COMMERCIAL REAL ESTATE

THE RECAP

AUGUST 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 August 2026.

WHAT YOU NEED TO KNOW

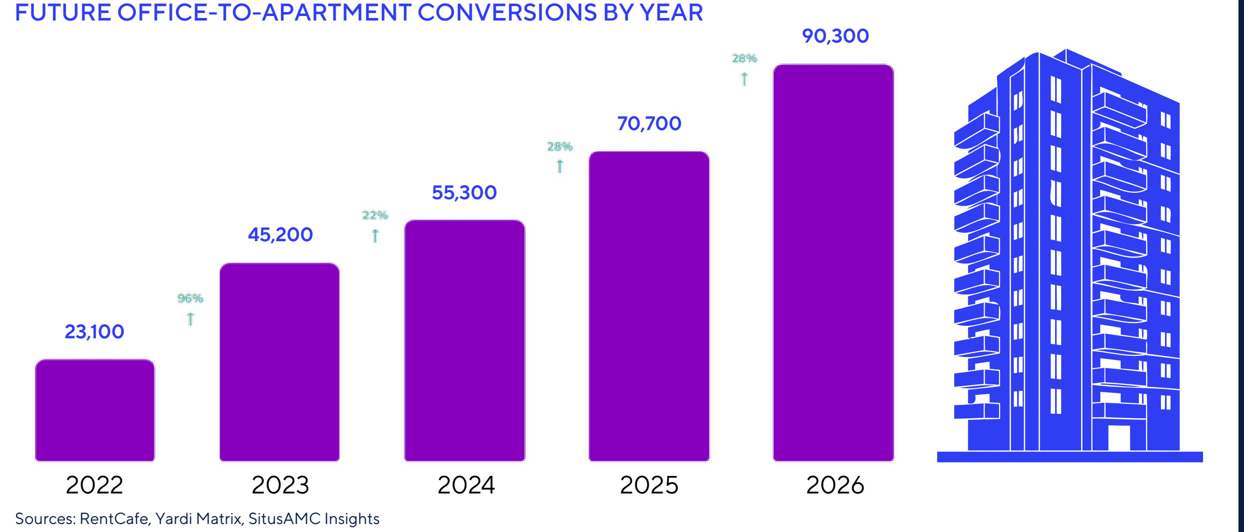
The number of commercial-to-residential conversions in 2026 grew nearly four-fold from 2022. Office conduit lenders appear to be gradually loosening conservative underwriting. Bond markets have become wary of burgeoning government debt positions of large, developed countries. Overall CRE transaction volume steadily increased over the second quarter, hitting a total of $53 billion. Demand remained weak across property types in the second quarter, but a sharp supply slowdown came as a welcome relief.

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

COMMERCIAL-TO-RESIDENTIAL CONVERSIONS ESCALATE

FUTURE OFFICE-TO-APARTMENT CONVERSIONS BY YEAR



Sources: RentCafe, Yardi Matrix, SitusAMC Insights

Office-to-apartment conversions grew 28% from the start of 2025 to the start of 2026. Most of the pipeline carried over from 2025, totaling nearly 66,500 units, while about 23,800 units were newly added. This includes projects under construction, planned or considered prospective.

Conversion activity has increased sharply in recent years, rising from 23,100 units in 2022 to 90,300 in 2026. New York City remains the epicenter of office-to-apartment conversions, with 16,358 units planned for 2026—nearly twice as many as Washington, D.C., the second-largest market.

Office properties are by far the most common source of residential conversions, accounting for nearly half of all units in the pipeline, or about 91,000 units. Hotels account for 18%, or roughly 35,000 units, while industrial properties represent 16%, or about 31,000 units. Other property types, including healthcare facilities, schools, retail properties and government buildings, account for the remaining 19%, or approximately 37,000 units.

Residential conversions have the potential to help alleviate housing shortages, but the lengthy conversion process means it can take years for this supply to reach the market.

> *"Upward pressure on the Treasury rate has been driven by stubborn inflation."*

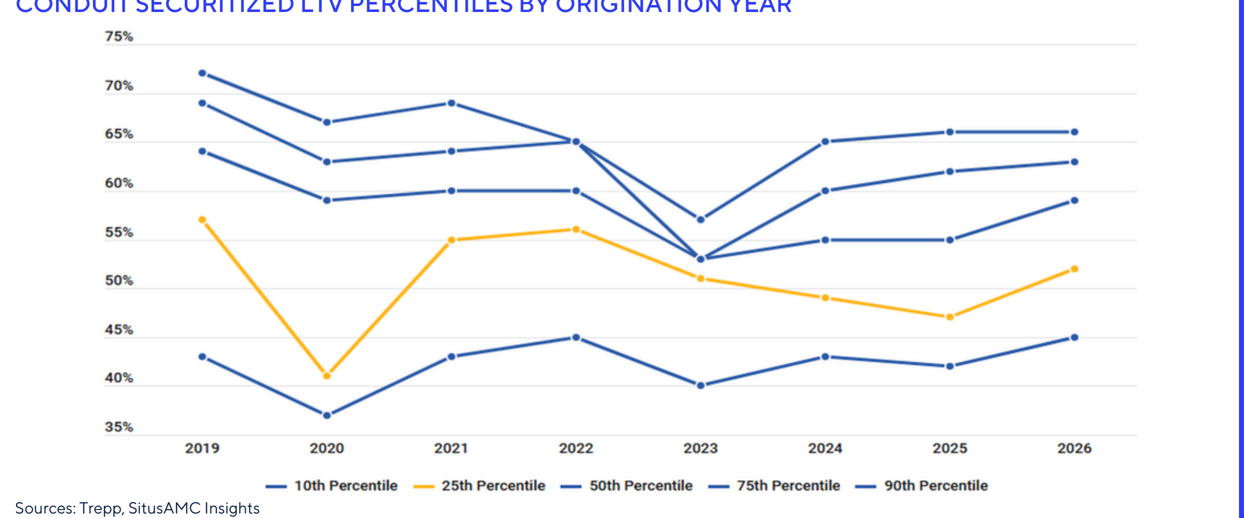
PETER MUIOI, PHD
Head of SitusAMC Insights

4.67

10-YEAR TREASURY AUGUST 19TH

UNDERWRITING STANDARDS EASE FOR OFFICE CONDUIT LENDING

CONDUIT SECURITIZED LTV PERCENTILES BY ORIGINATION YEAR



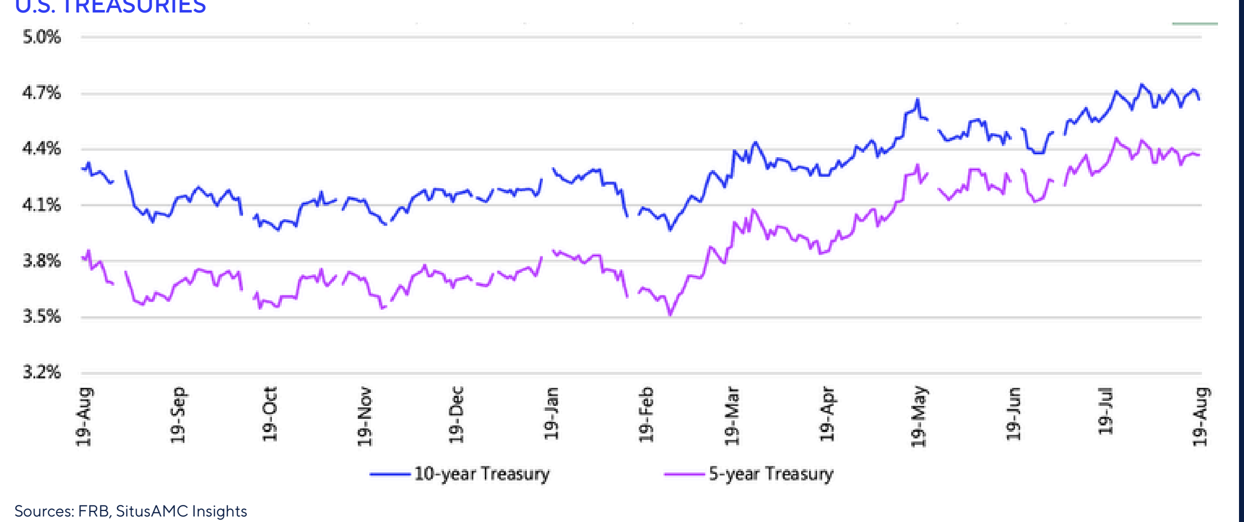
Sources: Trepp, SitusAMC Insights

Office conduit lenders appear to be gradually loosening conservative underwriting standards adopted after the pandemic-driven office downturn. Office loan leverage has increased modestly, with median LTVs rising to 59% through July 2026 from 53% in 2023.

Origination activity has also picked up. Though far below the nearly $18 billion originated in 2019, this year's office conduit issuance is set to reach roughly $5 billion. However, risk appetite remains well below pre-pandemic levels, as high-leverage loans have stabilized in the mid-60% LTV range, significantly below 2019 levels. Together, rising leverage and loan volumes suggest that lenders continue to provide new financing for assets that meet today's underwriting standards, despite elevated delinquency and distress levels in legacy office loans.

BOND MARKETS APPEAR WARY OF GOVERNMENT DEBT

U.S. TREASURIES

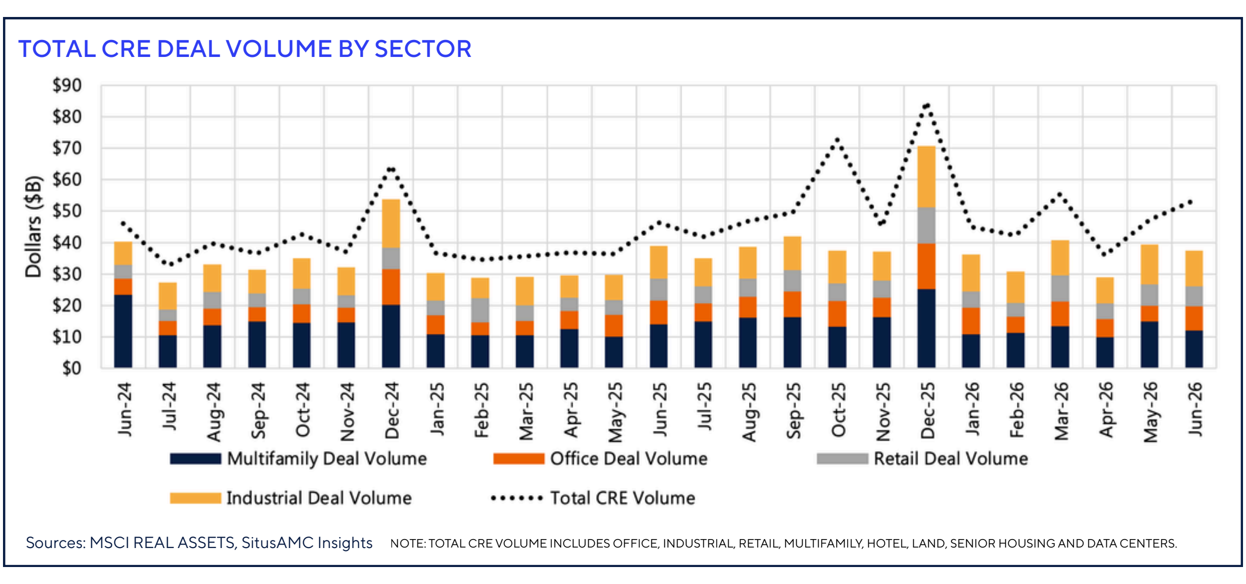


Sources: FRB, SitusAMC Insights

As of August 18, the 10-year Treasury rate was at 4.7%, up 20 bps from the previous month and flirting with a five-year high. Upward pressure on the Treasury rate has been driven by stubborn inflation due primarily to sharp increases in oil and refined petroleum product prices as a result of the Iran War. However, bond markets have started becoming more concerned at the burgeoning government debt position of large, developed countries. Yields pulled back from their multi-year highs on August 19 after the Treasury Department said it would double the level of debt buybacks.

CRE DEAL VOLUME TOTALED $53B IN 2Q 2026

TOTAL CRE DEAL VOLUME BY SECTOR



Sources: MSCI REAL ASSETS, SitusAMC Insights NOTE: TOTAL CRE VOLUME INCLUDES OFFICE, INDUSTRIAL, RETAIL, MULTIFAMILY, HOTEL, LAND, SENIOR HOUSING AND DATA CENTERS.

Overall CRE transaction volume steadily increased in each month of the second quarter, hitting a total of $53 billion, according to MSCI Real Assets. The uptick was led by a spike in office deal volume and slight increase for hotel. All other sectors saw monthly declines.

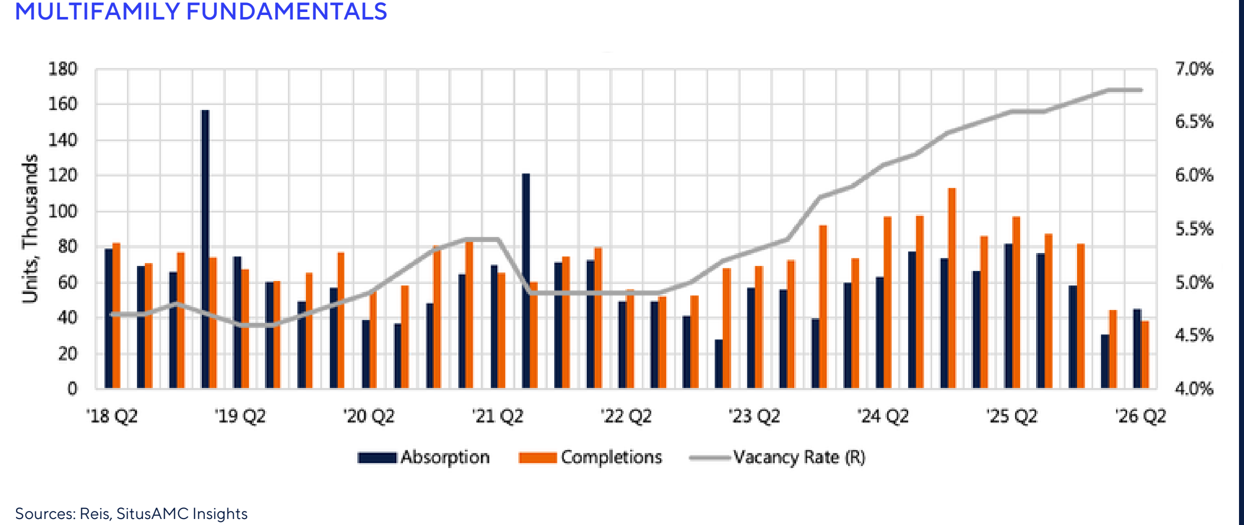
Overall deal volume remains sluggish as it has since the Fed's aggressive rate policy implementation in June 2022. This compares to a pre-Covid monthly average of about $46 billion, but a far cry from the 2021 Covid peak of $197 billion.

Office transaction volume jumped 53% in June to $7.7 billion, the most active since March, but still nearly 10% below the segment's long-term average (LTA). Multifamily suffered the worst drop in deal activity among the segments, down 20% to $12 billion and 30% below its LTA.

Industrial volume fell 11% to $11.4 billion in June. Despite the monthly decline, deal activity was still 11% above the segment's LTA. Retail deal volume dipped 6% to $6.4 billion, still just above its LTA.

DEMAND REMAINS WEAK BUT SUPPLY SLOWS

MULTIFAMILY FUNDAMENTALS



Sources: Reis, SitusAMC Insights

Demand remained weak across property types in the second quarter, but a sharp supply slowdown is a welcome relief.

Multifamily demand was unchanged QoQ with an occupancy rate of 93.2%. Absorption remained near post-pandemic lows, though above the first-quarter level. Completions were among the lowest in a decade. The sector saw a 20-bp quarterly increase, the highest in three years.

In the office sector, absorption was negative and the occupancy rate declined 20 bps while completions slowed to the lowest level in nearly a decade. Rents grew 0.1%.

Retail absorption was negative and the occupancy rate decreased 10 bps. Retail supply, despite increasing modestly, remained near post-GFC lows. Rents grew 0.3%.

Industrial absorption was negative in the second quarter, with a 20 bp decrease in the occupancy rate. Completions were also among the lowest in a decade. Rents grew at a historically weak pace of 0.5%.

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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