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J.P. Morgan Research

Global Commercial Real Estate Reset

Office repricing, cap rate expansion, and sector rotation

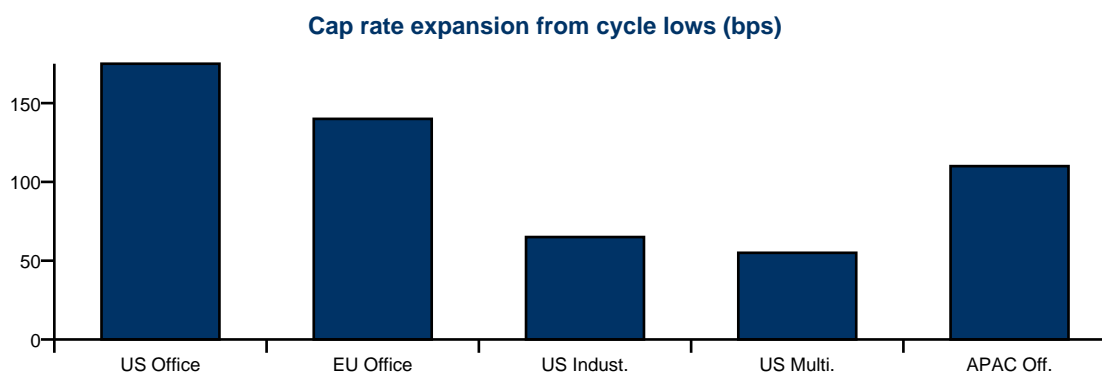
February 11, 2026

Executive Summary

Global commercial real estate markets are undergoing a structural repricing as higher interest rates, shifting tenant demand, and evolving workplace patterns reshape valuations. We analyze the ongoing cap rate expansion across office, retail, and industrial segments and provide updated views on where value is emerging. Our framework integrates macro rate expectations with property level fundamentals and capital market activity. We see selective opportunity in logistics and multifamily while maintaining caution on traditional office in most developed markets. This note presents our base and downside scenarios for key regions and highlights catalysts for stabilization.

Office market repricing

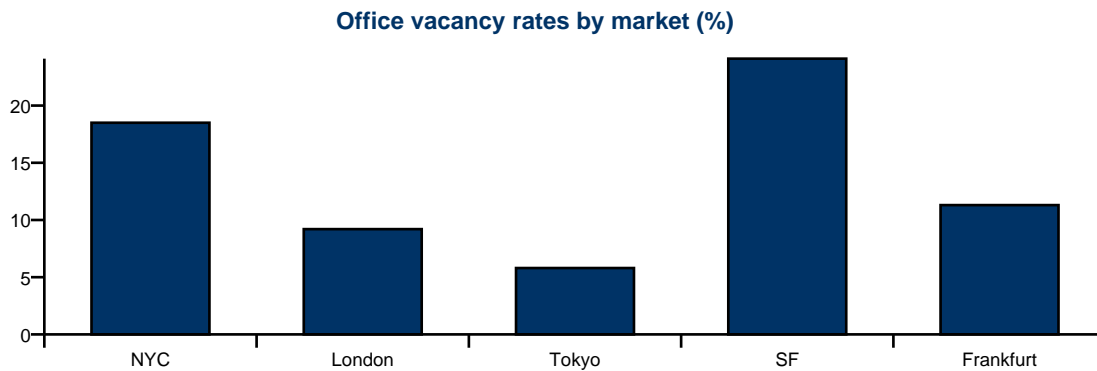
Office valuations continue to adjust lower across major markets, driven by elevated vacancy rates and cautious tenant demand. Remote and hybrid work patterns have structurally reduced net absorption in many central business districts, and we see limited near term recovery in take up. Class A properties with modern amenities are outperforming older stock, leading to a growing bifurcation in rent and occupancy outcomes. We estimate that office cap rates in the U.S. have expanded by 120 to 180 basis points from cycle lows, with further adjustment likely in secondary locations. European and Asian Pacific markets show similar trends, though the pace varies by city and regulatory context. We discuss the implications for REITs and direct investors with concentrated office exposure.



Source: J.P. Morgan Research. Estimated cap rate change from 2021/2022 lows.

Industrial, logistics, and alternatives

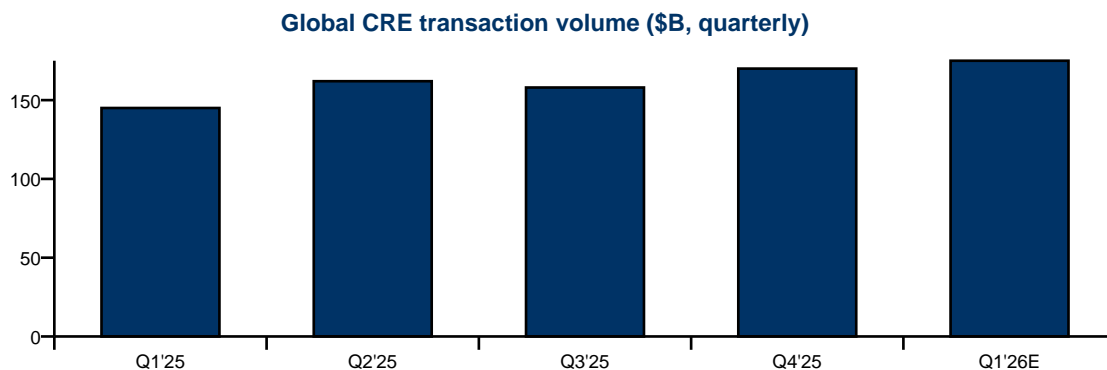
Industrial and logistics properties remain relatively resilient, supported by ongoing e commerce growth and supply chain reconfiguration. Vacancy rates have ticked up from historic lows but remain below long term averages in most key markets. Rental growth has moderated from the exceptional levels of 2021 to 2023, but we still model positive real rent growth for well located facilities. Data center and life science real estate continue to attract capital, though development pipelines are expanding and we monitor for potential oversupply in select markets. Multifamily fundamentals are stable in supply constrained geographies, with affordability constraints supporting rental demand.



Source: J.P. Morgan estimates. Q1 2026 estimated vacancy, Class A and B.

Capital markets and transaction activity

Transaction volumes remain subdued relative to 2021 and 2022 peaks, reflecting the gap between buyer and seller expectations and tighter credit conditions. We anticipate a gradual recovery in activity as pricing discovery improves and debt markets normalize. Distressed and opportunistic capital is accumulating, with potential for increased deal flow in the second half of 2026. CMBS spreads have tightened from their widest levels but remain elevated relative to pre 2022 norms, and we discuss the outlook for refinancing and maturity walls. Bank lending standards remain tight, favoring borrowers with strong sponsorship and asset quality. We provide a summary of recent transactions and their implications for market clearing prices.



Source: J.P. Morgan Research. E = estimate. All property types.

Outlook and recommendations

Our base case assumes that the repricing cycle continues through 2026, with stabilization beginning in late 2026 or early 2027 for select segments. We favor logistics, multifamily, and data center exposure and recommend underweighting traditional office until the vacancy and absorption outlook improves. Geographic selectivity is critical, and we highlight markets with favorable supply demand dynamics. Our price targets and ratings reflect a blend of net asset value, discounted cash flow, and relative value analysis. Risks to our view include a sharper than expected recession, further rate increases, or regulatory changes affecting property markets. We encourage clients to engage with our team for property and market specific discussion.

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