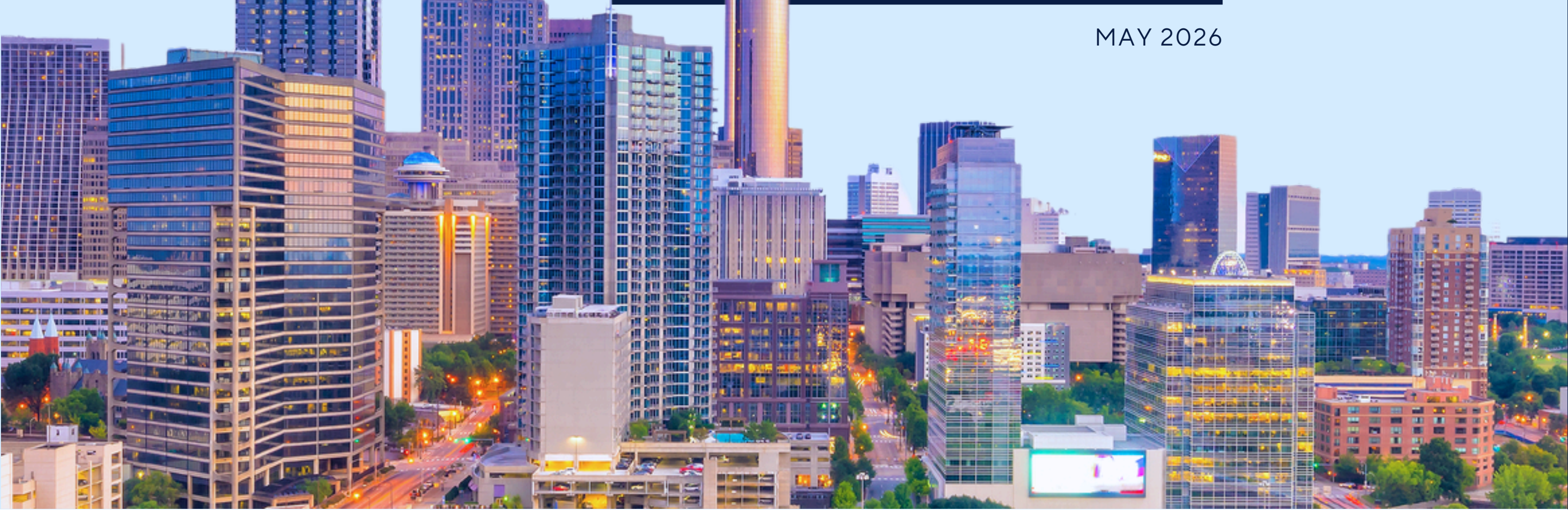
COMMERCIAL REAL ESTATE

# THE RECAP

MAY 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 May 2026.

### WHAT YOU NEED TO KNOW

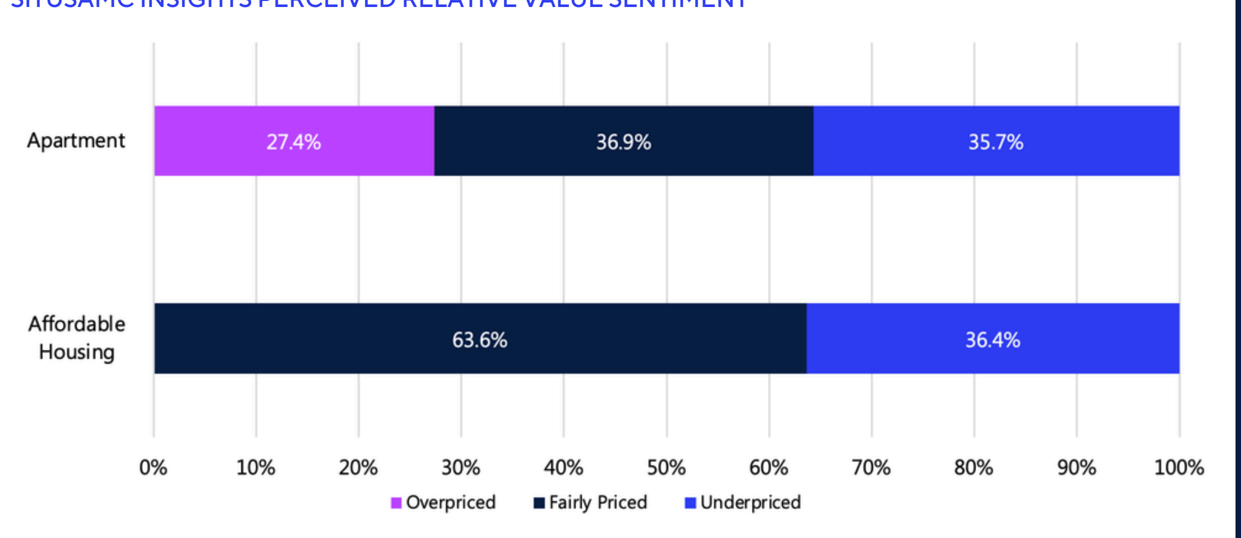
Investors sentiment sees more pricing power in affordable housing than the apartment market. Higher inflation, driven in part by the Iran War, is keeping interest rates high. Overall CRE deal volume accelerated in March on a monthly and yearly basis, with activity up for every segment. Multifamily vacancies rose to the highest level since the Global Financial Crisis. Retail rent growth strengthened as new supply fell.

### 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 →

## INVESTORS EYE AFFORDABLE HOUSING

SITUSAMC INSIGHTS PERCEIVED RELATIVE VALUE SENTIMENT




Sources: RERC, SitusAMC Insights

Investors from SitusAMC's proprietary institutional and regional surveys see more pricing power in affordable housing than the overall apartment market. That's amid a renewed push for the House to pass the 21st Century ROAD to Housing Act. The same percentage of respondents perceive the apartment market and affordable housing as underpriced. However, 27% see the overall apartment market as overpriced, while no respondents view affordable housing as overpriced.

*"Higher inflation, and the Iran War which underlies it, is keeping rates high."*

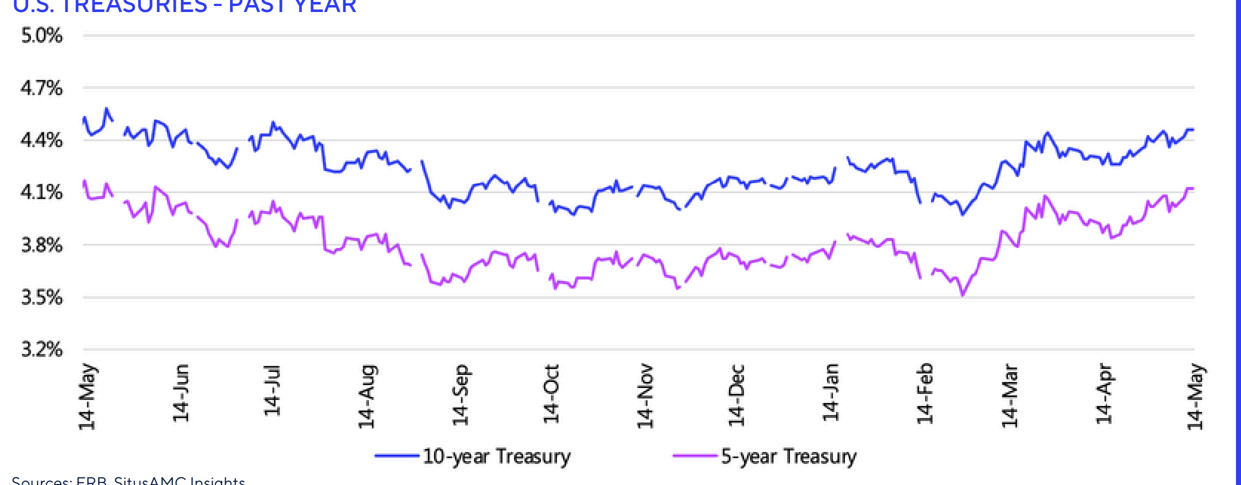
**PETER MUIOI, PHD**
Head of SitusAMC Insights

**4.46**

**10-YEAR TREASURY MAY 14TH**

## INFLATION PRESSURES LEAD TO RISING TREASURIES

U.S. TREASURIES - PAST YEAR



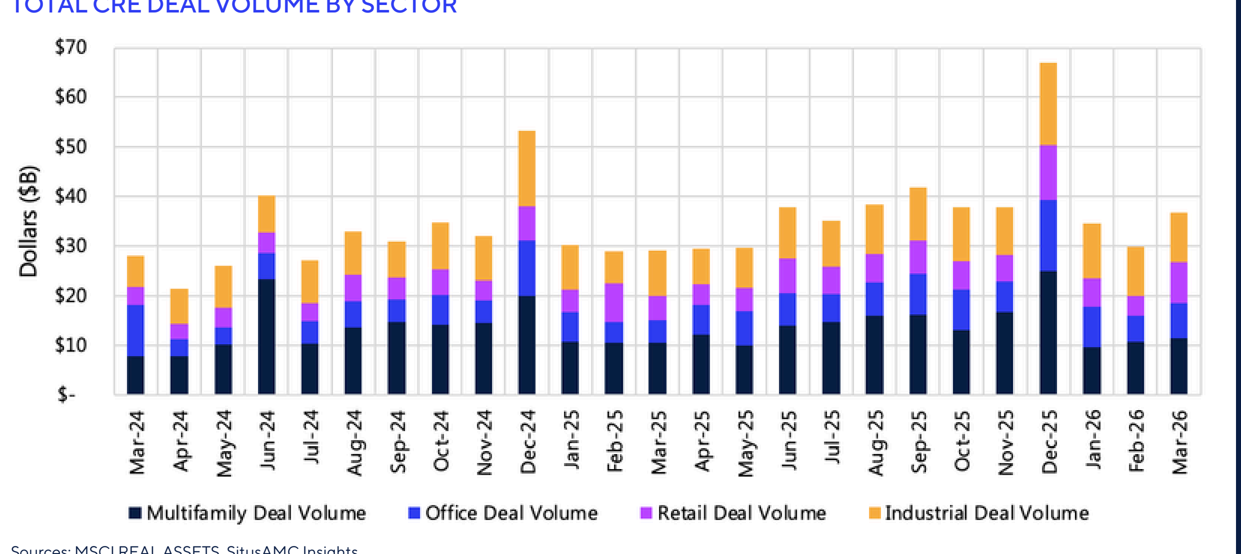

Sources: FRB, SitusAMC Insights

Inflation pressures intensified in April as rising energy costs tied to the Iran War pushed consumer prices to their fastest annual pace in nearly three years. CPI rose at a 3.8% annual rate—well above the Federal Reserve's 2% target—with additional pressure coming from food, apparel, shelter, and other tariff-sensitive categories. Producer prices surged even more sharply, with wholesale inflation jumping 1.4% month over month and reaching a 6% annualized rate, the highest since late 2022. The concern is that elevated wholesale costs could spread further into core consumer inflation, complicating the Fed's efforts to bring prices under control.

The inflation data, combined with geopolitical uncertainty and volatile Treasury markets, pushed the 10-year to roughly 4.5%, its highest level since last summer. Markets also reacted to mixed economic signals, including weak first-quarter GDP growth alongside a stronger-than-expected jobs report.

## DEAL VOLUME ACCELERATES

TOTAL CRE DEAL VOLUME BY SECTOR

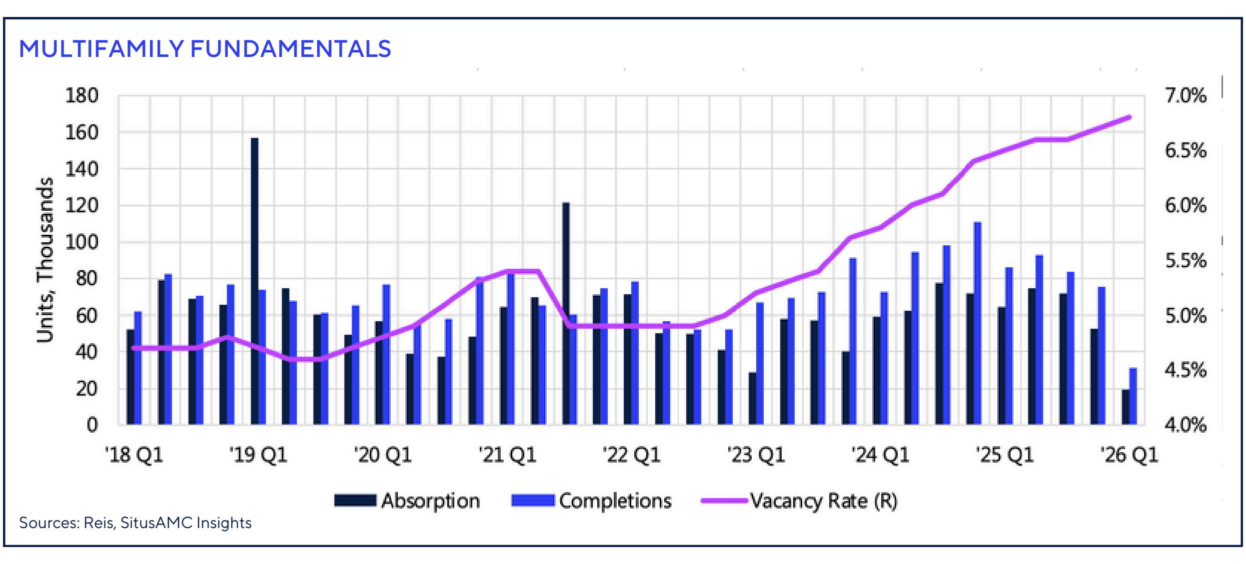



Sources: MSCI REAL ASSETS, SitusAMC Insights

Overall CRE deal volume accelerated in March on a monthly and yearly basis, even after a significant upward revision to February estimates. Activity was up for every segment; retail more than doubled over the month, followed by office with a 34.5% increase. Multifamily and industrial were up by 6.6% and 3.4%, respectively. Multifamily and office transaction volumes were significantly below their long-term averages; industrial activity was on par with the historical average and retail was 40% higher than its long-term average.

## 1Q 2026 SEES WEAK MULTIFAMILY DEMAND

MULTIFAMILY FUNDAMENTALS



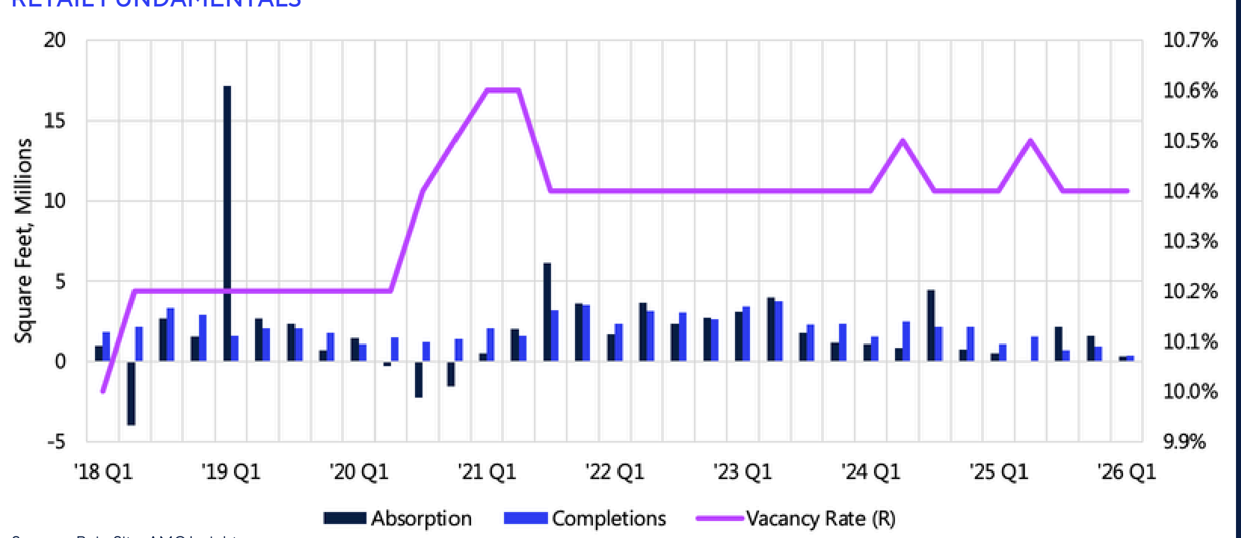

Sources: Reis, SitusAMC Insights

CRE oversupply persists, but first quarter data was noteworthy for particularly weak absorption across all property segments and most metros. Multifamily vacancies inched up by 10 bps to the highest level since the Global Financial Crisis. However, new supply was the lowest in over a decade. Rents jumped 0.6%, but growth remained below its long-term average.

Apartment valuations were only slightly higher quarter over quarter, supported by investor interest and transaction activity. Markets with balanced supply and demand dynamics—including New York, Chicago, San Francisco, San Jose, South Florida, and parts of Los Angeles—are seeing stronger rent growth and performance. In contrast, many Sun Belt markets continue to struggle with oversupply, particularly Austin, Phoenix, Atlanta, Nashville, Denver, Central Florida, and parts of the Carolinas.

## RETAIL RENT GROWTH STRENGTHENS AS NEW SUPPLY FALLS

RETAIL FUNDAMENTALS




Sources: Reis, SitusAMC Insights

Retail rent growth strengthened as new supply fell to an all-time low and occupancy rose. Vacancies were flat and rent growth was up by 0.2% in the quarter, on par with its long-term average. Investor demand has increased across most retail subtypes, partly because many investors now view themselves as under allocated to the sector, after years of caution following the pandemic. High-quality retail assets are outperforming, and cap rate spreads between strong and weak assets remain wide. Major retail portfolios are reporting very high occupancy and strong tenant sales growth, reflecting improving consumer demand and healthy leasing conditions.