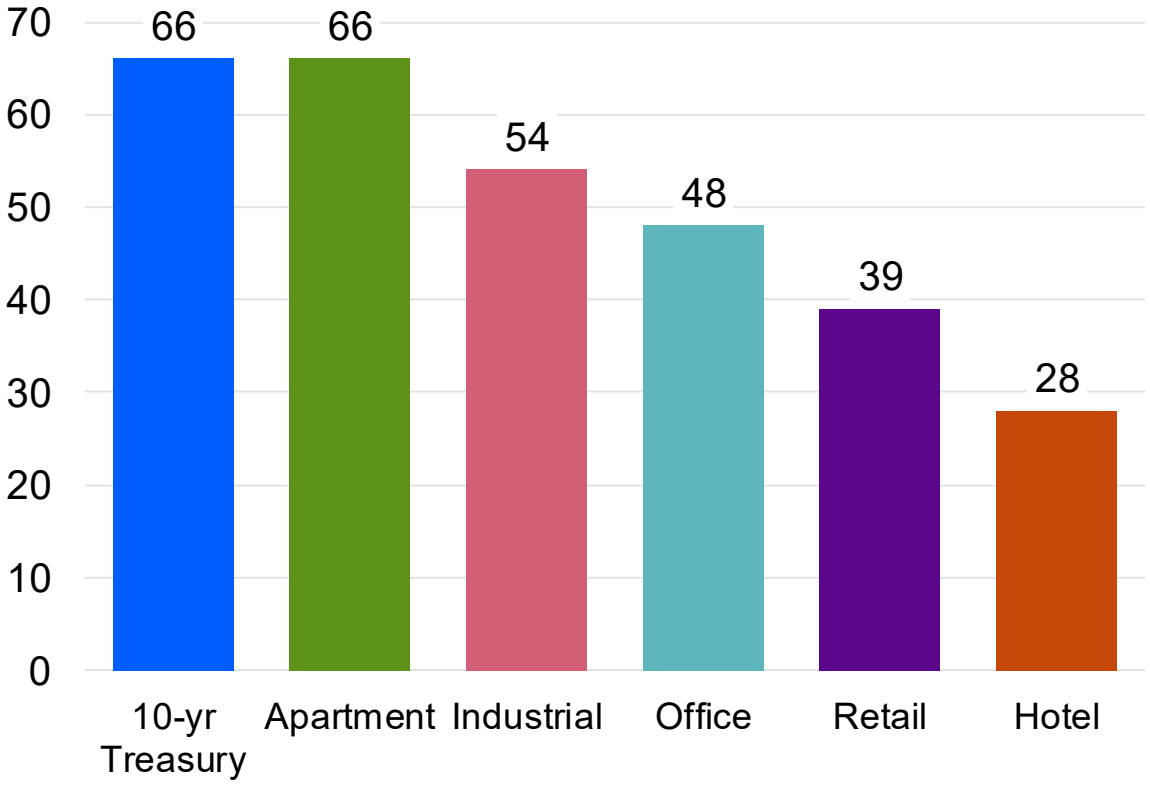


Note: Market paths are futures-implied. The baseline is the quarterly avg effective funds rate in our Oct forecast, plotted at mid-qtr.
Why markets price more: PCE inflation 3.6% y/y in Sep-26 (2.8% in Feb), core 3.1%; supply shocks add about 0.9 ppt to core; the Fed's median projection is 4.1% through 2027.

Sources: CME, Federal Reserve, BEA, U.S. Treasury, Moody's Analytics

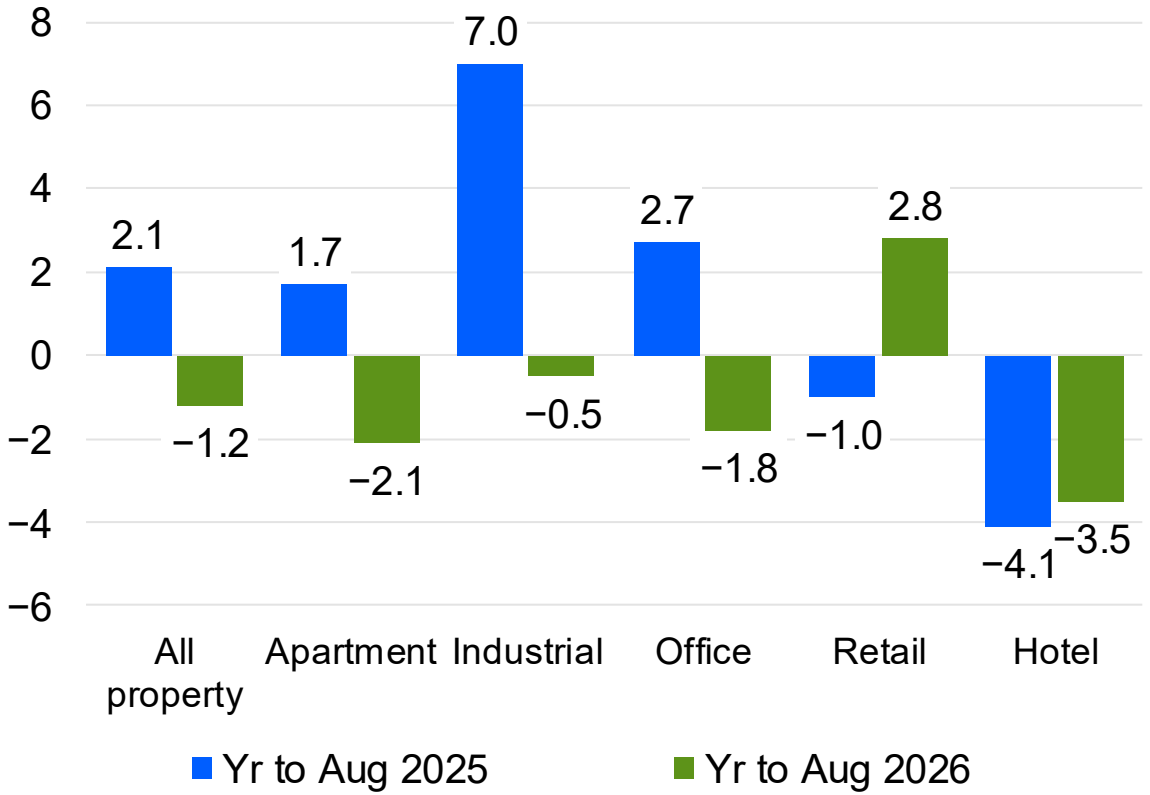
Rates Bite: Cap Rates Rise in Every Sector and Prices Slip

Cap rate change since 2025Q4
Bps, 25Q4 to 26Q3; value-weighted; 10-yr=qtr avg



26Q3 cap rates: apartment 6.51%, industrial 7.19%, retail 7.48%, office 7.72%, hotel 8.41%

Property price change
CREPX, % change yr ago, Aug-25 vs. Aug-26

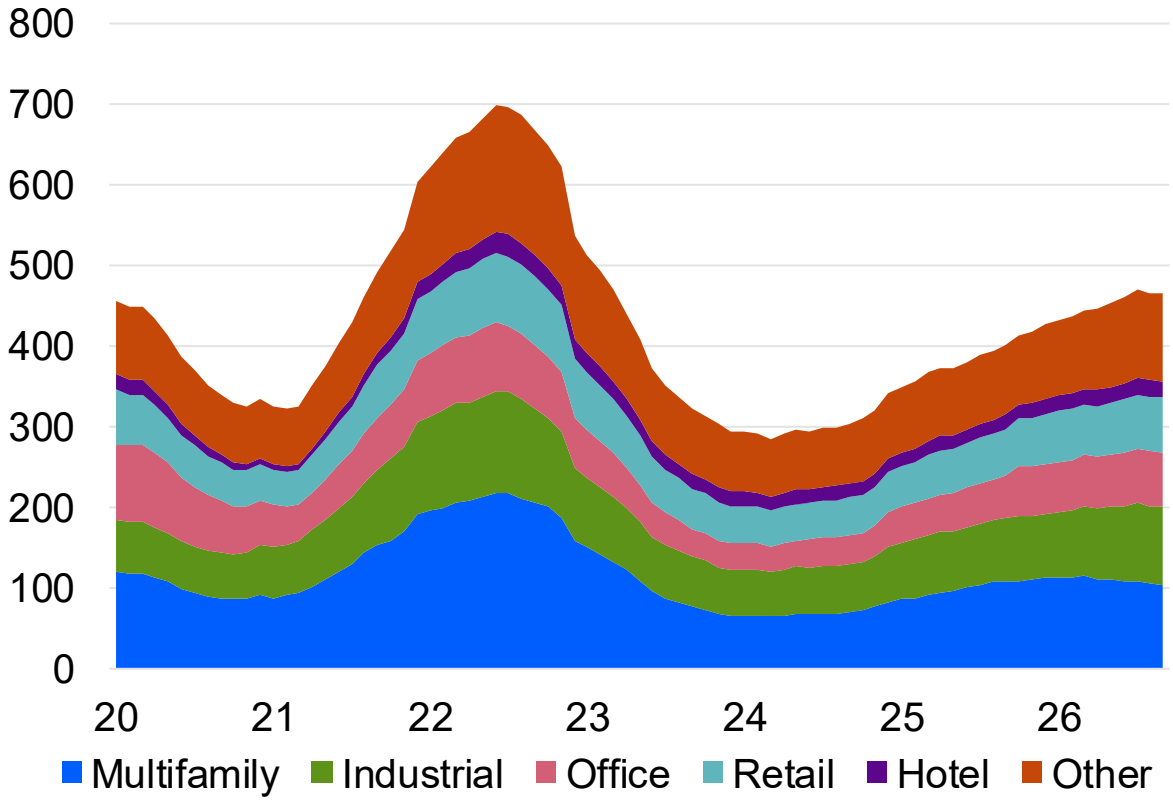


All property −1.2% y/y, from +2.1% a yr earlier; retail (+2.8%) is the only sector rising

Sources: Federal Reserve, Moody's Analytics CRE cap rates (26Q3 release) and CREPX (through Aug-26)

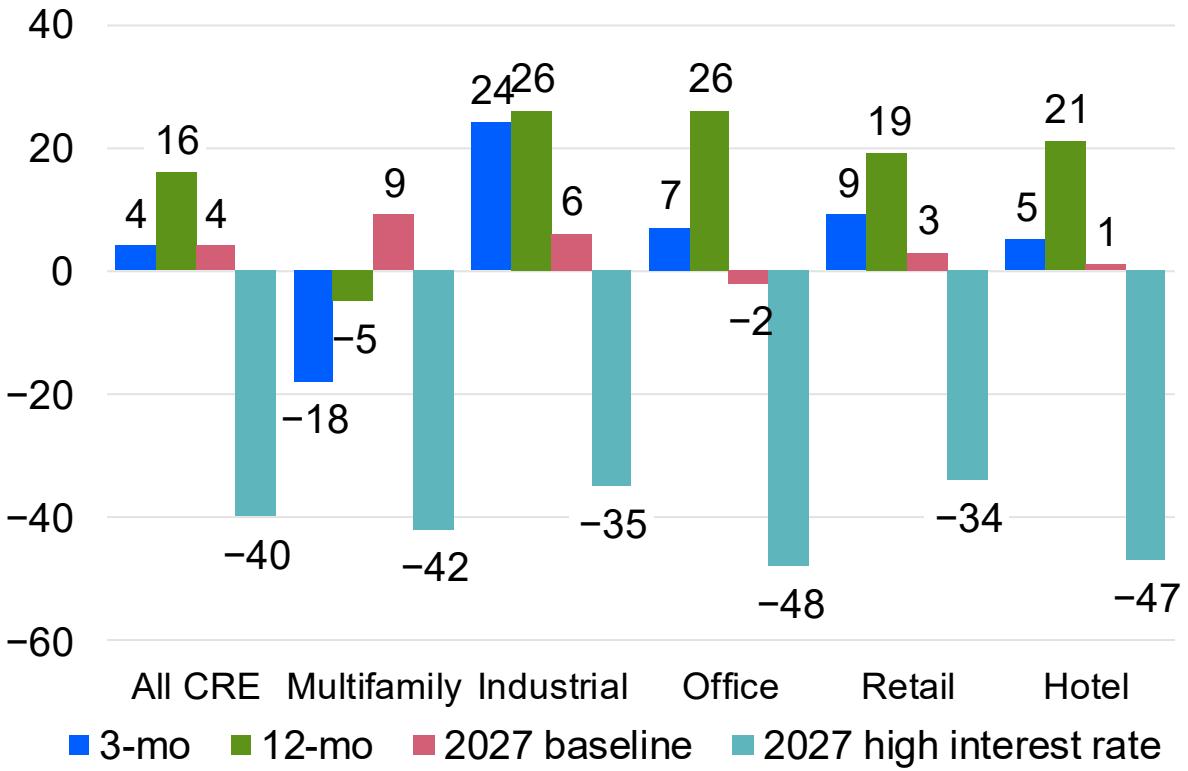
Sales Are Back to the 2019 Pace, but Rising Rates Are Zapping Momentum

CRE sales volume by property type
$ bil, trailing 12-mo sum, monthly through Sep-26



$465 bil in 12 mo. (+16% y/y), +2.7% vs. 2019; $698 bil peak, $284 bil trough

Sales volume growth: actual and 2027 forecast
% chg yr ago: 3-mo and 12-mo sums to Sep-26; 2027 forecast

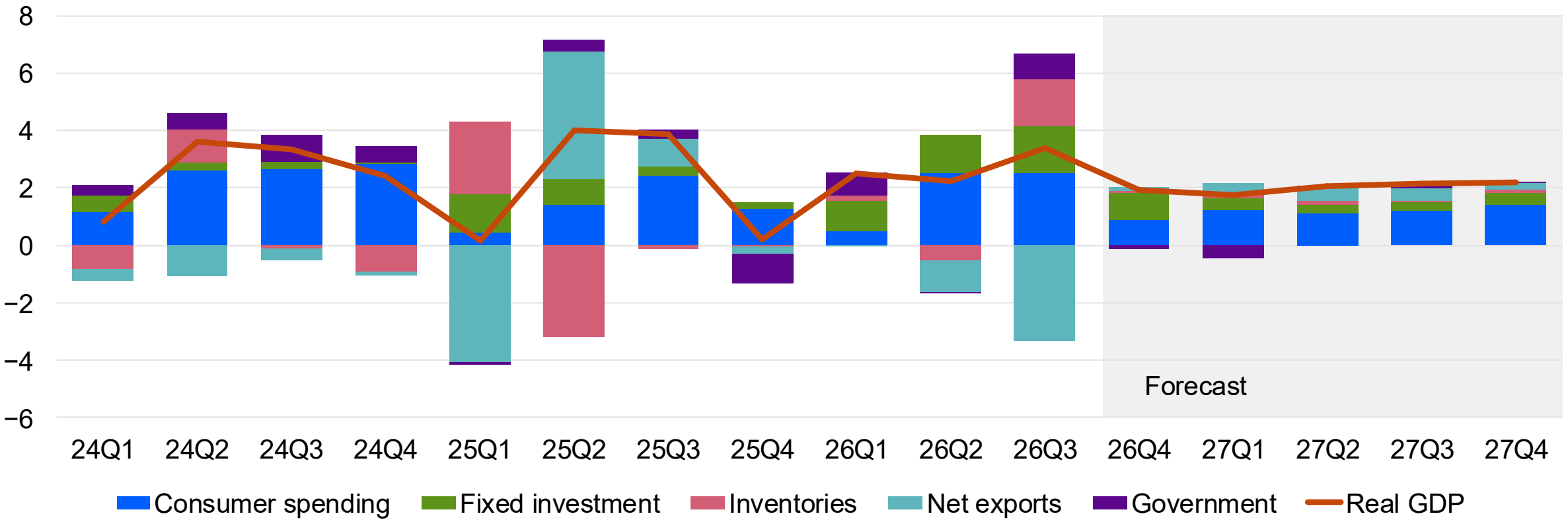


High interest rate scenario (10-yr near 7.7% in 2027): 2027 sales −40%, vs. +4% in the baseline

Sources: Moody's Analytics Transaction Trends (Sep-26 is a first read; recent mo revise up); CRE sales forecasts (Oct 2026 vintage)

Demand Is Moderating but Holding; Growth Is Narrow and Fragile

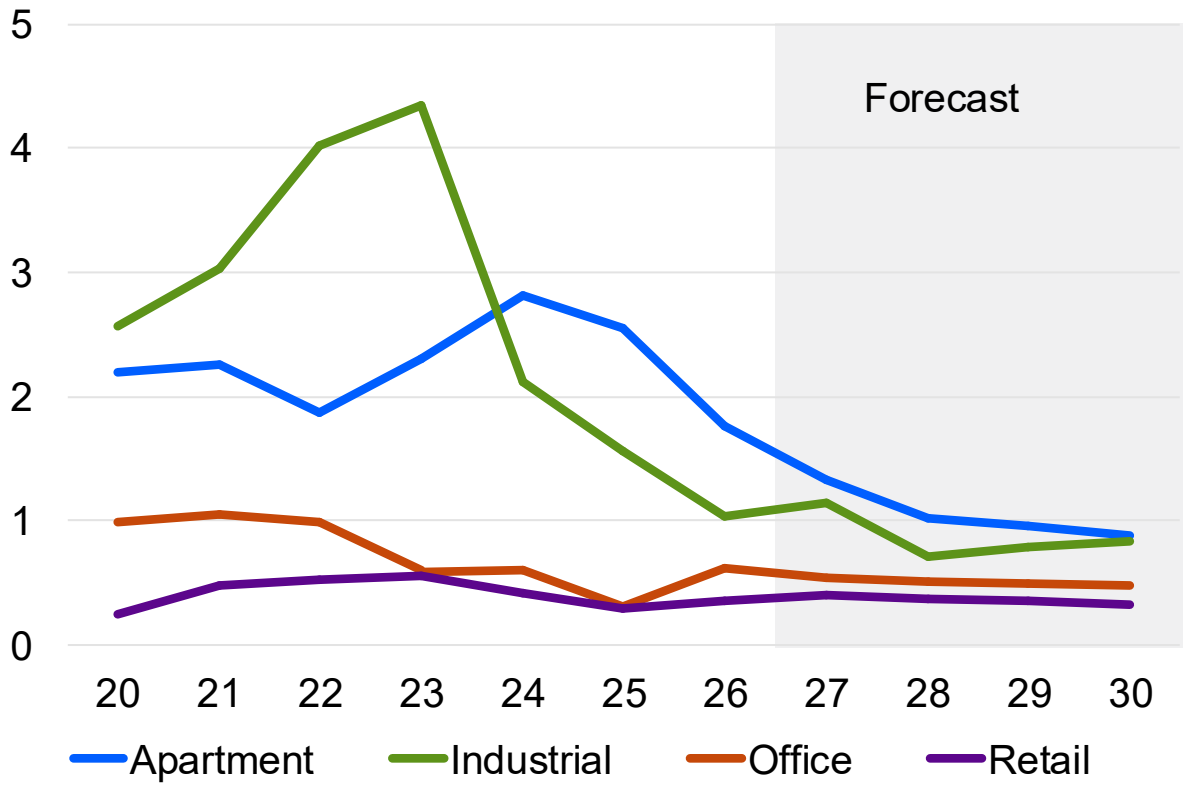
Contributions to real GDP growth, ppt, SAAR



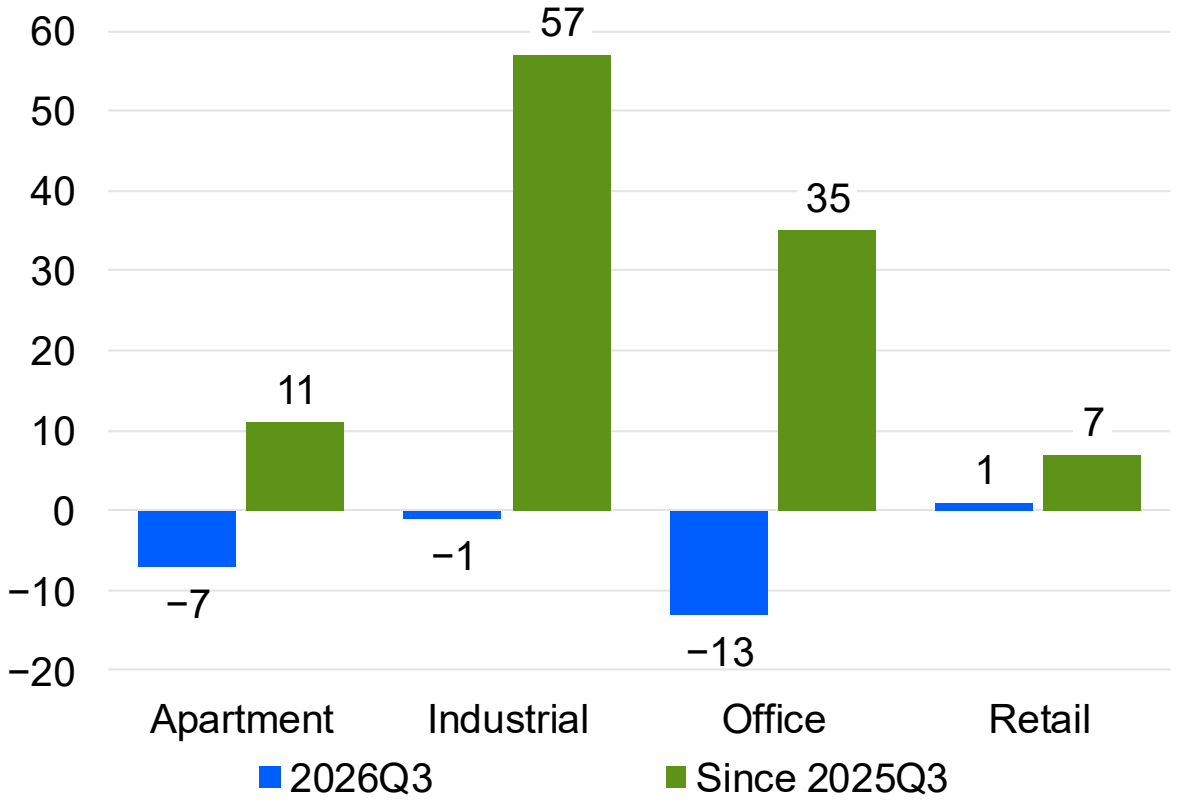
Sources: BEA, Moody's Analytics (Nov 2026 baseline; forecast contributions approximated from component forecasts)

Supply Fades: Construction Slows and Vacancy Stops Rising

New supply by property type
Inventory growth, % change, annual



Vacancy rate change by property type
Bps, 2026Q3 vs. prior qtr and vs. 2025Q3



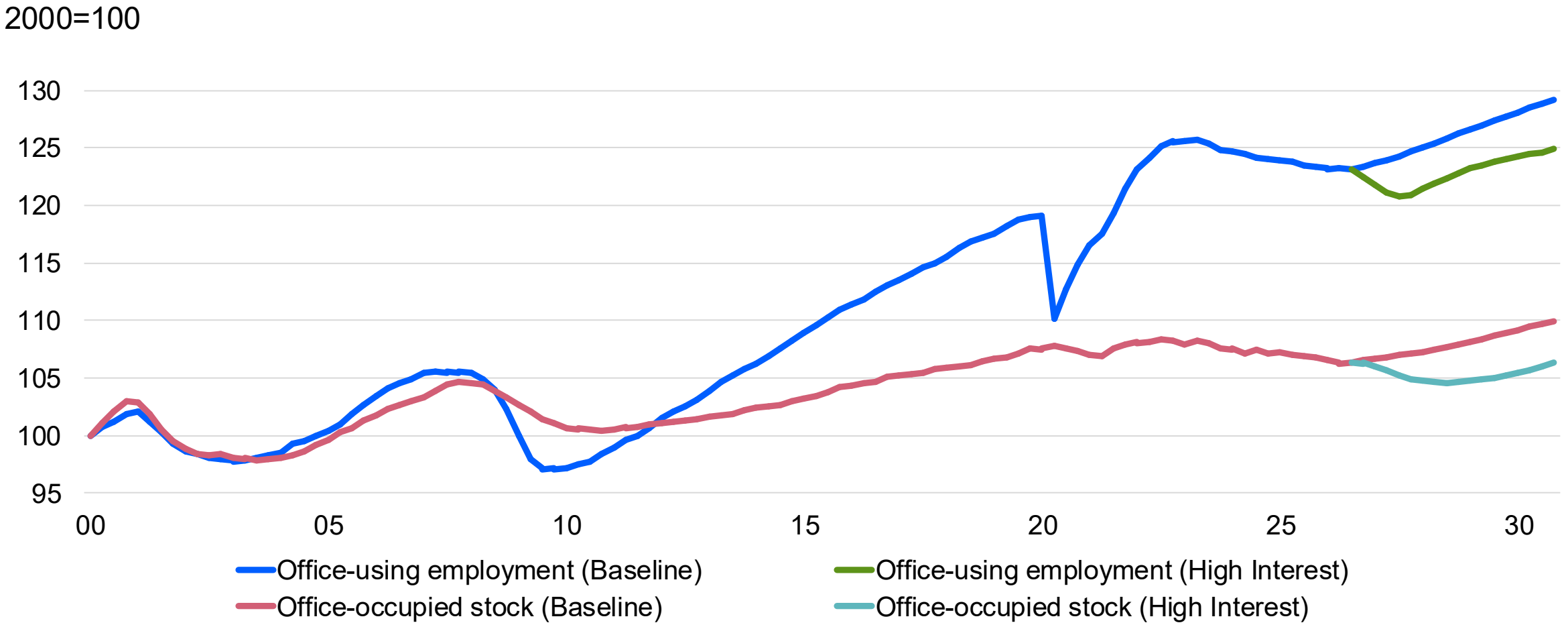
Construction input costs (PPI, Sep-26): multifamily +9.1% y/y, nonresidential +11.2%

Risk: If apartment completions hold at the 2026 pace, 2028 vacancy is 7.1%, not 6.4%

Sources: BLS, Moody's Analytics CRE (formerly REIS) Market Trends and baseline forecast; industrial = warehouse/distribution

Commercial Asset Classes

Office-Using Employment Growth Falls Flat, for Now



Source: Moody's Analytics

Office Market Performance

Change in leased space over a 5-yr period (2021Q3 to 2026Q3)

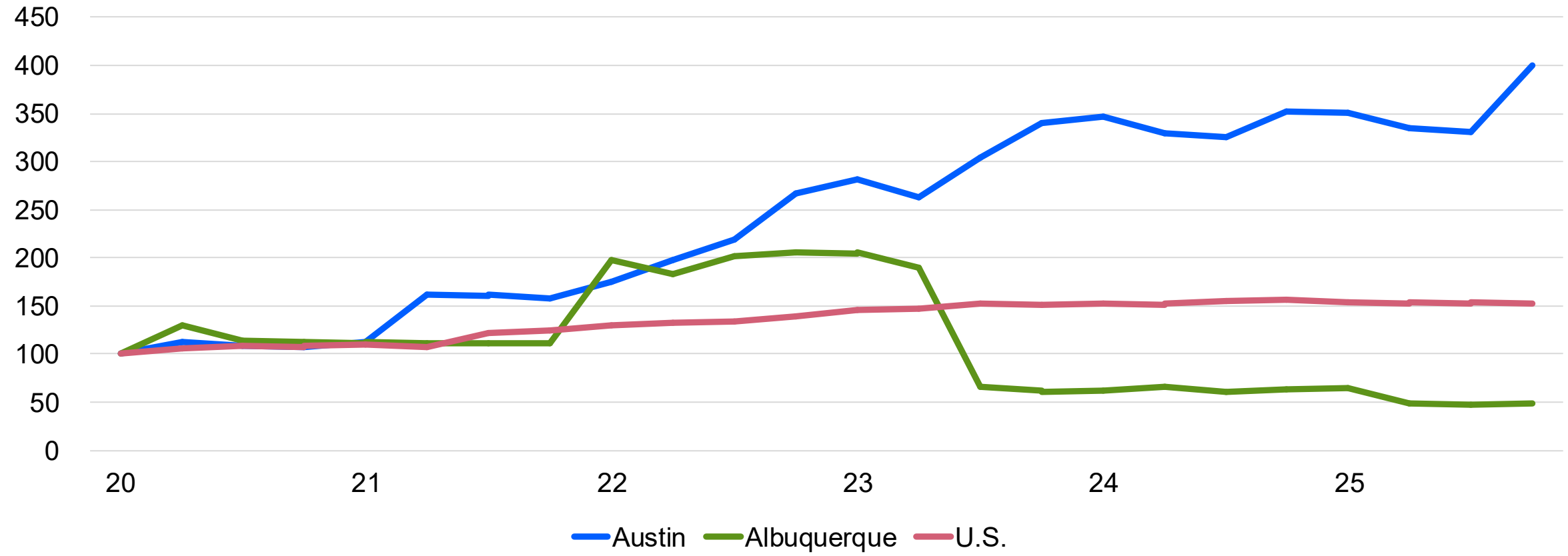
Top 10	
Metro	**Occupied Stock (% change)**
Knoxville	10%
Nashville	8%
Wichita	7%
Miami	7%
Albuquerque	7%
Atlanta	5%
San Bernardino/Riverside	5%
Palm Beach	5%
Lexington	5%
Tacoma	5%

Bottom 10	
Metro	**Occupied Stock (% change)**
Orlando	-5%
Little Rock	-6%
San Jose	-6%
Sacramento	-6%
Hartford	-6%
Oakland-East Bay	-7%
Denver	-8%
Tulsa	-8%
Portland	-8%
San Francisco	-9%

Source: Moody’s Analytics

Divergent Subleasing Activity Driven by Supply

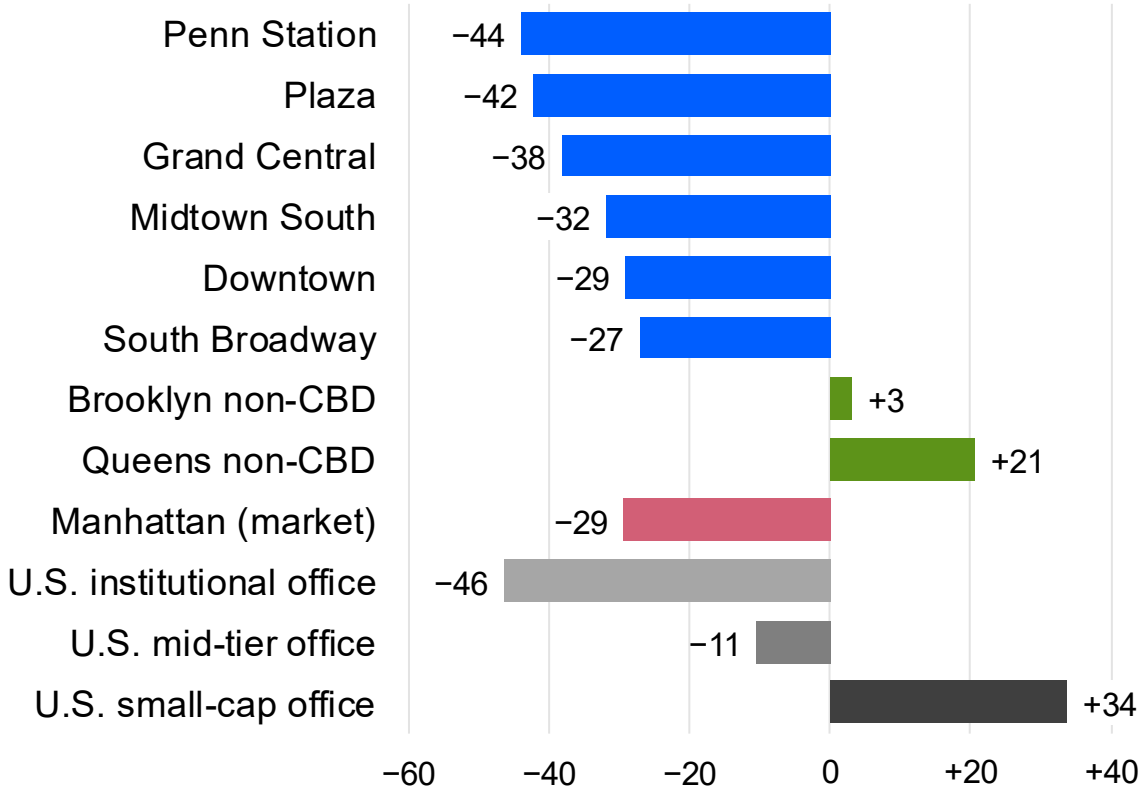
Sublease available stock, 2020Q4=100



Source: Moody's Analytics

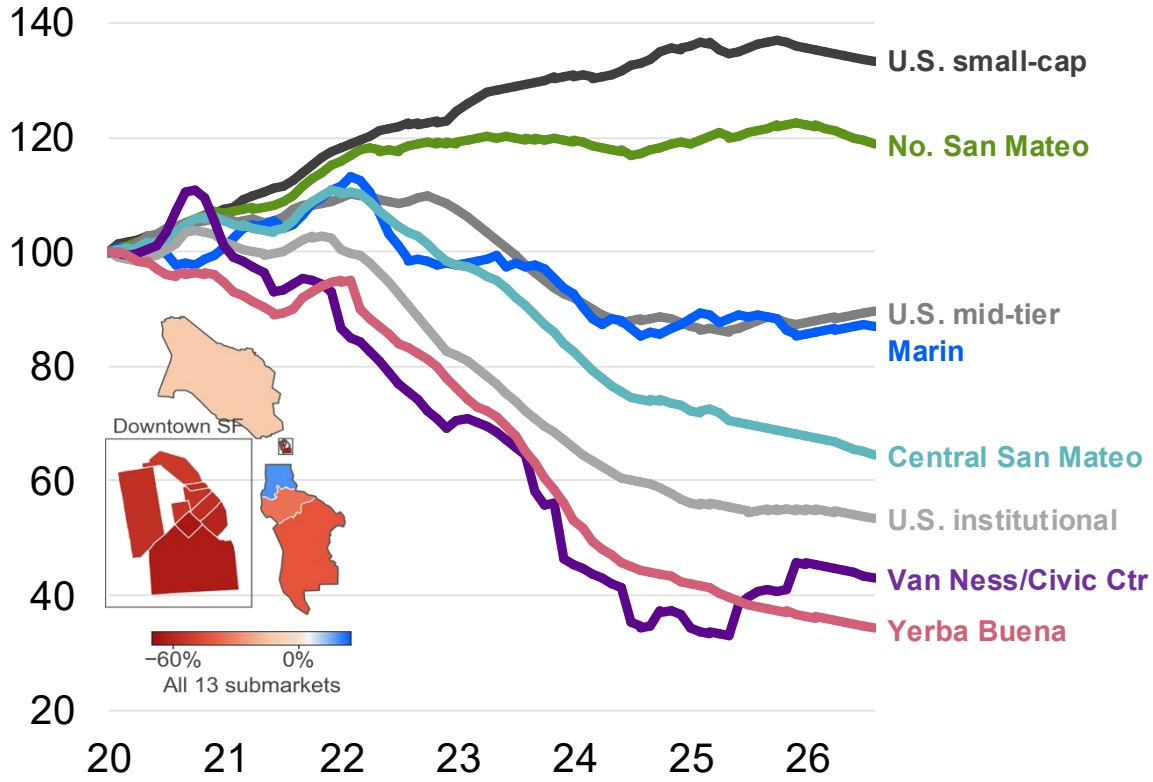
Office Up Close: Small-Cap Pricing Held Up While Towers Reset

New York office prices since Jan 2020
% change to Aug-26, CREPX submarkets and U.S. tiers



Manhattan −27% to −44%, like U.S. institutional; Queens non-CBD +21%, like small-cap

San Francisco office prices by submarket
Jan 2020=100; dashed lines=U.S. size tiers



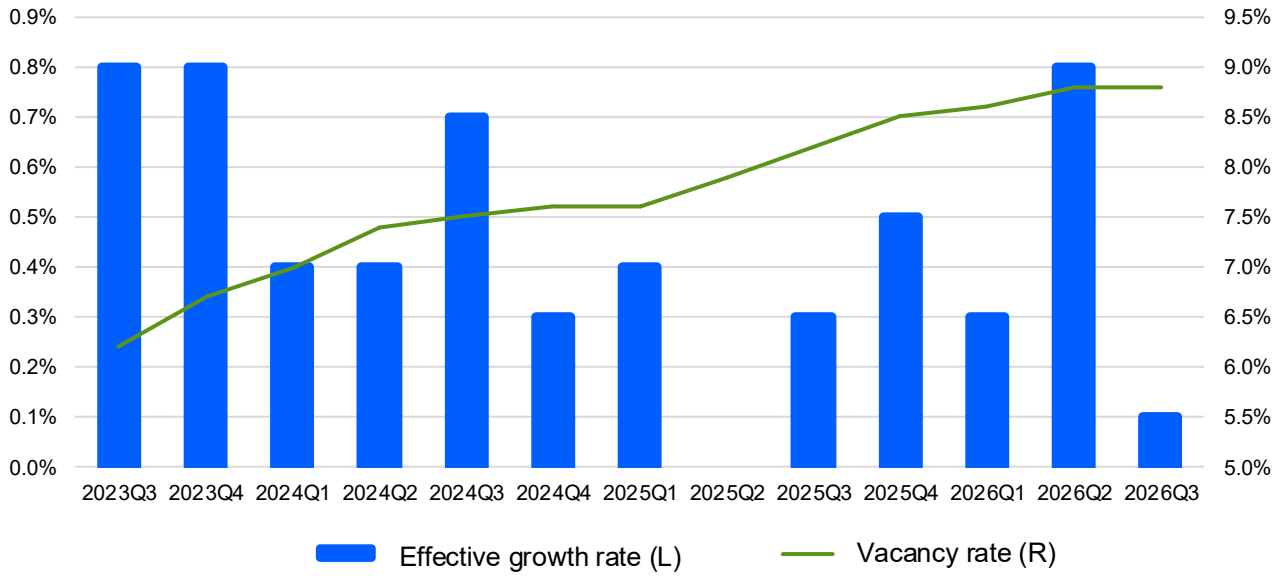
No. San Mateo prices like small-cap; downtown like institutional; Central San Mateo is mixed

Source: Moody's Analytics CREPX (via Data Buffet), monthly through Aug-26. U.S. office tiers: small-cap < $10 mil, mid-tier $10–50 mil, institutional > $50 mil

Industrial Performance

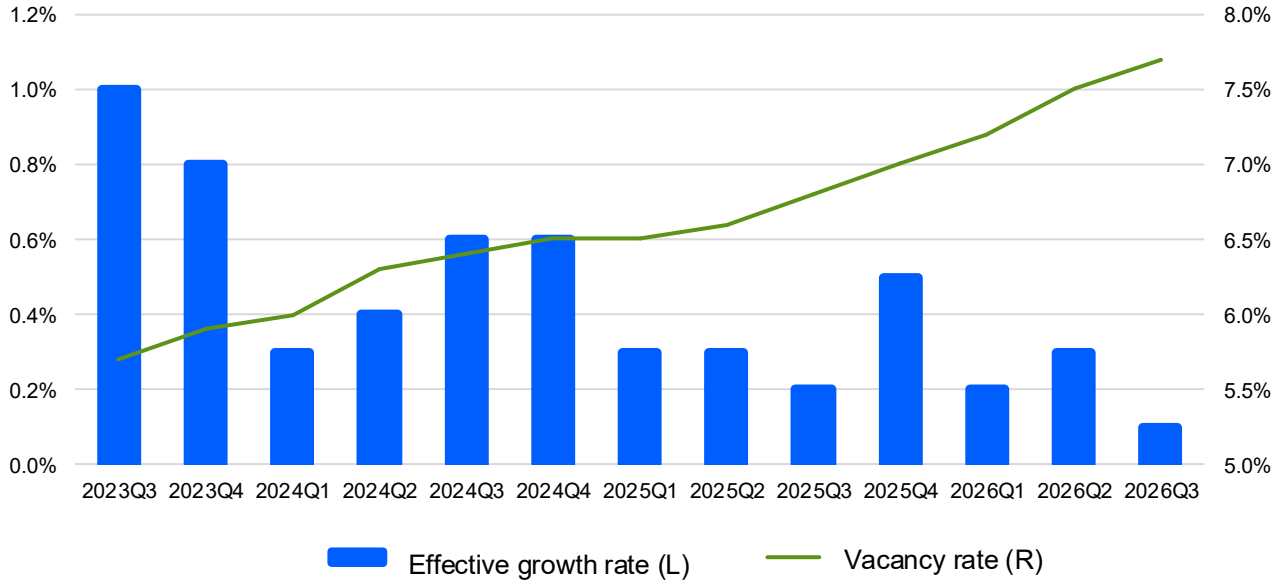
Warehouse/ Distribution

- Warehouse/distribution vacancies remained flat from the previous quarter to end the third quarter at 8.8%.
- Effective rent growth decelerated substantially in Q3, only increasing 0.1%.



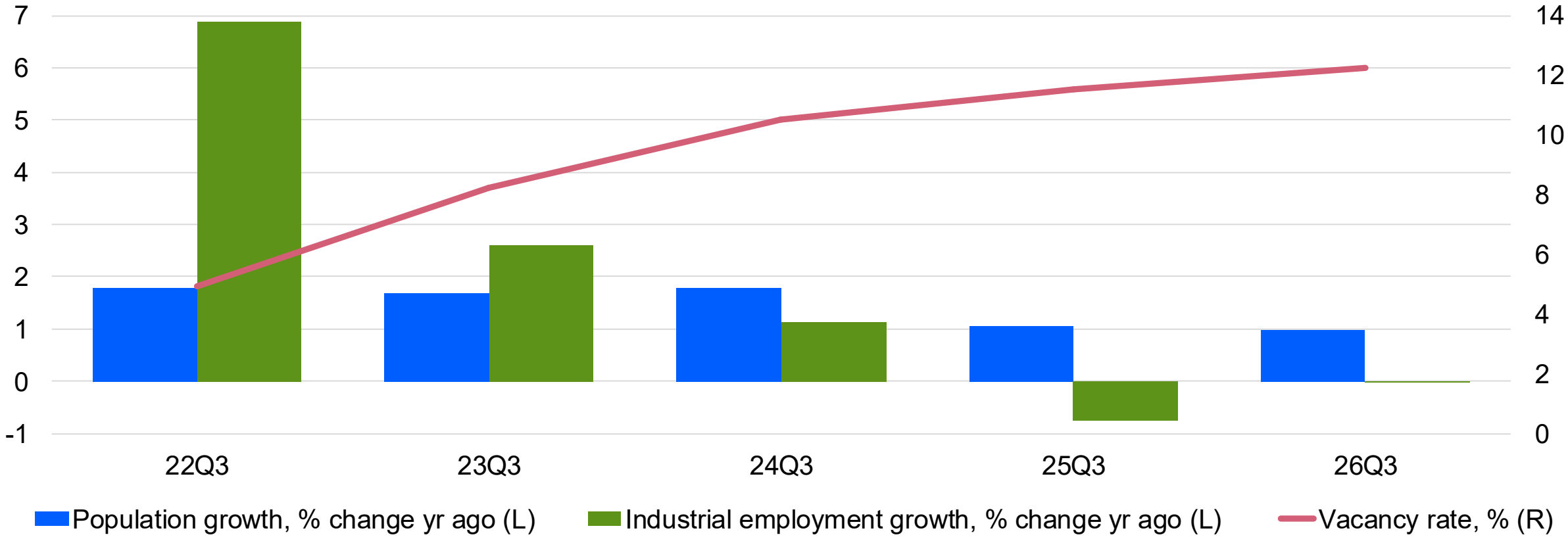
Flex/R&D

- At 7.7%, flex/R&D vacancies increased by 20 bps from the previous quarter.
- Effective rents grew by 0.1% in the third quarter, slowing from slightly better momentum in the first half of the year.



Source: Moody's Analytics

Industrial Employment and Population Growth: The Sun Belt Six

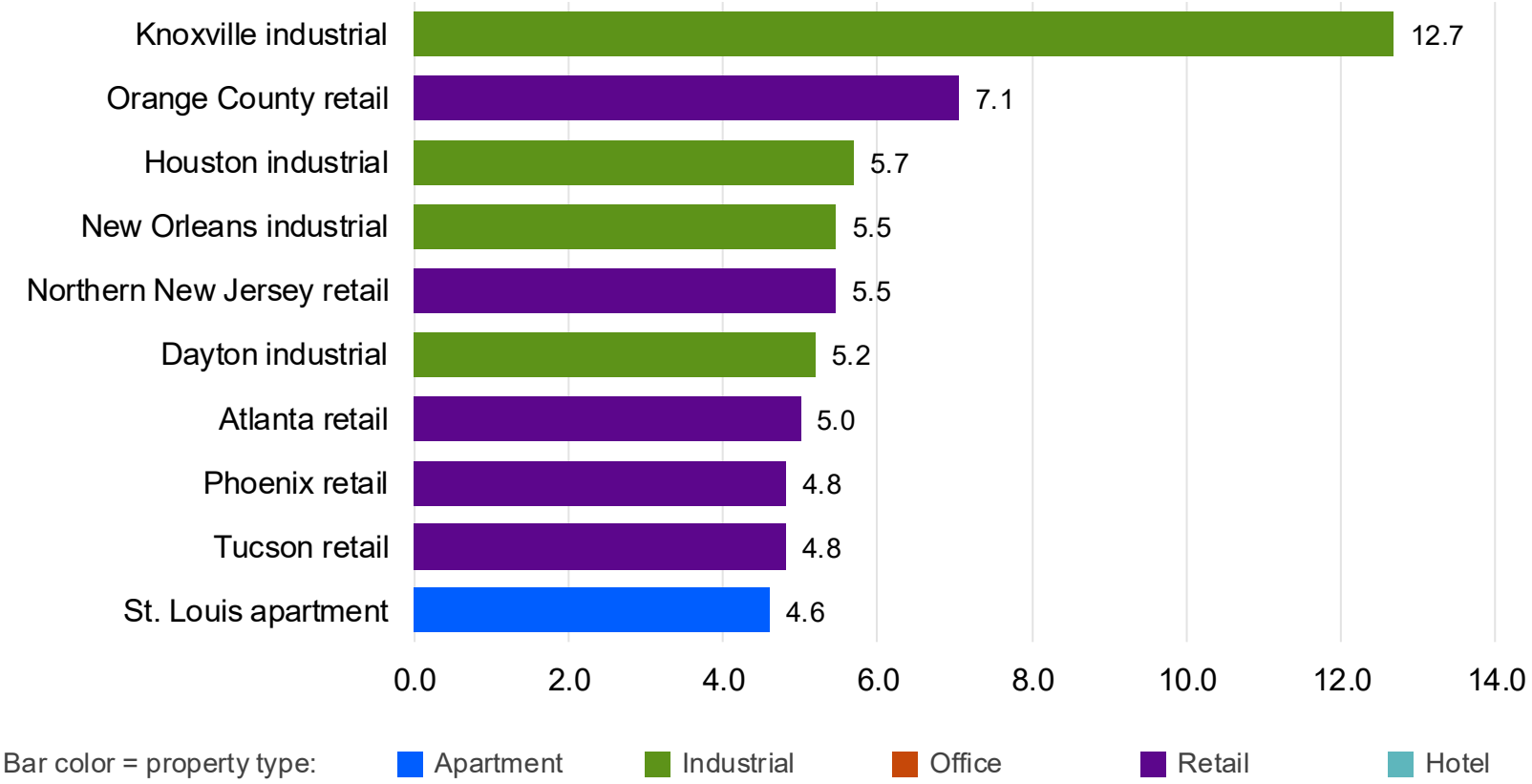


Source: Moody's Analytics

Where Capital Is Leaning In

Strongest momentum: top 10 market-sectors

Tier 1 markets; momentum score, % annualized, Aug-26

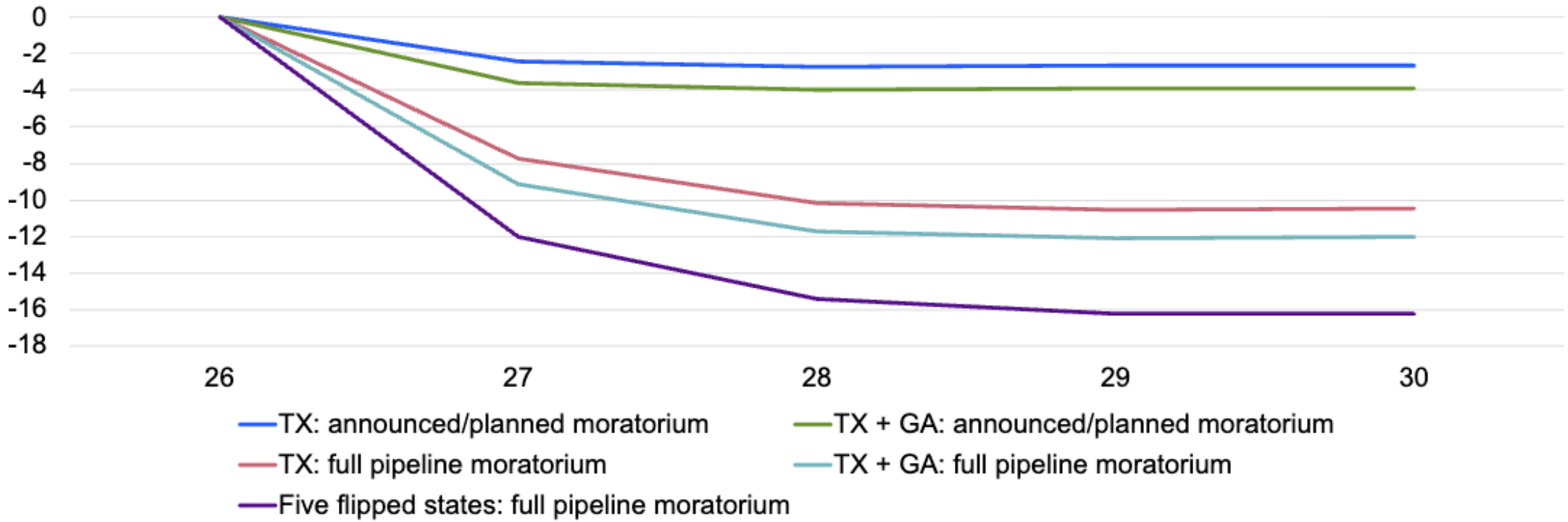


Leaders: Sunbelt and Midwest industrial, Sunbelt and coastal retail, and St. Louis apartments

Source: Moody's Analytics, CRE Submarket Price Momentum (Nov 2026 refresh; CREPX through Aug-26). Score = avg of annualized 3-, 6-, and 12-mo change

Aggressive Regulation Could Slow Capacity Buildup

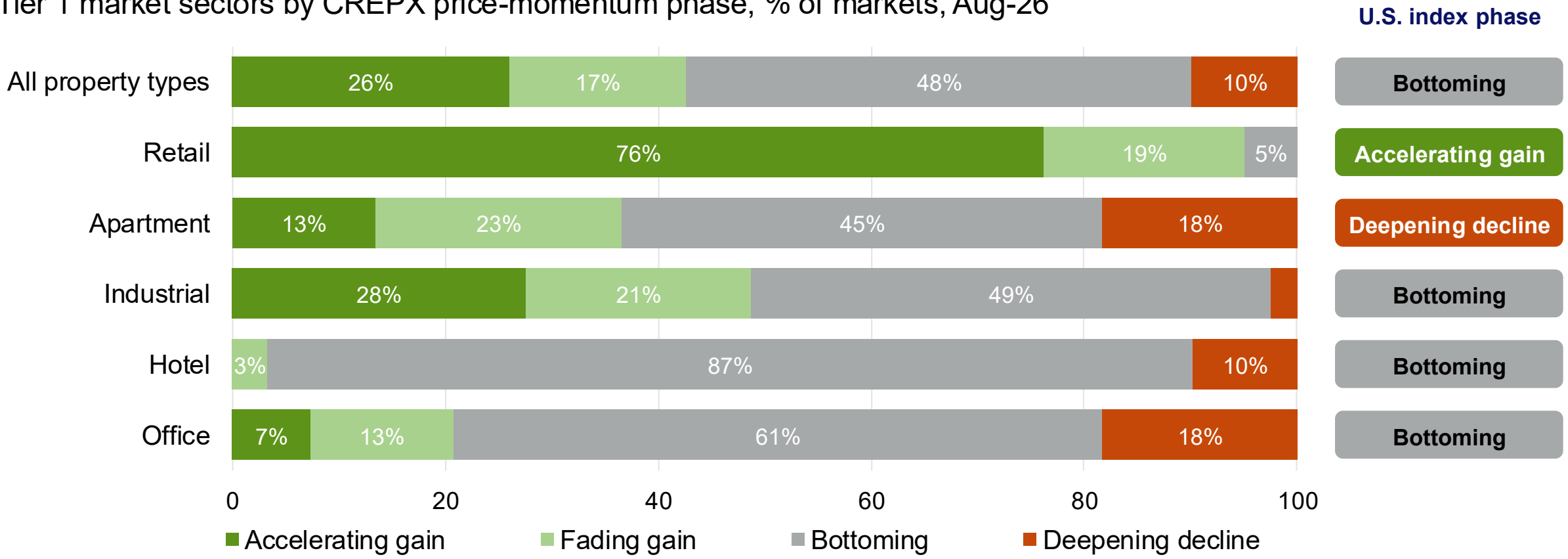
Cumulative U.S. data center IT capacity, % difference from baseline



Source: Moody's Analytics

After a Slow, Sideways Recovery, Prices Are Diverging and Starting to Slip

Tier 1 market sectors by CREPX price-momentum phase, % of markets, Aug-26

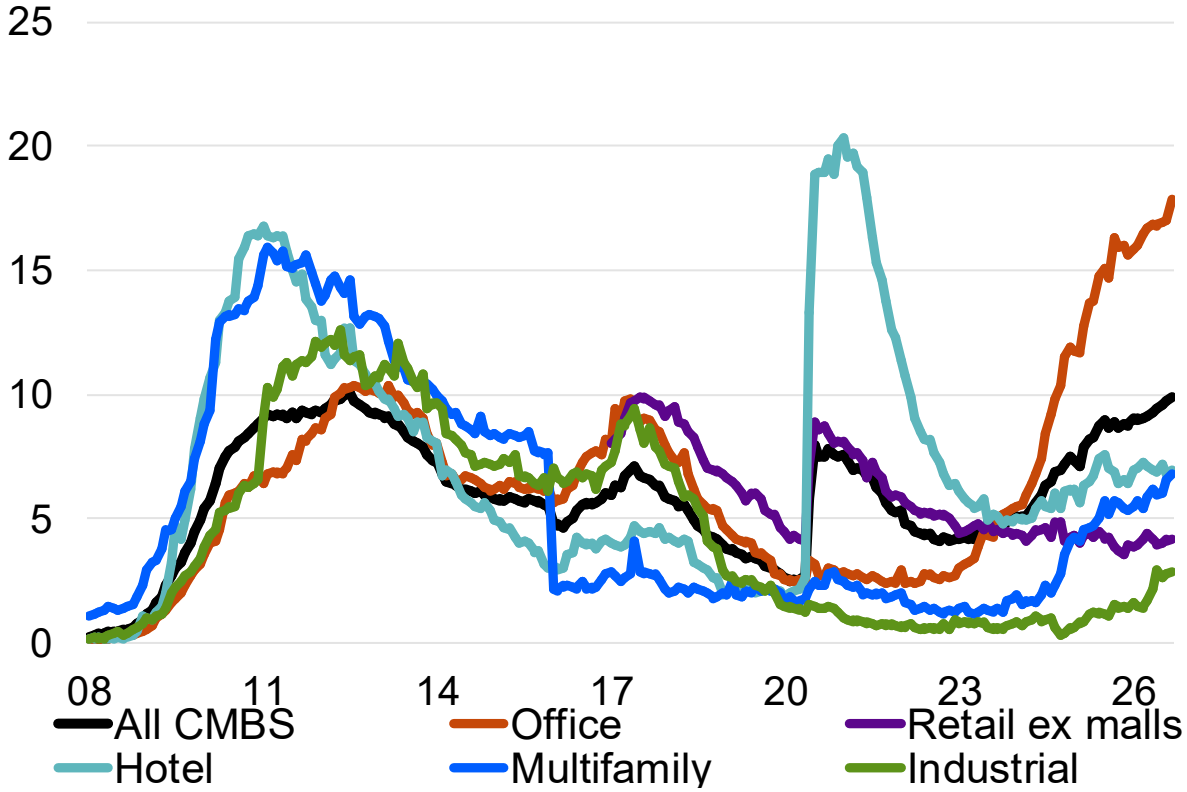


Accelerating gain: up over 12 mo and the 3-mo pace is faster | Fading gain: up, but slowing | Bottoming: down over 12 mo, but the 3-mo pace is better | Deepening decline: down and worsening

Source: Moody's Analytics CREPX and CRE Submarket Price Momentum (Nov 2026 refresh; data through Aug-26); 385 Tier 1 market-sectors

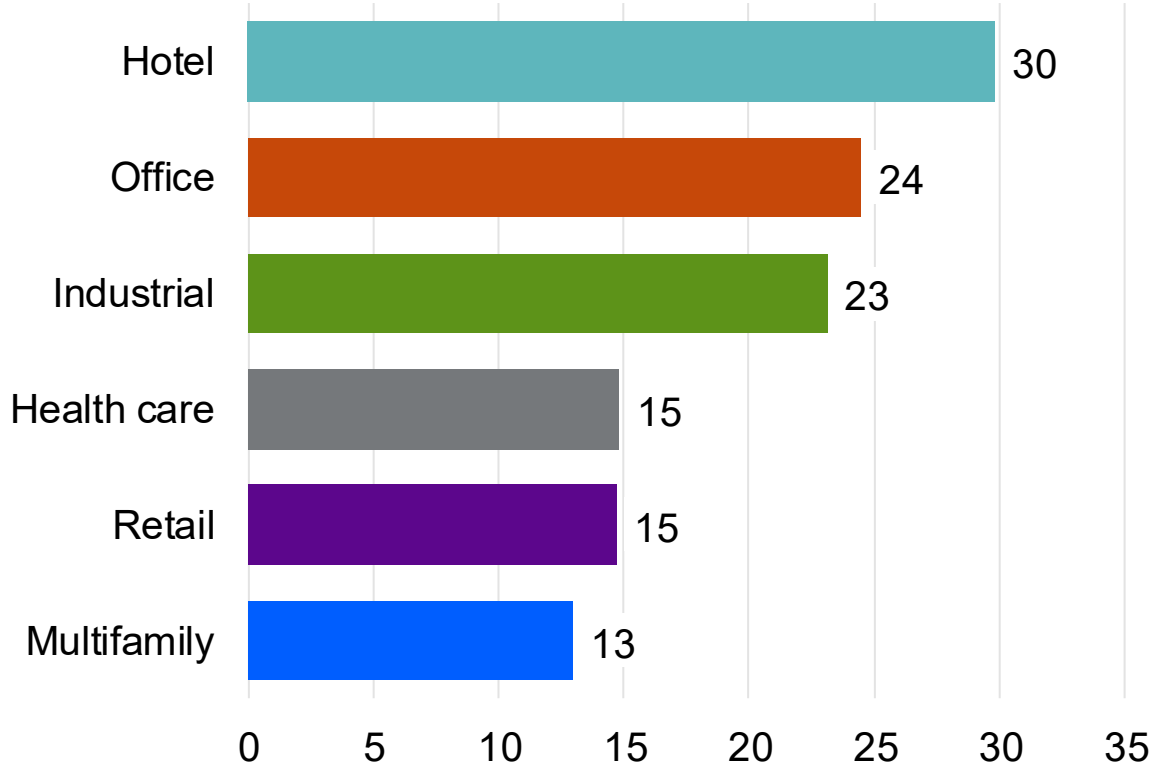
CMBS Delinquency Nears Its 2012 Record While Bank Books Stay Calm

CMBS delinquency rate by property type
%, Moody's DQT, monthly through Sep-26



Office 17.8%, a record (prior high 10.4% in Aug-12); all CMBS 9.9% vs. 10.1% peak (Jul-12)

Share of outstanding debt maturing in 2026
%, by property type, MBA year-end 2025 survey



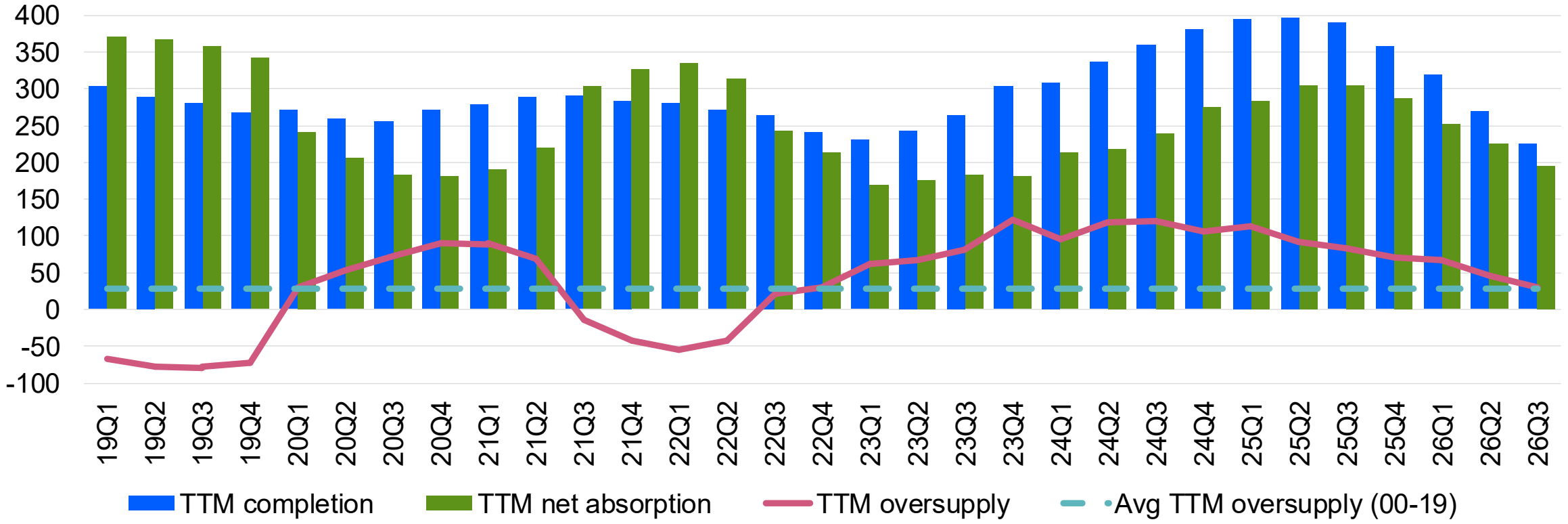
Of 2026 maturities, banks hold $396 bil (45%), CMBS $200 bil, credit cos. $163 bil

Sources: Moody's Analytics Delinquency Tracker (DQT), Federal Reserve, ACLI

Multifamily

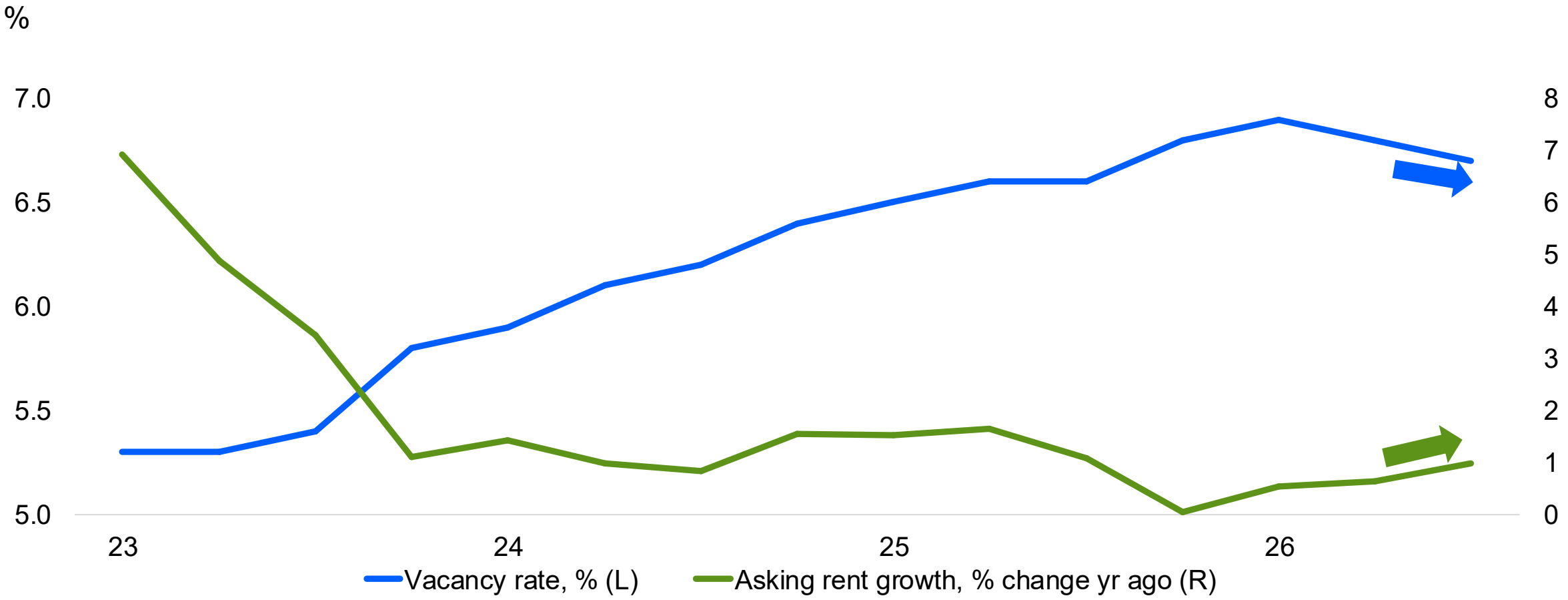
Apartment Oversupply Recedes Toward Long-Term Average

Units, ths



Source: Moody's Analytics

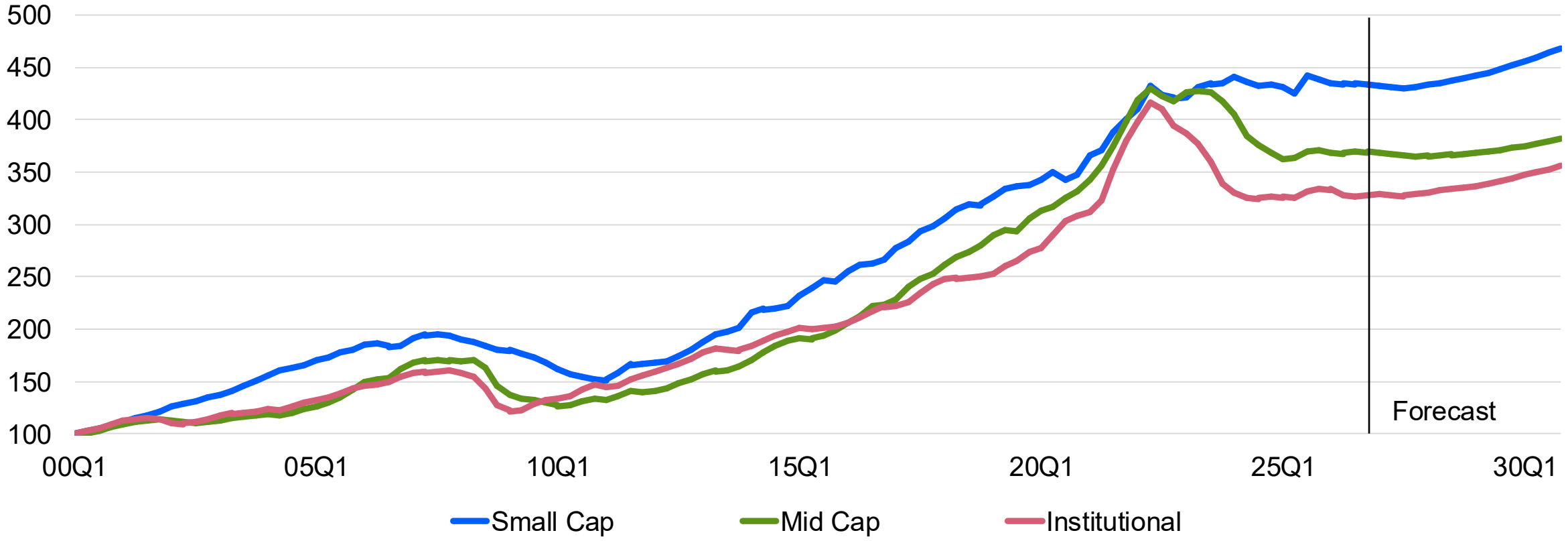
Multifamily Performance: Heading in the Right Direction



Source: Moody's Analytics

Apartment Values Diverge by Size

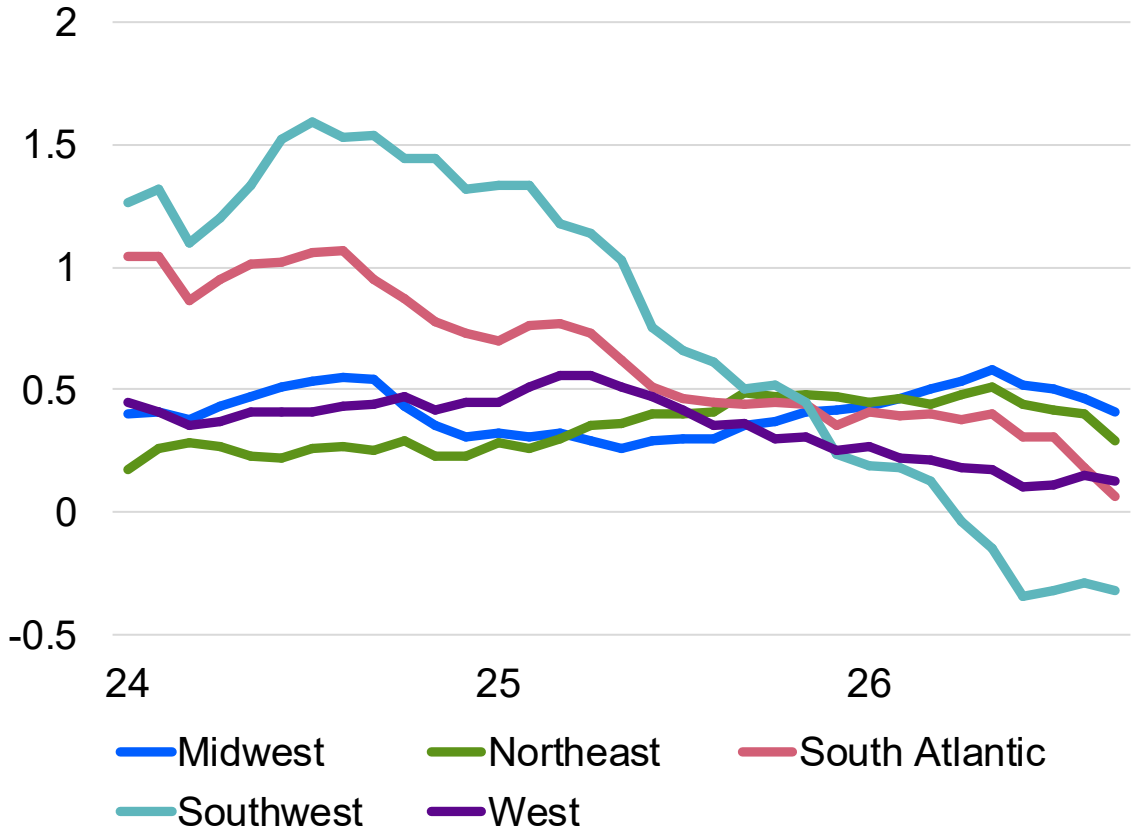
CREPX: Apartment, 00Q1=100



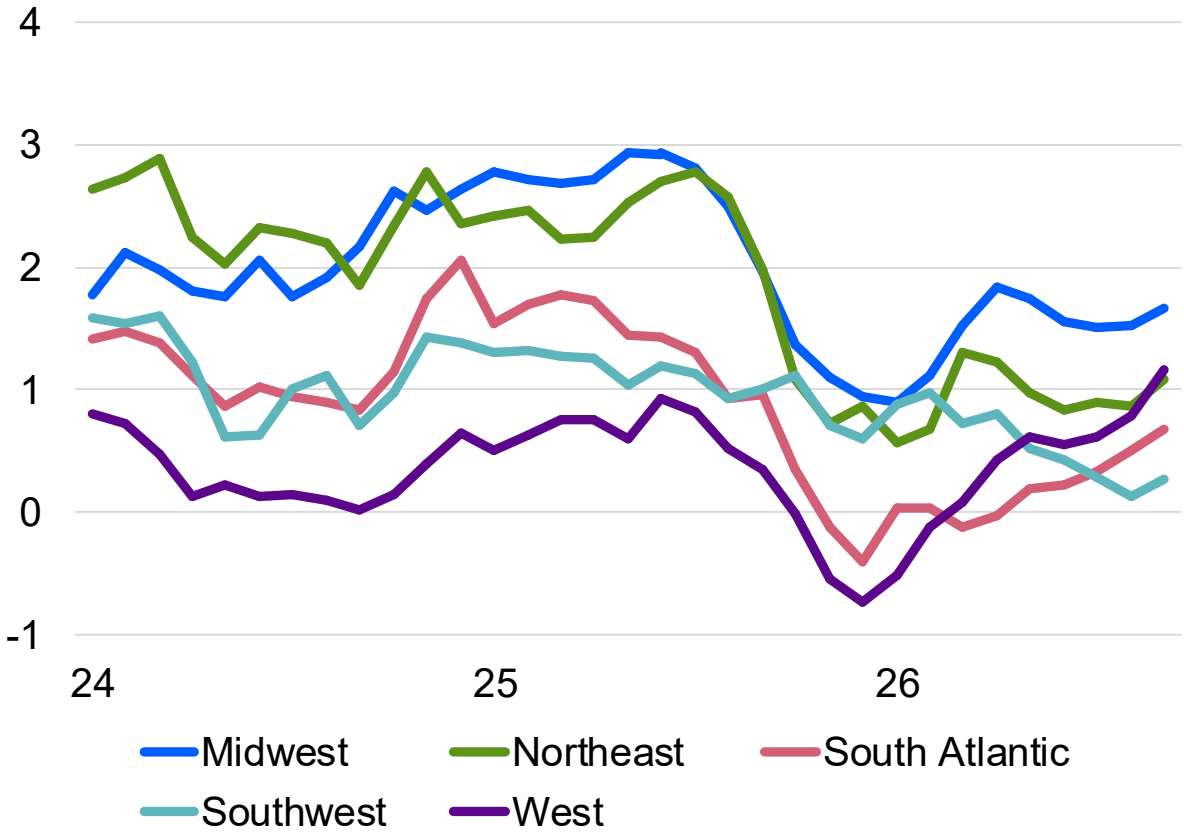
Source: Moody's Analytics

Southwest Drove the Occupancy Recovery, Midwest Led the Rent Growth

Vacancy rate, change yr-ago, ppt



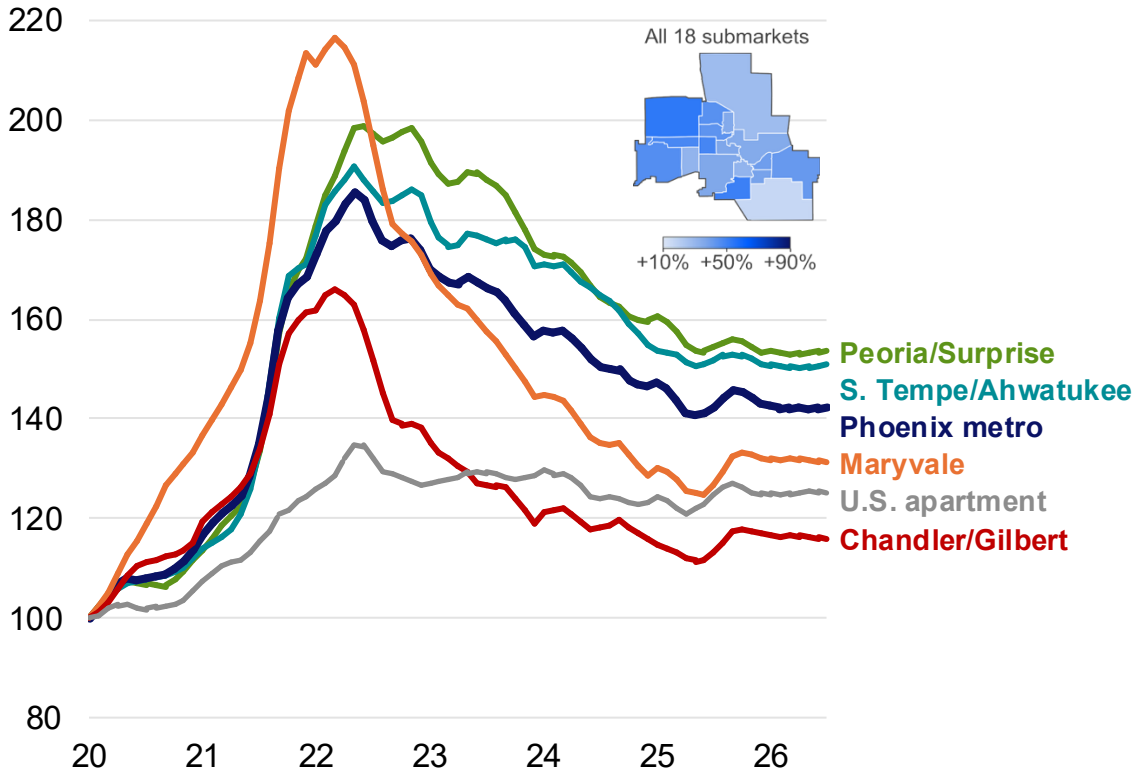
Asking rent growth, % change yr ago



Source: Moody's Analytics

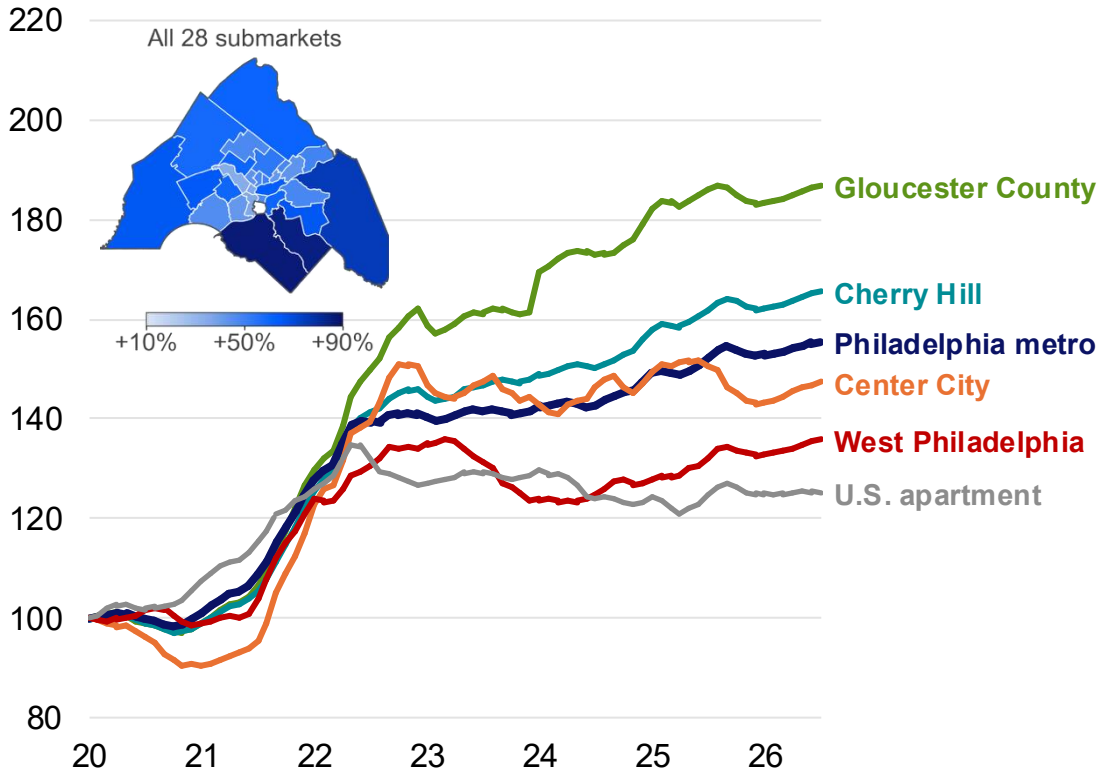
Same Rate Shock, Different Cushions: Phoenix vs. Philadelphia

Phoenix apartment prices by submarket
CREPX, Jan 2020 = 100; map = change since Jan 2020



Cap rate 4.10% at end-2021 (U.S. 4.92%), 5.96% now; vacancy 4.8% → 8.4%

Philadelphia apartment prices by submarket
CREPX, Jan 2020 = 100; map = change since Jan 2020

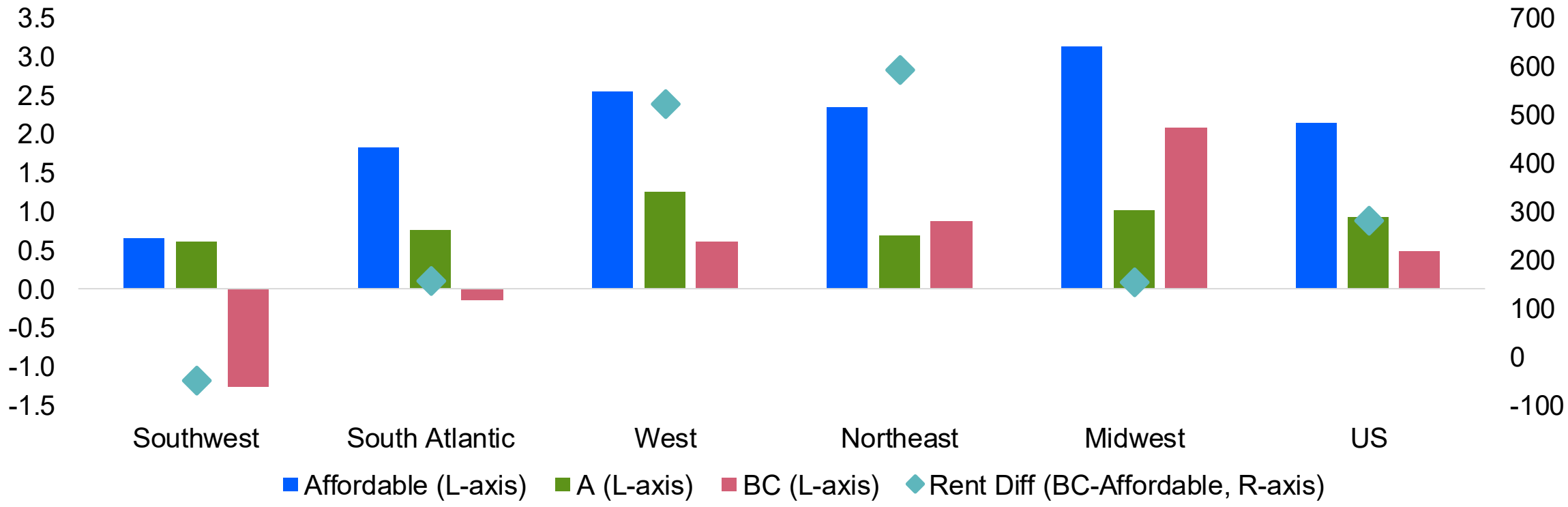


Cap rate 4.97% at end-2021, 6.61% now; vacancy 4.1% → 5.9%

Sources: Moody's Analytics CREPX (Jul-26), cap rates (26Q3), vacancy (26Q3). Maps shade each submarket by price change since Jan 2020 on one common scale

The Affordability Squeeze

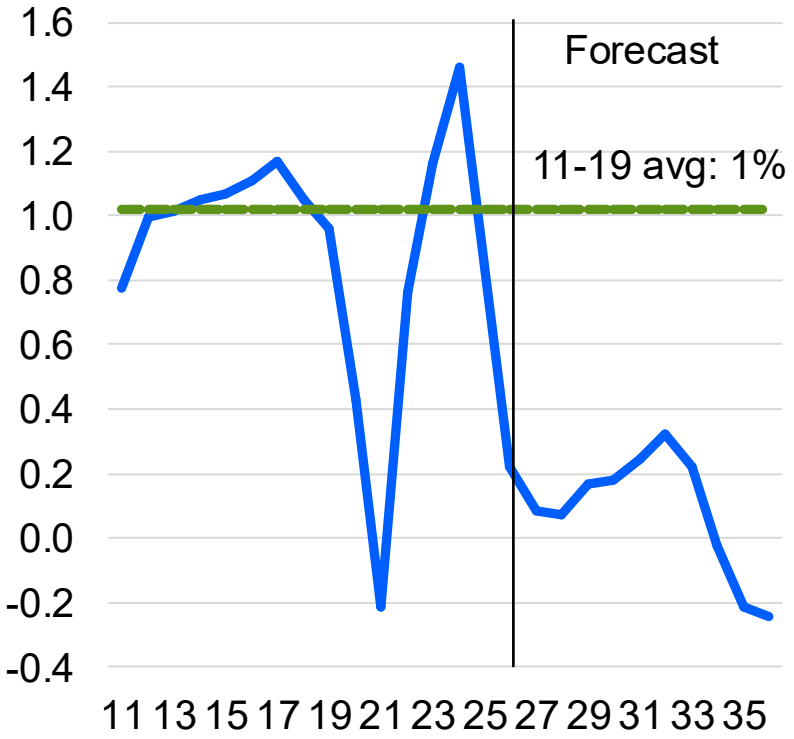
Left-axis: % change yr ago; Right-axis: Rent different, $



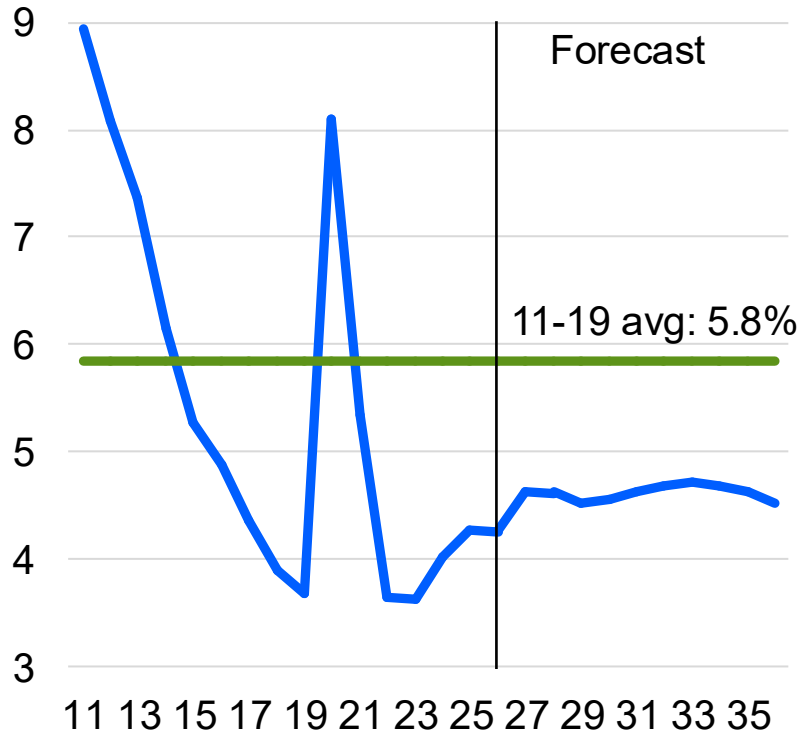
Source: Moody's Analytics

Demand Will Bend, Not Break

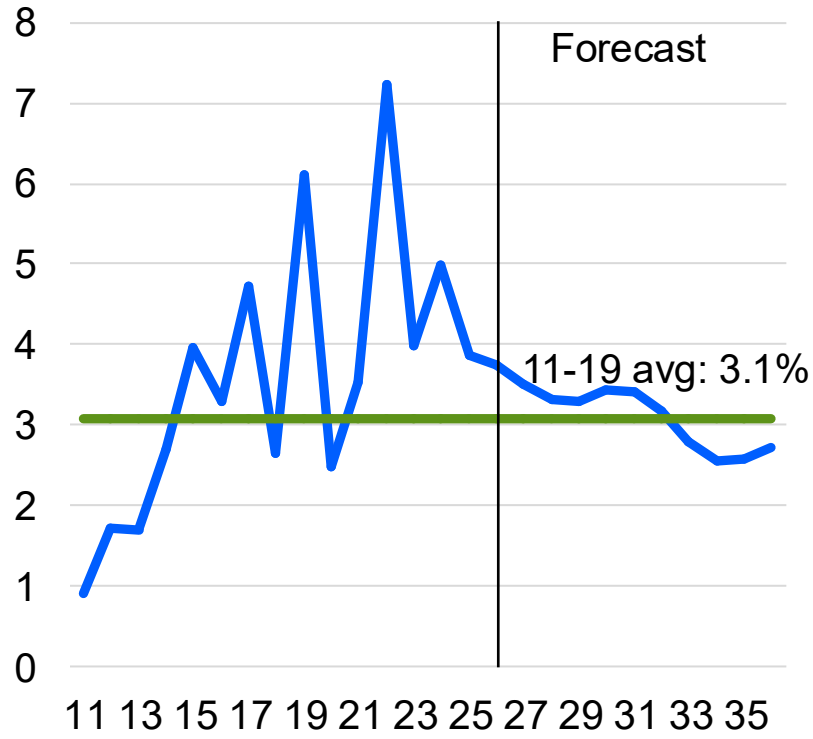
Age 25-44 pop, % change yr-ago



Unemployment rate, %

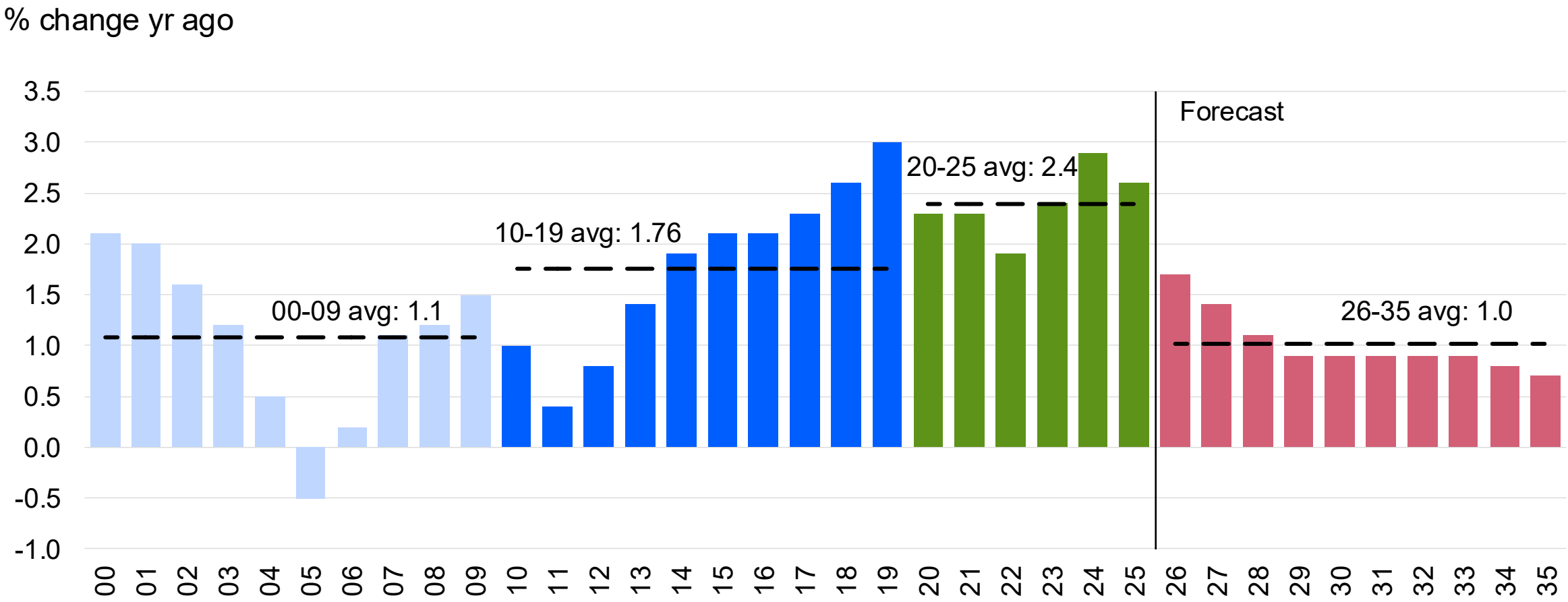


Median household income, % change yr-ago



Source: Census Bureau, BLS, Moody's Analytics

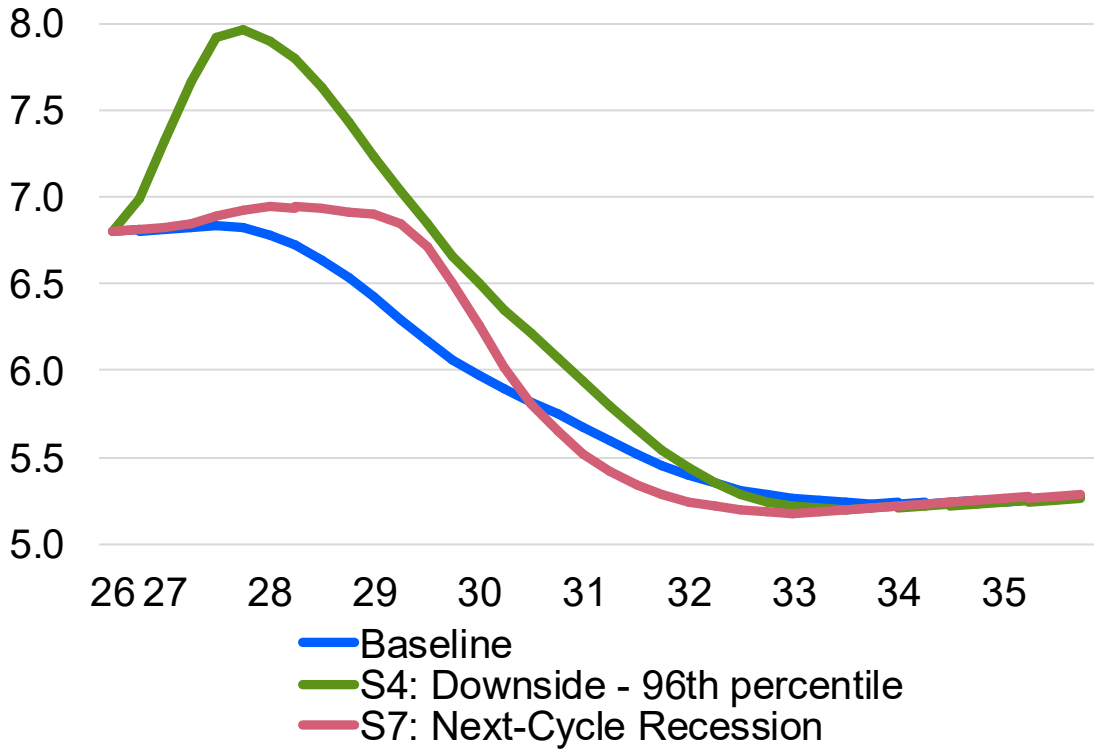
Apartment Inventory Growth Back to the 2000s-Style



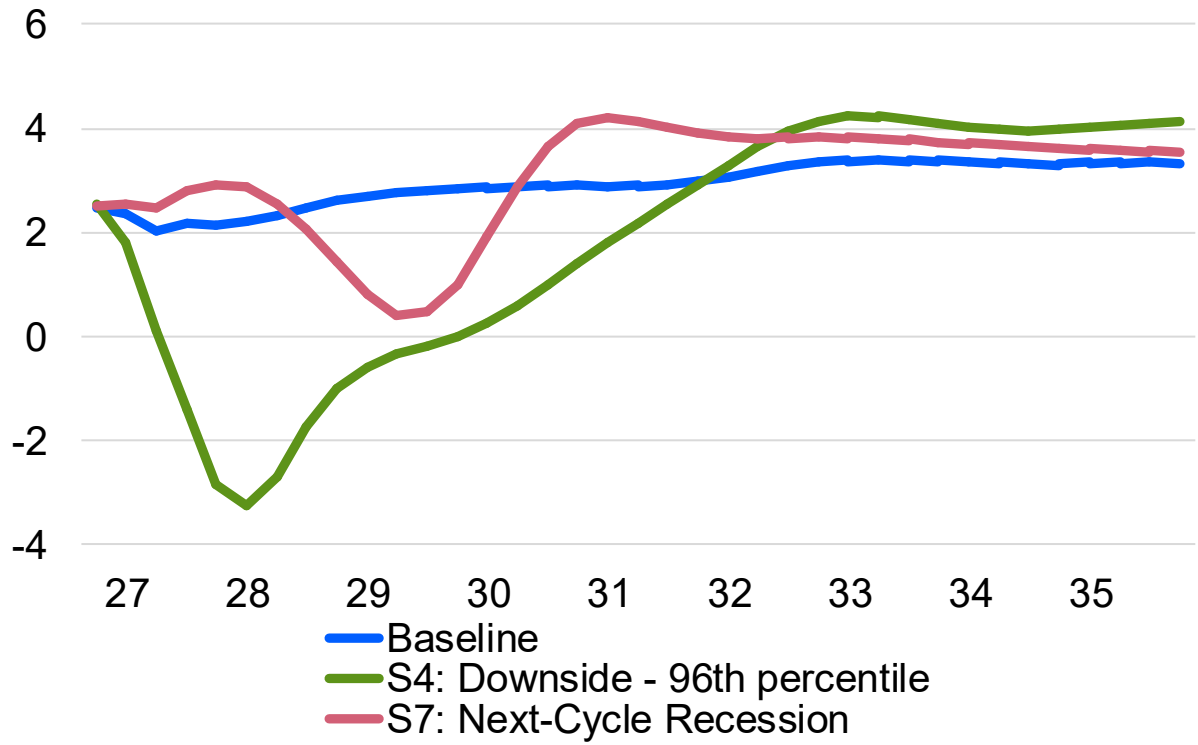
Source: Moody's Analytics

Assessing Downside Risks

Vacancy rate, %



Asking rent, % change yr ago



Source: Moody's Analytics

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Thank you

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