

Retail Occupier Outlook

United States Overview:

The Economy and Its Impact on Commercial Real Estate

Cresa Research | Q3, 2026

FIVE BIG THINGS OCCUPIERS SHOULD KNOW

Key Takeaways for our Q3 2026 Occupier Outlook

OCCUPIER OUTLOOK

1 QUALITY

The office recovery is happening at the top.



+34.7M SF

Top-Tier Class A absorption since Q3 2020

2 TIME

Office leasing is taking longer.



17.2 months

Compared with 13.1 months in 2019

3 CAPITAL

Long-term borrowing costs remain elevated.



5.2%

10-year Treasury yield—highest since early 2002

4 SUPPLY

Industrial supply is becoming more selective



92.6M SF

Industrial construction starts in Q3 -- 83% was distribution projects

5 SCARCITY

Retail construction has reached a record low.



10.0M SF

Retail construction starts hit the lowest quarterly total on record

Implications for Occupiers

Plan earlier and preserve flexibility as quality space becomes scarcer, industrial supply becomes more use-specific, and long-term capital costs remain elevated.

ECONOMIC RESILIENCE SUPPORTS CRE FUNDAMENTALS

Commercial Real Estate Adjusts to Slower Growth and More Selective Demand

Executive Summary

Macroeconomic View

- Economic growth remains positive, but employment gains have slowed, and inflation remains above the Federal Reserve's target. Monetary policy remains data-dependent, keeping borrowing costs elevated.
- Consumers and businesses remain active, but decisions are becoming more measured, with greater focus on productivity and operating efficiency.
- Real estate performance continues to vary by sector, market, building quality, and tenant demand.

Office Market

- Class A office absorption remained positive through Q3 2026, while Class B absorption remained negative. Class A vacancy has improved, but availability remains elevated.
- Limited new construction and declining sublease supply support gradual stabilization, although the recovery remains uneven by market and building quality.
- Occupiers can use favorable conditions to upgrade, right-size, and improve lease flexibility, particularly where Class B vacancy remains elevated.

Industrial Market

- Industrial demand remains resilient, but leasing and construction have normalized from pandemic-era highs. Distribution occupiers have more choice as prior speculative projects deliver.
- New construction is increasingly selective and concentrated in manufacturing, specialized facilities, and markets with strong preleasing, power, and labor availability.
- Occupiers should begin site selection early for specialized facilities and prioritize infrastructure, labor, and supply-chain resilience.

Retail Market

- Retail sales remain positive, and vacancy remains low, but rent growth and leasing activity have moderated. Demand remains strongest in neighborhood and convenience formats.
- Retailers are shifting from broad expansion toward portfolio optimization, using renewals, relocations, resizing, and second-generation space to improve productivity.
- Record-low construction starts and limited net inventory growth will keep competition elevated for well-located retail space.

COMMERCIAL REAL ESTATE MARKET BY THE NUMBERS

Year-Over-Year Change Indicators Mixed

OCCUPIER OUTLOOK

Performance Snapshot

	Office			
	Q3 2026	Q3 2025	Change	Trend
Inventory SF	5.660 B	5.676 B	-15.2 M	►
Class A Rate Growth (Y-o-Y)	2.19%	1.92%	+027 bps	▲
Class B Rate Growth (Y-o-Y)	1.94%	2.55%	-061 bps	▼
Leasing Activity (TTM)	311.6 M	313.1 M	-1.5 M	►
Vacancy Rate	18.4%	18.4%	000 bps	►
Availability Rate	21.7%	22.5%	-080 bps	▼
Net Absorption (TTM)	+18.1 M	-85.0 M	+103.2 M	▲
Under Construction SF	53.5 M	59.2 M	-5.7 M	▼
Net Deliveries (TTM)	26.4 M	49.9 M	-23.5 M	▼
Sales Volume (TTM)	\$95.1B	\$76.1B	+\$19.0B	▲
Sales Price Per SF	\$215	\$205	+\$9.99	▲
Market Cap Rate	7.44%	7.39%	+005 bps	►

	Industrial			
	Q3 2026	Q3 2025	Change	Trend
Inventory SF	10.743 B	10.508 B	+235.1 M	▲
Manufacturing Rate Growth (Y-o-Y)	1.25%	3.56%	-231 bps	▼
Distribution Rate Growth (Y-o-Y)	2.47%	3.44%	-097 bps	▼
Flex Rate Growth (Y-o-Y)	1.97%	2.64%	-067 bps	▼
Leasing Activity (TTM)	+848.8 M	+685.9 M	+162.9 M	▲
Vacancy Rate	10.2%	10.4%	-020 bps	▼
Availability Rate	14.7%	14.8%	-010 bps	►
Net Absorption (TTM)	+359.7 M	+214.8 M	+144.9 M	▲
Under Construction SF	+482.0 M	+449.0 M	+33.0 M	▲
Net Deliveries (TTM)	+338.7 M	+396.9 M	-58.3 M	▼
Sales Volume (TTM)	\$82.5B	\$66.3B	+\$16.2B	▲
Sales Price Per SF	\$135	\$136	-\$0.20	►
Market Cap Rate	6.51%	6.19%	+031 bps	▲

	Retail			
	Q3 2026	Q3 2025	Change	Trend
Inventory SF	4.518 B	4.510 B	+8.2 M	►
Neighborhood & Convenience Rate Growth (Y-o-Y)	2.6%	3.4%	-077 bps	▼
Destination Rate Growth (Y-o-Y)	2.7%	3.4%	-066 bps	▼
Regional & Mixed-Use Destination Rate Growth (Y-o-Y)	1.8%	3.0%	-117 bps	▼
Leasing Activity (TTM)	81.6 M	98.3 M	-16.7 M	▼
Vacancy Rate	6.3%	6.4%	-008 bps	►
Availability Rate	6.3%	6.6%	-031 bps	▼
Net Absorption (TTM)	+11.5 M	-15.2 M	+26.7 M	▲
Under Construction SF	15.4 M	12.3 M	3.2 M	▲
Net Deliveries (TTM)	10.3 M	9.1 M	1.2 M	▲
Sales Volume (TTM)	\$20.9B	\$20.3B	+\$0.6B	▲
Sales Price Per SF	\$186	\$182	+\$3.59	▲
Market Cap Rate	6.27%	6.35%	-008 bps	▼

Occupier Leverage



Occupier Leverage



Occupier Leverage



Economic Overview



Economic Growth Supports More Measured Real Estate Decisions

The U.S. economy continues to expand, supported by business investment and consumer spending, although growth and employment gains have moderated. Inflation has eased from its peak but remains above the Federal Reserve's 2 percent target, keeping monetary policy cautious and borrowing costs elevated.

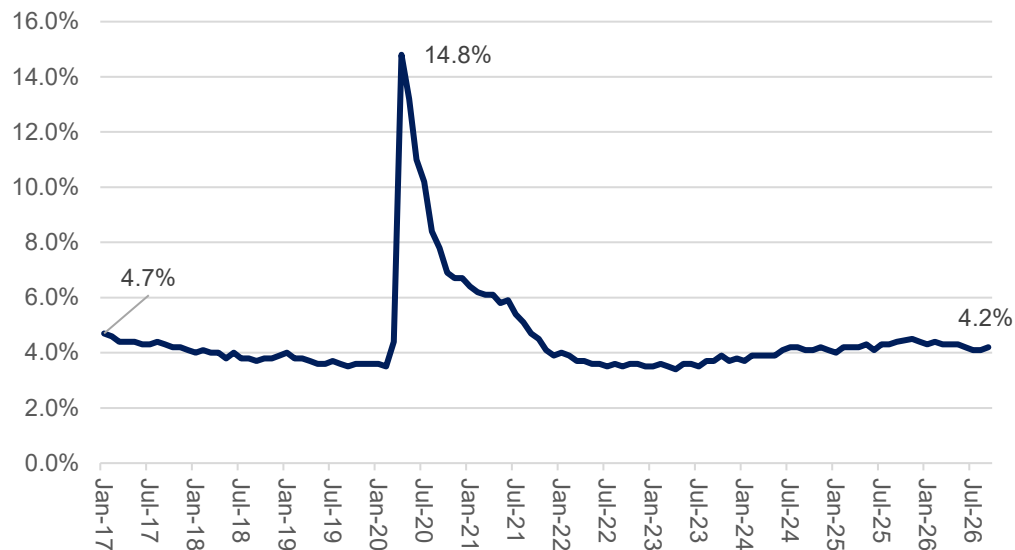
These conditions are encouraging more measured real estate decisions. Office users are consolidating and favoring higher-quality space, industrial occupiers are prioritizing supply-chain resilience and specialized facilities, and retailers are focusing on productive locations and existing portfolios. Across sectors, flexibility and operating efficiency remain central to real estate strategy.

Unemployment

Unemployment Steadies After Drifting Higher

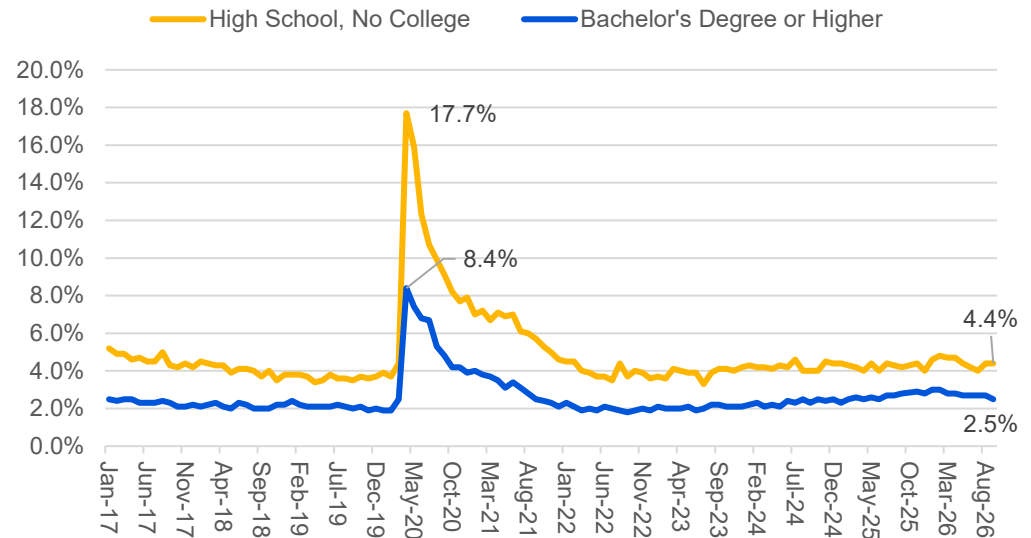
The Bureau of Labor Statistics (BLS) reported a steady U.S. unemployment rate of 4.2 percent in September 2026. Unemployment has held within a narrow range, but limited payroll growth and downward revisions point to a low-hire, low-turnover environment.

Total Unemployment: (United States)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>; Seasonally adjusted

High School Only vs. Bachelor's Degree or Higher



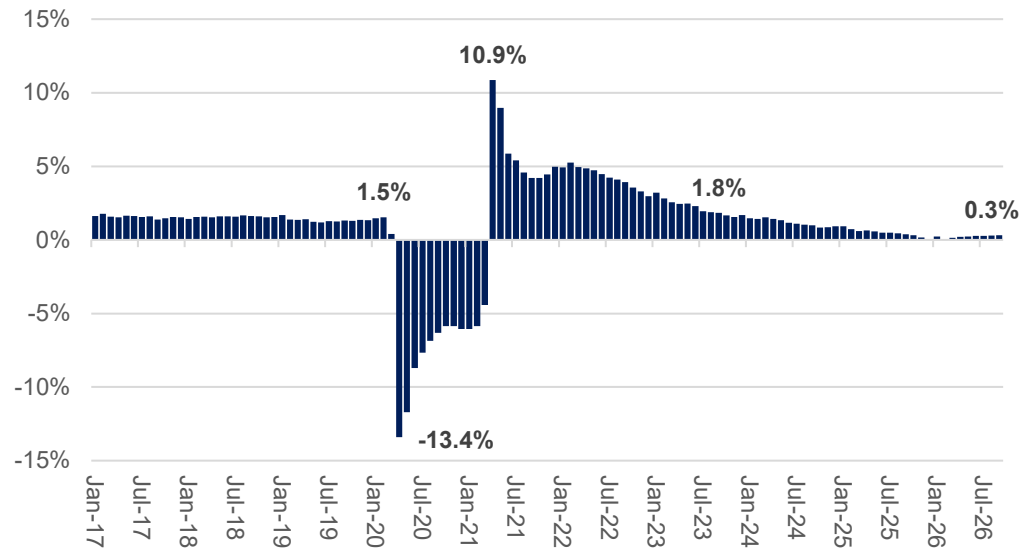
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>; Seasonally adjusted

Employment

Job Creation Slows as Employers Remain Cautious

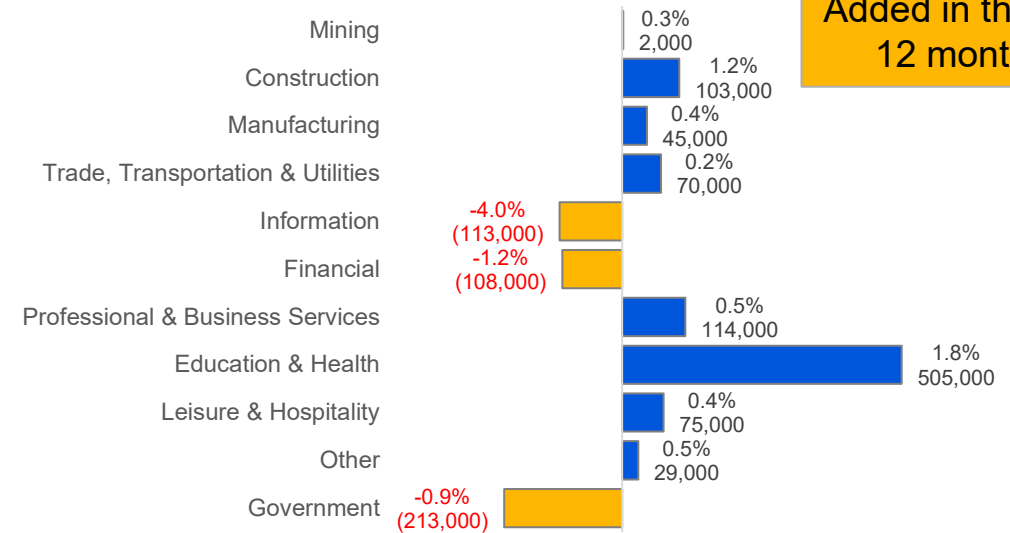
Employment growth has slowed significantly, but the labor market remains stable. Payroll gains totaled only 29,000 in September, while revisions reduced reported employment growth by a combined 60,000 for July and August. For office occupiers, slower employment growth is likely to limit large-scale expansion and reinforce the focus on utilization, right-sizing, and portfolio efficiency. Demand remains strongest in healthcare and selected professional services.

All Job Sectors (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

Job Sector Adjustment (12-Month Change)



509 K JOBS
Added in the last
12 months

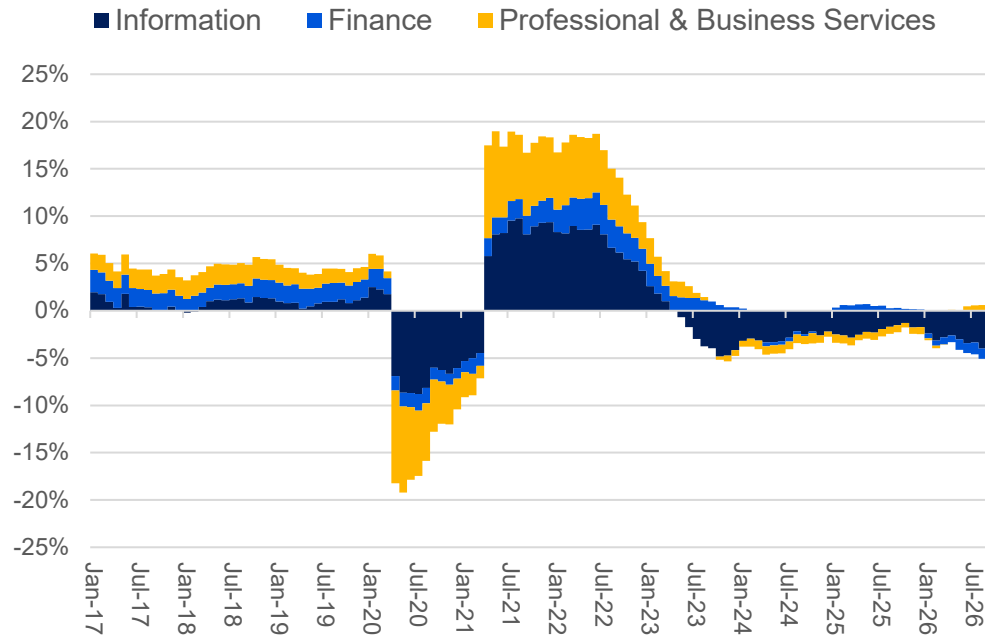
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

Employment

Office Employment Stalls While Industrial Jobs Hold Steady

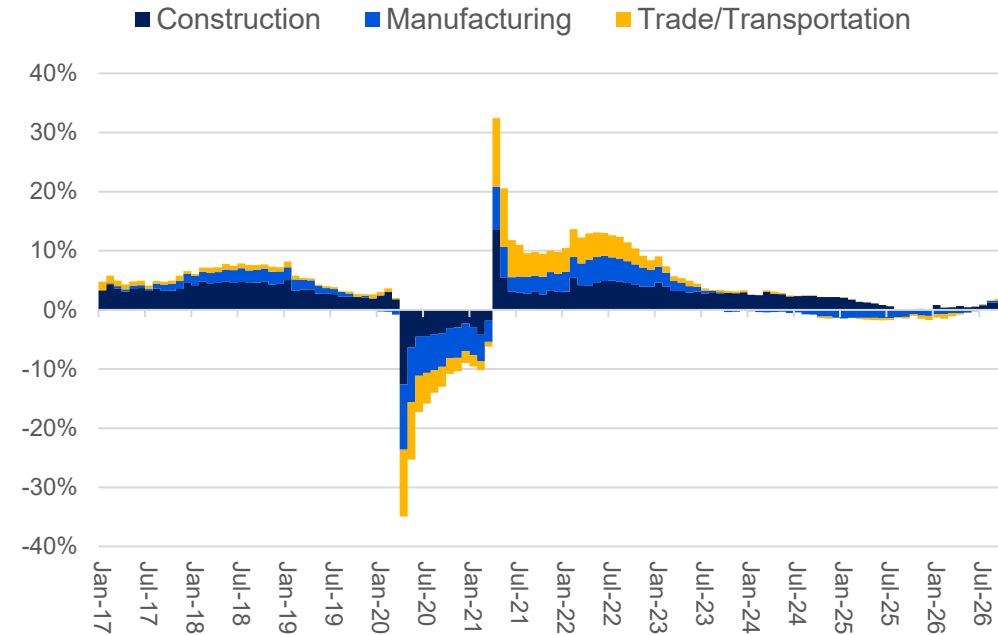
Office-occupying employment remains largely flat, with little recent growth in information, finance, and professional and business services. Industrial-related employment has remained mixed, with modest gains in manufacturing and construction offset by limited growth in transportation and warehousing. Together, the trends favor selective expansion and continued portfolio discipline rather than broad-based real estate growth.

Office-Occupying Jobs (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

Industrial-Related Jobs (12-Month Change)



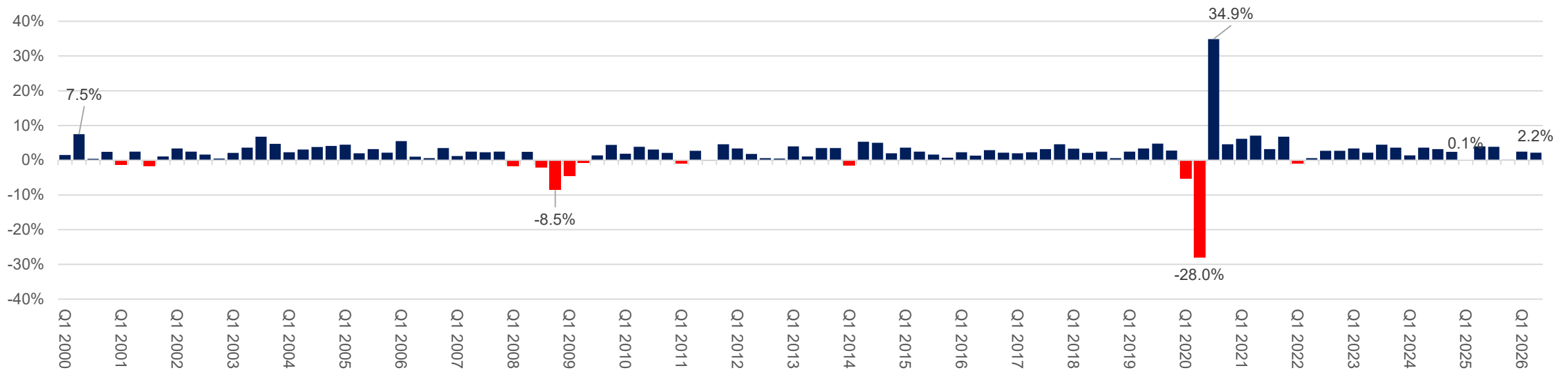
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

GDP

Economic Growth Holds Up as Consumer Spending and Investment Support Expansion

The U.S. economy expanded at a 2.2 percent annualized rate in the second quarter of 2026, following a revised 2.5 percent increase in the first quarter. Growth was supported by consumer spending, investment, and exports, while higher imports partially offset the gain. The economy remains resilient, but the modest deceleration from the first quarter and limited labor market growth point to a more measured expansion. For occupiers, positive GDP growth supports continued operating demand while reinforcing disciplined capital allocation and selective expansion.

Real GDP Percent Change from Preceding Quarter: Q2 2026



Source [Real Gross Domestic Product \(A191RL1Q225SBEA\)](https://fred.stlouisfed.org/series/A191RL1Q225SBEA) | FRED | St. Louis Fed ([stlouisfed.org](https://fred.stlouisfed.org))

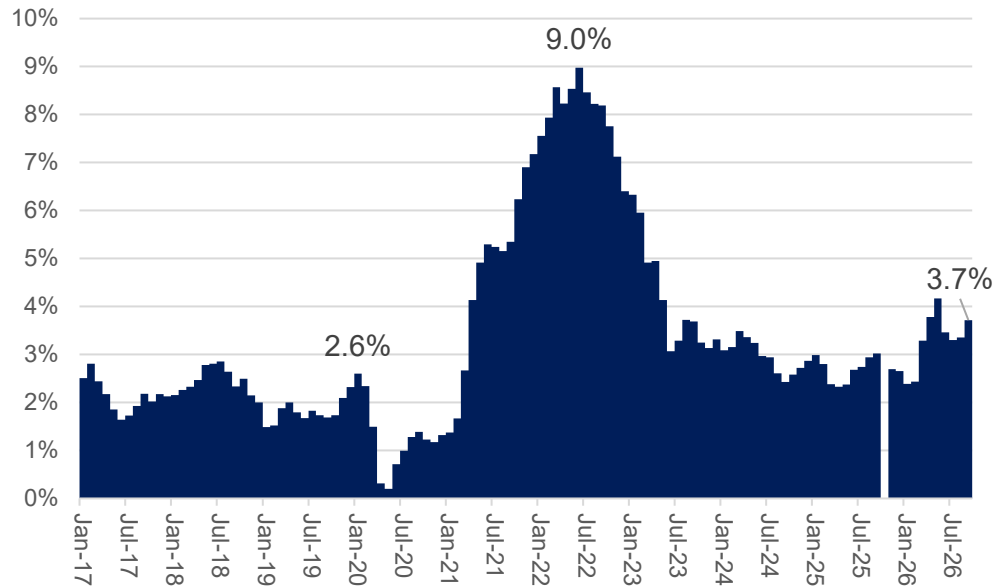
Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A191RL1Q225SBEA>, October 15, 2026. U.S. Bureau of Economic Analysis, GDP—Third Estimate, Q2 2026, released September 30, 2026.

Inflation

Inflation Reaccelerates as Energy Costs Push Prices Higher

The latest BLS release shows that consumer prices increased 0.6 percent in September after rising 0.4 percent in August, bringing annual inflation to 3.7 percent. Energy costs drove more than half of the monthly increase, with gasoline prices rising 9.1 percent, while core inflation increased 2.6 percent over the past year. The report suggests that inflation remains uneven and above the Federal Reserve's 2 percent target. For occupiers, renewed price pressure reinforces the need for disciplined operating budgets, careful evaluation of occupancy costs, and selective capital commitments.

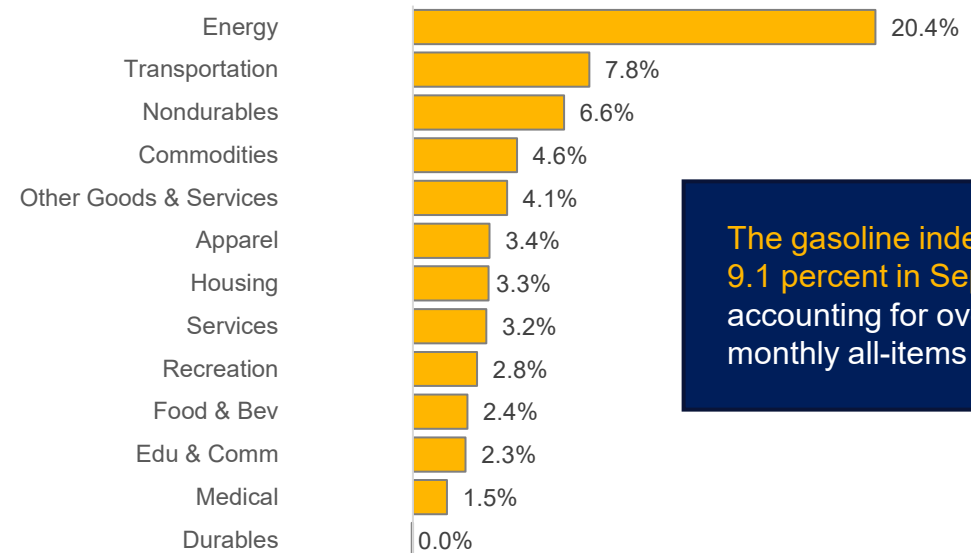
Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>

Note: Seasonally adjusted, Data pulled October 20, 2026. Data not reported in September 2025

Consumer Price Index by Sector (12-Month Change)



The gasoline index rose 9.1 percent in September, accounting for over half of the monthly all-items increase

Source: U.S. Bureau of Labor Statistics, <https://bls.gov>

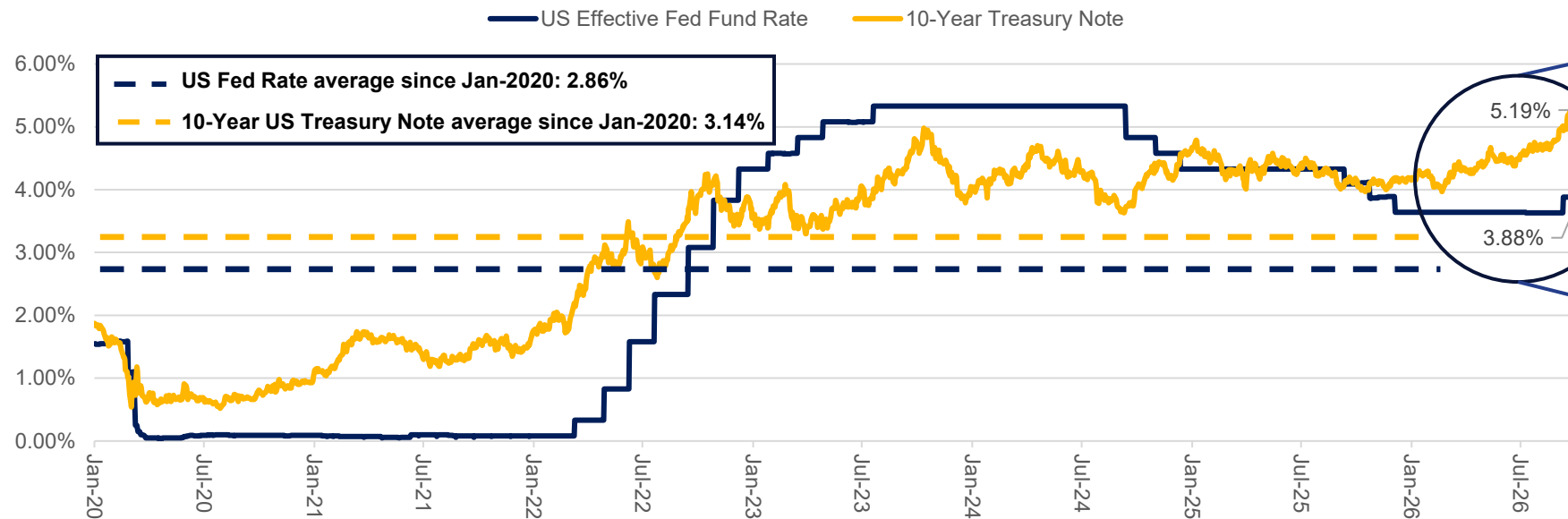
Note: Seasonally adjusted, Data pulled October 20, 2026

Monetary Policy

Fed Raises Rates as Inflation Remains Elevated and Long-Term Yields Stay High

In September, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75–4.00 percent, its first increase since 2023. The decision reflects a resilient economy but renewed concern about inflation, which remains above the Fed's 2 percent target. Long-term borrowing costs remain substantially higher than the short-term policy rate, with the 10-year Treasury yield near 5.2 percent compared with an effective funds rate of approximately 3.9 percent as of mid-October. For occupiers, the spread reinforces that lower short-term rates may not translate quickly into materially lower real estate financing or capital costs.

US Effective Fed Fund Rate & 10-Year Treasury Note



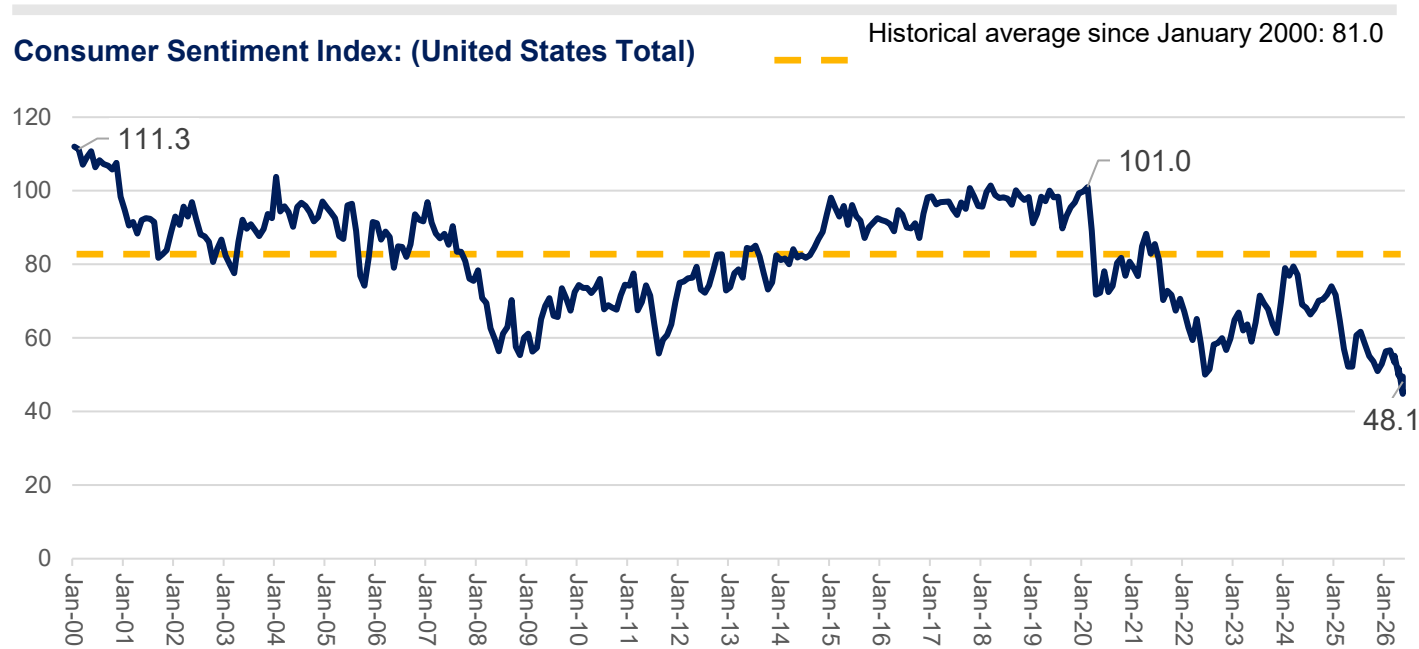
10-Year Treasury Passes US Federal Reserve Rate

When the 10-year Treasury note yield exceeds the US effective rate, it indicates that investors are demanding higher returns on longer-term bonds. The result is typically higher mortgage rates and higher interest rates on other debt, like credit cards.

Consumers

Consumer Sentiment Remains Near Historic Lows as Cost Concerns Persist

Consumer sentiment weakened during the third quarter, with the University of Michigan's index falling to 48.1 in September. The reading was down from 51.7 in August and 15 percent below January, as households remained concerned about high prices, fuel costs, and the economic outlook. Long-term inflation expectations also increased to 3.4 percent, above the range recorded throughout 2024. For occupiers, persistently weak sentiment supports a cautious view of consumer-facing demand and reinforces the need for disciplined expansion, location decisions, and operating costs.



Consumer Sentiment Index

Consumer sentiment is a statistical measurement of the overall health of the economy as determined by consumer opinion. It considers people's feelings toward their current financial health, the health of the economy in the short-term, and the prospects for longer-term economic growth.

Source: Federal Reserve Economic Data, <https://fred.stlouisfed.org>;

Note: Data through September 2026 (UMCSENT). Data pulled October 20, 2026

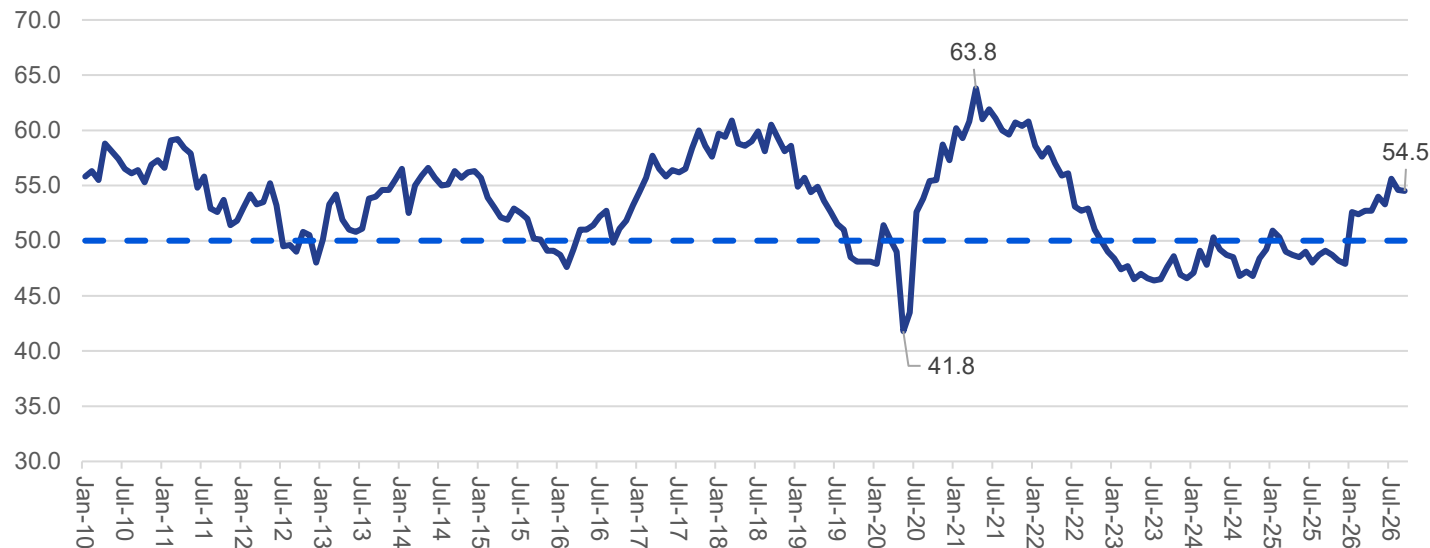
Consumers

ISM Manufacturing PMI Continues to Expand, Signaling Resilient Industrial Activity Despite Moderating Momentum

The Institute for Supply Management (ISM) Manufacturing PMI (Purchasing Managers' Index) for September registered 54.5, marking the ninth consecutive month of expansion. New orders and backlogs strengthened, while the employment index moved further into expansion territory. The improvement in demand was accompanied by a sharp increase in the Prices Index, which rose to 77.9, indicating renewed pressure on materials and operating costs. For industrial occupiers, the data support continued demand for production and specialized facilities, but elevated input costs and policy uncertainty may encourage more selective capital investment and greater flexibility in facility commitments.

ISM Manufacturing Index: (United States Total)

— A score of 50 indicates that the manufacturing sector is generally expanding



ISM Manufacturing PMI

The ISM Manufacturing Index is a key economic indicator that measures the level of demand for products by surveying purchasing managers at manufacturing companies. The PMI is based on five major components: new orders, production, employment, supplier deliveries, and inventories. The index is seasonally adjusted to account for differences in weather, holidays, and other factors. A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.

Source: [Institute of Supply Management](https://www.ism-usa.org/)

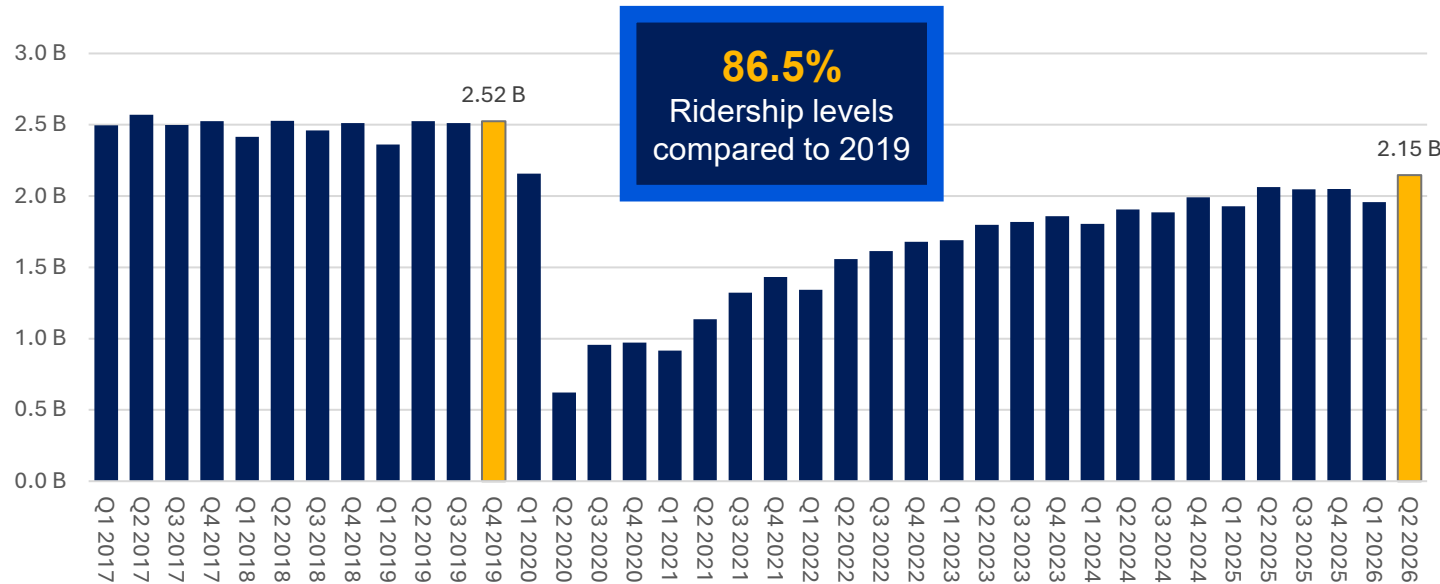
Note: Data through September 2026

Public Transit

Public Transit Ridership Improves in the Second Quarter, But Below Pre-Pandemic Levels

A good indicator of the health of an urban core, and consequently the downtown office market, is the use of public transportation. Public transit ridership increased to 2.15 billion in the second quarter, the highest level since the pandemic. Based on several additional indicators, the momentum for returning to office work seems to have stabilized. For occupiers, transit access remains an important consideration for talent access and office location decisions, but transit recovery alone should not be treated as a proxy for office demand.

Public Transit Ridership: (United States)



Public Transit Still Lags Historic Norms

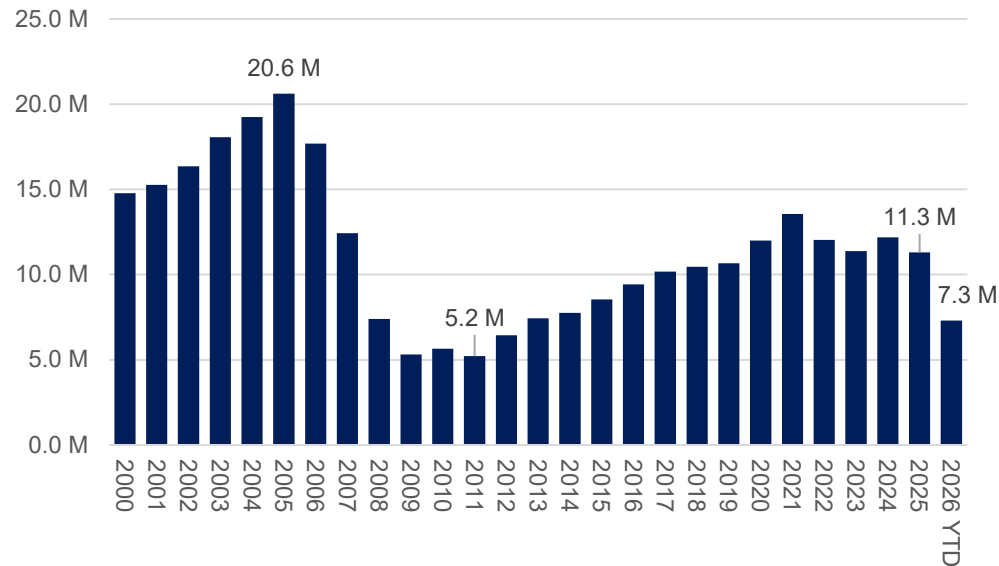
Public transportation has been consistently reliable since the beginning of the century. In 2008, rising gas prices led to a temporary increase in public ridership, but it quickly returned to historic levels. During the first year of the declared pandemic, ridership was cut in half, experiencing a 52.8 percent decrease. As the economy began to reopen in 2021, ridership saw only a modest increase of 3.1 percent compared to the previous year. By early 2022, the economy was moving towards pre-pandemic levels. However, by the end of the second quarter of 2026, public transportation ridership had 86.5 percent of the 2019 average, the last full year before the pandemic began.

Housing

Housing Activity Softens as Affordability and Financing Costs Constrain Demand

Housing activity weakened at the end of the third quarter as builders continued to navigate elevated financing costs and affordability challenges. September housing starts declined 5.2 percent from August and were 7.4 percent below the prior year. At the same time, new-home sales prices have begun to adjust, with the median price down 5.8 percent and the average price down 8.8 percent year-over-year in August. The combination of slower starts and lower prices suggests that builders are using price and other incentives to support demand, but affordability remains a significant constraint.

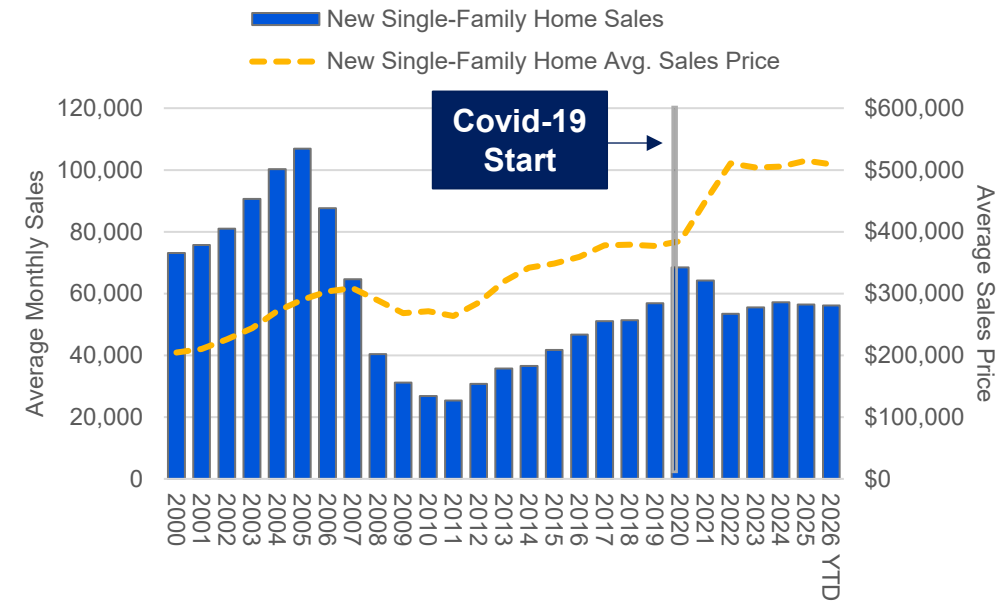
Single-Family Residential Housing Starts



Source: U.S. Census Bureau, <https://census.gov/construction>

*Note: Data through September 2026

Single-Family Homes: No. of Sales vs. Avg Sales Price



Source: U.S. Census Bureau, <https://census.gov/construction>

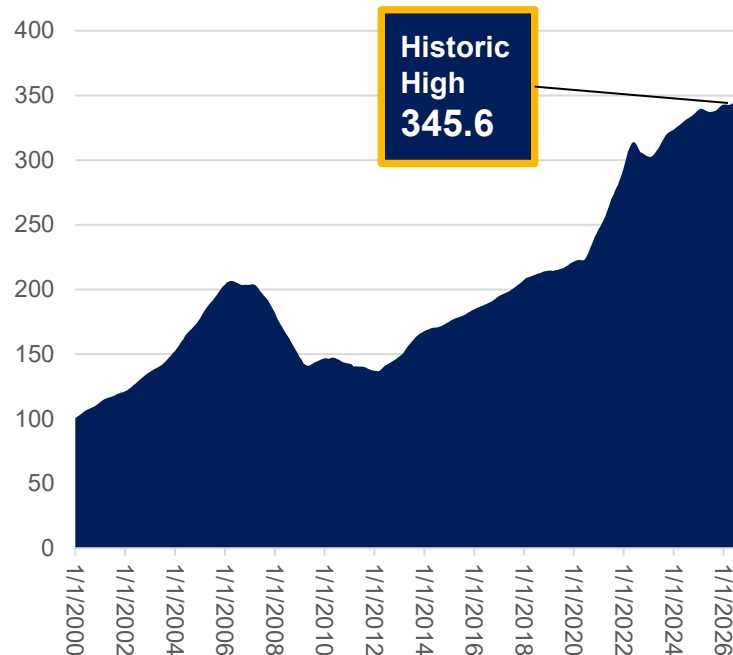
Note: Data through September 2026

Home Price Index

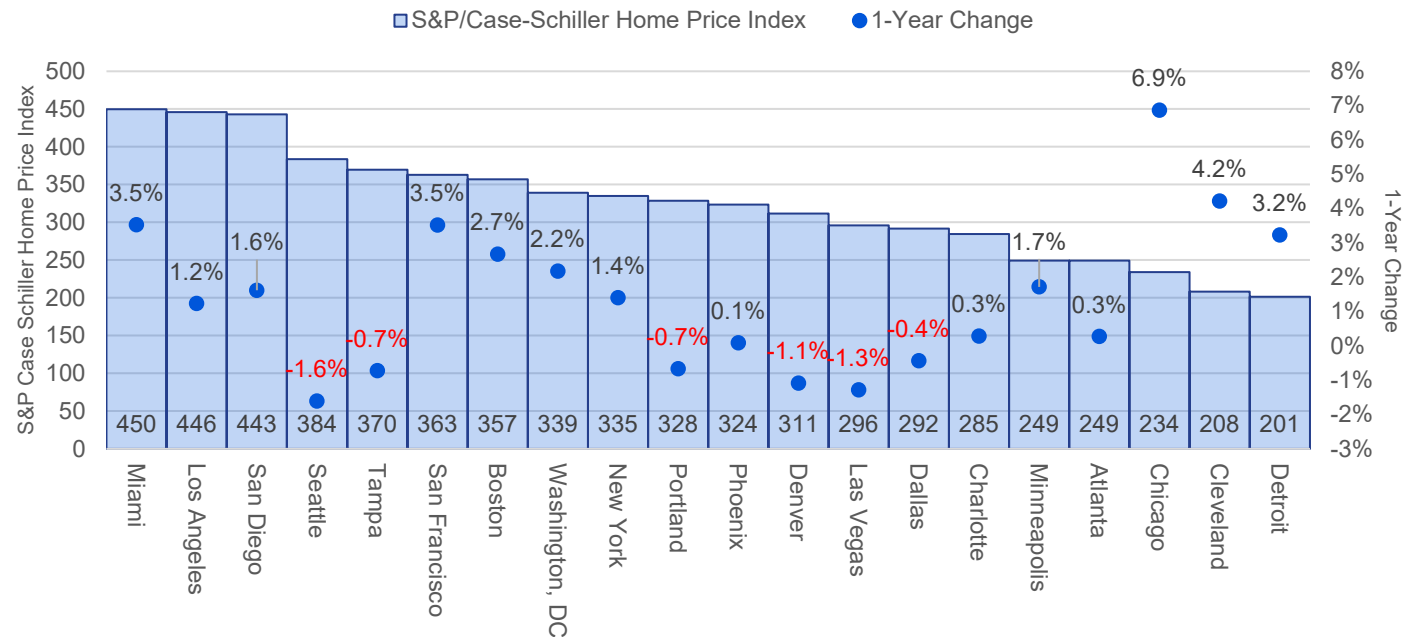
S&P Cotality Case-Shiller Home Price Index Growth Remains Positive as Regional Differences Widen

The Case-Shiller Index is an economic indicator that measures the monthly change in the value of the U.S. single-family home market. The latest S&P Cotality Case-Shiller data show national home prices increased 1.9 percent year-over-year, while the 20-City Composite rose 2.5 percent. Price growth remains positive, but monthly momentum is modest and regional performance has diverged sharply. Chicago, New York, and Cleveland posted the strongest annual gains, while Seattle and several Sun Belt markets recorded declines. The data suggest that housing conditions are becoming increasingly market-specific rather than moving in a uniform direction. For occupiers, these differences affect labor costs, employee housing affordability, and the relative attractiveness of competing locations.

Home Price Index: 20-City Average



S&P Cotality Case-Shiller Home Price Index



Retail Trends



Retail Demand Remains Resilient
as **New Supply Stays Limited**

Retail sales excluding motor vehicles remained positive through the third quarter of 2026, supporting low vacancy across well-located centers. Rent growth has moderated, but limited construction and steady demand continue to support occupancy, particularly in neighborhood and convenience formats. Retailers are focusing on productivity, flexibility, and targeted market expansion rather than broad footprint growth. With construction starts at a record low and nearly 50 million square feet of leases expiring over the next 12 months, occupiers should use upcoming decisions to right-size portfolios, renew strategically, and secure scarce high-quality space.

Retail Tenant View

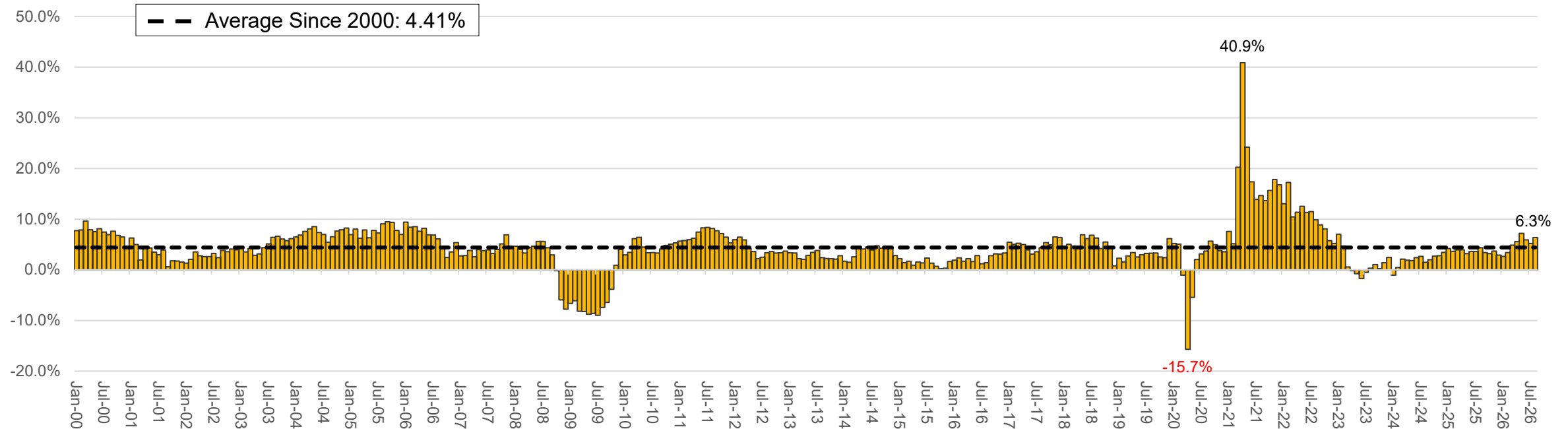
- Prioritize store productivity and trade-area performance when evaluating renewals, relocations, and expansions.
- Use lease expirations to right-size portfolios and capture well-located second-generation space.
- Begin planning early for high-quality locations, where limited new supply continues to increase competition.

Consumer Spending

Consumer Spending Remains a Tailwind for Retail

Retail sales excluding motor vehicles increased 6.3 percent year-over-year in the latest reading, above the 4.4 percent long-term average. While spending growth has moderated from the post-pandemic surge, continued consumer demand is supporting well-located retail centers and neighborhood-oriented formats.

Retail Sales: Retail Trade & Food Services (excluding motor vehicles) – Year-over-Year (United States)



Source: U.S. Census Bureau: Retail Trade and Food Services, Excluding Motor Vehicle and Parts Dealers ([MRTSSM44Y72USS](#)); Federal Reserve Bank of St. Louis (FRED): Data pulled October 20, 2026

Capital Markets

Top Buyers & Sellers (5-Years)

Retail Capital Remains Concentrated in High-Quality Assets

Retail investment activity has improved, but buyers remain selective. Capital is concentrated in grocery-anchored, necessity-based, and well-located centers with durable tenant demand and limited competing supply. For occupiers, this may support continued investment in strong properties, while also reducing negotiating leverage at the most sought-after centers.

Retail Reporting Groups

Neighborhood & Convenience Retail

- Neighborhood Center
- Community Center
- Strip Center

Destination Retail

- Power Center
- Retail Park
- Shopping Park
- Outlet Center

Regional & Mixed-Use Destination Retail

- Regional Mall
- Super Regional Mall
- Lifestyle Center
- Urban Center

Source: CoStar and Cresa

Note: Minimum building sizes:

Neighborhood Convenience Retail (20,000+SF);

Destination Retail (50,000+SF);

Regional & Mixed-Use Destination Retail (75,000+SF)

Neighborhood & Convenience Retail

Top Buyers (5 Years)	Sales Volume
Blackstone Inc.	\$3.297B
Publix Super Markets Inc.	\$2.420B
Kimco Realty Corp.	\$1.761B
Phillips Edison & Company	\$1.395B
Agree Realty Corp.	\$1.119B
TIAA	\$960M
InvenTrust Properties Corp.	\$923M
Slate Asset Management	\$862M
Argonne Capital Group	\$809M
First National Realty Partners	\$785M

Top Sellers (5 Years)	Sales Volume
Blackstone Inc.	\$3.239B
Kimco Realty Corp.	\$2.593B
SITE Centers	\$1.906B
Brixmor Property Group, Inc.	\$1.363B
DRA Advisors	\$951M
Albertsons Companies, Inc.	\$895M
Regency Centers Corp	\$836M
EDENS	\$814M
Prudential	\$805M
CIM Group, LP	\$756M

Destination Retail

Top Buyers (5 Years)	Sales Volume
Kimco Realty Corp.	\$775M
Bridge33 Capital	\$618M
Global Net Lease	\$561M
Argonne Capital Group	\$536M
Pine Tree	\$441M
Brixmor Property Group Inc.	\$360M
Blackstone Inc.	\$357M
First National Realty Partners	\$304M
InvenTrust Properties Corp.	\$298M
DLC Management Corp.	\$287M

Top Sellers (5 Years)	Sales Volume
SITE Centers	\$1.873B
Kimco Realty Corp	\$1.588B
Blackstone Inc.	\$1.122B
Global Net Lease	\$740M
Kite Realty Group Trust	\$643M
DRA Advisors	\$588M
CIM Group, LP	\$524M
SVPGlobal	\$521M
Starwood Capital Group	\$502M
InvenTrust Properties Corp.	\$486M

Regional & Mixed-Use Destination Retail

Top Buyers (5 Years)	Sales Volume
Summit Properties Ltd	\$836M
Simon Property Group, Inc.	\$741M
The Macerich Company	\$676M
Kohan Retail Investment Group	\$640M
NorthPark Management	\$570M
Federal Realty Investment Trust	\$530M
Amtrak	\$505M
Steerpoint Capital	\$443M
The Kroenke Group	\$442M
Lincoln Property Company	\$393M

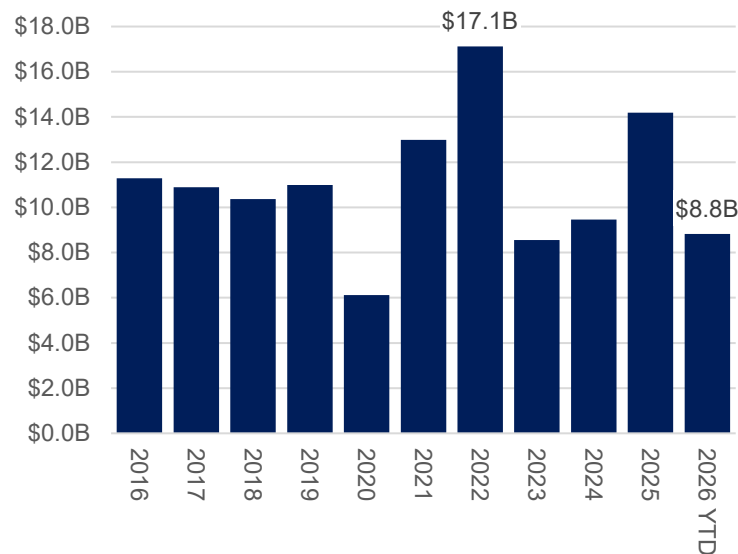
Top Sellers (5 Years)	Sales Volume
Unibail-Rodamco-Westfield	\$1.95B
Westfield Corporation	\$1.77B
Brookfield Corporation	\$1.75B
SVPGlobal	\$1.26B
Seritage Growth Properties	\$1.13B
Kohan Retail Investment Group	\$923M
ESL Investments Services, Inc.	\$897M
Starwood Capital Group	\$891M
The Macerich Company	\$859M
JPMorgan Chase & Co.	\$737M

Capital Markets

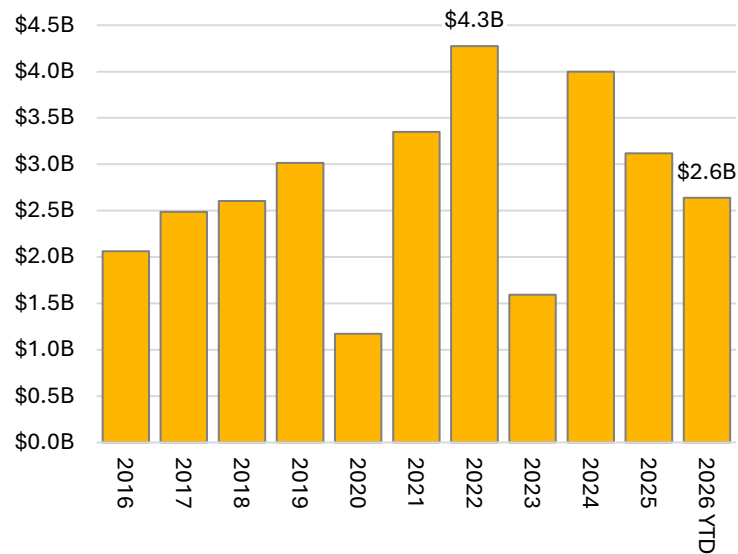
Retail Sales Volume Rebounds, Led by Neighborhood Centers

Retail transaction volume has improved as pricing expectations have become more aligned. The rebound is being led by neighborhood and convenience retail, where necessity-based demand and stable occupancy continue to attract capital. For occupiers, stronger investor interest may bring more property investment, but also greater competition for well-located centers.

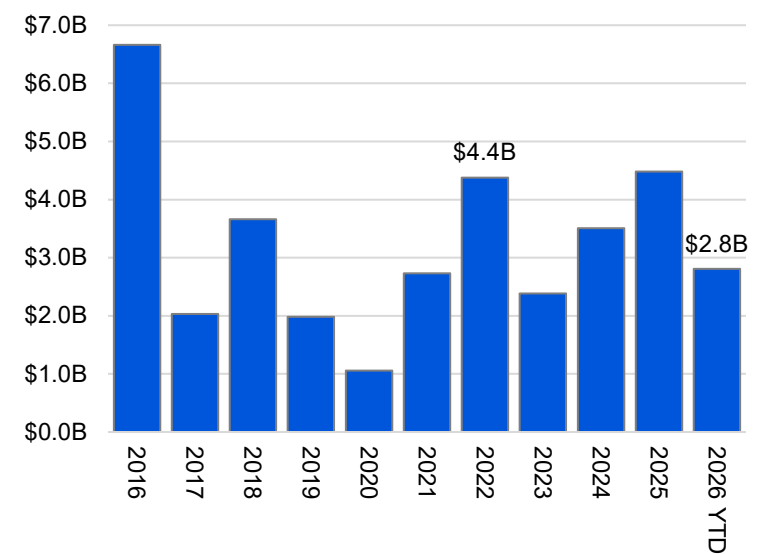
Neighborhood & Convenience



Destination



Regional & Mixed-Use Destination

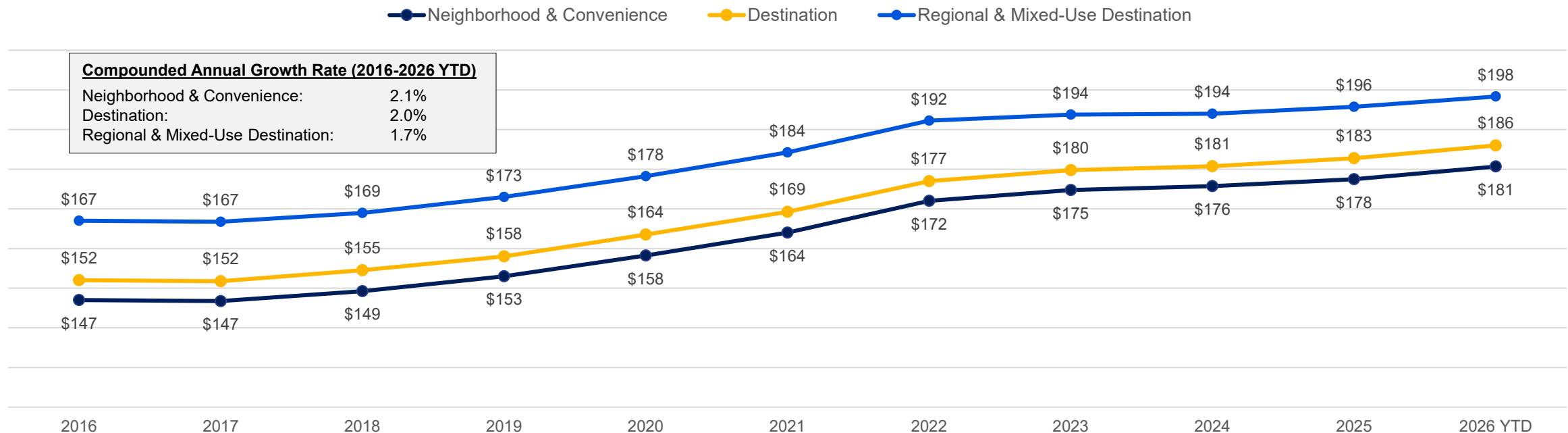


Capital Markets

Retail Pricing Remains Resilient, but Growth Is Moderate

The average price per square foot for all three retail types noted below has shown modest but steady growth over the past decade. Prices increased most sharply during the post-pandemic recovery as demand outpaced the limited supply of institutional-quality retail assets. Pricing remains strongest for well-located necessity-based centers, reinforcing the value of durable trade areas and productive store locations for occupiers.

Price Per Square Foot By Retail Type



Leasing Expirations

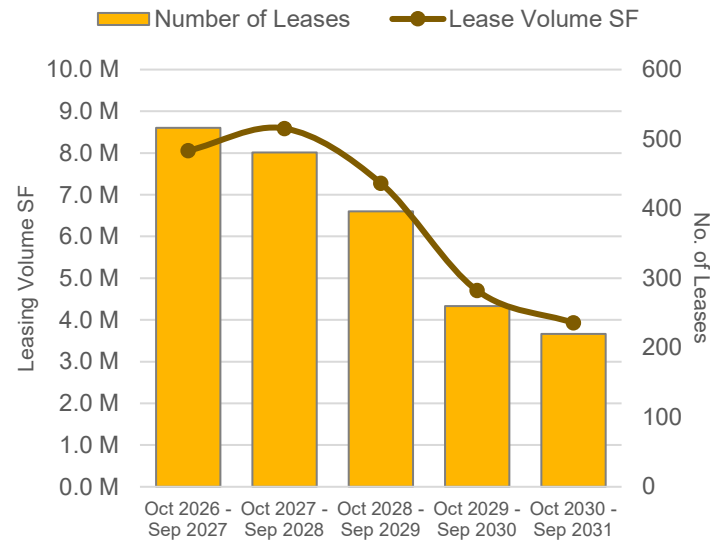
Number of Leases & Leasing Volume SF Expiring By Year

With nearly 50 million square feet of retail leases scheduled to expire over the next 12 months, occupiers have a significant opportunity to evaluate portfolio performance, optimize store locations, and align lease commitments with long-term business objectives. Limited retail availability continues to favor early lease planning, particularly in locations that replacement space may be difficult to secure.

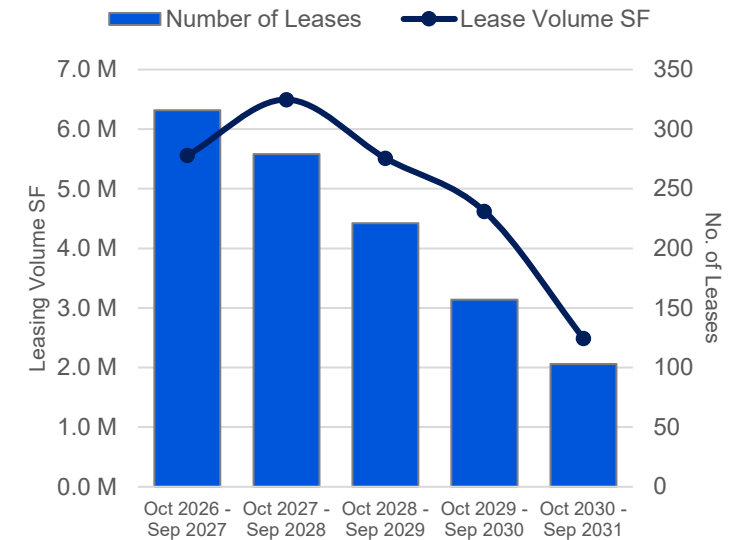
Nearhood & Convenience



Destination



Regional & Mixed-Use Destination

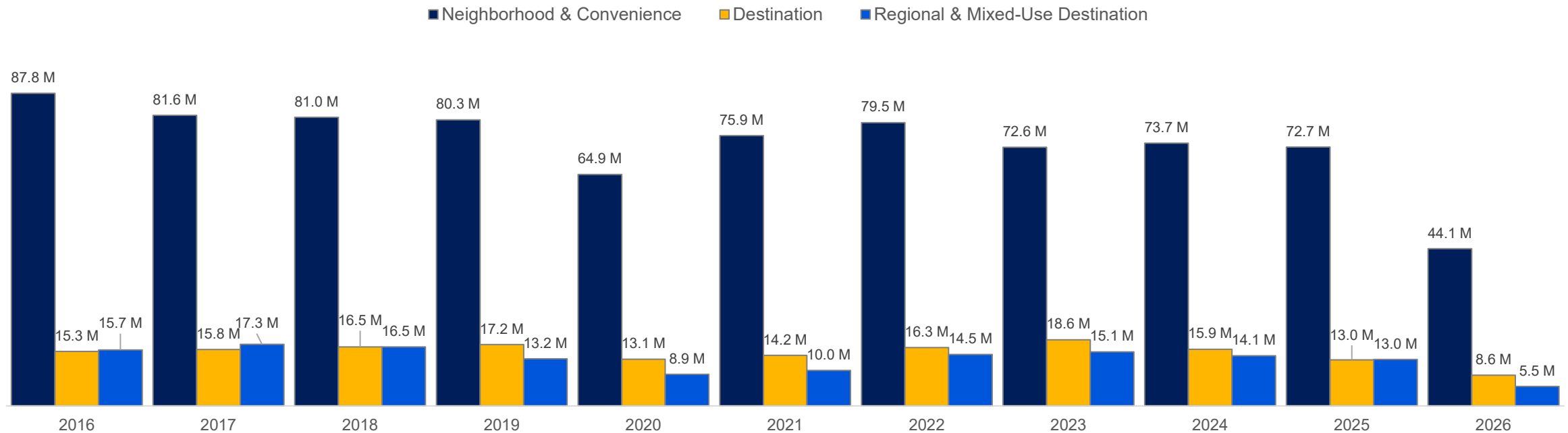


Leasing

Retail Leasing Remains Concentrated in Neighborhood and Convenience Centers

Neighborhood and convenience centers continue to account for most retail leasing activity, while destination and regional/mixed-use leasing remains below recent peaks. The pattern reflects selective expansion focused on necessity-based formats and productive trade areas rather than broad footprint growth. For occupiers, competition remains strongest for proven locations.

Leasing Volume By Retail Type By Year Signed



Source: CoStar and Cresa; through Q3 2026

Note: The leasing activity includes the year the lease was signed, not when occupancy begins

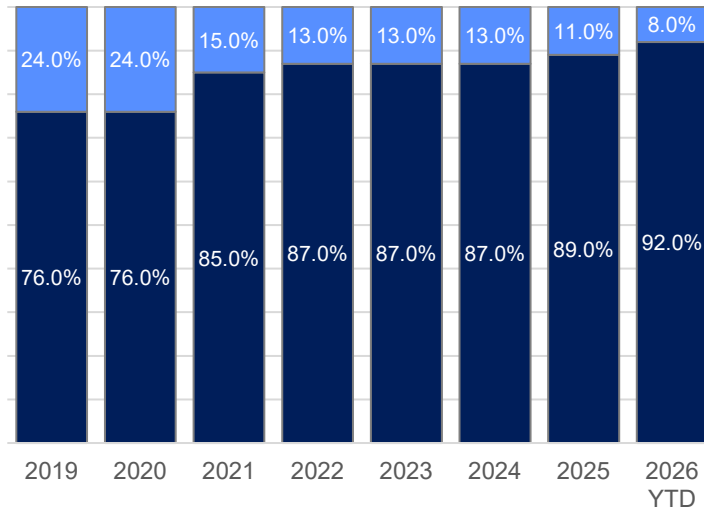
Leasing

New Leases Dominate Retail Activity as Portfolios Reposition

New leases have represented the majority of reported retail transactions in recent years. The broader takeaway is that retailers are actively reshaping portfolios through relocations, resizing, and the use of second-generation space rather than pursuing broad footprint growth.

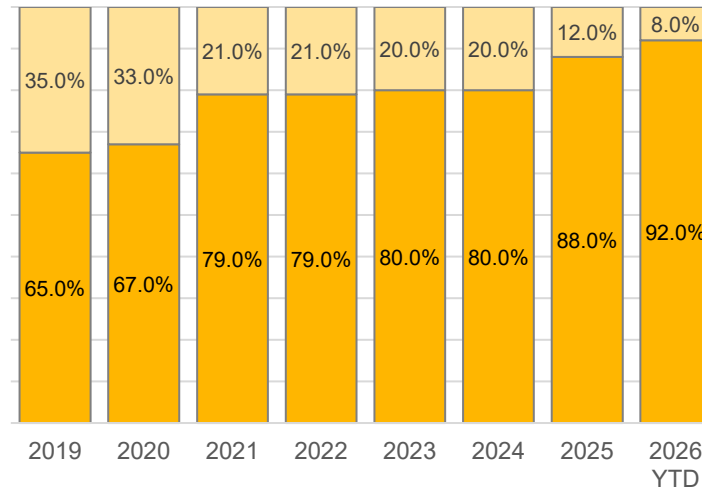
Neighborhood & Convenience

■ New ■ Renewal



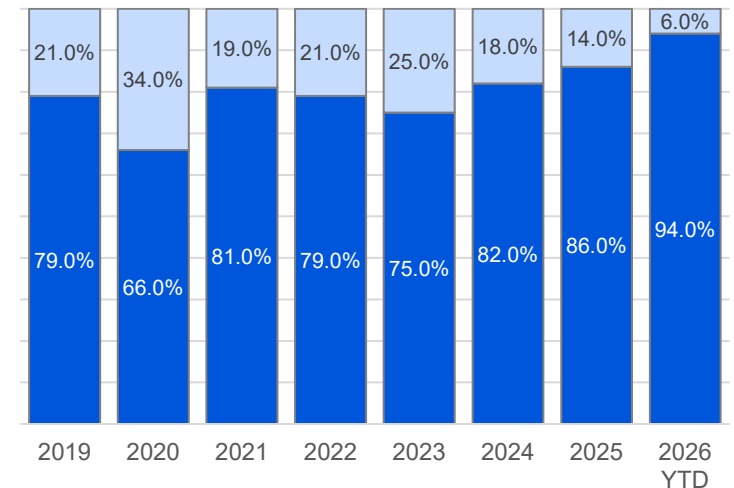
Destination

■ New ■ Renewal



Regional & Mixed-Use Destination

■ New ■ Renewal

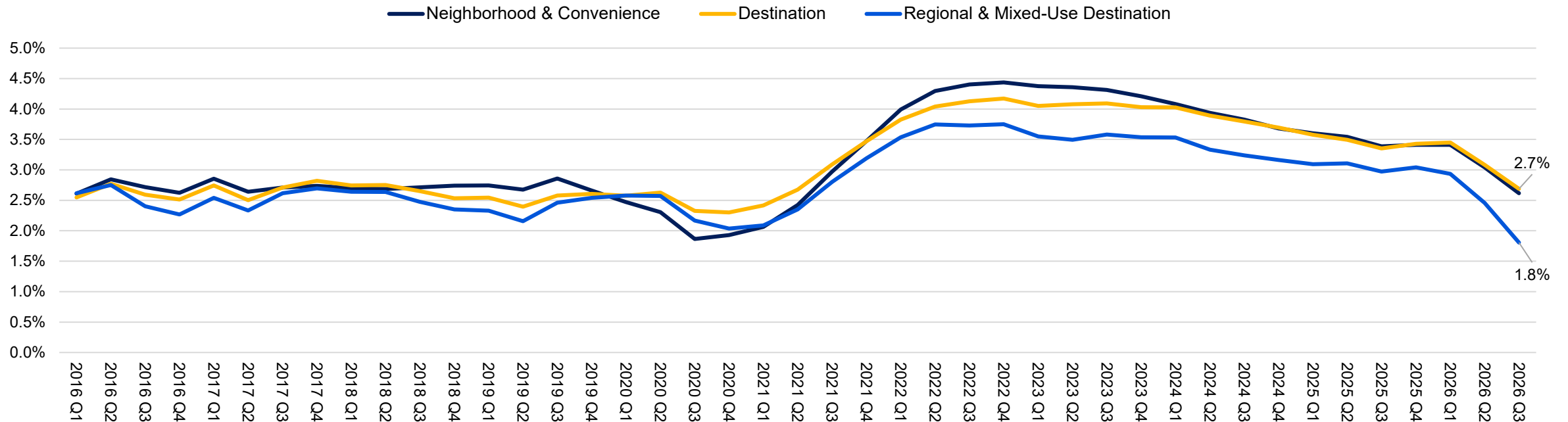


Rental Growth

Retail Rent Growth Remains Positive, but Momentum is Normalizing

Retail rents continue to rise across formats, but growth has moderated from the peaks reached between 2022 and 2024. Neighborhood and convenience centers (particularly grocery-anchored properties) continue to outperform. For occupiers, the slower pace of growth creates more room to negotiate, although high-quality locations remain expensive and competitive.

Annual Market Rent Growth Rate By Retail Type

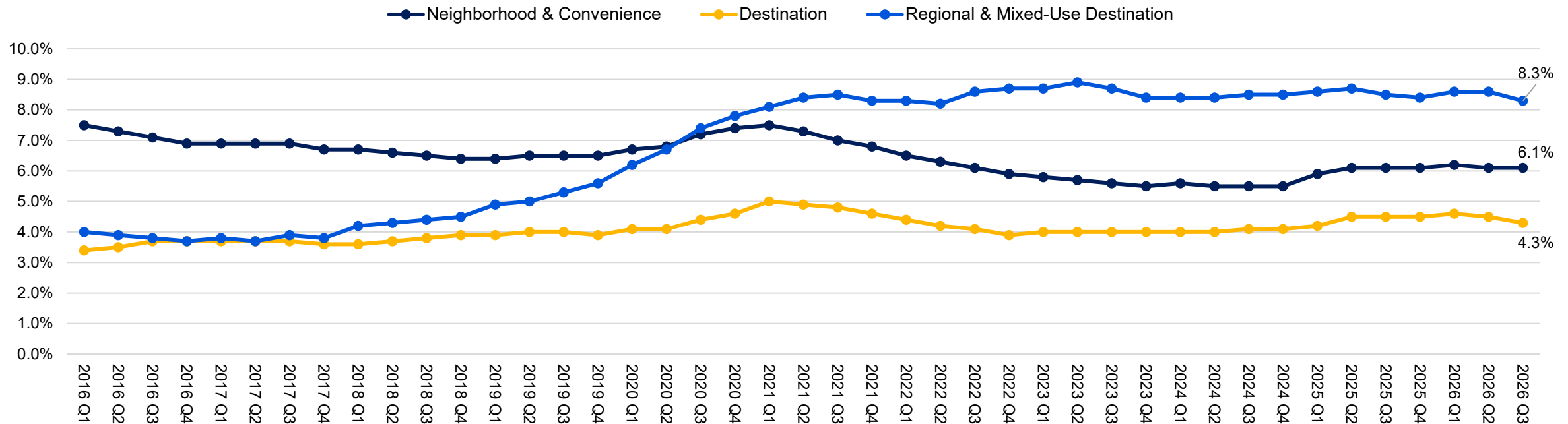


Vacancy

Retail Vacancy Remains Low, but Performance Is Diverging by Format

Retail vacancy remains historically low across the major formats, supported by limited new construction and steady tenant demand. Regional and mixed-use destination centers have experienced the most normalization since the pandemic, while neighborhood, convenience, and traditional destination retail continue to perform more strongly. For occupiers, competition remains highest for well-located, necessity-based centers.

Vacancy Rate By Retail Type

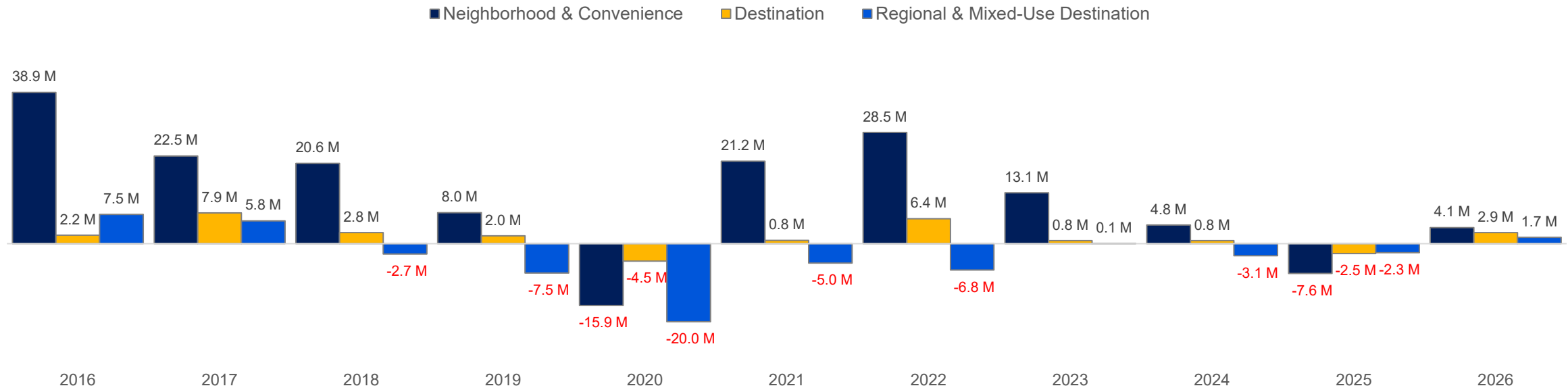


Net Absorption

Retail Absorption Normalizes as Expansion Becomes More Selective

Net absorption has moderated from the exceptionally strong leasing activity recorded during the post-pandemic recovery, reflecting a more measured pace of retailer expansion rather than weakening market fundamentals. Limited new retail development has helped keep vacancy historically low despite slower occupancy gains. Regional & mixed-use destination retail has recorded the most negative absorption over the last several years, driven by downsizing by department stores and legacy anchors. For occupiers, opportunities are emerging primarily through backfill and repositioning rather than widespread new development.

Net Absorption SF By Retail Type

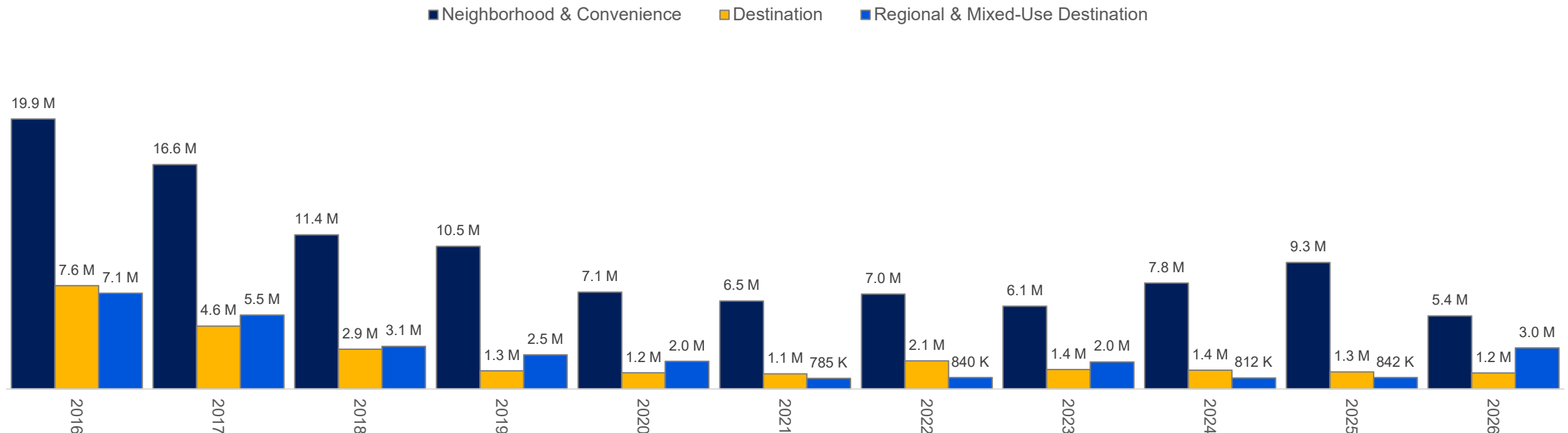


Construction Starts

Retail Construction Starts Reach a Record Low Despite Steady Demand

Retail construction starts fell to approximately 10.0 million square feet in the third quarter of 2026, the lowest quarterly level in CoStar's records. Through the third quarter, starts totaled roughly 35 million square feet, putting 2026 on pace for the lowest annual total on record. For occupiers, limited new supply will keep competition elevated for well-located space, while much of the space under construction is already pre-leased.

Construction Starts SF By Retail Type



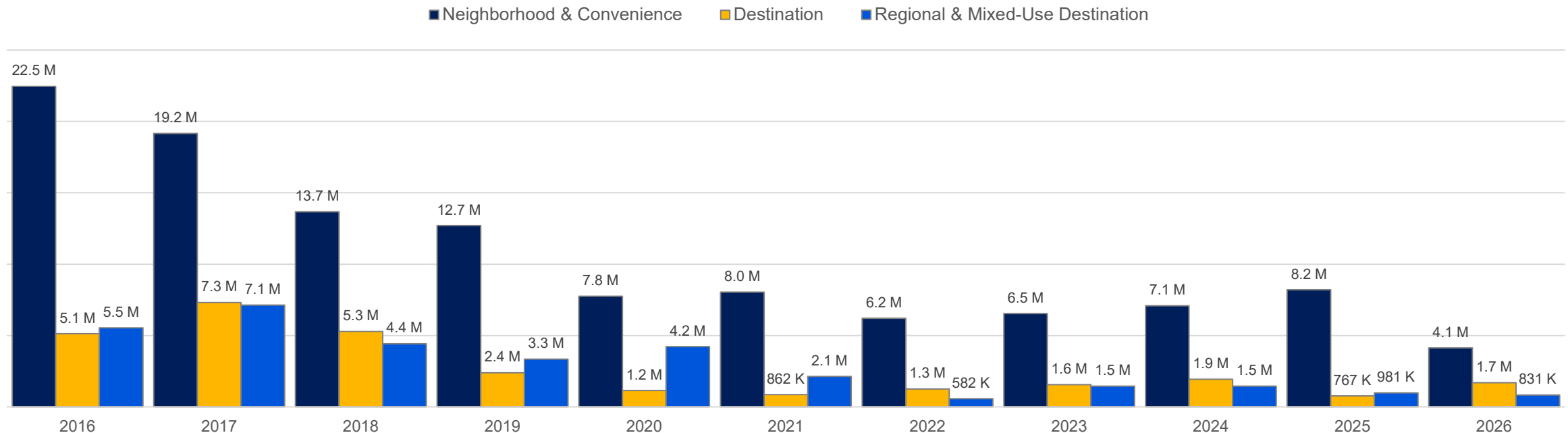
Source: CoStar and Cresa; data through Q3 2026

Net Deliveries

Limited Net Deliveries Keep Retail Supply Constrained

Retail inventory continues to expand slowly as developers remain cautious. During the third quarter of 2026, 10.3 million square feet was delivered, but 3.5 million square feet was demolished, resulting in a net gain of only 6.8 million square feet. Over the past year, inventory grew by just 0.2 percent. For occupiers, expansion opportunities will remain concentrated in existing centers and a limited number of new developments.

Net Deliveries SF By Retail Type



Source: CoStar and Cresa; data through Q3 2026

Retail Occupier Insight

Occupier Trend: The Right-Sizing Playbook

Retailers are increasingly managing portfolios for productivity rather than simply pursuing more or larger locations. The best real estate strategy may involve making an existing store smaller, more flexible, or more operationally useful, without necessarily abandoning the location.

Occupier Trends

4.2%

Average Retail Lease Size Shrinking

A comparison of over 90,000 lease transactions shows that the average signed retail lease size (for spaces over 1,000 square feet) has decreased by 4.2% for the period of 2023 – 2026 YTD, compared to 2019 – 2020.

Source: CoStar and Cresa.

17.1%

E-commerce Percentage of Retail Sales

Up from 14.5% in Q2 2022 and 10.8% in Q2 2019.

Source: U.S. Census Bureau, Quarterly Retail E-Commerce Sales, Q2 2026; seasonally adjusted, not adjusted for inflation.

2/3

Stores are Increasingly Serving Fulfillment Functions

Target reported that two-thirds of its digital sales are fulfilled through same-day options, using its nearly 2,000-store network

Source: Target Corporation, 2025 Form 10-K.

Retailers are leasing less space, generating more sales through digital channels, and using stores for more than traditional selling. As a result, the right retail footprint is increasingly defined by productivity and flexibility, not simply square footage.



The problem with the real estate market is the market itself.

THE MARKET SEES
YOU AS A **TARGET**.

THE MARKET
CHASES THE **DEAL**.

The stakes are high for occupiers. Real estate is expensive and inflexible. With the pandemic, labor dynamics, and economic instability, all bets are off.

THE MARKET IS SHORT
TERM AND **REACTIVE**.

THE SYSTEM FAVORS
LANDLORDS NOT OCCUPIERS.

It's time to go beyond the market and uncover how your commercial real estate can drive your goals, not impede them.

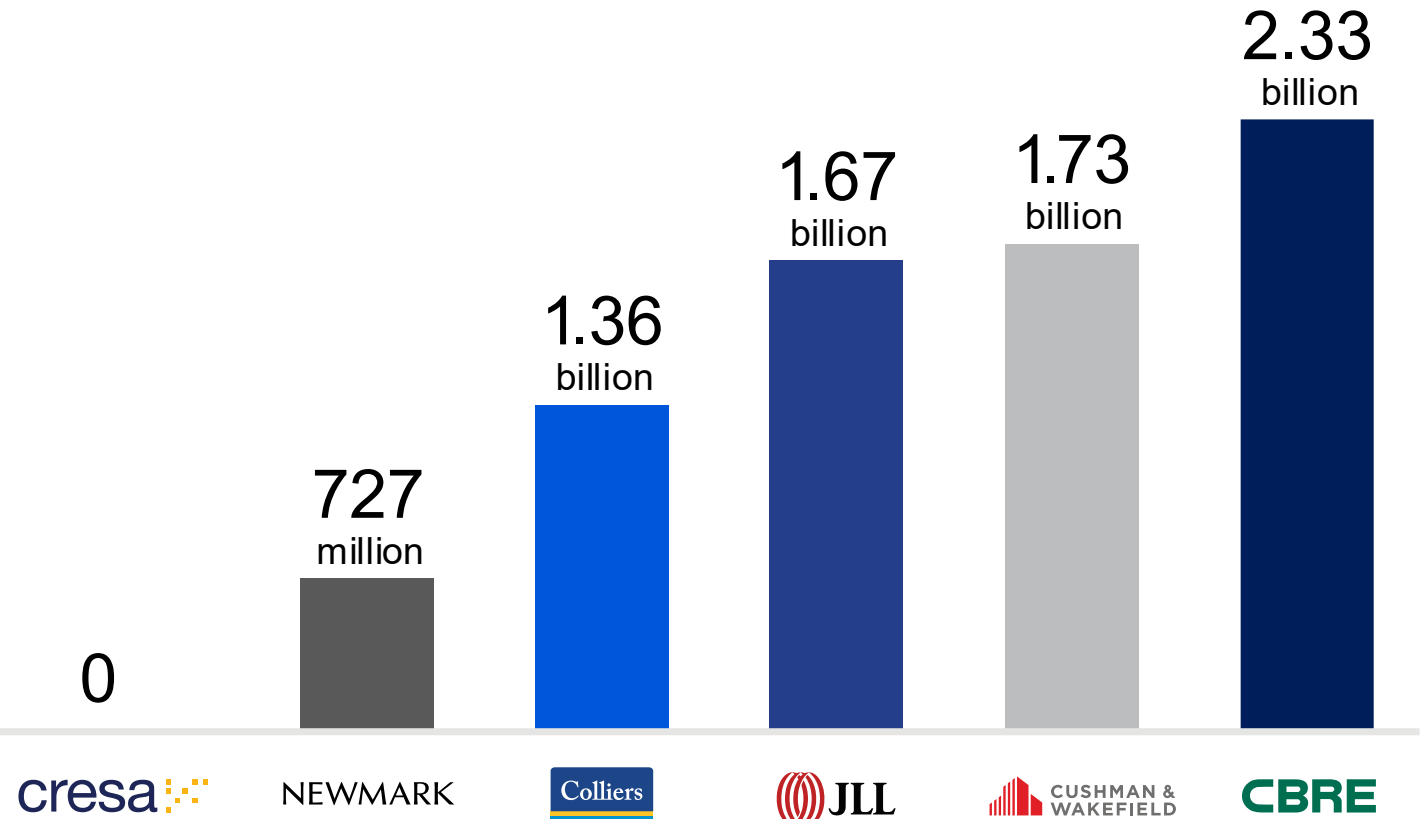
How We're Different

As the world's largest corporate real estate provider committed exclusively to serving occupiers, we're in a league of our own.

We offer creative solutions, unbiased advisory services and executive leadership on every account.

We believe this combination of transparency and executive involvement generates the superior service our clients have come to expect from Cresa.

Billions of square feet are represented on the landlord's behalf nationally. Cresa never does business on behalf of landlords.





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With 1,350 employees and 55+ offices across North America, and supported by its global alliance with Knight Frank, Cresa is the world's leading commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We think beyond space to find and foster the best environment for every business. Delivered across every industry and supported by world class technology, Cresa's services include Transaction Management, Project & Development Services, Workplace Solutions, Location Advisory, Portfolio Solutions, Lease Administration, Capital Strategies and Strategic Consulting.



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