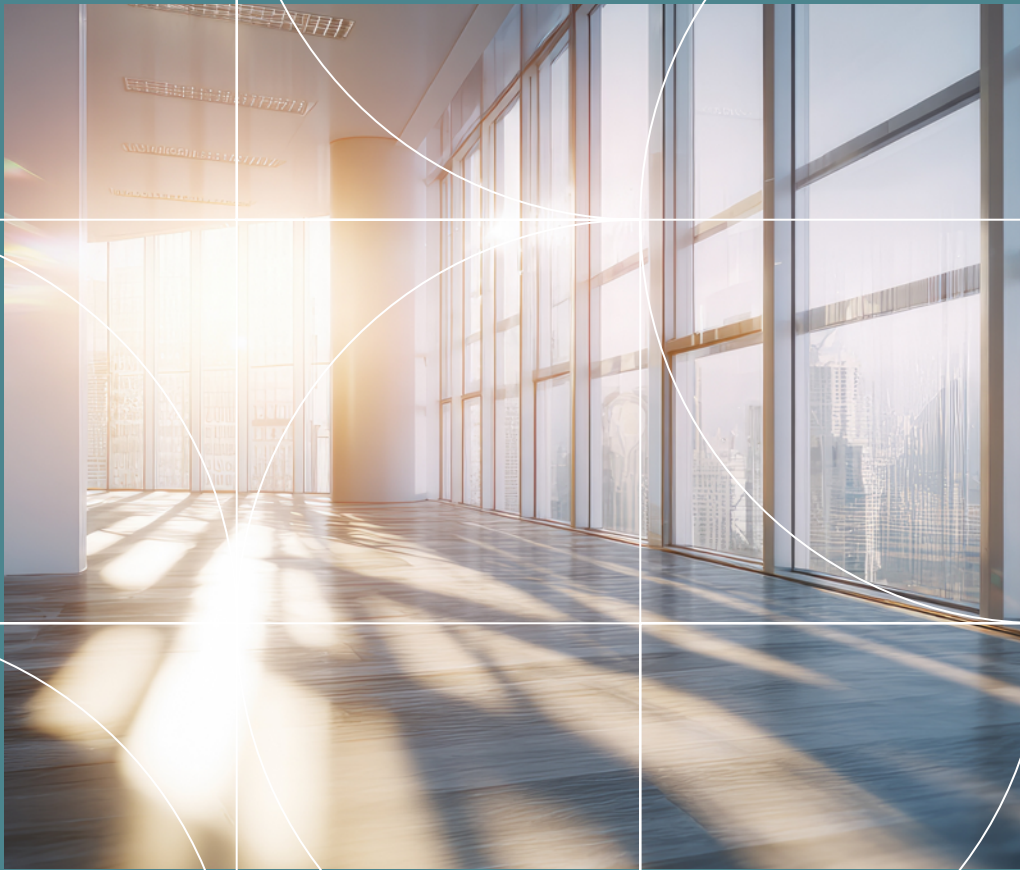




2026 Real Estate Market Sentiment Survey



March 2026

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Executive Summary

On the surface, the results of this year's survey of the commercial real estate industry are remarkably similar to last year's. 86% of the commercial real estate (CRE) executives surveyed view 2026 as a year of opportunity—nearly identical to last year's 87%. The top concerns changed in priority order but didn't transform. And yet the results do reveal key differences from 2025, including a stronger consensus on where interest rates are headed, greater concern about geopolitical instability, and more interest in specialty investments like senior housing and healthcare facilities.

Our results appear to confirm the prevailing sentiment in the industry: the market turned a corner in 2025 and that positive momentum will continue into 2026. For three years, CRE executives have contended with interest rate volatility, post-pandemic repricing, political transitions, and geopolitical instability. That uncertainty led to caution, with investors positioning for a rebound or bracing for a deeper downturn. In 2025, investors began moving off the sidelines and transaction volumes increased. Our results suggest that trend will continue into 2026, indicating that investors will keep moving forward despite the ongoing uncertainty and the potential for conditions to change quickly.

Deals today are driven by the practical work of navigating real-world constraints alongside macro considerations. But that work is happening and deals are getting done. Interest rates remain the industry's strongest headwind, drawing concern from 67% of respondents, but construction costs, amplified by tariff impacts, have solidified as the #2 concern, cited by 58% of respondents. Nevertheless, investors anticipate allocating less of their portfolios to distressed assets as compared to the last two years, signaling a return to a more normalized market.

Investors remain bullish on data centers, with 85% identifying data center development as the most impactful trend for 2026. But only 30% of respondents identified data centers as a key strategy for their own investments, down from 41% in 2025. This may signal that data centers are not immune

to headwinds facing other industries like rising construction costs and supply chain shortages, even as data center development remains 2026's primary trend. On the other hand, after years of low interest in office conversions, 57% of respondents indicated that the redevelopment and conversion of office properties would be one of the year's most impactful trends, perhaps signaling that local incentives may now outweigh practical impediments to conversions.

A telling shift this year is the absence of a single dominant investment sector. In 2025, interest in multifamily investment far outstripped other asset types. This year's data suggests a more balanced approach. Traditional investment sectors remain the most cited, with industrial, multifamily, and retail leading the way, but no single category dominates this year. There is also more interest in specialty investments, with respondents showing greater appetite for healthcare facilities, senior housing, hotels and resorts, and single-family rental compared with 2025. Secondary markets (61%) are more popular than gateway cities (53%), and distressed allocations have fallen to their lowest point in three years, with most of those allocations at 10% or less.

Overall, the data suggests that investors are seeking to deploy capital where investment fundamentals make sense, even in a market with significant challenges—seeking out the right asset classes in the right locations to find return and opportunity. The results show an interest in hot trends like data centers and office conversions, but also a comfort with traditional “core” asset classes, like industrial.

Key Takeaways

1

Steady Optimism Amid Uncertainty. 86% of respondents view 2026 as a year of opportunity versus 14% retrenchment. That's nearly identical to 2025's 87%-13% split, consistent with two years of above-80% optimism. Interest rate stabilization and emerging pricing consensus are sustaining confidence even as macroeconomic conditions remain challenging.

2

A Turning Point in Office Conversions. Office-to-residential conversion emerged as the #2 most impactful trend (57%) selected by respondents. This increased interest may result from governmental incentives and regulatory relaxation aimed at addressing housing shortages, potentially outweighing the cost of overcoming physical barriers.

3

Data Center Domination. 85% of respondents see data center development having the greatest impact on CRE in 2026. Nevertheless, only 30% see data centers as a top three investment opportunity for their companies, down from 41% in 2025. In addition, 46% of respondents anticipate only moderate expansion for data center investment. Their views align with recent headlines highlighting constraints on development including energy demands and localized community considerations.

4

Balanced Asset Allocations. While interest in traditional asset classes like multifamily, industrial, and retail remains high, no single class dominates investor interest like multifamily did in 2025. Multifamily remains a top sector, but is now tied with industrial, with each attracting interest from 47% of respondents. Investors are increasingly interested in specialty investments, with interest in senior housing jumping to 21% from 13% in 2025, and interest in healthcare facilities rising to 24% compared to 15% in 2025. Responses suggest a more balanced allocation compared to 2025, where multifamily was predominant.

5

Rate Consensus. Stronger consensus formed around two Fed rate cuts in 2026, with 45% expecting a 26-50 basis point decrease. Predictions are more aligned than in 2025, suggesting the market has largely "priced in" the current rate environment.

6

Distressed Assets Declining. The number of respondents planning to allocate to distressed assets has fallen year-over-year since 2024. Nearly 40% of respondents anticipate no allocation to distressed assets in 2026, and most of those investing in distressed assets anticipate allocating 10% or less of the portfolio to the category. This suggests many distressed assets have been absorbed or restructured, signaling stronger market momentum than in 2024 or 2025.

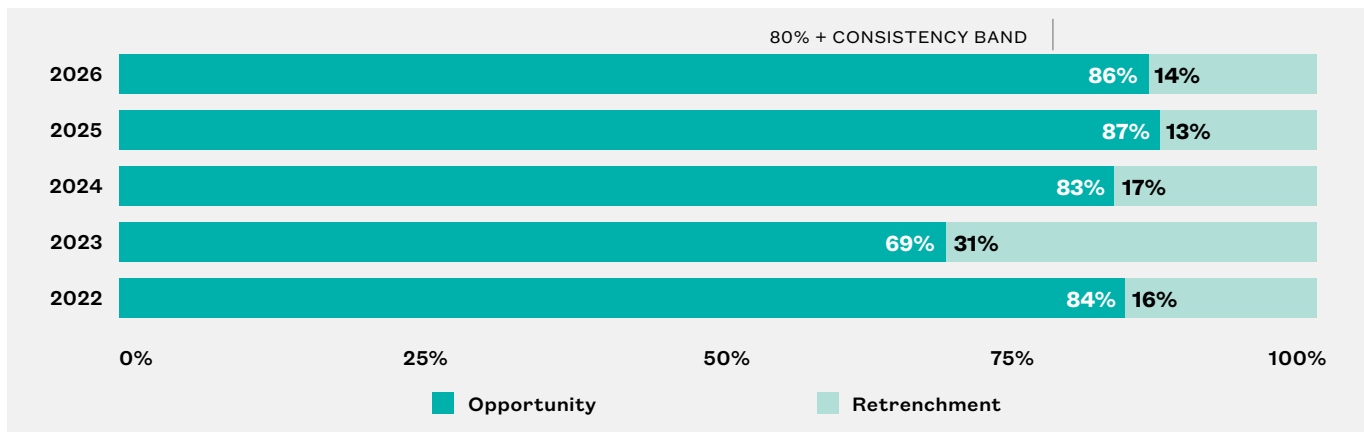


Market Sentiment and Economic Outlook

Steady Optimism Amid Uncertainty

If one number captures the CRE executive mindset, it is this one. For the third consecutive year, an overwhelming majority (86%) view the year ahead as one of opportunity. That figure is essentially unchanged from 2025's 87% and has remained above 80% in every year this survey has been conducted but one: 2023, when peak interest-rate uncertainty temporarily reduced confidence down to 69% before it rebounded.

This consistency is striking given the range of market backdrops. CRE executives tend to be a glass-half-full group, yet the durability of this sentiment across such varied conditions stands out: pandemic recovery, rate volatility, political transitions, heightened geopolitical tension, tariffs, and elevated construction costs.

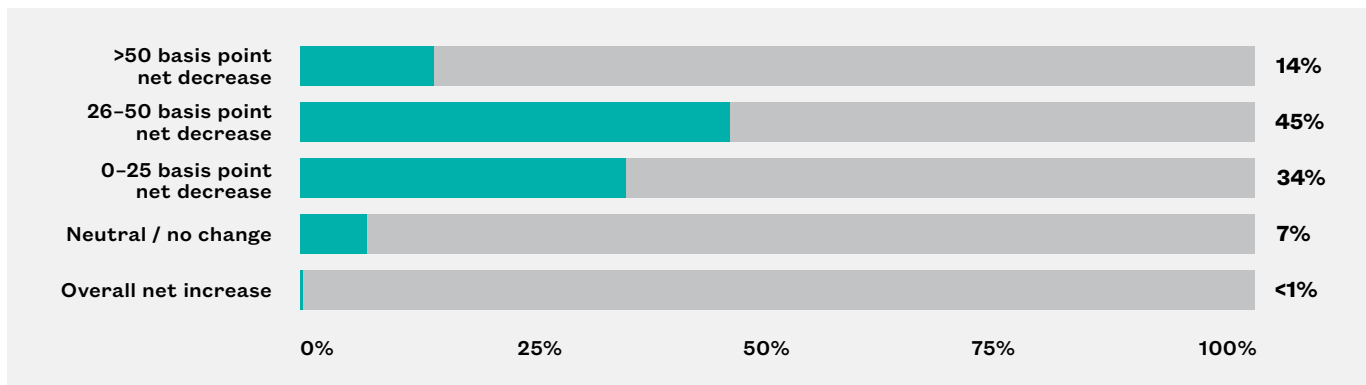


The durability of this optimism tells us that the CRE industry is resilient. CRE executives remain optimistic despite challenging conditions and adapt their strategies accordingly. They seek return where the fundamentals make the most sense. — Tamaron Houston, Partner

Fed Rate Expectations

For years, the interest rate question has been the survey’s most volatile, marked by shifting predictions, missed expectations, and the gap between hope and reality. While 2024 showed a strong consensus (51%) around moderate rate cuts (26-50 basis points), that clarity gave way to dispersion in 2025 as expectations split evenly between moderate and minimal (0-25 basis point) decreases. In 2026, a near-majority (45%) have coalesced around the expectation of a 26-50 basis point net decrease, up from 33% in 2025, while another 34% anticipate a 0-25 basis point cut. Expectations for aggressive easing continue to recede, with only 14% forecasting cuts exceeding 50 basis points, down from 23% two years ago.

While not as concentrated as 2024’s consensus, the 2026 results suggest alignment around a narrower range of outcomes. That consensus, more than the rate forecast itself, may be the year’s most important development for transaction velocity.



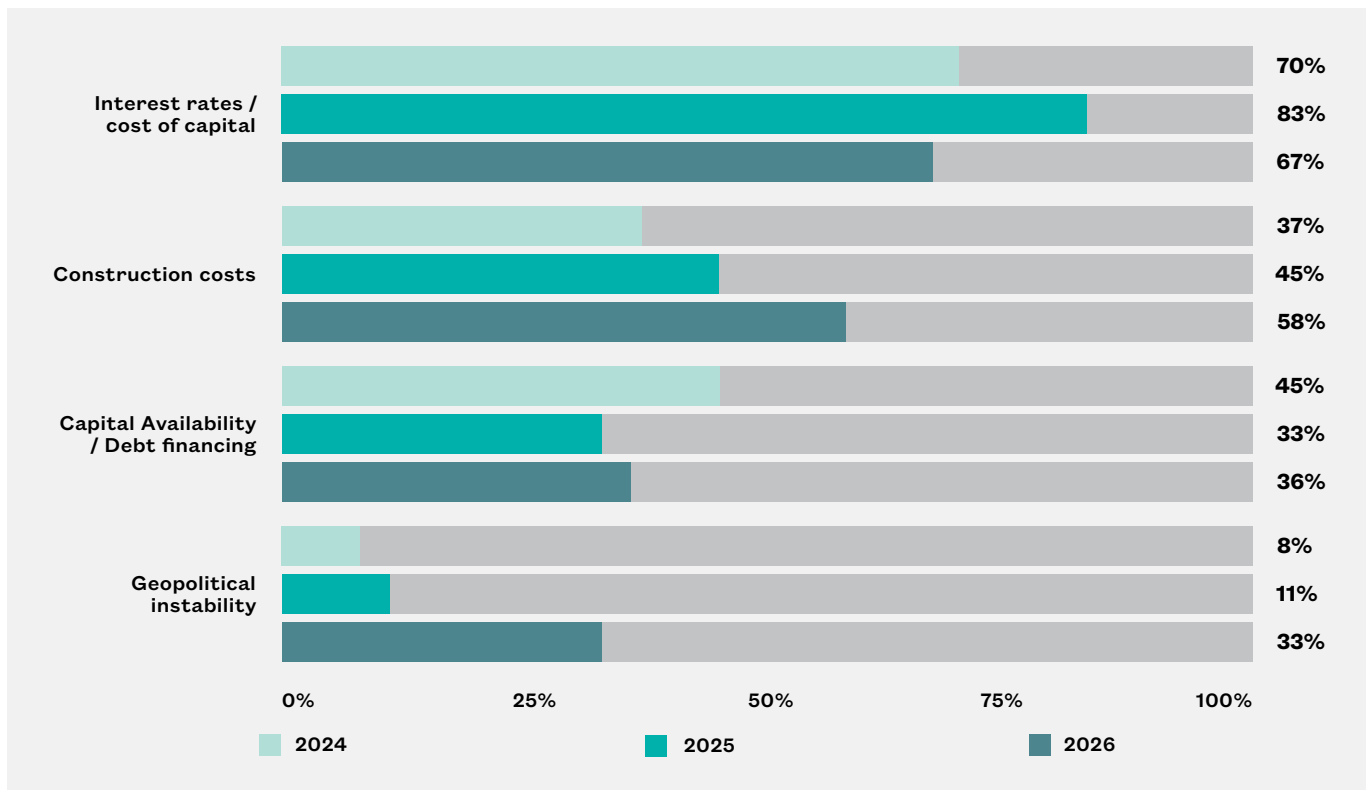
When buyers and sellers share similar assumptions about where rates are headed, one of the biggest sources of deal friction disappears. What we’re seeing here isn’t so much a bet on Fed policy as it is a shared baseline that makes pricing discussions more productive and helps deals move forward.

— Christine Kim, Partner

Greatest Concerns for CRE in 2026

The worry list has always been a window into where industry attention is most acutely focused. When asked for their top three concerns, interest rates remain the most significant at 67%, but the trend line tells its own story: investor concern is down from 83% in 2025 and 70% in 2024. Rates remain important, but they've stopped being the dominant source of concern. For many executives, the current rate environment has become the working assumption.

What has gained relative prominence is more revealing. Construction costs now stand at 58%, reflecting persistent inflation compounded by tariff impacts now more fully understood than a year ago. Capital availability remains a concern at 36%, closely tied to the availability of attractively priced debt. Geopolitical instability surged from 11% to 33%, tracking with global tensions affecting supply chains, insurance markets, and cross-border capital flows. Newer entries on the list include tariffs and immigration policy, each cited by 19% of respondents.



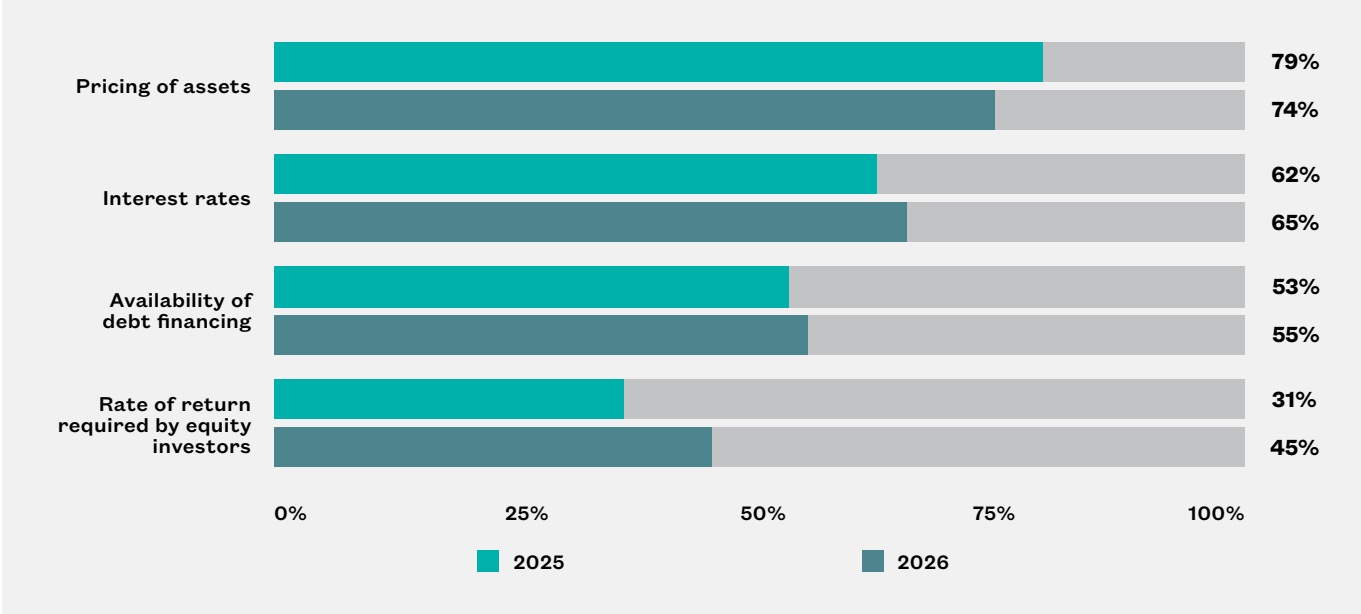
Interest rates haven't disappeared as a concern, but they've become part of the assumed backdrop. Geopolitical instability and tariff uncertainty is increasingly viewed as a real-world risk affecting supply chains, insurance, construction costs, and capital movement. — Paul Mattingly, Real Estate Department Chair



Investment Strategies and Priorities

Factors Most Important in Acquisition Decisions

When asked to identify the top three factors most important when acquiring real estate assets, respondents again place asset pricing at the top of the list. At 74%, pricing continues its multi-year dominance—and for good reason. After extended valuation uncertainty, a clearer consensus on asset values is forming. Interest rates (65%) and availability of debt financing (55%) round out the familiar top three, reflecting a reality that CRE remains driven by leverage and economic fundamentals. Meanwhile, rate of return expectations saw the largest year-over-year movement, jumping from 31% to 45%—a signal that equity investors are demanding more and acquirers are feeling the pressure.



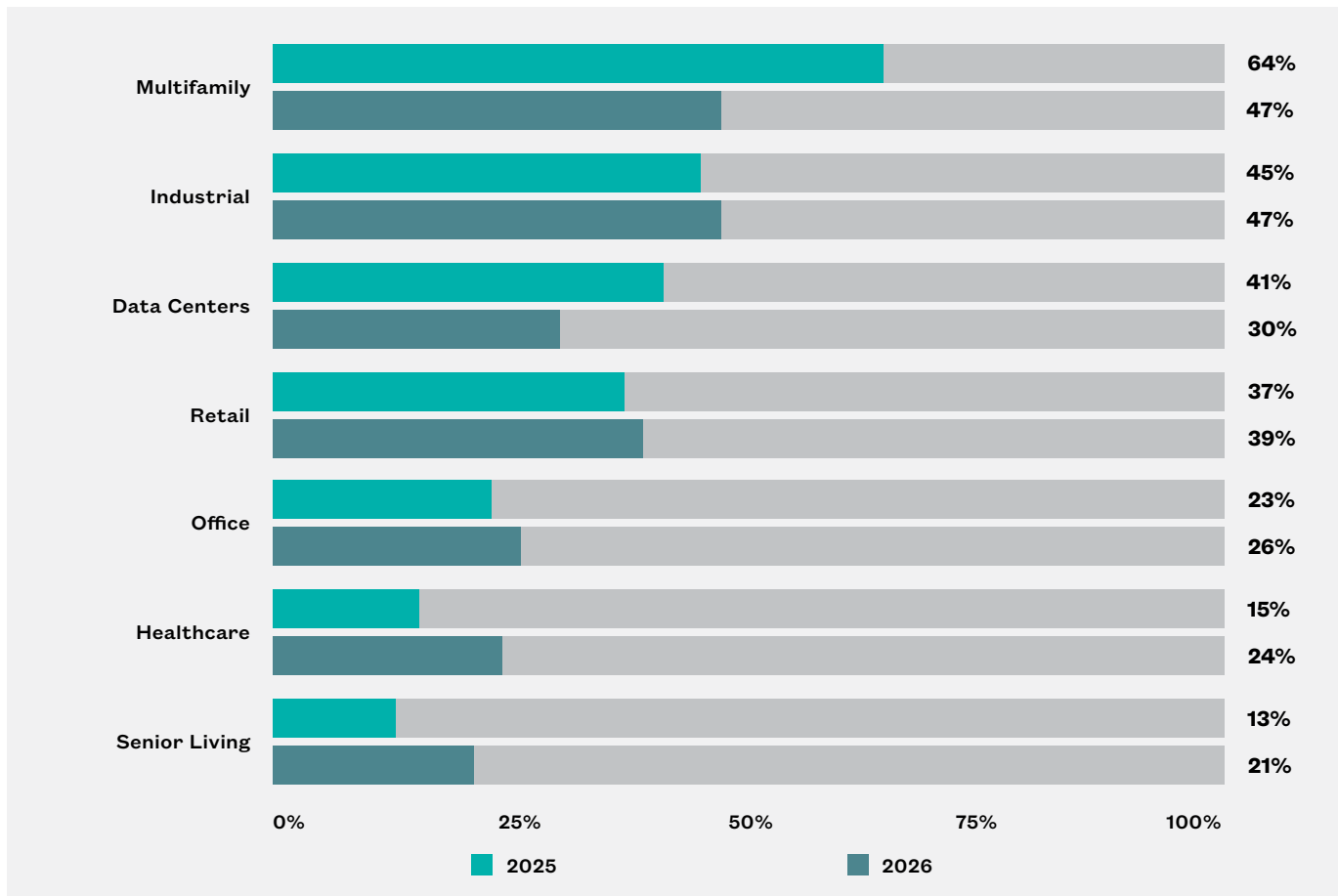
Real estate investors are motivated by economic fundamentals, and our results drive this point home year after year, with pricing, interest rates, and availability of debt consistently cited as the top factors influencing asset acquisition. — James O’Brien, Partner

Sector Opportunities

A year ago, when respondents were asked to identify their top three sectors for investment, multifamily stood atop the rankings at 64%. The investment case seemed simple: the country needed housing and capital should follow. While housing shortages remain, employment growth is moderating and multifamily interest has cooled. Industrial has moved into a dead heat with multifamily at 47%. Retail and office remain meaningful areas of focus at 39% and 26% respectively. Data center interest slipped from 41% to 30%, consistent with our respondents' more tempered expansion expectations, notwithstanding their view that data center development will remain the dominant trend of 2026.

The compelling story is increased interest in senior housing (from 13% to 21%) and healthcare facilities (from 15% to 24%). This surge most likely reflects shifting demographics and an aging population.

The 2026 sector picture tells the story of a market anchored in core asset classes while selectively expanding into specialized opportunities.



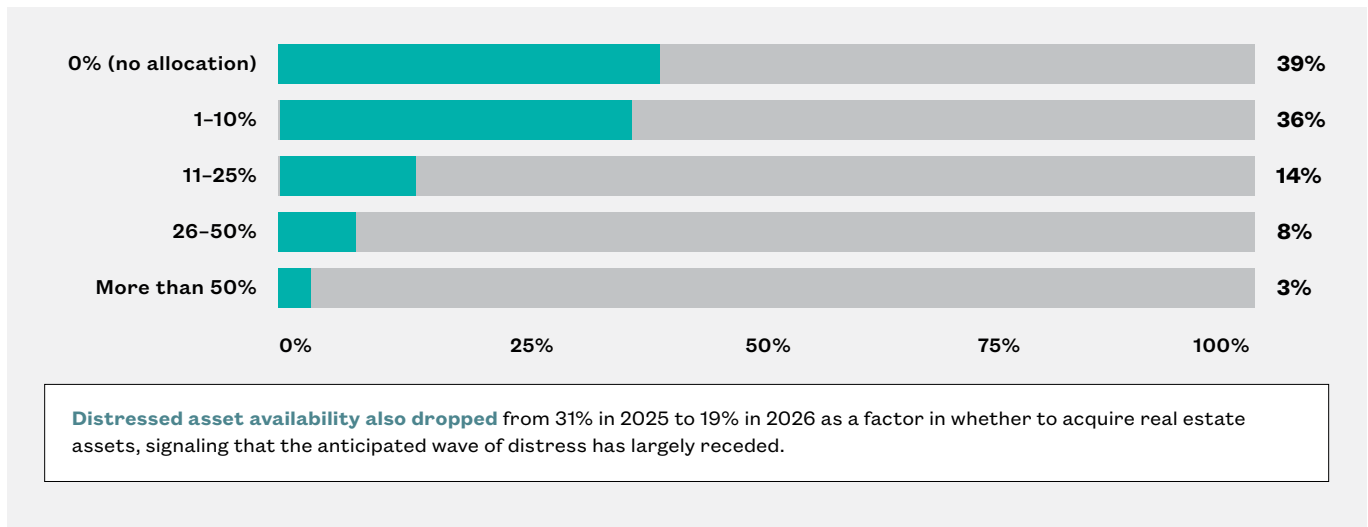
The four core asset classes are still the primary focus, but respondents are leaning into specialized sectors. The measured enthusiasm for data center investment runs counter to prevailing market rhetoric, underscoring a more nuanced and deliberate view of where growth is likely to materialize.

— James O'Brien, Partner

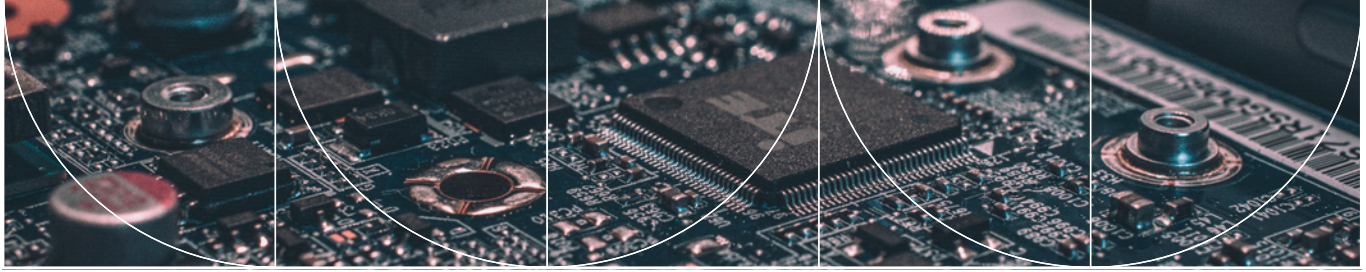
Distressed Allocation Levels

In 2024, only a quarter of respondents (26%) planned no allocation to distressed assets. That share rose to 31% in 2025, and then to 39% in 2026, reflecting a steady decline in distressed asset interest over the last three years.

Among those planning allocations, 36% target a modest 1-10% of their portfolio going to distressed assets, while only 11% expect allocations above 26%. The market acknowledges selective opportunities exist rather than widespread distress.



From what we're seeing, investors are approaching distressed opportunities with increasing selectivity. Capital is being reserved for targeted opportunities rather than broad-based plays. — Paul Mattingly, Real Estate Department Chair

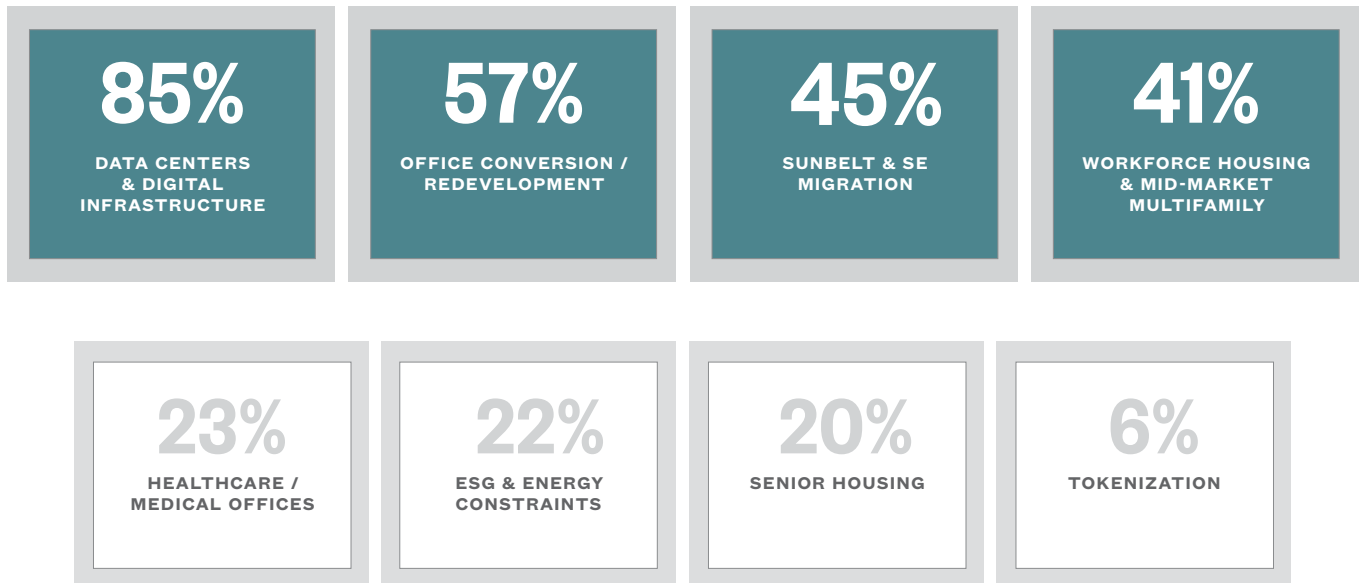


Emerging Trends and Market Dynamics

Which Trends Will Shape CRE in 2026?

When asked to select the top three trends they believe will have the greatest impact on CRE in 2026, data centers led the pack, with 85% of respondents identifying them as highly impactful as AI and digital infrastructure demand continues. But the most surprising trend for 2026 is sitting just behind data centers. While only 31% of respondents in 2025 expressed willingness to invest in office-to-residential conversion projects, this year 57% selected conversions as one of the trends likely to have the greatest impact on CRE. That signals a meaningful shift in market perception—even as capital, feasibility, and execution challenges shape how quickly projects move from concept to reality.

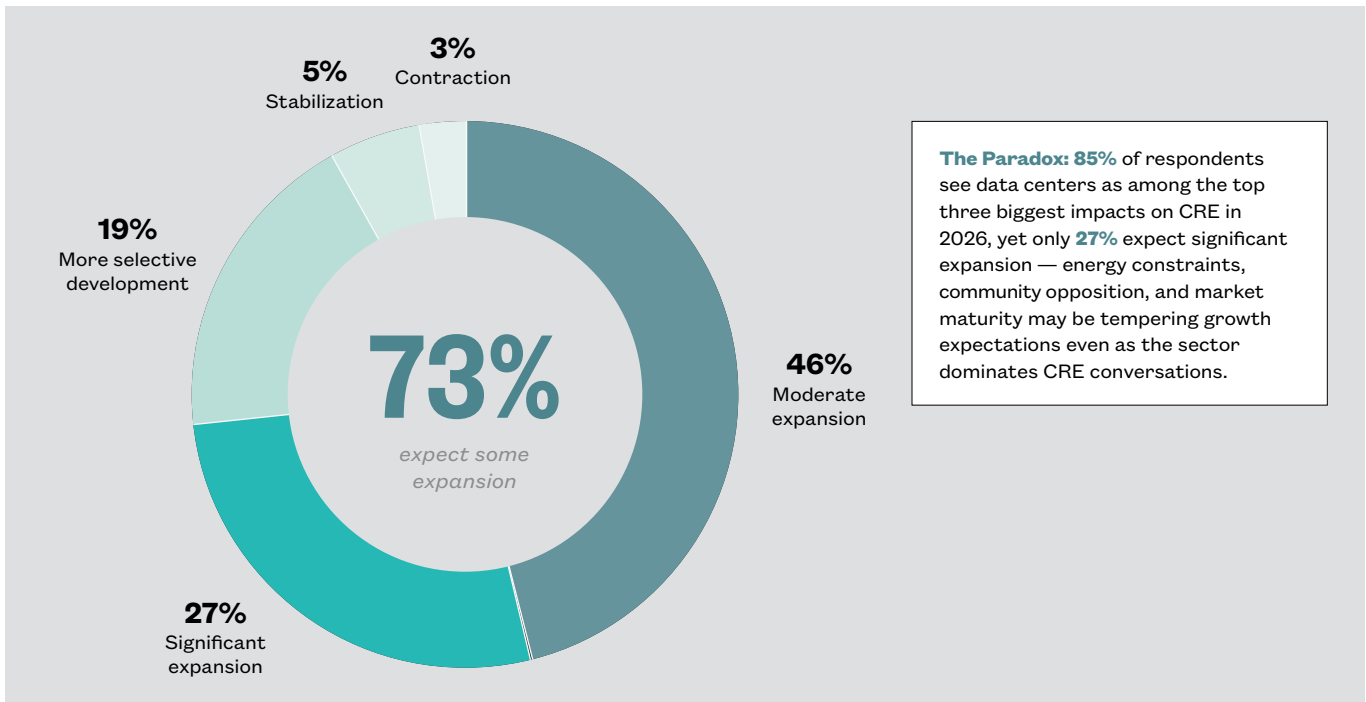
Investor interest in Southeastern and Sunbelt markets appears prominently at 45%. Workforce housing and mid-market multifamily were selected by 41% of respondents, reflecting persistent supply constraints and growing attention to affordability. At the other end, limited interest in tokenization reminds us that some technologies expected to benefit the industry haven't resonated with decision-makers.



Data Center Investment Evolution

Demand for data center investment may not be cooling, but it is calibrating. Rapid data center growth has been fueled by AI investment, cloud migration, and digitization across industries. Its growth story remains intact but has acquired complexity. 46% of respondents anticipate moderate expansion and 27% expect significant growth in the year ahead. At the same time, 19% see expansion proceeding at a more measured pace. Energy concerns are emerging, utility interconnections can take years to secure, and local communities are increasingly engaged in the visual, environmental, and resource impacts of these facilities.

The result is not lost confidence in sector fundamentals—data centers remain strategically important—but recognition that the speed and scale of growth are now constrained by real-world limits rather than capital or demand alone.



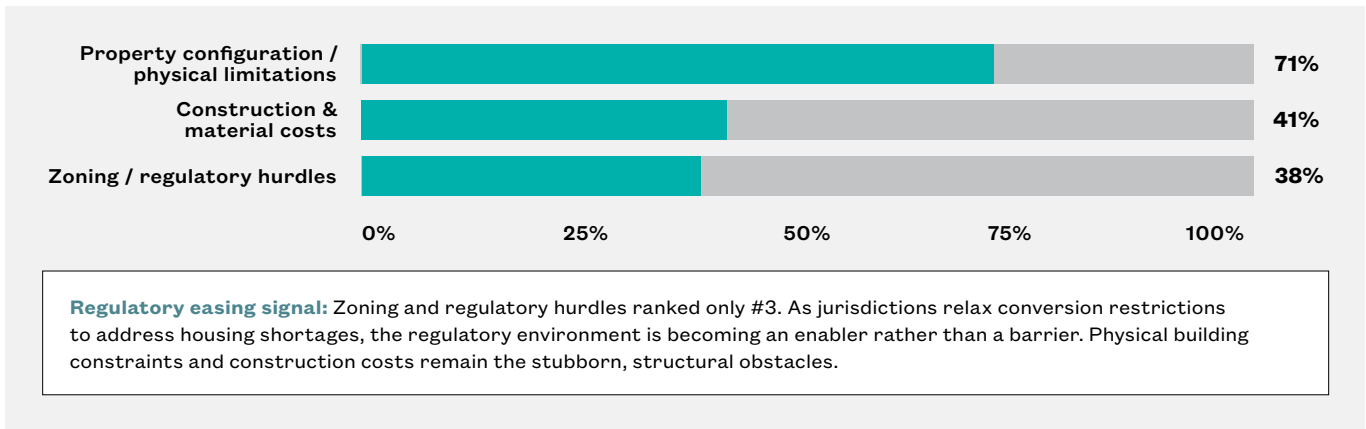
Data centers remain critically important to the CRE landscape, but our respondents are expressing some caution about unconstrained growth moving forward. — Paul Mattingly, Real Estate Department Chair

Barriers to Office-to-Residential Conversion

Though office-to-residential conversions are gaining momentum, barriers remain. Among the top two barriers, physical constraints dominate at 71%—office buildings have structural challenges that policy alone cannot overcome. Construction and material expenses rank second at 41%, reflecting the cost of overcoming those physical constraints and mirroring the tariff-amplified inflation pressures that show up elsewhere in this year’s survey.

The most interesting signal may be what ranks third. Zoning and regulatory hurdles, at 38%, fall behind physical and cost barriers, suggesting the regulatory environment is loosening. Government initiatives addressing housing shortages appear to be reducing friction.

The data suggests the conversion market’s trajectory depends less on regulatory reform and more on asset-level realities. Policy can spur development, but ultimately the physical building decides.

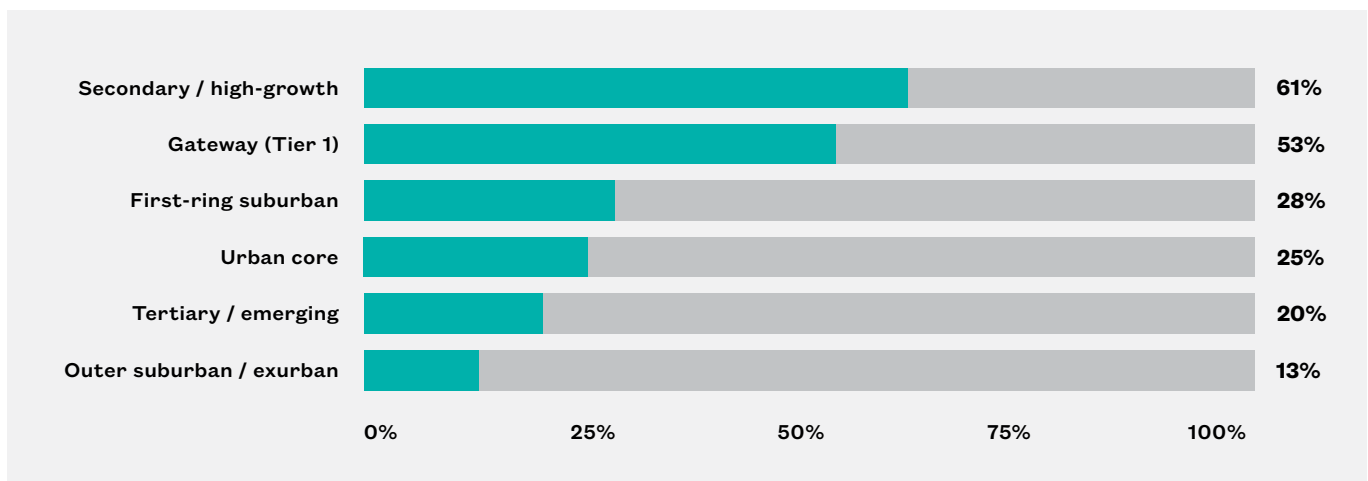


That zoning and regulatory hurdles rank behind physical and cost constraints is an important indicator for the conversion market’s future. It suggests that the regulatory environment is evolving in favor of conversions, driven by political will to address housing and affordability shortages. But even where there is political will, physical and cost constraints may inhibit conversion projects. — Christine Kim, Partner

Geographic Market Preferences

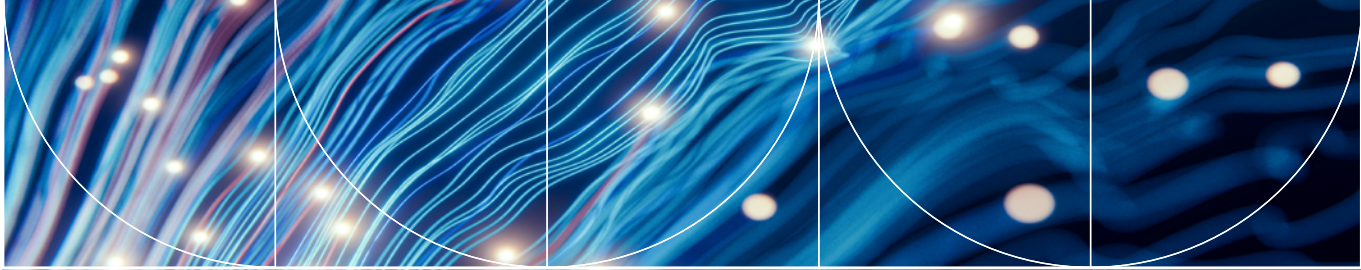
When asked to select the top two market types most attractive for their investment strategy, respondents pointed to a continued geographic rebalancing of US commercial real estate. Secondary and high-growth markets slightly outpace Tier 1 gateway cities as the most attractive investment destinations, with 61% of respondents favoring secondary markets compared to 53% favoring gateway cities. Investors are increasingly focused on Nashville, Austin, Charlotte, and Raleigh-Durham—cities where population growth, business formation, and lower costs create desirable return profiles, even as gateway markets remain central to long-term strategies.

First-ring suburban markets hold appeal at 28%, underscoring hybrid work's durability. Urban core markets follow at 25%, while tertiary and emerging markets attract 20%. Outer suburban and exurban markets trail at 13%, suggesting workers haven't fully untethered from urban cores.



The modest edge for secondary locations reflects investors' view that some high-growth markets offer more compelling return opportunities than gateway cities, rather than a wholesale move away from core CRE hubs. Capital inflows into Nashville, Austin, and Charlotte could increase competition and, over time, place pressure on the returns that initially drew investment to those markets.

— Tameron Houston, Partner



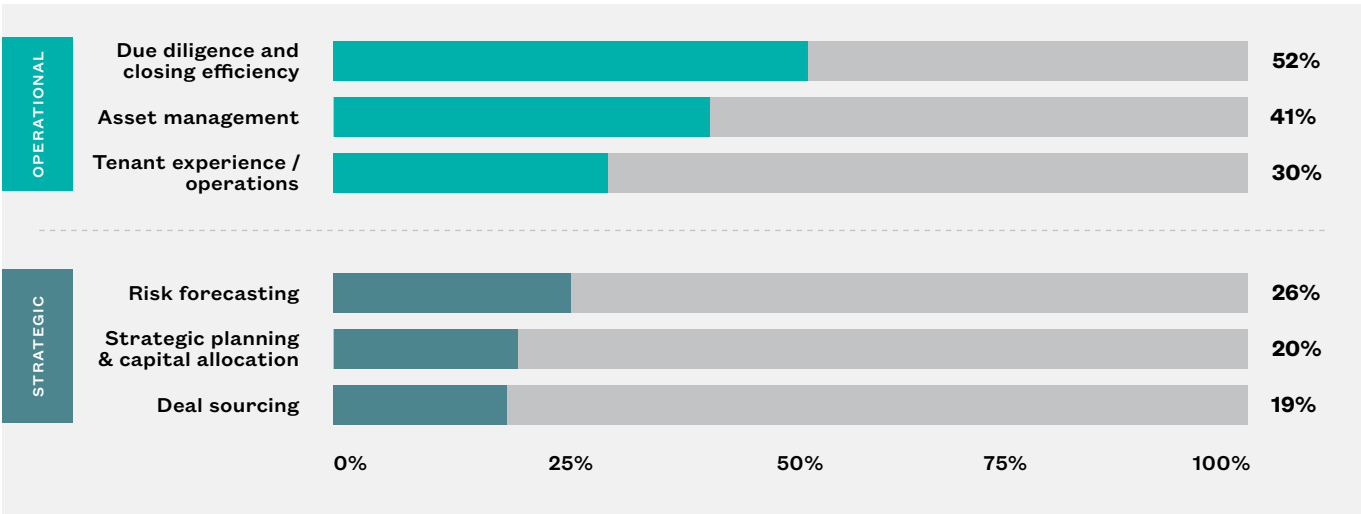
Technology and Innovation

The Bottom-Up AI Adoption Pattern

AI application distribution highlights a cautious approach to adoption. When respondents were asked to identify the two business areas where they expect AI to deliver the greatest benefits, the most cited applications were due diligence and closing efficiency (52%), asset management (41%), and tenant experience/operations (30%). These share a common thread: relatively low-risk activities benefiting from AI’s ability to process large data volumes. In these areas, AI accelerates routine tasks.

Applications requiring interpretive judgment or forward-looking decisions trail behind: risk forecasting (26%), strategic planning and capital allocation (20%), and deal sourcing (19%) all show more limited adoption. Not surprisingly, these applications depend less on data processing and more on contextual understanding and market nuance.

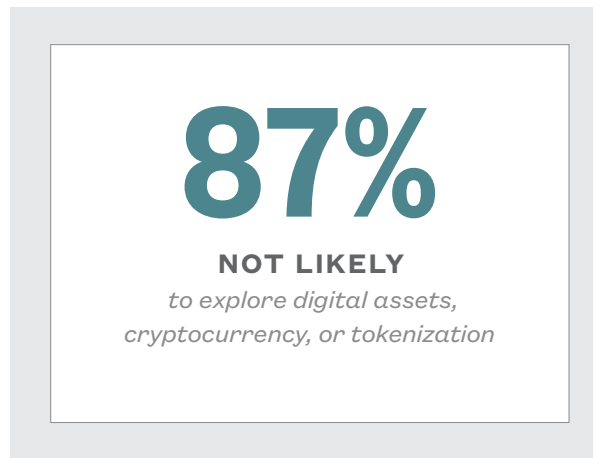
AI is positioned as a co-pilot rather than a decision-maker, with broader analytical and strategic applications likely to develop gradually as confidence and use cases evolve.



The gap in AI adoption between operational and strategic applications reflects a measured and pragmatic approach, with executives deploying AI where it has demonstrated reliable, low-risk benefits. Human judgment continues to govern the highest-stakes decisions, but as AI tools build proven track records in operational roles, we expect their use to extend gradually into analytical functions over the next two to three years. — Tamaron Houston, Partner

Digital Assets, Cryptocurrency, and Tokenization

In 2026, 87% of respondents say they are not likely to explore opportunities involving digital assets, cryptocurrency, or tokenization. Only 11% express even a “somewhat likely” stance, with a combined 2% saying they are likely or very likely to explore such opportunities. This suggests blockchain-based real estate investment remains a niche concept rather than a practical tool for most CRE participants.



As one industry observer recently said, tokenization in commercial real estate remains a “solution in search of a problem.” This does not mean the technology will never find a role in real estate, but it suggests that adoption won’t come until the use case is more clear and the technology is more widely adopted. — James O’Brien, Partner

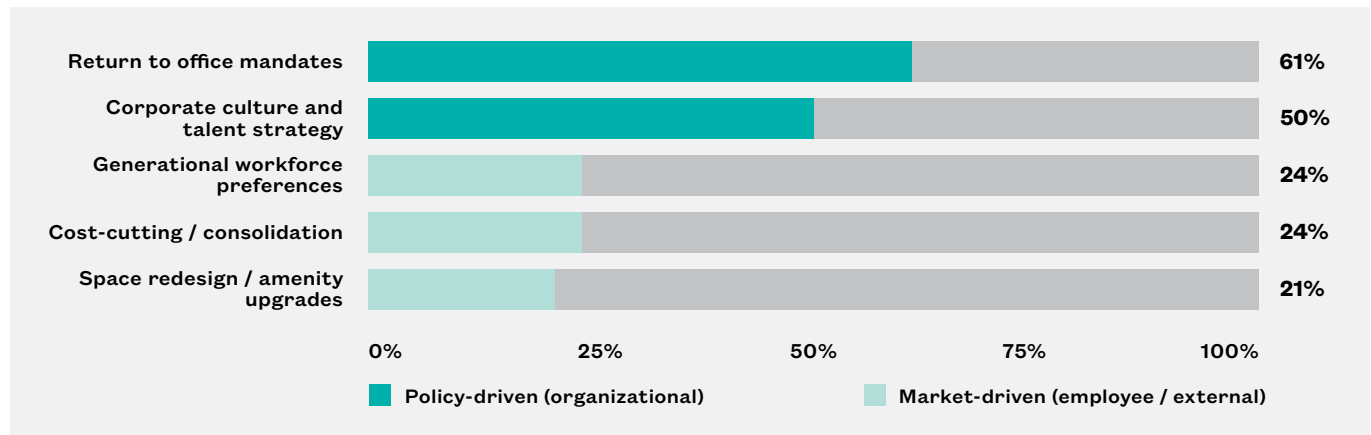


Workplace and Office Dynamics

Factors Influencing Office Utilization

While work-from-home and hybrid models are now widely accepted, this year’s respondents weigh in on what would drive more people to return to the office more often. Mandates and management culture, not amenities, will lead to greater office utilization. When asked to select the top two factors they believe will most influence office utilization in 2026, respondents ranked return-to-office mandates as the most influential at 61%, followed by corporate culture and talent strategy (50%). Together, these top-down forces outweigh everything else on the list. Generational preferences and cost-cutting tie at a distant 24%. Likewise, space redesign and amenity upgrades register at 21%.

The implication is clear: office utilization is shaped more by organizational directives than employee choices or design innovations. The finding carries both encouraging and cautionary implications: attendance could accelerate as policies formalize, but mandates depend on labor market dynamics. Where employees have leverage to demand flexibility, the office recovery’s foundation could prove fragile.



In recent years, office development has focused on amenity upgrades and experience-driven office environments, yet the data suggests that those investments on their own aren’t moving the needle on office utilization. — James O’Brien, Partner

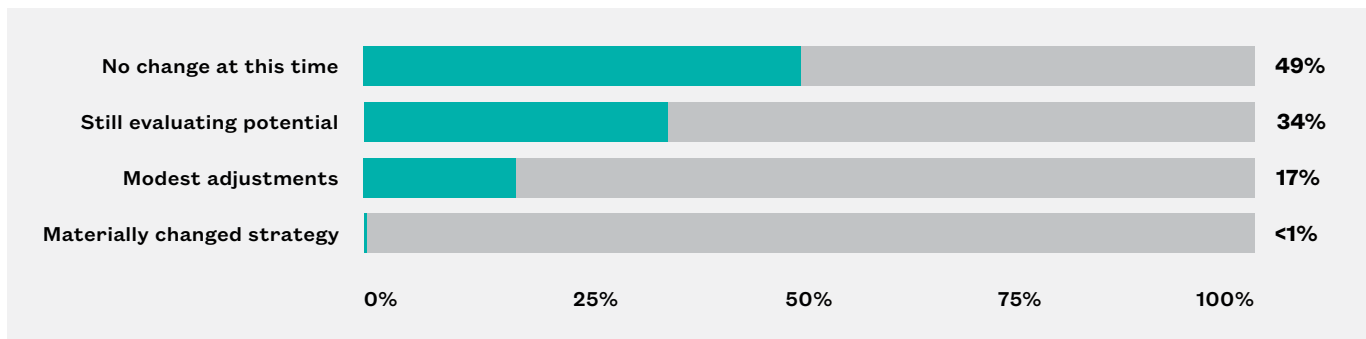


Government Policy

Impact of OBBBA on Investment and Development Strategy

OBBBA has generated headlines, briefings, and speculation about its potential to influence real estate investment. The CRE response has been measured. Roughly half of respondents (49%) report no strategy change due to OBBBA, about one-third (34%) are still evaluating, and a smaller group (17%) has made modest adjustments.

This may not reflect a lack of interest, but rather the time required to assess the implications pending implementing regulations. With 83% maintaining strategies or still evaluating, OBBBA remains a potential catalyst. Historically, the distance between the passage of a bill and its practical impact is measured in years, not months, and the data reflects that.



The 83% “wait and see” response to OBBBA is consistent with how CRE has historically processed legislative change. — James O’Brien, Partner



Closing Perspective

Over five years, the CRE industry has navigated a pandemic that rewrote work rules, an interest rate shock that froze transactions, political transitions reshuffling policy priorities, rising costs, and increasingly volatile geopolitics. Through it all, the industry has remained resilient, adapting where necessary and remaining patient when possible.

Interest rate cuts, better fundamentals for multifamily and retail assets, and increasing data center appetite drove transaction volumes higher in 2025; this year's results suggest that momentum will continue. Rate expectations have found consensus, with 79% expecting a 0-50 basis point cut, making pricing consensus easier and removing a major source of deal friction. Sector preferences have diversified, with no single asset class commanding more than 47% of interest (far from multifamily's 64% a year ago), suggesting broader investment allocation. High construction costs (58%) have joined macroeconomic anxieties, yet respondents remain steadfast that 2026 will be a year of opportunity.

The industry has learned that waiting for the perfect moment may cost more than navigating an imperfect one.

Methodology

In January 2026, Seyfarth surveyed real estate executives—which included owners, developers, investors, asset managers, brokers, lenders, and consultants—via email to gauge their top concerns for the coming year. 123 respondents took the survey.

Due to rounding, percentages used may not equal 100.

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