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GLOBAL CAPITAL MARKETS

NORTH AMERICA | Q3 2026



RESILIENCE UNDER PRESSURE



OLIVER SALMON
Director, World Research

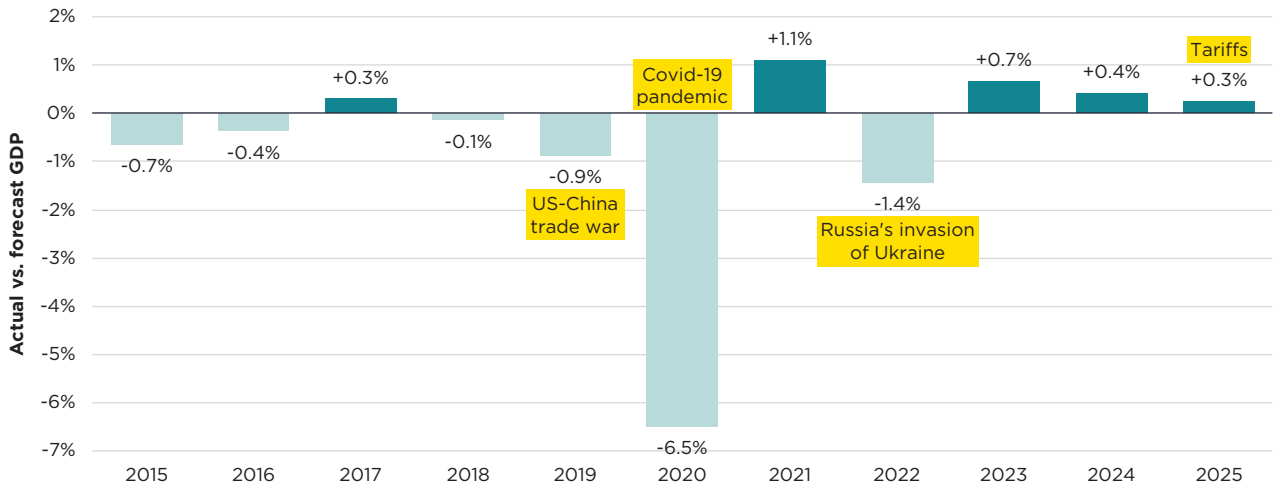
Resilience remains a defining feature of the current cycle, with the global economy continuing to withstand repeated shocks. Activity has again held up better than expected this year, despite the drag from war in the Middle East. As highlighted in our previous report, conflict, whether in trade, technology or geopolitics, is playing an increasingly important role in shaping the global outlook. So far, however, it has done more to redistribute activity than restrain it.

The continued build-out of AI has provided an important counterweight, delivering a powerful demand-side stimulus, although the benefits remain unevenly shared. Economies embedded in global technology supply chains are outperforming, while energy exporters outside the Gulf are benefiting from a positive terms-of-trade shock.

Yet resilience extends beyond this relatively narrow group; activity in Europe, for example, has also held up reasonably well, as households and businesses show some capacity to accommodate higher energy prices.

This resilience is once again being tested. Inflation is rising, squeezing household incomes and leaving policymakers with increasingly difficult fiscal and monetary trade-offs. Geopolitical risk remains elevated, while the depletion of global energy inventories leaves the world economy increasingly exposed to prolonged disruption in the Middle East. Meanwhile, the AI boom is adding to inflationary pressures and increasing the concentration of growth and financial-market gains, while vast sums are being borrowed to finance the infrastructure build-out in the US.

IMF GLOBAL GDP FORECAST ERRORS



Source: Savills research using IMF WEO October 2026

The clearest manifestation of these pressures has been the sharp rise in global bond yields, tightening financial conditions across the global economy. There are plenty of competing theories for why yields have risen so much this year. Optimists would argue that it reflects stronger real economic growth. But while the US economy has remained robust, growth is increasingly concentrated around the AI build-out, and there is little to suggest that bond markets are pricing in a significant AI-driven productivity boom.

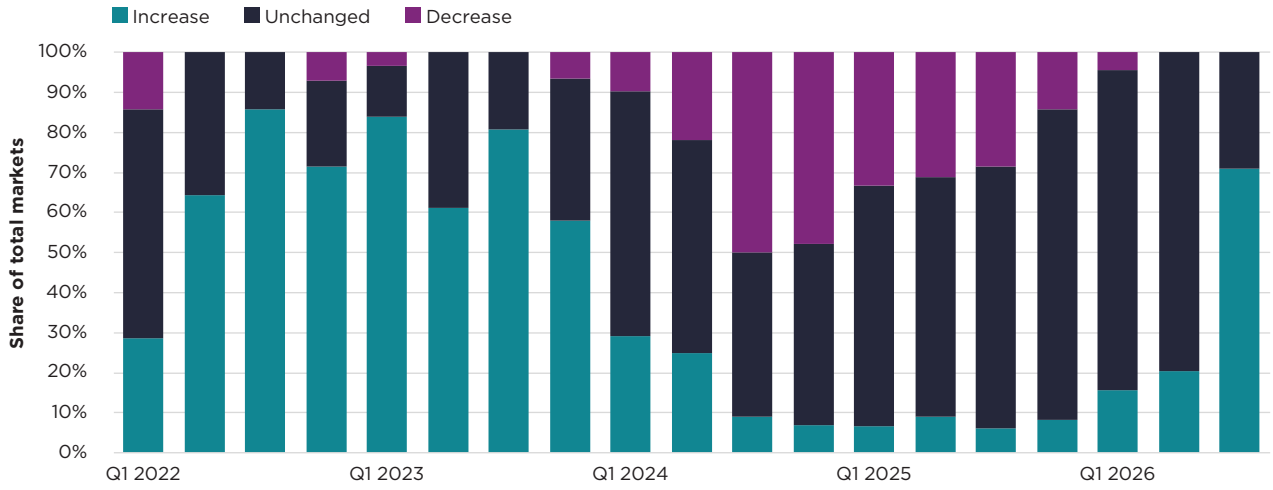
Instead, the recent rise in yields looks more problematic. The initial move was predominantly inflation-led, as the war in Iran pushed up energy prices and inflation expectations, prompting a sharp repricing of the policy-rate outlook. Since then, other forces have added to the pressure. Significant AI-related corporate bond issuance is competing for investor capital when markets are already being asked to absorb large amounts of government debt. Concerns over fiscal sustainability have also pushed up term premiums. A hawkish speech from Fed chair Kevin Warsh at Jackson Hole added further pressure. Ultimately, investors are demanding greater compensation for holding government debt.

For commercial real estate, the distinction matters. Higher yields driven by stronger growth can be absorbed through occupier demand and rental growth. But higher yields driven by inflation, fiscal risk and rising term premiums are harder to accommodate. And that pressure is beginning to feed through into pricing, with the speed and scale of the move increasingly difficult to ignore.

The market is entering another period of price discovery. Price adjustments are already apparent in ongoing transactions, but have generally been contained and not sufficient to derail deals. The greater risk is to new transactions, where uncertainty over where pricing settles may delay deals coming to market and weaken the usual seasonal peak in Q4 activity.

Look beneath the headline figures, and there are already signs that greater uncertainty is weighing on sentiment and activity. Global investment reached approximately US$375bn in Q3, around 40% higher than a year earlier. But around US$100bn came from just two major US transactions.

GLOBAL PRIME YIELD EXPECTATIONS FOR THE NEXT 12 MONTH PERIOD

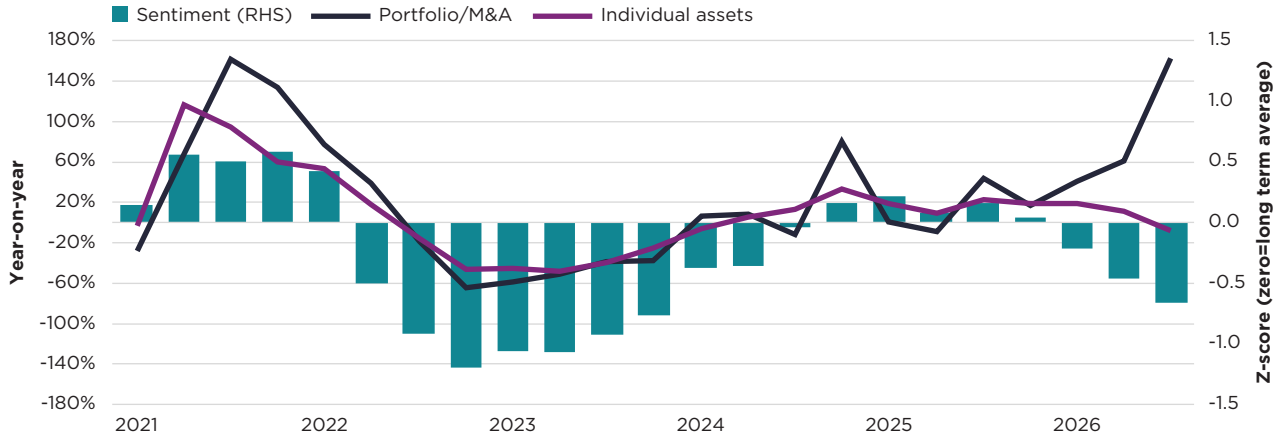


Source: Savills research, based on around 50 global markets across all property sectors.

These transactions reinforce the trend towards larger portfolio, entity-level and operational real estate deals highlighted last quarter. But once excluded, underlying activity was considerably more modest in the quarter.

Individual asset sales, which account for the majority of transactions and provide the comparable evidence through which pricing is established, have slowed in line with weaker market sentiment.

GLOBAL REAL ESTATE INVESTMENT AND SENTIMENT



Source: Savills research using MSCI RCA, Macrobond, and Property Council Australia. Excludes development sites. Data converted to fixed exchange rates.

Importantly, however, this is not a repeat of 2022. Bond yields already incorporate a significant degree of policy tightening over the next 12 months. That outlook looks increasingly difficult to reconcile with an energy-price shock that has so far remained relatively contained, with limited evidence of broader second-round inflationary pressures. This sets a relatively high bar for bond yields to move materially higher from here. Meanwhile, the market itself is also in a different position; values have already rebased, leverage is generally lower and the more committed investor base that emerged from the 2022–23 downturn remains in place.

The adjustment required in property markets should therefore be more manageable. Any increase in property yields will be smaller than in 2022 and start from a much higher base, while strong rental growth, low vacancy and growing constraints on new development should provide some cushion for valuations. The fundamentals have not materially changed, but the cost of capital has. Investors are adjusting to that new reality.

Nor is there an obvious shortage of capital. Debt markets remain liquid and substantial equity is still seeking deployment. But the rise in bond yields has given investors another reason to wait, reinforcing the selectivity already evident last quarter. Real estate is also competing for capital with private credit, as well as traditional and digital infrastructure, raising the hurdle for deployment. Investors increasingly require a credible operating plan, conviction in income growth and returns that offer a sufficient premium over debt and other alternatives.

As a result, the bar for getting deals done remains high. Capital continues to favour high-quality assets, experienced operators and opportunities with a compelling relative-value story, including assets available at a discount to replacement cost. The availability of capital is not necessarily the constraint. The challenge is finding opportunities where the risk and return stack up.

That leaves the outlook cautiously positive, albeit less certain than it appeared three months ago. The transaction pipeline is healthy, and significant capital remains available to deploy. But uncertainty around rates and pricing could encourage investors to sit on their hands for longer, pushing some transactions from Q4 into 2027.

There are also more routes to liquidity than outright asset sales. Refinancings, recapitalisations and secondary transactions should become increasingly important as loan maturities, fund-life pressures and investor demand for distributions provide catalysts for activity. This should create opportunities for capital to be deployed, but selectively rather than through widespread distress.

Ultimately, a more sustained recovery will require greater stability in inflation, energy prices and bond yields. The ingredients for higher transaction activity remain in place. But investors have another excuse to wait, and uncertainty around the cost of capital means the recovery is likely to be more selective and more stop-start than previously expected.

STABLE ON UNEVEN GROUND...



OLIVER SALMON
Director, World Research



CHARLOTTE RUSHTON
Associate, World Research

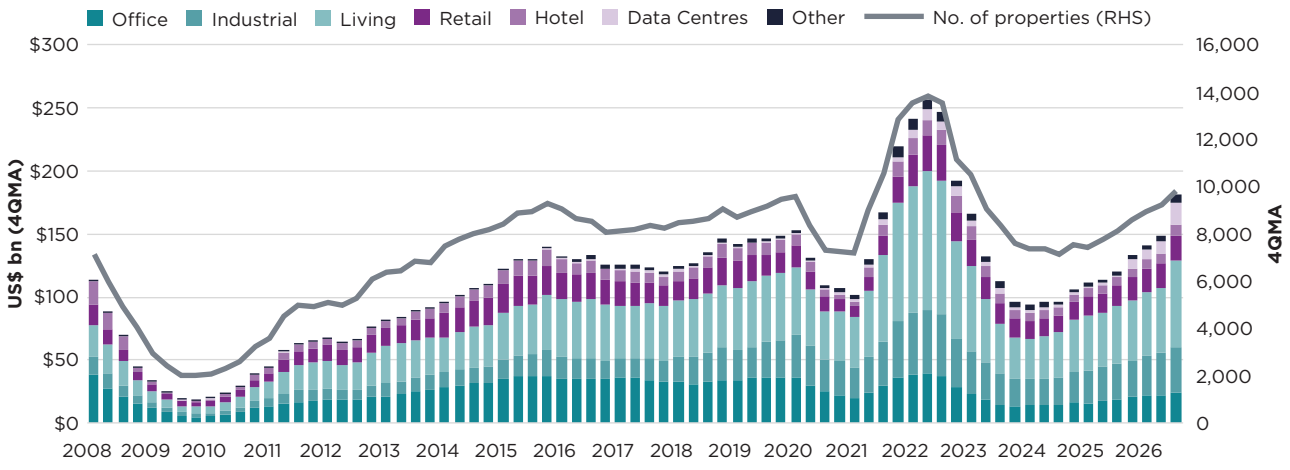
US commercial real estate investment surged in the third quarter of 2026, reaching US$263bn, double the level recorded in Q3 2025. This made Q3 2026 the strongest third quarter on record, an impressive result against a backdrop of heightened geopolitical uncertainty and concerns around the macroeconomic outlook.

Beneath the headline figure, however, activity was heavily influenced by two mega-deals. The first was sale of Aligned Data Centers, for a reported enterprise value of US$40bn, comprising 51 campuses and more than 6.4 GW of operational and planned capacity across the Americas, by Macquarie Asset Management to a consortium comprising of the AI Infrastructure Partnership (AIP), MGX and BlackRock's Global Infrastructure Partners (GIP).

The second was the merger of AvalonBay Communities and Equity Residential to form Vivmark Residential, creating one of the country's largest listed residential platforms, with more than 184,000 rental apartments. This transaction alone accounted for around US$69bn of turnover in Q3.

Excluding these two transactions, US investment totalled around US$160bn in Q3, representing annual growth of 22%. This still remains a seizable improvement, especially given the wider context. The pattern is consistent with a trend evident throughout 2026; the recovery is gradually broadening, but a relatively small number of large portfolio and corporate transactions are having an increasing influence on headline activity.

US REAL ESTATE INVESTMENT

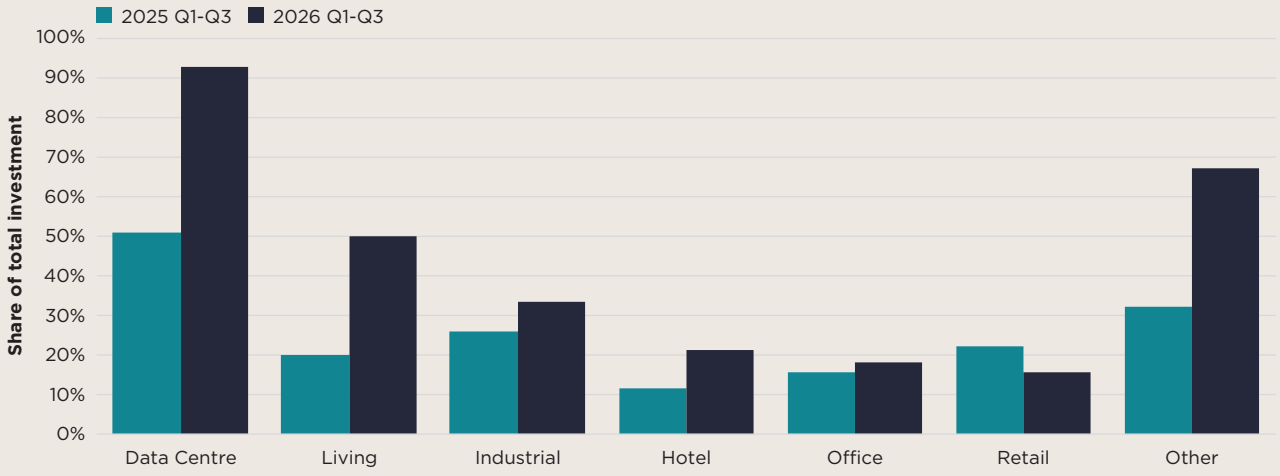


Source: Savills research using MSCI RCA. Excludes development sites.

The growing importance of scale was evident across much of the market. Healthpeak sold a 49% interest in its US$2.1bn medical office portfolio to Brookfield, while the industrial sector recorded two portfolio transactions exceeding US$1bn, including EQT Real Estate's US$1.2bn acquisition of a 5.2m sq ft Southern California industrial portfolio from Rexford Industrial Realty. Meanwhile, in the living sector, activity was transformed by the Vivmark transaction.

The appeal of scale extends beyond portfolio acquisitions. Several take-privates and mergers have been announced during 2026, including Brookfield's US$1.2bn acquisition of Peakstone Realty Trust and Ares Management's US$1.7bn acquisition of Whitestone REIT. The trend looks set to continue, with announced transactions including Brixmor and Everview's US$2.3bn takeover of Slate Grocery REIT. With financing and operating costs remaining elevated, the potential benefits of scale, including cost efficiencies and improved access to capital, are becoming increasingly attractive.

M&A AND PORTFOLIO SHARE OF US INVESTMENT BY SECTOR



Source: Savills research using MSCI RCA. Excludes development sites.

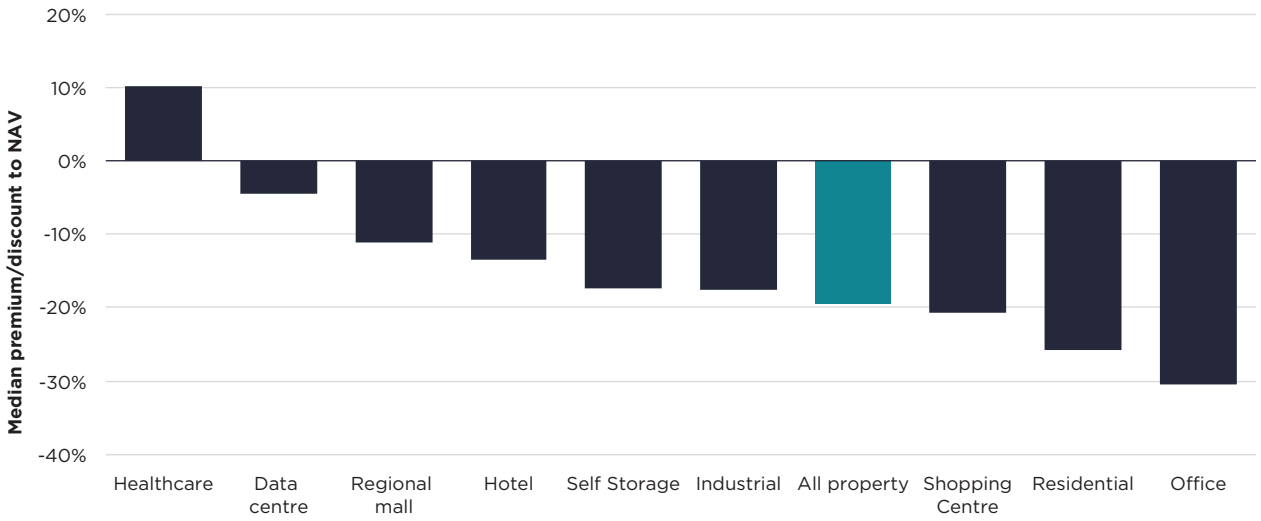
Public market valuations are providing a further catalyst. US equity REITs continue to trade below net asset value (NAV), with the discount particularly pronounced for residential and office REITs. This disconnect between public and private market valuations could support further corporate activity, particularly where investors can acquire portfolios or platforms more efficiently through the public markets.

The growing importance of scale is also blurring the boundaries between traditional commercial real estate and digital infrastructure. The Aligned Data Centers transaction illustrates how the capital required to gain meaningful exposure to data centres increasingly overlaps with infrastructure investment, but this convergence could ultimately broaden the investable universe, while also creating spillover effects in more traditional sectors.

Data centre development has already generated logistics demand, for example, from equipment suppliers, contractors and service providers, contributing to 69m sq ft of data centre-adjacent large-block leasing between Q3 2024 and Q2 2026.

Scale, however, is not the only characteristic shaping where capital is being deployed. Across a range of sectors, occupiers, and in turn investors, are showing a clear preference for modern, well-located, specialised or difficult-to-replicate assets. Investors are particularly attracted to markets where limited supply and resilient occupier demand provide the potential for sustained income growth. Although vacancy remains elevated across parts of US commercial real estate, much of the available space does not necessarily meet current occupier requirements. As a result, the performance gap between the strongest assets and the remainder of the market is becoming increasingly pronounced.

US LISTED REAL ESTATE PRICING

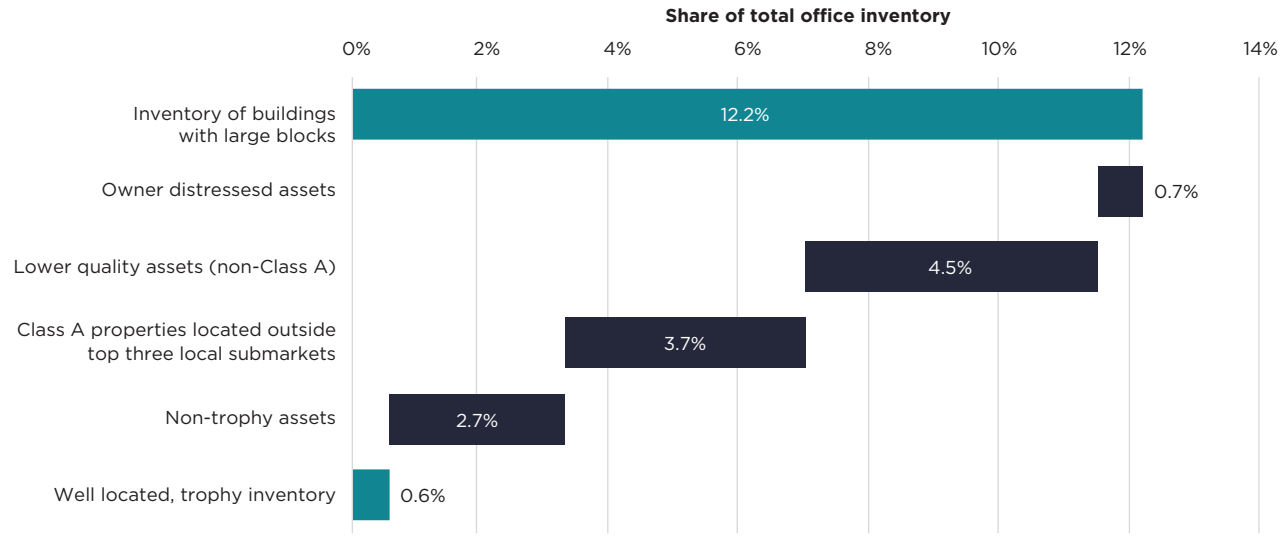


Source: Savills research using S&P Global Market Intelligence as of September 30th, 2026.

This flight to quality remains particularly evident in the office sector. The bifurcation between Class A and Class B/C assets has been widely covered in recent years, but divergence is increasingly apparent even within the upper end of the market. Availability among trophy Class A assets fell by around 3.3 percentage points over the past year, almost twice the decline recorded for non-trophy Class A space. Fundamentally, there is a limited number of viable buildings for occupiers, once quality, location, and landlord financial stability are considered.

But occupier demand is not confined to traditional prime offices. Investors are increasingly applying the same logic to specialised office assets, where sector-specific requirements can support more resilient demand and create additional barriers to supply. As such, specialised assets serving more complex occupier requirements are attracting significant capital; medical office investment increased by 60% over the first three quarters of 2026, for example, far outpacing the 23% increase across the wider office market.

OFFICE AVAILABILITY OPTIONS FOR LARGE OCCUPIERS



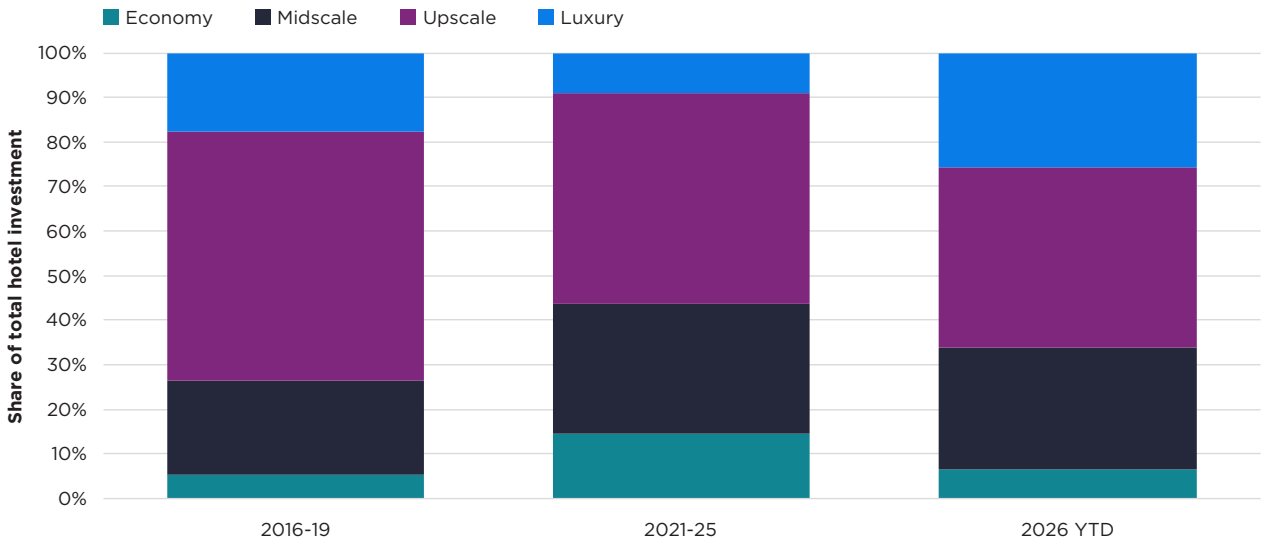
Source: Savills research. Includes buildings with 50,000 sq ft blocks that are available to lease and can be occupied in the next 12 months, covering 16 major US office markets.

Improving occupational conditions are also beginning to support investment in markets previously associated with elevated vacancy. San Francisco is perhaps the clearest example, where the expansion of the AI and technology sectors has contributed to a significant improvement in leasing conditions. The city was the leading US metro for office investment this quarter, supported by transactions such as the US$635m sale of Washington Holdings' 2.2m sq ft Silicon Valley R&D portfolio, leased to occupiers across sectors including semiconductors, medical devices and AI. Assets of this kind can be difficult to replicate, with scarcity, specialist use and resilient occupier demand providing greater insulation from some of the challenges facing more commoditised office stock.

A similar pattern is visible in industrial and logistics. Demand remains concentrated on modern, large and appropriately located facilities, while specialist assets are also attracting capital. One of the largest transactions this quarter was EQT Real Estate's US$930m investment in a 70% interest in Americold's ten-property cold-storage portfolio.

Hotels demonstrate another variation on the same theme. Gateway-market and high-quality luxury hotels continue to attract capital, supported in part by the 'K-shaped' nature of US economic growth, and resilient demand from higher-income travellers. Investment activity this quarter was boosted by Elliott Management and Trinity Investments' US$1.4bn sale of two luxury hotels in Orlando to Ryman Hospitality.

US HOTEL INVESTMENT



Source: Savills research using MSCI RCA. Excludes development sites.

Beyond scale and specialisation, local market fundamentals remain an important differentiator for investors, perhaps most clearly for multifamily, where occupational conditions continue to vary markedly by geography. Across parts of the Sun Belt region, the substantial development pipeline that followed the pandemic has resulted in elevated levels of new supply, weighing on rents and increasing the use of concessions as landlords compete for tenants. According to RealPage, the South was the only region to record negative annual rental growth in Q3 2026.

Conditions are markedly different in more supply-constrained markets. New York, San Francisco and Chicago did not experience the same scale of post-pandemic multifamily development and are consequently benefiting from stronger occupational fundamentals. San Francisco recorded the strongest annual rental growth, alongside inventory growth of just 0.2%. Limited new supply, combined with resilient demand from the expanding AI sector, is supporting rents and occupancy and strengthening the position of existing owners. As elsewhere in the market, scarcity is becoming an increasingly important determinant of performance.



These regional differences are particularly significant given the refinancing challenge facing multifamily. A substantial share of upcoming US real estate refinancing requirements relates to the sector, including assets acquired or financed during the low interest-rate environment of 2021 and 2022. Some of these properties now face considerably higher financing costs, while valuations remain below previous levels.

The pressure is unlikely to be distributed evenly. Class B and C properties may be more exposed, particularly where higher leverage coincides with softer occupational conditions and greater competition from newly delivered apartments. Higher-quality multifamily assets are generally better positioned, supported by stronger occupational fundamentals and, where leverage is lower, more manageable refinancing requirements. This increasingly mirrors the wider 'K-shaped' economic recovery—higher-income households are supporting more resilient demand at the upper end of the market, while pressures are greater further down the income spectrum.

While these refinancing pressures are particularly visible in multifamily, they form part of a broader challenge facing US commercial real estate. The cost of capital remains an important constraint across the market, and renewed volatility in bond yields has brought interest-rate risk back into sharper focus. Financial markets are pricing in further interest-rate increases in the coming months, contributing to higher and more volatile bond yields. For investors, this is once again putting pressure on the spread between property yields and the risk-free rate, although the impact varies considerably by sector.

Sectors offering comparatively higher property yields, including parts of retail and office, have a larger cushion over the risk-free rate than lower-yielding sectors such as logistics and living. The latter has benefited from a strong structural investment narrative, but tighter yield spreads leave valuations potentially more sensitive to further increases in the Treasury yield.

The ability to navigate this volatility may also differ by investor type. Larger multi-sector funds typically operate across broader mandates and more complex investment-governance structures, which can slow decision-making during periods of market uncertainty. Sector specialists, by contrast, may benefit from deeper knowledge of underlying asset pricing and greater operational expertise, giving them greater confidence to transact and identify opportunities to drive income growth at the asset level. This is particularly evident in the industrial sector, where the sector specialists are showing more resilience to growing uncertainty in the wider market.

Crucially, however, renewed pressure from higher borrowing costs does not represent a repeat of the 2022 adjustment. Buyers and sellers have now spent several years operating in a higher-rate environment and are no longer adjusting directly from near-zero interest rates. Debt fundraising has remained strong, providing liquidity for transactions, while occupational fundamentals for prime assets remain supportive. Macroeconomic volatility will undoubtedly remain a challenge, but the market appears considerably better positioned to manage it than during the initial repricing shock of 2022.

PRIME NORTH AMERICA YIELDS, Q3 2026 (AS AT END OF SEPTEMBER)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Northern New Jersey	5.50%	Up	65%	6.5%	3.6%	0.2%
Logistics	Los Angeles	5.50%	Up	65%	6.5%	3.6%	0.2%
Logistics	Chicago	5.75%	Up	65%	6.5%	4.4%	0.5%
Logistics	Houston	6.00%	Up	65%	6.5%	5.1%	0.7%
Office	New York	5.80%	Up	65%	6.8%	4.0%	0.5%
Office	Los Angeles	6.88%	Up	65%	6.8%	7.1%	1.6%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See Methodology for details.



VIVMARK RESIDENTIAL

Sector: Multifamily

Tenant: N/A

Lease length (WAULT): N/A

Area: c. 184,000 apartments

Price/NIY:
US$70bn at enterprise value; US$51bn equity market capitalisation / N/A

Vendor: AvalonBay Communities and Equity Residential

Vendor nationality:
United States

Purchaser: Vivmark Residential

Purchaser nationality:
United States

Other comments:
The merger of AvalonBay Communities and Equity Residential created Vivmark Residential, one of the largest US apartment REITs. AvalonBay shareholders own approximately 51% of the combined company, with Equity Residential shareholders owning the remaining 49%.

ALIGNED DATA CENTERS

Sector: Data Centres

Tenant: Multiple hyperscale, neocloud and enterprise customers

Lease length (WAULT): N/A

Area: 51 campuses (6.4 GW)

Price/NIY: Est. US$35bn / N/A

Vendor: Macquarie Asset Management

Vendor nationality: Australia

Purchaser: Artificial Intelligence Infrastructure Partnership (AIP), MGX & BlackRock's Global Infrastructure Partners (GIP)

Purchaser nationality: United States and UAE

Other comments:
The deal is the largest data-centre transaction to date and encompasses assets across North and South America (including the US, Mexico, Brazil, Chile, and Colombia). As part of the acquisition, an additional US$5bn was committed to support future expansion.

METHODOLOGY

Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a fully let hypothetical grade A asset; for logistics, this is a big-box facility located in a prime location, let to a single good profile tenant on a 10–15-year open-market lease, for office, it is a building a located in the CBD of over 50,000 sqft in size, and for living, it is an asset of institutional scale in a prime location. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Data is end-of-quarter values.



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Oliver Salmon
Global Capital Markets
World Research
+44 (0) 20 7535 2984
oliver.salmon@savills.com



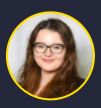
Lydia Brissy
Director
European Research
+33 1 44 51 73 11
lbrissy@savills.fr



Nicholas Wilson
Senior Director
Strategic Research & Advisory
+65 8669 9267
Nicholas.Wilson@savills.asia



Rasheed Hassan
Managing Director
Global Capital Markets
+44 (0) 20 7409 8836
rhassan@savills.com



Charlotte Rushton
Associate
World Research
+44 (0) 20 7016 3856
charlotte.rushton@savills.com

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