The Cost of Capital Reset

What Elevated Long-Term Rates Mean for Commercial Real Estate Occupiers

Historic 10-Year Treasury Yield



Source: DG510: Market Yield on U.S. Treasury Securities of 10-Year Constant Maturity; KBRA, "2026 U.S. CMBS Outlook," December 2025.

Capital Markets **Snapshot**

5.05%
10-year Treasury
October 28, 2026

3.75%-4.00%
Federal funds target range

$875B
Commercial mortgage maturities scheduled for 2026

The long-term rate reset is keeping financing costs above the levels that shaped many recent CRE valuations, development plans, and leasing assumptions.

What This Means for Occupiers

The impact reaches occupiers through landlords, developers, and the availability of capital.

1

Higher Occupancy Costs

Financing, construction, and tenant improvement costs can keep new space and major expansion expensive.

2

Flexibility Has Greater Value

Options, expansion rights, and shorter commitments become more valuable when future capital costs are uncertain.

3

Landlord Quality Matters

Evaluate ownership strength, debt maturities, and the ability to fund improvements over the lease term.

4

Development Becomes Selective

Higher financing costs favor projects with strong demand, creditworthy tenants, and clear operating advantages.

Occupiers cannot control the cost of capital, but they can control timing, flexibility, and landlord risk.

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