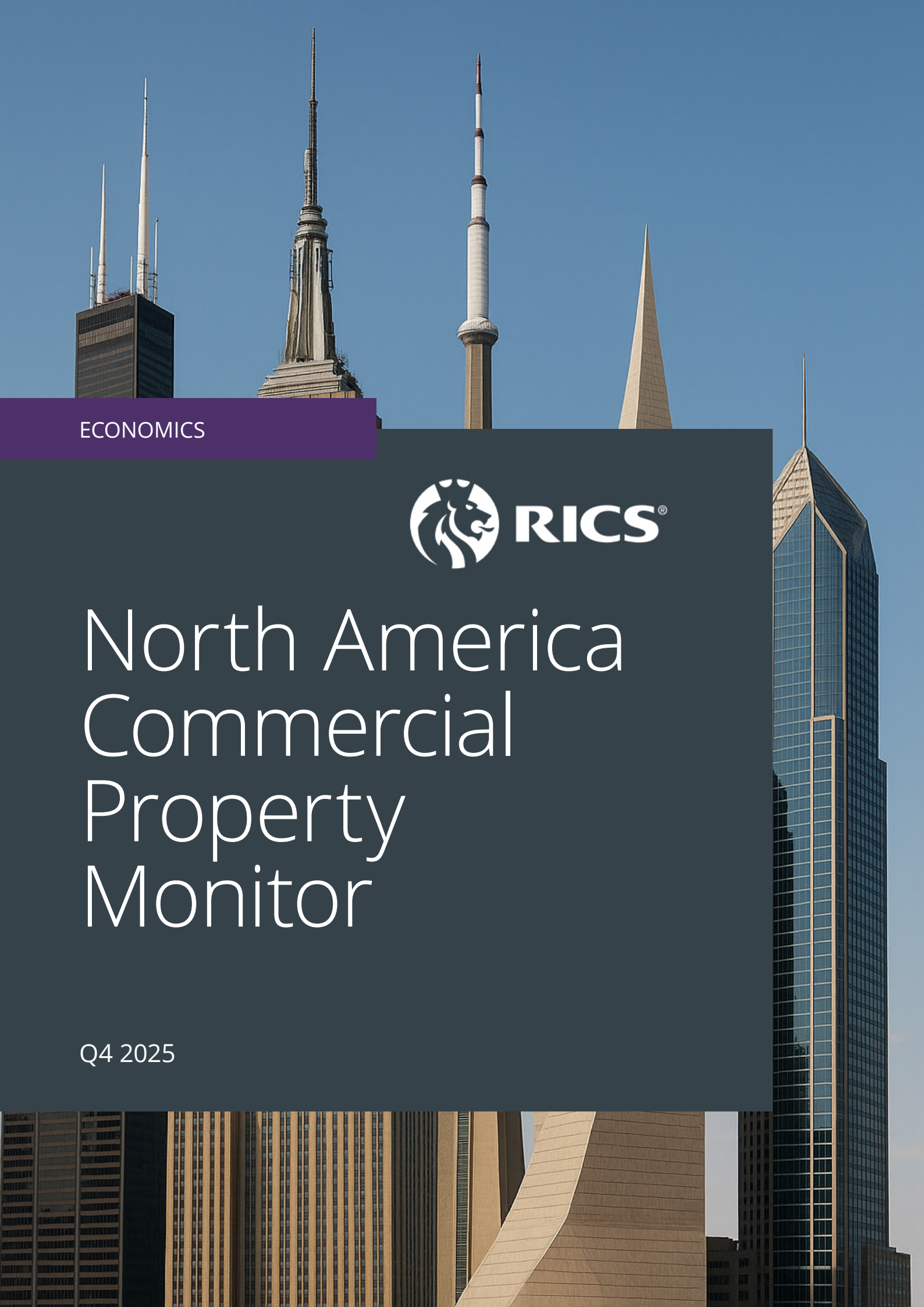


ECONOMICS

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# North America Commercial Property Monitor

Q4 2025

ECONOMICS

# Momentum appears to strengthen across the US market, with a modest improvement seen in Canada

- Perceptions on the current phase of the property cycle turn more favourable across both nations
- Credit conditions diverge somewhat between the US and Canada
- Bifurcation between prime and secondary assets persists, with alternatives still set to perform strongly

The latest edition of the RICS Global Commercial Property Monitor (Q4 2025) continues to point to improving activity across both the US and Canada, albeit to varying degrees. As shown in Chart 1, the headline Commercial Property Sentiment Index in the US rose notably from +9 to +17, moving firmly into positive territory. Meanwhile, in Canada, the reading became less negative, edging up from –5 to –3 and moving closer to neutral ground.

As such, perceptions around the current phase of the property cycle point to a gradual shift towards recovery compared with the previous quarter. In Canada, the share of respondents viewing the market as being in a downturn fell from 41% to 35%, while the proportion identifying conditions as being in an upturn increased from 37% to 41%. In the US, the share citing a downturn dropped slightly from 20% to 19%, alongside a rise in those seeing the market in an early upturn from 33% to 40%.

### Contrasting credit conditions between the two nations

Turning to credit conditions (Chart 2), sentiment improved further in the US, with the net balance rising from +48% to +52%, indicating that financing conditions continue to ease. In contrast, conditions in Canada were generally flatter, with the net balance slipping from +17% to +9%, suggesting little meaningful improvement in the lending environment compared with last quarter.

With respect to investment enquiries, sentiment improved to some extent across both markets. In Canada, the headline net balance moved from –5% to +9%, shifting into positive territory, with gains evident across all sectors. Industrial saw the strongest improvement, rising from –9% to +18%, while the net balance for offices increased from –2% to +4% and retail from –4% to +5%. In the US, investment enquiries strengthened further from an already positive base, with the aggregate net balance rising from +30% to +37%. At the sectoral level, industrial and retail led the gains, increasing from +26% to +45% and +36% to +47% respectively, while office eased from +28% to +18%, suggesting some softening in growth momentum in this segment despite overall robust investor appetite.

### Divergent outlook across prime and secondary markets, with alternative sectors expected to outperform

Looking ahead over the next twelve months, capital value expectations strengthened in the US, with the all-property average rising from 0.8% to 1.4%, driven by improved sentiment across prime assets. The strongest upgrades were seen in prime industrial (2.4% to 3.4%) and prime retail (1.8% to 3.3%). In Canada, expectations were unchanged at the aggregate level, with the all-property average holding at 0.3%, pointing to a more stable and cautious outlook across both prime and secondary assets, although prime stock is expected to continue outperforming secondary.

Capital value expectations for alternative sectors (Chart 4) remained positive across both countries, led by data centres, which continue to stand out as the strongest-performing asset class (4.3% capital value growth seen in the US and 4.1% in Canada). In the US, expectations were also firm across multifamily, hotels and student housing (all positive to the tune of close to 2%), reflecting resilient demand for living and accommodation-related assets. Meanwhile, in Canada, hotels (2.2%) and aged care facilities (2.5%) recorded relatively stronger capital value projections for the year ahead, while sentiment around life sciences (0.6%) and leisure (0.9%) remained more subdued.

Chart 1 - Commercial Property Sentiment Index

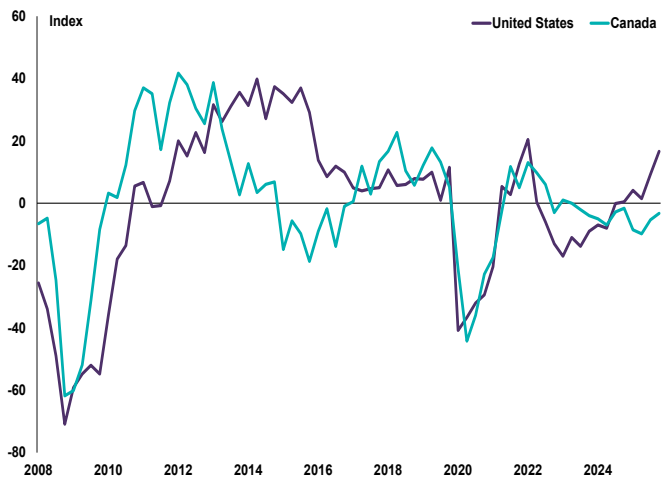



Chart 2 - Credit conditions sentiment

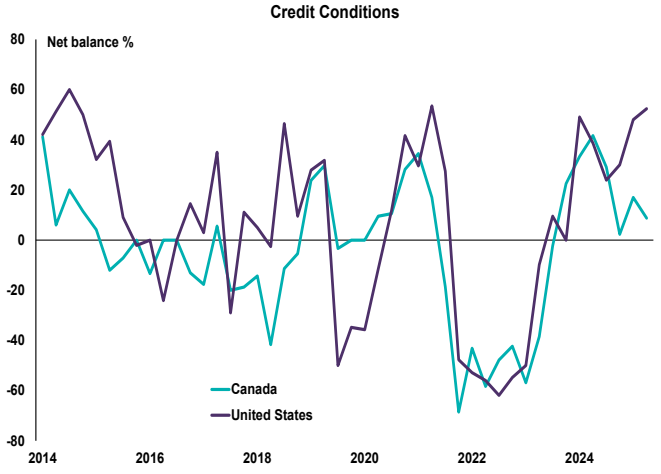


Chart 3 - Investment demand disaggregated by sector

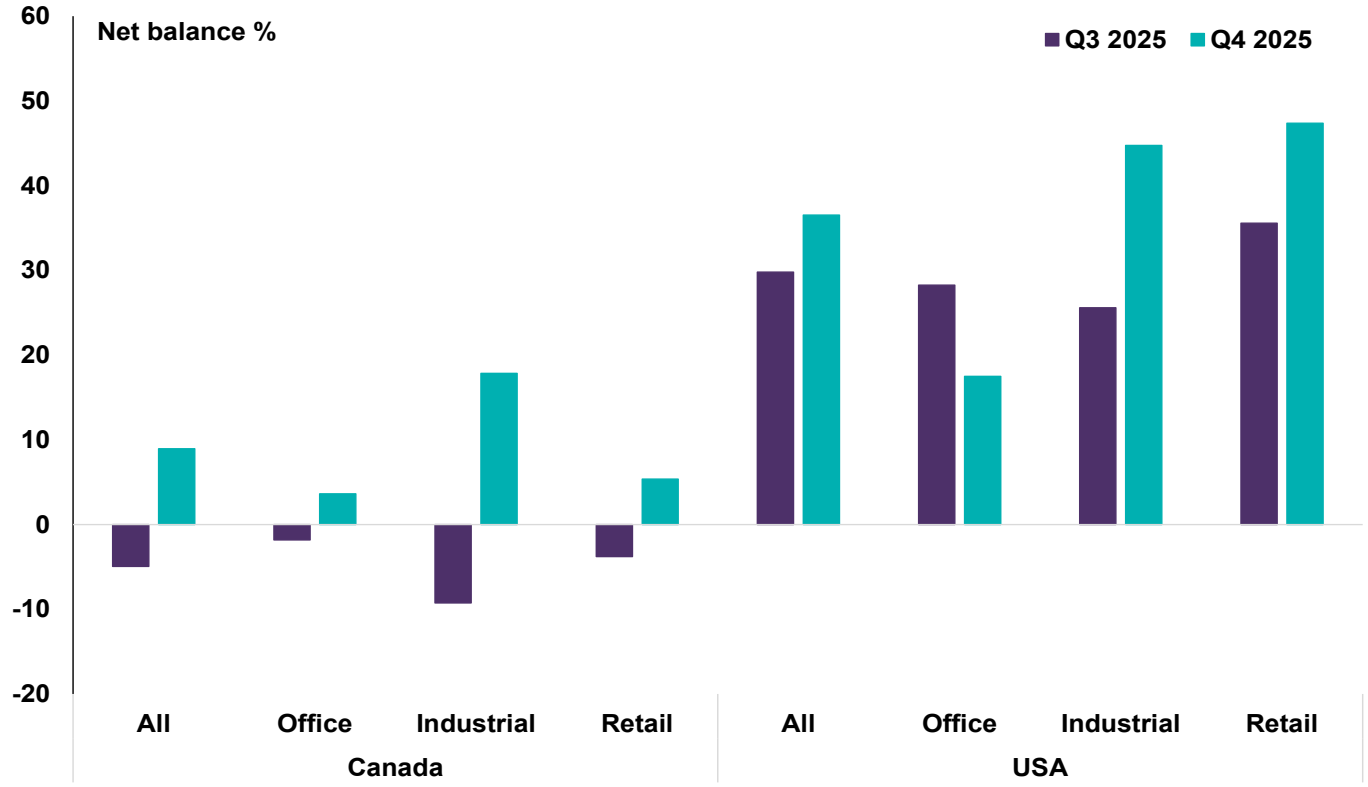
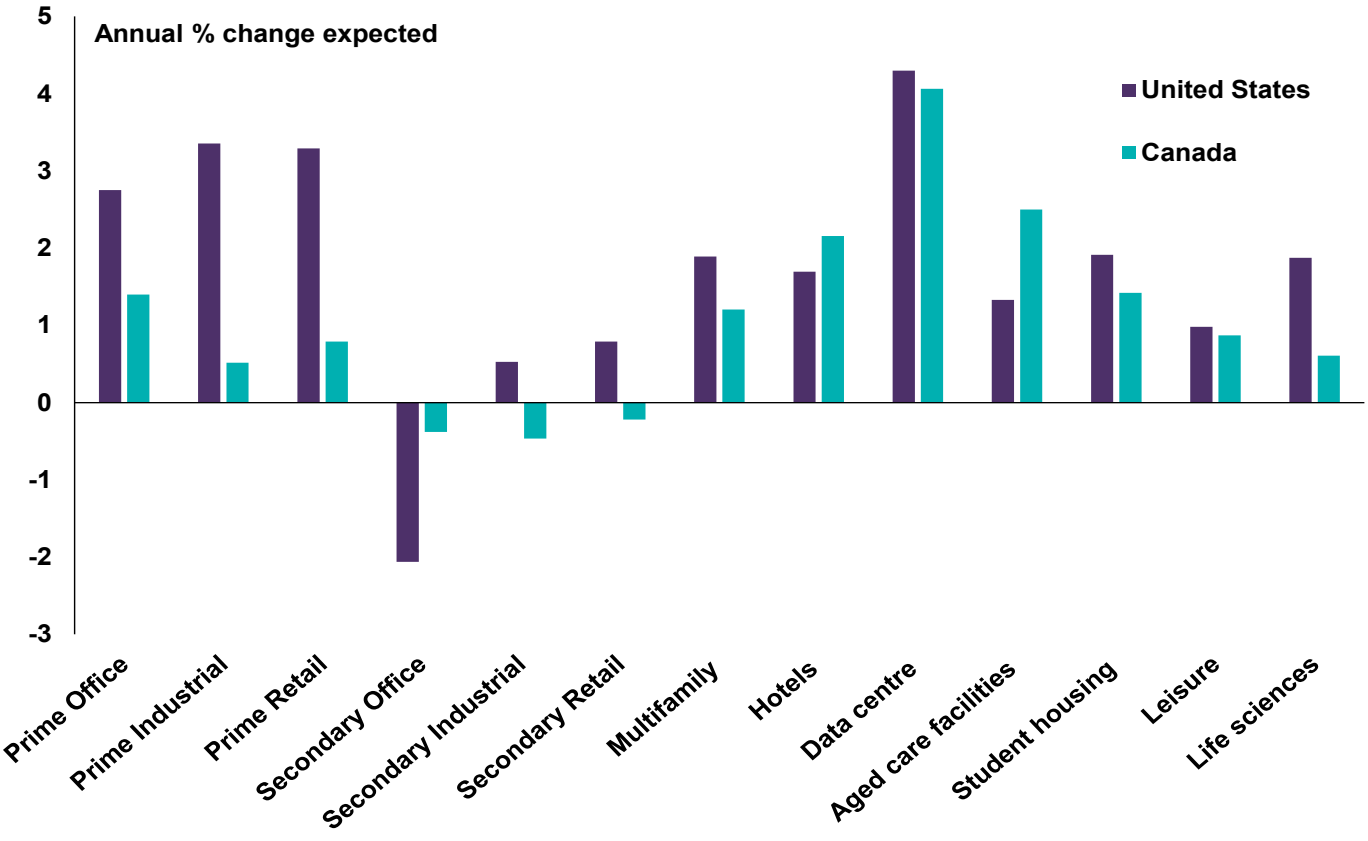



Chart 4 - Twelve-month capital value expectations



# Regional comments from survey participants

### Canada

Resolution of the Tariffs introduced by the USA on Canada and Free trade negotiations with Canada, Mexico and the USA will have the biggest impact on the Canadian economy over the next 12 months. - Cambridge

Until CUSMA trade negotiations are finalized, market uncertainty will remain front and center on influencing the economy. - Cambridge

What happens in the economy is entirely dependent on what happens with the CUSMA negotiations and Canada's international trade negotiations/agreements with other counties globally. - Cambridge, Ontario

So much uncertainty in the world. - North Vancouver

Uncertainty of market caused by USA and Trump. - Spruce Grove

St. John's is a smaller and slower moving market than more densely populated metropolitan areas in Canada. There has been a small growth in the office market which is expected to continue with both the industrial and retail markets expected to remain stable. - St. John's

Fast upward turn of market in trophy office assets, both in activity and rents. - Toronto

Industrial continues to be a strong landlords market although not as strong as pre pandemic, but strongest of the group. Office is a bifurcated market; prime class A is doing ok while all other office is struggling with high vacancy. Retail has recovered better than anticipated with good occupancy and increased rents on renewal and new leases. Multi-family is always strong in Toronto with vacancy rarely greater than 2 to 3 percent. - Toronto

Return to work has slightly improved the status of office market though not the level of before covid. New retail planned in new resi neighborhood. Industrial growth is not at the peak as before as stock is available at a competetive price. - Toronto

Trade uncertainties remain a significant risk although to date the Canadian economy has held up perhaps better than was expected a year ago. "Return to the office" is a positive factor for the Toronto market although transit challenges continue to act as a drag. - Toronto

We are seeing an economic downturn as a result of the impacts of tariffs from the US. This seems likely to continue to a potential recession in the first half of 2026, until trade agreements with other nations firm up. - Toronto

### United States

Stable to improved. - Charlton

The general Dallas market continues to be strong, driven by the continuing influx of people and companies. This drives demand for housing, goods and services, which is expected to continue. - Dallas

Tariffs, inflation and the domestic political environment may likely cripple the USA in such a way that it will take years to repair the damage. - Jacksonville, FL

Market is uncertain, residential which faces affordability gap. - Miami

Many variables affecting market and lending environment has been weak. - Naples, Florida

2025 has been a steady, but not spectacular year for Real Estate in Nashville, but the indicators are that 2026 will be more active, as interest rates continue to fall and the pent-up demand that has been somewhat sitting on the sidelines makes some decisions to move forward with projects. - Nashville

As with most major markets in the USA there has been a flight to quality. Illustratively, 70% + of transaction volume has been in 25% of available portfolio. The debt levels on secondary properties combined with poor locations and under amenitized offices is a drag on all major markets and the vacancy rate in this market segment is significantly altered due to these properties. This means better buildings have a vacancy rate of 9% or less whilst secondary stock in 15% + in most major markets. - New York

Cautiously optimistic. - New York

Cautiously optimistic with buyers showing a renewed confidence - New York

Expect bifurcated economy, with increased pressure on middle- and lower-income households, slow or nominal job growth. increased risk of recession in first half of 2026. - New York

Going into 2026 NYC CRE faces challenges including valuation pressures and financing constraints, Fed policy, and the untested Mamdani city administration. Yet market participants adapting to evolving conditions are best positioned for recovery as sectors stabilize. Well-capitalized investors will see opportunities in the wake of distressed assets, but successful navigation still requires focusing on asset quality, location advantages, and tenant creditworthiness. - New York

Still waiting on green shoots, Orlando and Dallas there is new rooms being built this year. 1-Office except very prone sluggish 2-senior and student housing , data centers and life sciences should keep picking up. Interest rates flat might go up a little Q2/4 26. Geopolitical stress, tariffs, war in Iran will cause general fear instability and slow down much needed capital market transaction recovery. High end malls should do well. Artisanal stores like Brooklyn coffee, home made ice cream good. - New York

This is an unstable market, where the high end is going stratospheric, the low end is collapsing or being converted to affordable (?) housing or sitting vacant, properties are being financed or refinanced at very high amounts or are being taken by lenders. It feels eerily like 1999 and the dotcom bubble. This market simply cannot support $300+ per SF rents for large users endlessly, and there aren't enough small high-end users to sustain it either. Sooner or later, reality will intrude. - New York City

Demand for office space continues to increase. However, the majority of the demand is for higher class buildings. With no new construction underway, the top buildings will see their Rents increase while the lower-class buildings will see continued rent compression. - Pittsburgh

Lots of new growth in outlying suburban areas. - Sacramento

Generally seeing modest improvement. - San Francisco

Office leasing is being pushed up by Artifical Intelligence companies growth, and some return to work requirements, but second tier buildings are taking a beating and that should continue through the year. - San Fransisco Bay Area

Tariff has affected the market. Also, the loss of jobs and interest rates have affected new entrances into the real estate market. - West Palm Beach

## Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

## Methodology

Survey questionnaires were sent out on 6 December 2025 with responses received until 19 January 2026. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1610 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentimet Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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## Economics Team

Simon Rubinsohn

Chief Economist

srubinsohn@rics.org

Tarrant Parsons

Head of Market Research & Analysis

tparsons@rics.org

Adib Munim

Research Analyst

amunim@rics.org

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Americas, Europe, Middle East & Africa
**aemea@rics.org**

Asia Pacific
**apac@rics.org**

United Kingdom & Ireland
**contactrics@rics.org**


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rics.org