Commercial Real Estate Market Insights Report
November 2025

National Association of REALTORS®
Research Group

NATIONAL ASSOCIATION OF REALTORS®

Commercial Real Estate

An Overview

Labor market conditions continued to lose momentum, as revised payroll figures and a gradual uptick in unemployment indicated further cooling. With inflation readings on pause and hiring activity moderating, the Federal Reserve will likely proceed to another cut in December to support economic conditions. In response, longer-term interest rates have edged lower, providing early financial relief. At the same time, the broader economy has remained on solid footing, supported by steady consumer spending and continued strength across the private sector.

Overall, commercial real estate conditions remained mixed in November. The office market showed tentative improvement, with demand pressures easing from last year, but conditions were still constrained by tenant caution and widespread use of incentives, while recovery remained uneven across property classes. Multifamily conditions were largely steady as the sector continued to work through prior oversupply, with softer seasonal leasing and cooling rent momentum, though lower-tier properties showed greater resilience. Retail softened modestly as demand weakened and new supply added pressure, yet it remained comparatively resilient, thanks to stronger pricing power and steadier performance across general retail formats. Industrial continued to cool as elevated supply weighed on demand, pushing availability higher and slowing rents, signaling a broader shift from rapid expansion toward normalization.

Below is a summary of the performance of each major commercial real estate sector in November of 2025:

The **office** market showed tentative improvement in November, with annual absorption losses narrowing sharply from last year, though demand remained slightly negative. Vacancy held near 14.1% while rent growth slowed to 0.7%, reflecting continued reliance on concessions. Class A continued to anchor demand despite elevated vacancy, Class B saw gradual improvement with rents still outperforming the national average, and Class C remained under pressure but retained the lowest vacancy in the sector.

The **multifamily** market remained largely steady in November, with absorption softening modestly as new deliveries continued to slow and the sector worked through prior overbuilding. Vacancy edged up to 8.3% while rent growth eased further to 0.2%, reflecting a weaker winter leasing season. Across property classes, pricing momentum cooled in Class A and B, while Class C continued to face tenant losses but maintained the lowest vacancy and the strongest relative rent performance.

The **retail** sector softened in November, with annual absorption turning negative and rent growth easing to 1.9%, though it still leads all major property types in pricing gains. Vacancy held at 4.3%, but rising deliveries and limited removals point to mild upward pressure ahead. Performance diverged by segment, with general retail remaining the most resilient, while neighborhood and power centers saw weaker demand but continued to post the fastest rent growth.

The **industrial** sector continued to cool in November, as new supply remained well ahead of tenant demand, with net absorption down 30% year over year. This imbalance pushed vacancy higher, reinforcing the loss of momentum that has taken hold since the sector's peak. As availability increased, rent growth slowed to 1.4%, reflecting softer pricing power across most markets. Logistics properties still anchor demand, but overall conditions point to a normalization phase as the market works through elevated supply levels.

Commercial Real Estate
An Overview

The **hospitality** sector held steady in November 2025, with occupancy at 62.4%, still about 3% below pre-pandemic norms as remote work trends and softer corporate travel continue to limit demand in major business markets. Despite this, hotel revenues have improved, with ADR and RevPAR now well above 2019 levels, supporting solid profitability. At the same time, transaction activity has slowed as higher financing costs and economic uncertainty make investors more cautious.

Economy

Job growth (September 2025 compared to March 2020): 5.8%
Inflation (September 2025): 3.0%
Gross Domestic Product (GDP) Q2 2025(final estimate): 3.8%

Hiring remained modest in September, with payrolls up 119,000, and downward revisions left July and August combined 33,000 below earlier estimates. The unemployment rate held at 4.4 percent, higher than 4.1 percent a year ago, underscoring ongoing labor market softness. In response to this continued weakness, the Federal Reserve delivered a second 25-basis-point rate cut in October, lowering the target range to 3.75%-4.00%. Which, in turn, made long-term rates slip to 4.06 percent in October.

Modest Hiring in September Amid Downward Revisions

U.S. job growth remained soft in September, with nonfarm payrolls up 119,000 and little overall change since April. Revisions also pointed to softer momentum, with July's gain revised down from 79,000 to 72,000 and August's figure lowered from 22,000 to a loss of 4,000, leaving the two months a combined 33,000 below earlier estimates.

Total job positions increased to 159.6 million in September. Over the past year, the economy added about 1.3 million jobs, and since March 2020, more than 8.7 million have been created.

Number of Jobs

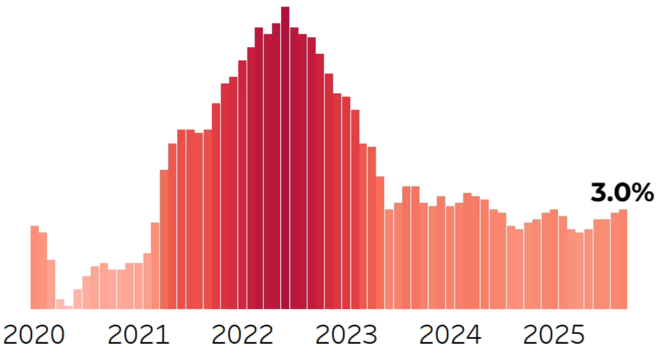
March 2020	**150.9 million**
September 2024	**158.3 million**
September 2025	**159.6 million**

Source: NAR analysis of U.S Bureau of Labor Statistics data

Inflation increased to 3.0% in September

Inflation rose to 3.0% in September. While the inflation rate increased further, private data suggests slowing rents, which make up about 40% of CPI, could ease inflation pressures in the months ahead.

Inflation



Source: NAR analysis of U.S Bureau of Labor Statistics data

The Federal Reserve cut rates again

Even without a new inflation reading, the Federal Reserve moved ahead with a second 25-basis-point rate cut at its October meeting, lowering the target range to 3.75%-4.00%. Long-term rates also eased, with the 10-year Treasury yield slipping to 4.06% in October, its lowest level in nearly a year. The continued decline in borrowing costs could help spur renewed investment activity in the commercial real estate sector.

Economy Expands at a Stronger Pace in the 2nd quarter.

The latest estimate shows U.S. real GDP rising 3.8% in Q2 2025, up from 3.3% in the prior estimate and rebounding from a 0.6% decline in the 1st quarter. The stronger gain was driven by higher consumer spending and fewer imports, but partly offset by declines in business investment and exports. Real final sales to private domestic purchasers rose 2.9%, reflecting solid underlying demand. The upward revision underscores continued resilience in consumer activity and private-sector output, suggesting the economy maintained steady momentum heading into the second half of 2025.

Commercial Real Estate Lending

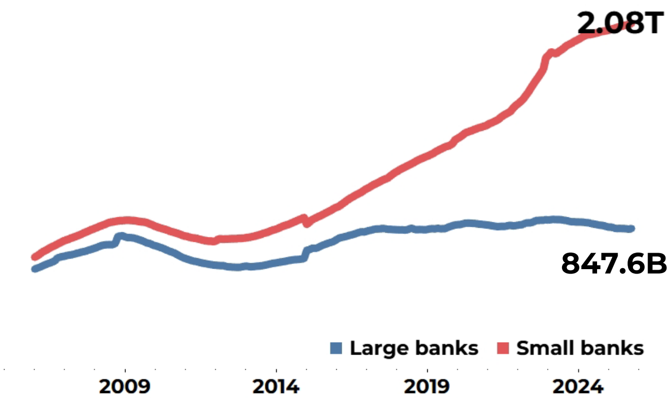
CRE loans (November 2025): $3.05 trillion
Delinquency rate of CRE loans (Q3 2025): 1.56%

CRE debt stayed at $3 trillion in November

Commercial real estate debt remained steady at $3 trillion in November, as the two recent Fed rate cuts have yet to take a noticeable effect across financing markets. Conditions remain tight for now, but a continued easing in long-term rates could lower borrowing costs, creating a more supportive environment for commercial real estate investment.

By bank size, large U.S. banks continued to scale back their CRE loan holdings, falling to $847.5 billion from $859.2 billion a year earlier. Meanwhile, smaller domestic banks grew their CRE portfolios, with balances up 2.6% year over year.

Commercial Real Estate Debt for Small and Large Banks (November 2025)

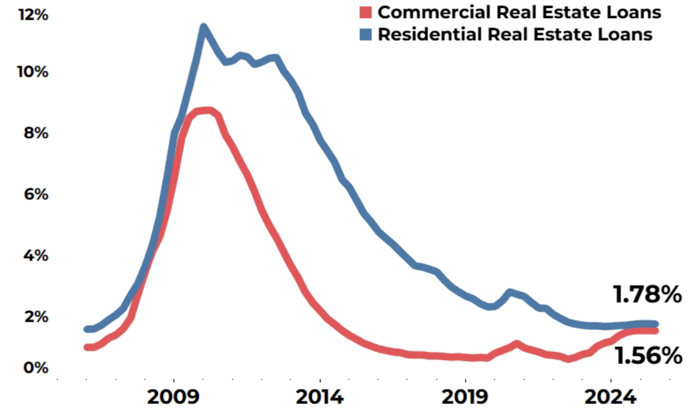


Source Federal Reserve

CRE Loan Delinquencies Show First Decline in Three Years

Federal Reserve data shows that commercial real estate loan delinquencies decreased slightly to 1.56% in Q3 2025 after nearly three years of gradual increases. This is about 0.2 percentage points below residential loan delinquency rates. For comparison, delinquencies stood at 0.72% in Q2 2022 and rose steadily until Q3 2025. From a longer-term perspective, CRE loan delinquencies remain historically low, consistently staying below 3.5% over the past decade. This recent pullback may reflect the first signs of relief following the Fed's September rate cut, and the additional reduction delivered in October could help reinforce this improvement in coming quarters.

Delinquency rates Commercial vs Residential loans (Q3 2025)



Source Federal Reserve

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Office

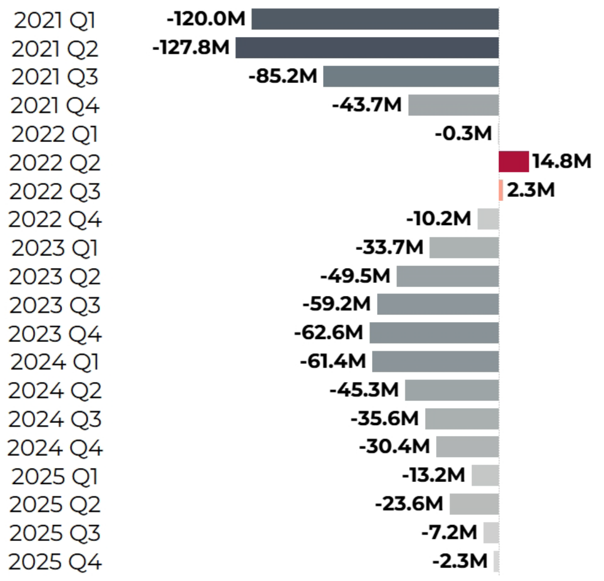
Net absorption in the last 12 months: -2.3 million sq. ft.
Rent growth in the last 12 months: 0.7%
Cap rate: 9.0%

The office sector showed both progress and ongoing challenges in November. Annual net absorption continued to recover from last year's steep losses, improving to –2.3 million square feet, compared with -30 million square feet a year ago, though still negative. Vacancy inched up to 14.1%, while rent growth eased to 0.7% from 1.7% a year earlier, reflecting ongoing use of concessions to retain tenants.

Class A remained the primary driver of office demand in November, absorbing 17.7M SF over the past year even as it continued to carry the highest vacancy at 20.3%. Class B posted modest improvement, with annual losses shrinking from –18.8M SF to –14.4M SF. Although the segment's absorption is still negative, its vacancy stays at 12.4%, well below the national average, and rent growth of 1.0% remains above the national average. Class C again recorded tenant losses of 4.9M SF, the same as a year ago, yet it continues to hold the lowest vacancy at 5.4%.

Washington, DC, and Chicago saw the largest occupancy losses, each vacating over 3M SF. In Boston, outflows eased sharply from 7.1M SF a year ago to 1.4M in November, reflecting a noticeable improvement in tenant demand.

Quarterly Net Absorption 12 Mo in sq. ft



Top 10 areas with the largest 12 Mo Absorption

	2025 Q4	2024 Q4
New York, NY	6.63M	1.45M
Dallas-Fort Worth, TX	3.11M	0.84M
Northwest Arkansas, AR	2.38M	0.43M
Houston, TX	1.89M	-1.05M
Charlotte, NC	1.65M	-0.31M
Phoenix, AZ	1.44M	-2.33M
San Francisco, CA	1.35M	-2.06M
Kansas City, MO	1.30M	0.60M
Detroit, MI	1.18M	0.25M
Cleveland, OH	1.05M	-1.12M

Top 10 areas with the lowest 12 Mo Absorption

	2025 Q4	2024 Q4
Washington, DC	-4.50M	-4.25M
Chicago, IL	-3.34M	-5.63M
Los Angeles, CA	-2.01M	-4.15M
Denver, CO	-1.88M	-1.80M
Portland, OR	-1.69M	-0.57M
Philadelphia, PA	-1.56M	-0.12M
Boston, MA	-1.41M	-7.10M
Seattle, WA	-1.09M	-1.78M
Salt Lake City, UT	-0.90M	-0.33M
Atlanta, GA	-0.86M	-1.51M

Source: NAR analysis of CoStar data

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Multifamily

Absorption of units in the last 12 months: 454,173 units
Rent growth in the last 12 months: 0.2%
Cap rate: 6.1%

The multifamily market remained stable in November, extending the gradual normalization of recent months. Twelve-month absorption eased 16% from a year ago but stayed within a narrow band, and new deliveries fell 23% over the same period. The supply-demand gap continued to tighten, now at 18% compared to 30% last year, as the market works through earlier overbuilding. Vacancy edged up to 8.3%, and rent growth slowed further to 0.2% as the sector moved into a soft winter leasing season.

In November, Class A posted modest absorption alongside a 0.2% rent decline, while vacancy decreased to 10.2%, reflecting generally stable but subdued conditions. Class B also recorded softer absorption, with vacancy rising to 9.8% and rent growth slipping to -0.1%, indicating a slight cooling in the mid-tier segment. Class C continued to experience tenant losses, and rent growth eased from last year but remained positive at 1.1%, while still maintaining the lowest vacancy in the sector at 6.2%.

National rent growth slowed even further in November, easing to 0.2% as lingering oversupply continued to pressure several Sun Belt markets. Sarasota, Fort Myers, and Naples, FL, saw the steepest declines, with rents dropping more than 6%. On the upside, San Francisco, CA, posted the strongest growth in the nation at 5.4%, followed by South Bend, IN, at 4.6%, both far above the national average.

Major metros like New York City, Dallas–Fort Worth, Atlanta, and Austin each absorbed over 20,000 multifamily units through October, reflecting resilient demand in large urban markets. Meanwhile, Stockton, CA, and New Orleans, LA, saw net move-outs, with occupancy declining by more than 100 units.

Top 10 areas with the strongest 12-month absorption

	2025 Q4	2024 Q4
New York, NY	29,487	27,773
Dallas-Fort Worth, TX	25,803	26,335
Atlanta, GA	20,490	19,163
Austin, TX	20,471	19,936
Phoenix, AZ	15,722	17,860
Charlotte, NC	14,828	12,455
Seattle, WA	9,904	11,688
Houston, TX	9,417	17,634
Nashville, TN	9,323	10,313
Denver, CO	8,863	8,096

Top 10 areas with steepest 12 Mo rent rises

	2025 Q4	2024 Q4
San Francisco, CA	5.39%	2.78%
South Bend, IN	4.61%	6.26%
Rockford, IL	4.13%	5.88%
Springfield, MA	3.94%	4.50%
Rochester, NY	3.88%	4.42%
Youngstown, OH	3.78%	4.76%
Flint, MI	3.52%	3.15%
Springfield, MO	3.30%	4.03%
Jackson, MS	3.29%	4.78%
Norfolk, VA	3.27%	2.90%

Source: NAR analysis of CoStar data

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Retail

Net absorption in the last 12 months: -3.1 million sq. ft.
Rent growth in the last 12 months: 1.9%
Cap rate: 7.2%

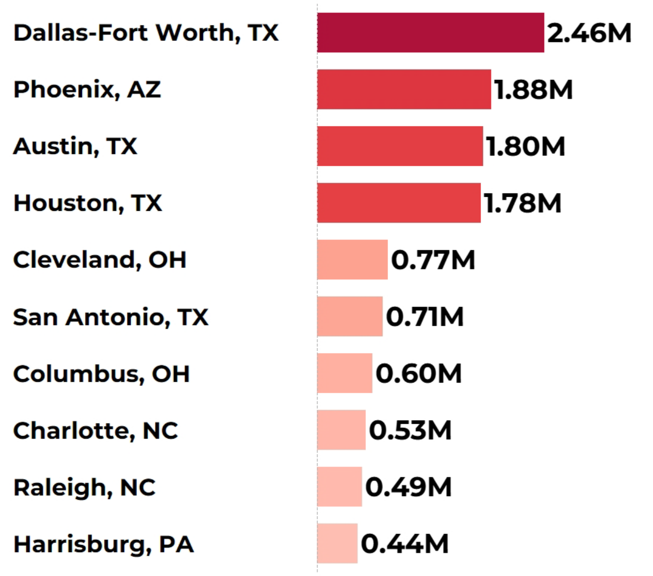
Retail activity was robust in 2014 through 2017, but the rapid expansion of e-commerce started to slow demand, a shift that the pandemic later intensified. Over the 12 months ending in November, net absorption declined from 21.3M SF to -5.3M SF, while rent growth moderated to 1.9%. Despite these headwinds, retail continues to deliver the strongest rent growth among major commercial property sectors.

Retail vacancy held at 4.3% in November, though market conditions weakened as net absorption moved into negative territory and 12-month deliveries climbed to 28.7M SF. With minimal space being removed and new supply continuing to enter the market, vacancy could face upward pressure in the coming months.

General retail remained the top performer, absorbing about 12M SF over the past year, though down from 19.3M SF a year earlier. Neighborhood Centers saw the sharpest retreat, with roughly 9.9M SF vacated, followed by Power Centers, which shed about 3M SF.

General retail continues to maintain the lowest vacancy at 2.7%, while Neighborhood and Power Centers posted the fastest rent gains, both at 2.5%.

Top 10 areas with the strongest net absorption in the last 12 months

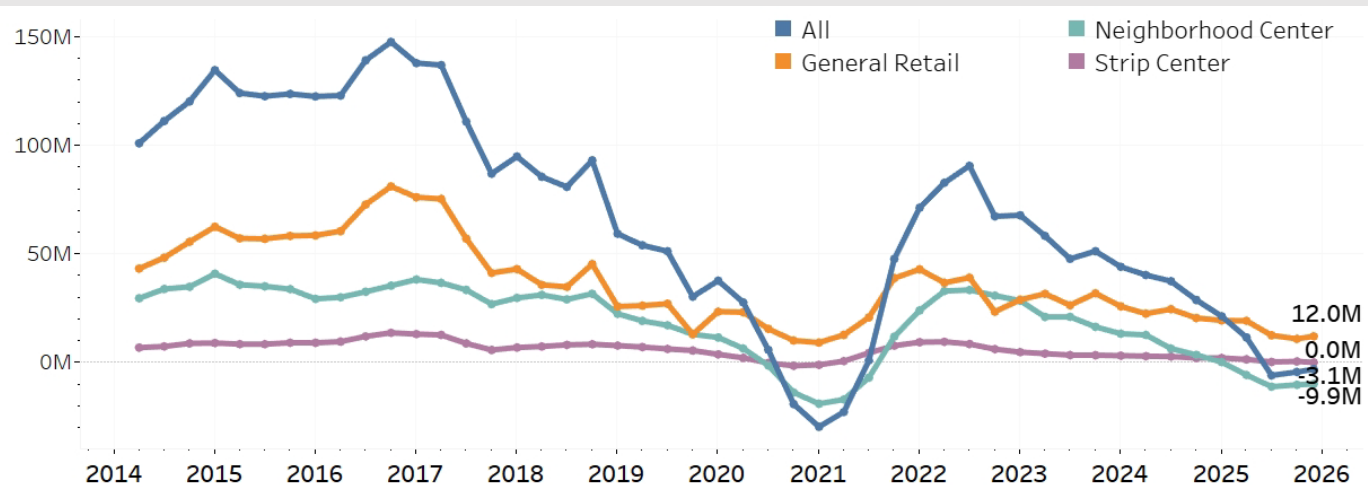


Source: NAR analysis of CoStar data

In November, Raleigh and Charlotte, NC, recorded the fastest annual rent growth at 8.5% and 7.4%, respectively, while Akron, OH, saw rents fall more than 2.7%.

Dallas–Fort Worth, Houston, Austin, and Phoenix led retail absorption, each adding over 1 million square feet, while Los Angeles, CA, Atlanta, GA, Chicago, IL, and Buffalo, NY each vacated more than 1 million square feet amid ongoing economic and population pressures.

Net Absorption 12 Mo by type (Q1 2014 – November 2025)



Source: NAR analysis of CoStar data

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Industrial

Net absorption in the last 12 months: 86.8 million sq. ft.
Rent growth in the last 12 months: 1.4%
Cap rate: 7.2%

Following its peak in 2022, the industrial sector has continued to cool as new supply remains well ahead of tenant demand. In the year ending November 2025, net absorption declined 30% to 86.8 million square feet, while new completions advanced at roughly three times the rate of leasing. As a result, vacancy rose to 7.5% and rent growth slowed to 1.4%, pointing to a continued easing in market momentum.

Logistics assets remained the primary source of demand, accounting for 76.8 million square feet of absorption over the past year. Specialized industrial properties also recorded modest gains, adding 2.1 million square feet, while flex space underperformed, with 8.3 million square feet vacated. Rent growth decelerated across all segments, with specialized space slowing to 1.1%, flex rents easing to 0.9%, and logistics rents moderating to 1.6%.

Dallas–Fort Worth, TX, led industrial absorption in November, adding 24.5 million square feet over the past year, followed by Phoenix, AZ, at 17.1 million square feet. Houston, TX, also ranked among the top markets with nearly 13 million square feet absorbed over 12 months, though this marks a sharp pullback from 21.6 million square feet a year earlier. In contrast, Memphis, TN, and Lehigh Valley, PA experienced notable reversals, each vacating more than 4 million square feet, underscoring the uneven nature of the slowdown.

Metro-level rent trends in November varied widely. Charlotte, NC, posted the strongest annual growth at 6.2%, with Columbus, OH, and Louisville, KY, close behind at 6.1% and 5.7%, respectively. On the downside, Inland Empire, CA, and Los Angeles, CA recorded rent declines of 4.6% and 4.2%, respectively. Vacancy levels were similarly dispersed, ranging from a high of 15.1% in Port St. Lucie, FL, to a low of 0.9% in Anchorage, AK.

Top 10 areas with the strongest 12 Mo absorption

	2025 Q4	2024 Q4
Dallas-Fort Worth, TX	24.55M	20.62M
Phoenix, AZ	17.13M	13.71M
Houston, TX	12.99M	21.61M
Columbus, OH	11.93M	0.29M
Kansas City, MO	8.71M	3.96M
Savannah, GA	8.49M	21.49M
Indianapolis, IN	8.41M	3.10M
Spartanburg, SC	6.10M	1.19M
Chicago, IL	5.01M	9.38M
Washington, DC	5.01M	5.48M

Top 10 areas with the weakest 12 Mo absorption

	2025 Q4	2024 Q4
Memphis, TN	-5.25M	-1.07M
Lehigh Valley, PA	-4.07M	-1.88M
Detroit, MI	-3.99M	-0.49M
Baltimore, MD	-3.55M	-1.25M
Cleveland, OH	-3.00M	0.76M
Atlanta, GA	-2.98M	8.99M
Stockton, CA	-2.47M	1.09M
Boston, MA	-2.46M	-0.43M
Milwaukee, WI	-2.35M	-1.36M
Akron, OH	-1.91M	1.18M

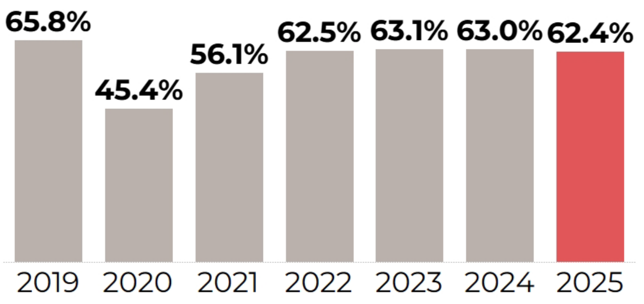
Source: NAR analysis of CoStar data

Hotel

Occupancy rate in the last 12 months: 62.4%
Average daily rate in the last 12 months: $160/room
Revenue per available room in the last 12 months: $100/room

The hospitality sector remained steady in November 2025, with occupancy at 62.4%, slightly less than in previous years and still a few points below pre-pandemic levels. Ongoing remote work and softer corporate travel continue to limit demand in major business markets, resulting in an uneven recovery. Even so, average daily rates and revenue per available room remain above 2019 benchmarks, supported by solid leisure and mixed-purpose travel demand.

12-month Occupancy Rate in November



The average daily rate (ADR) for hotel rooms hit $160, up 22% from November 2019. Meanwhile, revenue per available room (RevPAR) rose to $100, up 16% from the same period.

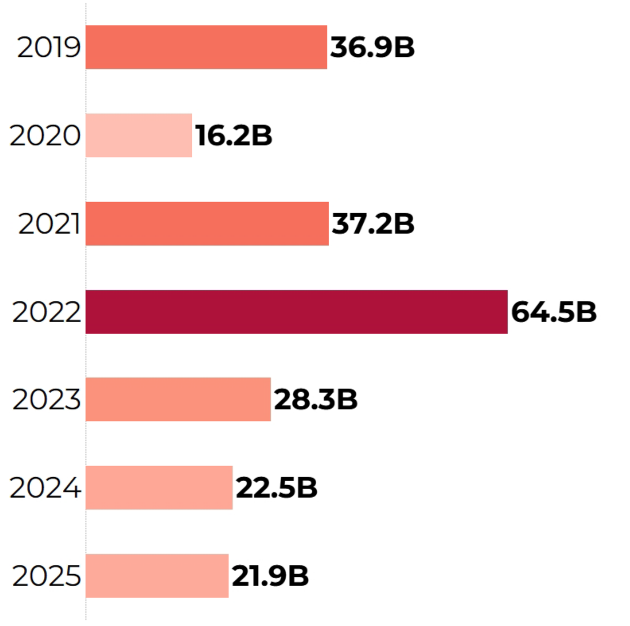
12-month ADR and RevPAR in November

	Average daily rate	Revenue per available room
2019	$131	$86
2020	$107	$48
2021	$122	$69
2022	$149	$93
2023	$156	$98
2024	$159	$100
2025	$160	$100

ADR is the total revenue/number of rooms.
RevPAR is ADR x occupancy rate.

Hotel investment slowed over the past year, with 12-month sales volume easing to $21.9 billion in November 2025 from $22.5 billion the year before. The decline highlights a more cautious investment climate, as higher financing costs and broader economic uncertainty continue to restrain transaction activity, even though hotel fundamentals remain steady.

12-month Sales Volume as of November



Source: NAR analysis of CoStar data

Kauai Island, Hawaii, remains one of the top hospitality performers, with ADR and RevPAR more than 55% above pre-pandemic levels, and occupancy at a strong 72%. Maui leads the country on pricing, posting the highest ADR at $537 and RevPAR at $340, while New York City continues to dominate in occupancy at 84% on the strength of both business and leisure travel.

In contrast, Texas West and Oakland, CA, continue to trail the recovery, with RevPAR still more than 24% below pre-pandemic benchmarks.

COMMERCIAL REAL ESTATE REPORT
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