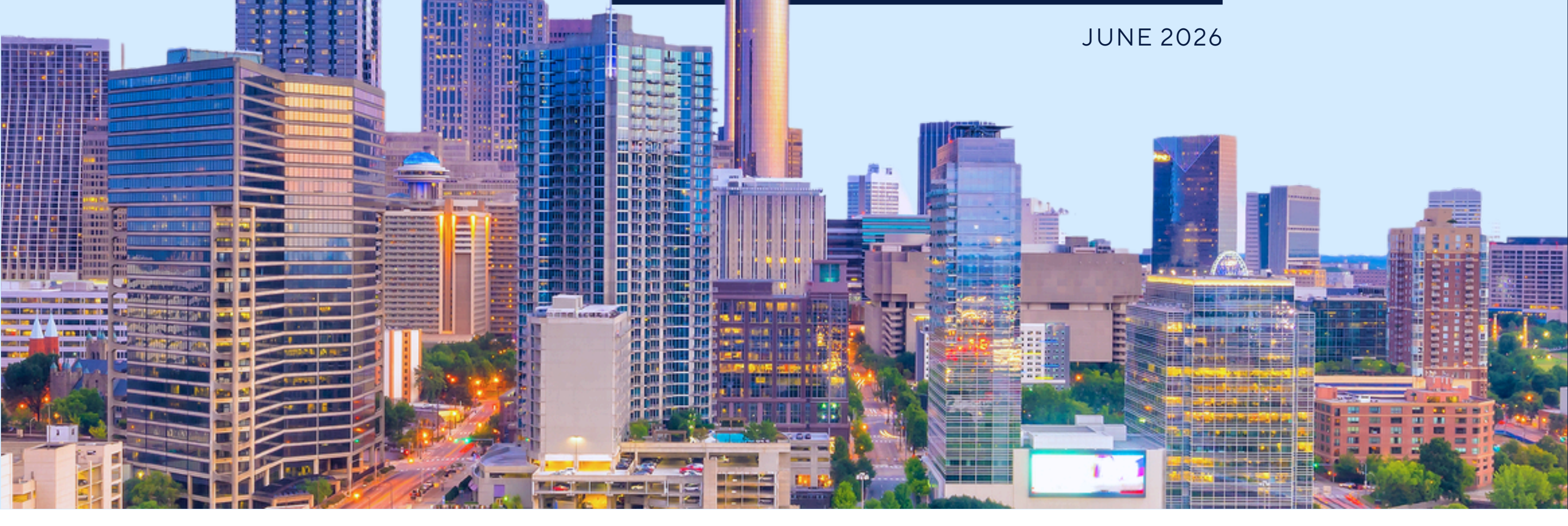
SituSAMC

COMMERCIAL REAL ESTATE

THE RECAP

JUNE 2026



The RECAP is SitusAMC's monthly Real Estate Commentary, Analytics and Perspectives on the commercial real estate market.

Our team of experts aggregates the latest trends and perspectives across commercial real estate finance to help you stay up to date on market developments and make more informed decisions. Here are the key developments in June 2026.

WHAT YOU NEED TO KNOW

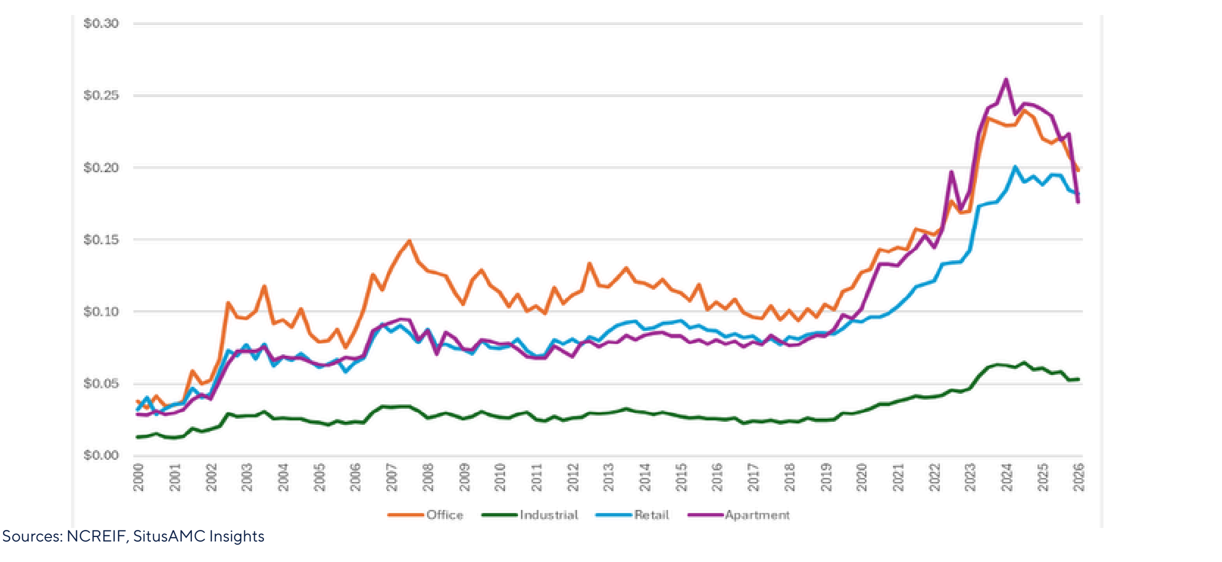
Insurance costs have generally declined over the past two years. Artificial Intelligence businesses are boosting certain office markets. The 10-year Treasury has remained unchanged over the last month at about 4.5%. CRE transaction volume plummeted in April, down 55% to its lowest level in more than two years. SitusAMC revised national total returns slightly downward in its latest forecast, due to mostly to weaker appreciation.

ABOUT SITUSAMC INSIGHTS

SitusAMC is the leading provider of data, research and analytical tools supporting the lifecycle of real estate finance. Leveraging proprietary and third-party data, our tools and research support smarter investment and portfolio decisions with expert-driven insights. LEARN MORE ⟶

CRE INSURANCE COSTS MODERATE

INSURANCE EXPENSES PSF BY PROPERTY TYPE



Sources: NCREIF, SitusAMC Insights

Commercial real estate (CRE) insurance costs have generally declined over the past two years after surging during and after Covid-19, Apartment insurance costs reached a peak of $0.26 per square foot in the first quarter of 2024, a 240% increase from the start of the pandemic, and the highest level among the property segments. Office, retail and industrial reached their peaks in mid-2024 and were up more than 150% each since the onset of Covid. They've now moderated from those peaks, with apartment insurance costs falling 28%; office and industrial costs down 18% and retail declining by 4%.

Looking at insurance costs as a proportion of total expenses, industrial experienced the strongest increase between Covid and its 2024 peak, followed closely by apartment, with increases of 440 and 420 basis points (bps), respectively. These segments have also experienced the largest decline in insurance costs as a percentage of total costs, down about 300 bps each. Retail insurance expense share grew by 310 bps from Covid to its peak in 2024 and has declined 60 bps since. Office fared the best as a percentage of its total expenses, up 200 bps between Covid and its peak, but down 90 bps since. Still insurance costs account for between 4% (office) and 7.6% (industrial) of total expenses.

"CRE conditions are moderating, and uncertainty still demands disciplined insight."

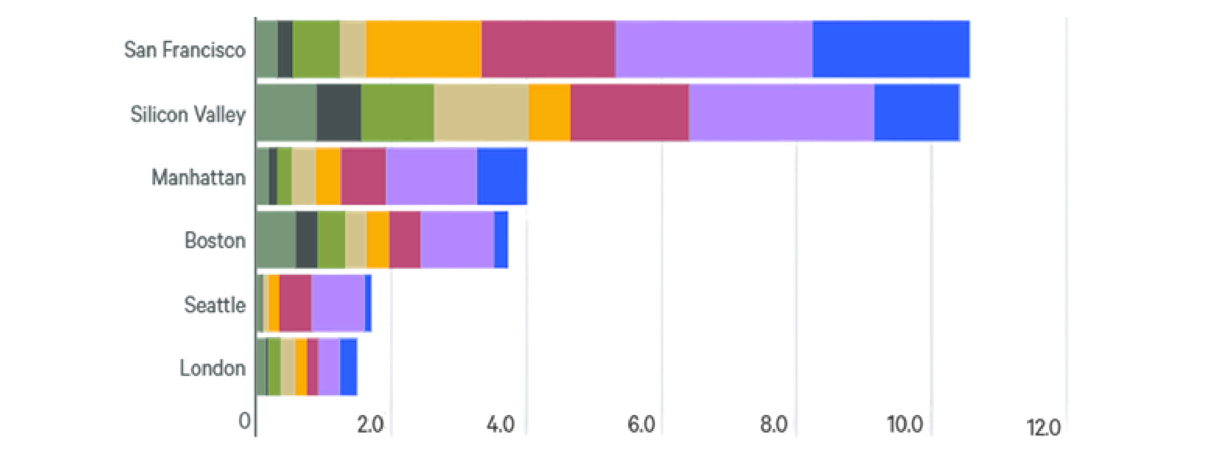
PETER MUIOI, PHD
Head of SitusAMC Insights

4.53

10-YEAR TREASURY JUNE 11TH

AI-DRIVEN DEMAND BOOSTS OFFICE MARKET

AI COMPANY OFFICE LEASING ACTIVITY BY MARKET & YEAR

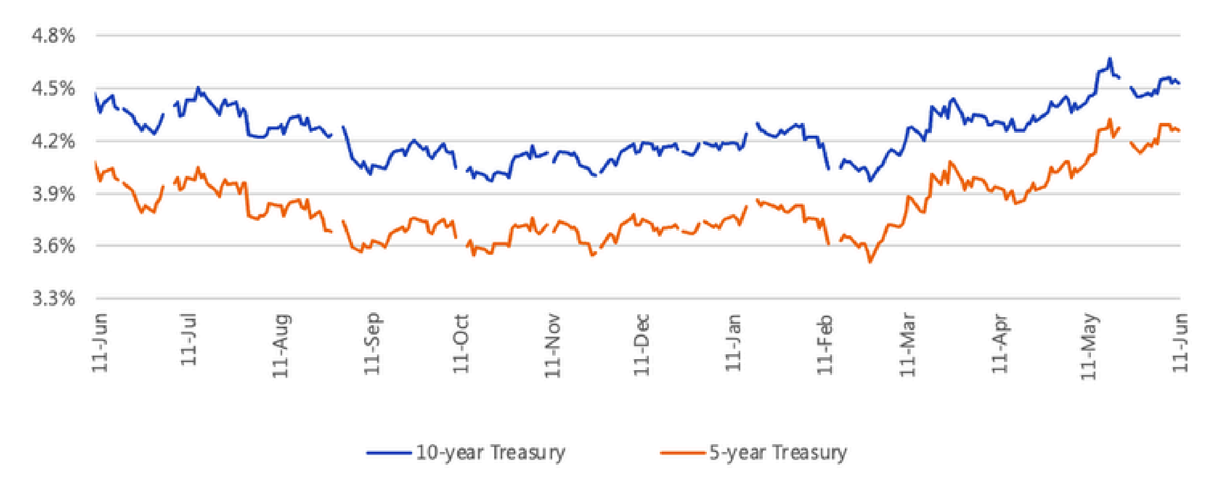


Sources: CBRE, WSJ, SitusAMC Insights

Artificial Intelligence businesses are boosting the office market, particularly in San Francisco, Silicon Valley and Manhattan. San Francisco is the primary beneficiary of AI-driven demand, with the sector accounting for 58% of first-quarter leasing activity, supported in part by Anthropic's 400,000+ square foot lease. The Manhattan office leasing is on track for its strongest year since 2000, with AI companies leasing a million square feet in the first quarter, The Wall Street Journal reported. Though AI tenants still represents a small share of the overall office market, they're beginning to reshape neighborhoods like SoHo and Hudson Square.

10-YEAR TREASURY HOVERS AROUND 4.5%

U.S. TREASURIES - PAST YEAR

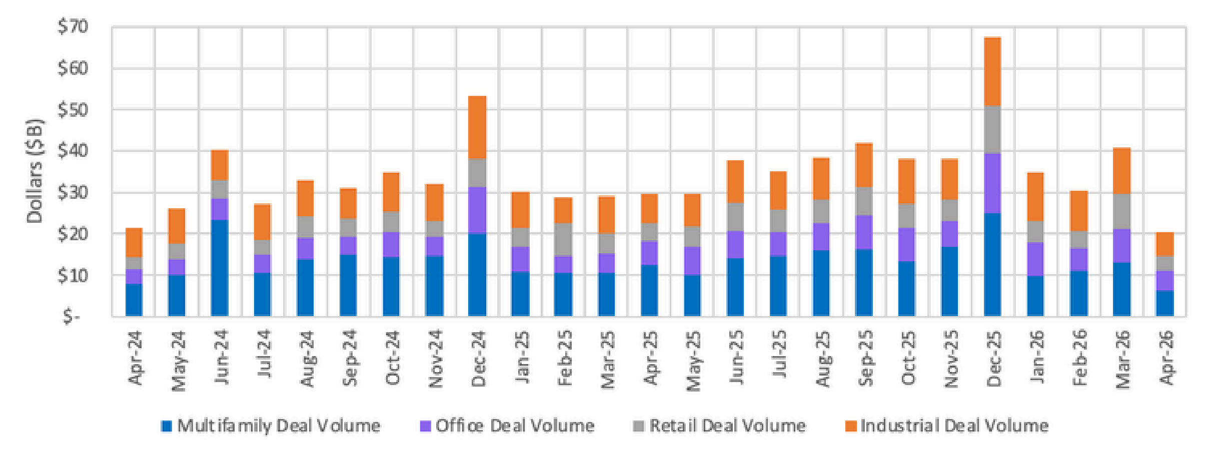


Sources: FRB, SitusAMC Insights

The 10-year Treasury has remained unchanged over the last month at about 4.5%. It reached a 12-month high on May 18, as inflation fears and ongoing geopolitical tensions drove both oil prices and bond rates higher. Rates slid in late May as negotiations over the Strait of Hormuz and falling oil prices reassured bond investors. But the May employment report, released June 5, showed the nation added 172,000 jobs—more than double expectations—causing Treasuries to surge as the chances of rate cuts dimmed. The 10-year showed little reaction to escalating tensions and strikes in Iran, and a report showing the Consumer Price Index rose 4.2%, its fastest pace in three years.

DEAL VOLUME PLUNGES IN APRIL

TOTAL CRE DEAL VOLUME BY SECTOR

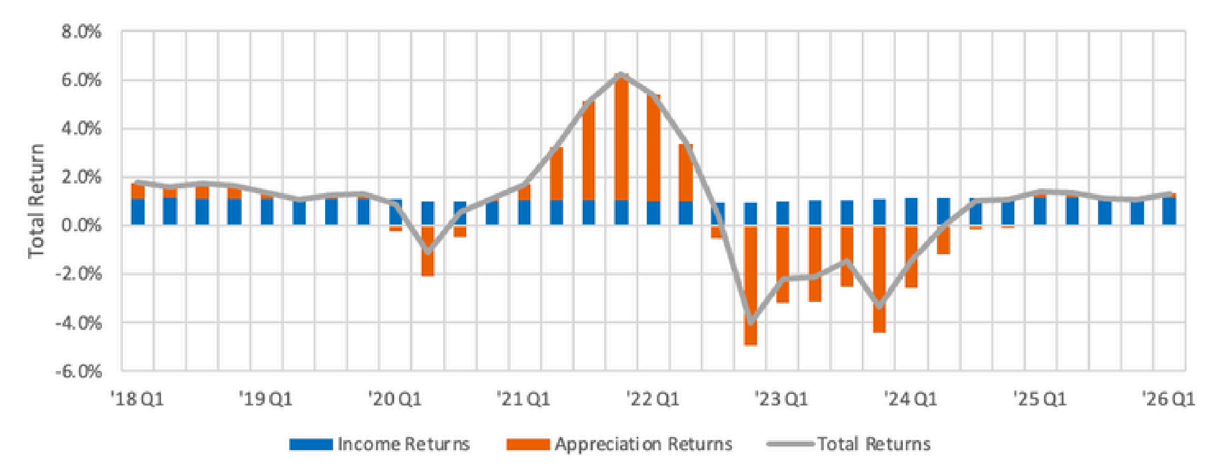


Sources: MSCI REAL ASSETS, SitusAMC Insights

CRE transaction volume plummeted in April, down 55% to its lowest level in more than two years. All four major sectors were down on both a monthly and yearly basis. Office experienced the smallest decline, sliding 38% over the month and 15% over the year. Multifamily deal volume tumbled 53% to its lowest level since Covid-19. Retail and industrial deal activity was the slowest in more than two years and office volume hit its lowest level in more than a year. All four sectors were well below their eight-year averages by 40% or more.

TOTAL RETURNS FORECAST REVISED DOWNWARD

ODCE TOTAL CRE RETURNS



Sources: NCREIF, SitusAMC Insights

SitusAMC's Real Estate Valuation Services released an updated forecast that revised national total returns slightly downward due to mostly to weaker appreciation. Relative to the previous quarter, apartment appreciation is expected to weaken in 2026 but experience stronger income and capital returns thereafter. Office saw downgrades to income returns throughout the forecast, but an upgrade to capital returns for 2026, resulting in higher total returns for the year. Industrial experienced the largest revision, with a much weaker capital component, most notably in 2027, which was down about 2% compared to the previous forecast. Retail was revised upward in 2026 and 2027 because of stronger appreciation but had downgrades to 2028 returns.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of commercial real estate finance. Our comprehensive services and technology supports banks, alternative lenders, CMBS issuers, and insurance companies to power more efficient, effective, and agile businesses.

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