savills

GLOBAL CAPITAL MARKETS

NORTH AMERICA | Q1 2026

RESEARCH

GLOBAL SUMMARY

DELAYED NOT DESTROYED

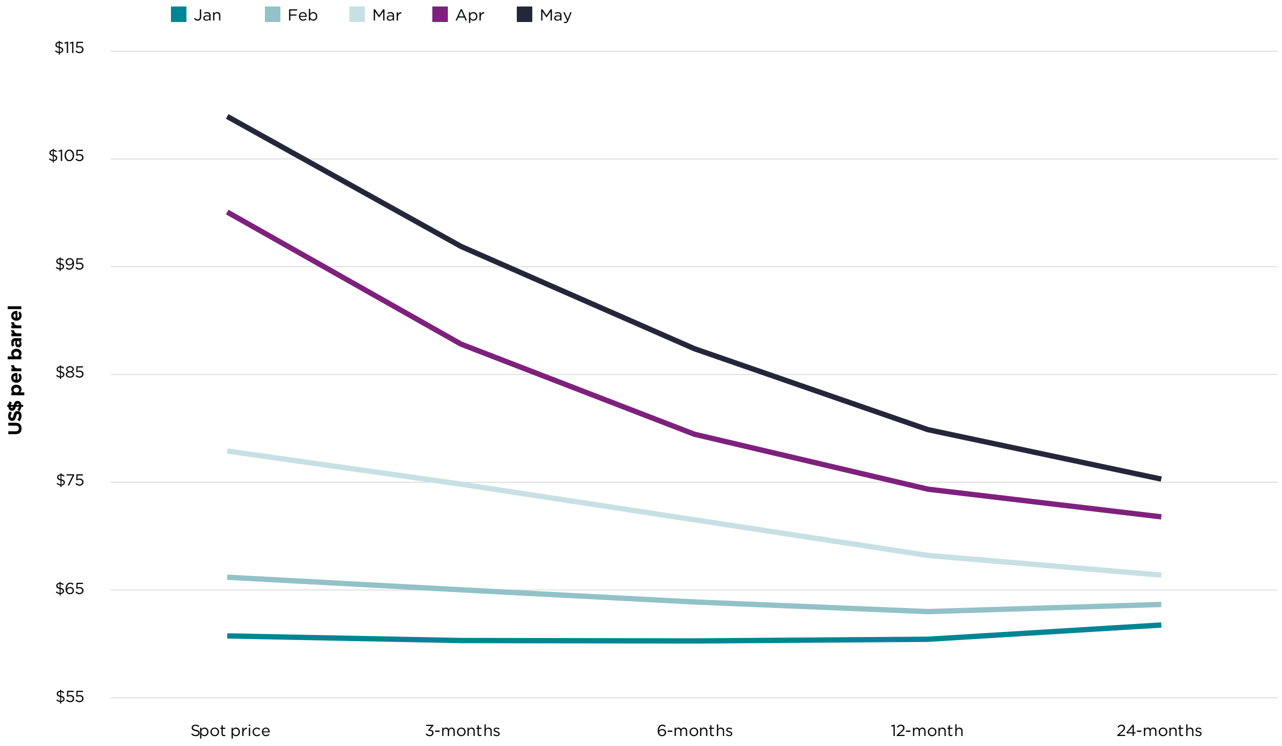
OLIVER SALMON
Director, World Research

The global economy began 2026 in a relatively steady state. Expectations were broadly in line with the previous year, with headwinds from tariffs, softening labour markets and weak underlying confidence offset by continued disinflation, easing financial conditions, supportive fiscal policy and the ongoing technology capital expenditure boom. Energy markets were accommodative, underpinned by a global supply overhang which was being reinforced by OPEC+ prioritising market share over price stability.

However, conflict in the Middle East introduced new headwinds to the global economy. The macro impact hinges on four conditions: the duration and scale of the conflict, and specifically disruption to the Strait of Hormuz; the country-level exposure to energy via net trade positions and GDP energy intensity; the policy responses across governments and central banks; and the behavioural response of households and businesses. The latter is particularly important, albeit often underappreciated, as confidence shocks can act as a catalyst that can quickly amplify the scale of any downturn.

The consensus remains anchored to the expectation of a relatively swift de escalation, leading to the restoration in energy flows through the second half of this year. This is reflected in the backwardated oil futures curve, and the resilience of risk assets following early ceasefire signals. Under this scenario, the impact of the supply shock is largely transitory—headline inflation temporarily overshoots into the 3–5% range, allowing central banks to 'look through' the shock, while growth decelerates but avoids outright recession.

BRENT CRUDE OIL PRICE FUTURES PRICES



Source: Savills research using Macrobond

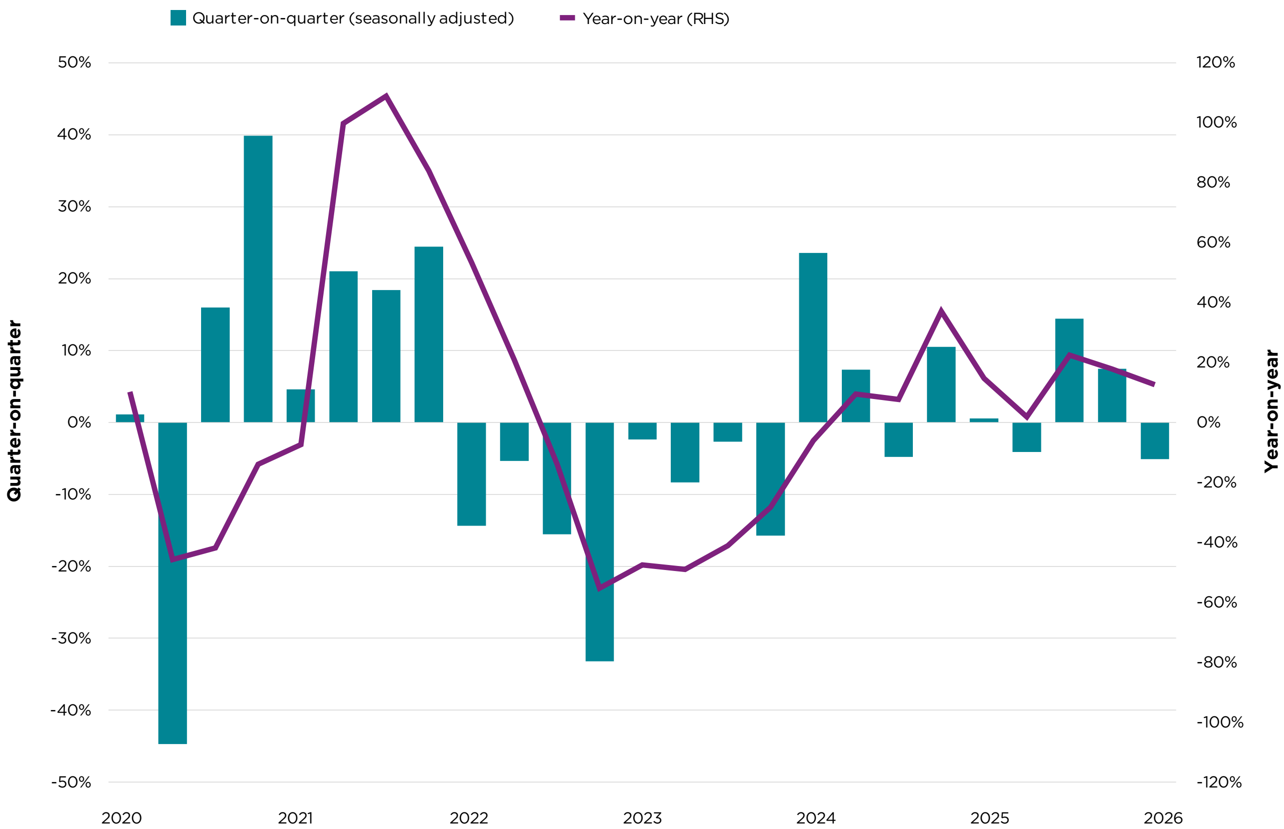
In this regard, context matters. Unlike in 2022, when the global economy was being propelled by post-Covid-19 revenge spending, the starting point today is disinflationary: labour market momentum is slowing, policy is more restrictive, and sentiment is subdued. Corporate and household pricing power is weaker as a result, limiting the risk of inflation becoming persistent. This creates a clear trade off for central banks and reduces the likelihood that supply-driven inflation translates into a sustained tightening in monetary policy. Policymakers suffering from recency bias, particularly in Europe, may however favour a more forceful initial response in order to anchor inflation expectations.

The regional implications are asymmetric. Major energy exporters such as Canada and Norway will benefit from favourable terms of trade effects, while net energy importers lose out. Many Asia Pacific economies are vulnerable due to their dependence on GCC supply, as well as high oil and gas GDP intensity, while European economies are also mostly net importers of energy, and are seeing renewed interest rate volatility and tighter financial conditions. In the US, while oil producers benefit from higher prices, these gains will be more than offset by consumer losses, given the dominance of household consumption in GDP.

However, even a benign resolution implies a long tail of risk. Damage to infrastructure, delays in restarting production, and the reconfiguration of shipping routes point to a prolonged period of constrained supply. Meanwhile, persistent volatility in the region is likely in the absence of a definitive end to the conflict, implying a structurally higher risk premium in oil prices (not to mention elevated insurance costs, and the potential for a "Tehran toll").

Downside risks are material. Around 20% of global oil and gas transits the Strait of Hormuz, with limited alternative routes. A sustained disruption would eclipse the 1970s oil crises in scale, leading to sharply higher prices, rationing, and additional supply chain disruption. Spillovers would extend beyond hydrocarbons to critical inputs including helium (semiconductors), fertilisers (food production) and petrochemicals (plastics). In a severe downside scenario, global growth could converge towards 2% in 2026–27, according to the IMF, a rate considered by many as recessionary.

GLOBAL REAL ESTATE INVESTMENT TURNOVER



Source: Savills research using MSCI RCA. Excludes development sites. Based on fixed exchange rates.

The balance of risks is reflected in the real estate sentiment data. The prospect of economic stagflation is clearly negative for the sector, and this increases the opportunity cost of deploying capital, vs a 'wait-and-see' approach. Global investment of US$230bn in Q1 represented a 5% decline on a sequential basis, when accounting for the normal seasonal pattern of activity, signalling a loss of momentum relative to the second half of last year.

Assuming the consensus is right on a swift de-escalation, the impact on investment activity should be equally short-lived. Pending deals data for Q2 2026 suggest there remains a robust pipeline of transactions, implying activity is being delayed rather than destroyed. This echoes the pattern seen following the 'Liberation Day' US tariff shock of April 2025, where first half weakness was replaced by second half strength.

Importantly, a swift de-escalation implies little change to the underlying fundamentals. Pricing is expected to hold firm, despite tight risk premiums and a higher risk free rate of return, and there remains plenty of liquidity in debt capital markets (debt strategies continue to perform well in fundraising trends). Meanwhile, a constrained development pipeline will continue to provide an important anchor supporting rental growth, with heightened uncertainty, increased financing costs, and rising energy-linked construction costs further undermining development viability. This means that any near term softness in the outlook for rental growth should give way to renewed supply side tightness in the medium term.

Crucially, in the aftermath of 'Liberation Day', tariffs weren't rolled back completely, but a series of bilateral trade agreements were signed, removing the most negative of downside risks and providing a more stable status-quo for investors to again underwrite new deals with more certainty. This shows a level of resilience in activity, with investors showing greater proclivity to trade through the cycle after several years of elevated volatility. We expect a similar dynamic to occur this year.

MARKET VIEW

RASHEED HASSAN
Head of Global Cross Border Investment
shares his view on the market

2026 started positively, building on the momentum that we witnessed in H2 2025. While the stats show a marginal seasonally-adjusted 5% drop in quarter-on-quarter activity overall, there have been some exceptional sector and geographical performers.

Putting 2025 into context, it was not without challenge. President Trump's tariff policies caused the market to pause and adjust, and this dampened Q2 activity levels. Despite this, investors found comfort in the strength of the underlying market fundamentals and helped by the abundance and pricing of debt capital, continued to transact.

Despite the positive start to the year, at the end of February further geopolitical conflict commenced in the Middle East, which gave the market another reason to need to rationalise and adjust to the implications of what this meant for the real estate markets.

Given the uncertainty around the potential extent and duration of the conflict, which remains today, the initial reaction was an element of pause, but one that was far less pronounced to that of the tariff shock. Deals that were under offer broadly remained so, and the pause was more pronounced in the agreement of new transactions.

However, as weeks have passed and with the emergence of ceasefires and negotiations between the key protagonists, the market has started to transact again, with deals that were under offer pre-conflict closing and new ones getting agreed. We have been closely monitoring, where we can, any price renegotiations from buyers on deals where pricing was agreed before the start of the conflict. We are not yet witnessing accepted price alterations outside of the 0-5% range and where there has been one it is more typically 1-3%. The change in the cost of financing has been the main reason given for the adjustment, where buyers can demonstrate a mathematical impact, as opposed to an adjustment purely for sentiment.

Despite the negative backdrop, there also continues to be a momentum in the larger transaction space, both for platform / portfolios and single assets, which is helping turnover figures.

As we look forward to the rest of the year, it is very hard to forecast activity levels and sentiment. The conflict is ongoing and there continues to be a good dose of geopolitical unrest. This creates a persistent environment of uncertainty. However, what is clear, is that investors are investing through the near term and really focusing on core market fundamentals, accepting that we are just in a more volatile world.

STABILITY AMID THE NOISE

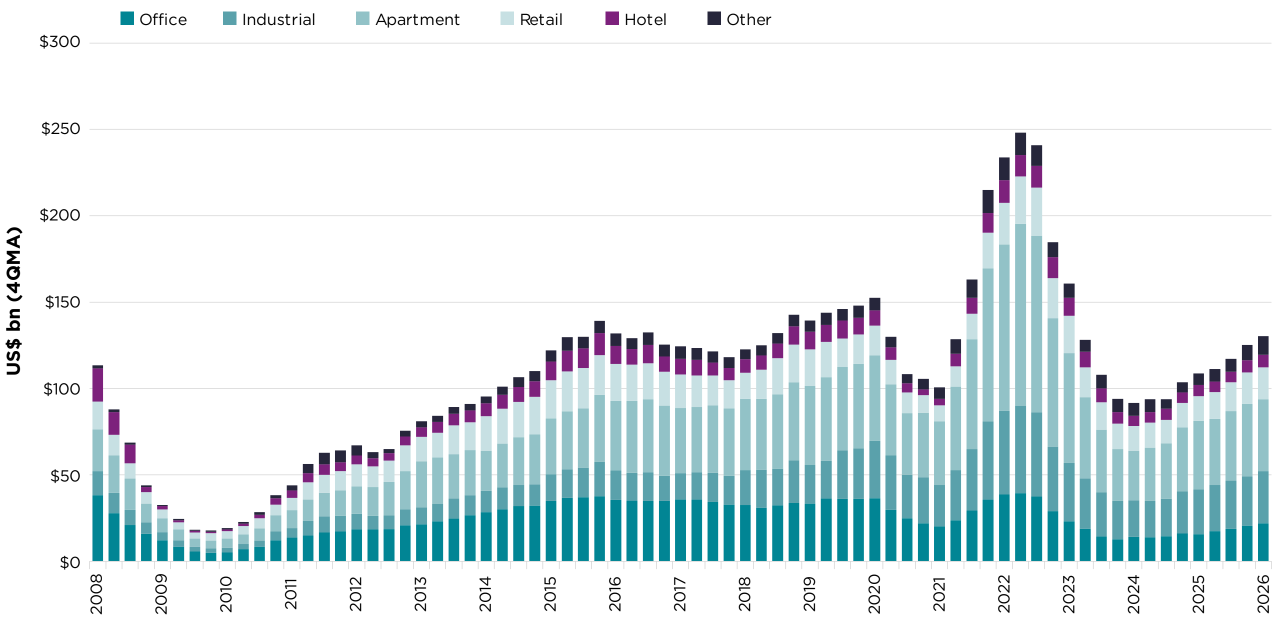
OLIVER SALMON
Director, World Research

CHARLOTTE RUSHTON
Associate, World Research

The US real estate investment market made a strong start to 2026, with activity rebounding sharply across most sectors and markets. Total transaction activity reached US$120bn in Q1, up 19% y/y, making it the strongest start to a year since 2022. Conflict in the Middle East clearly brings new headwinds to the global economy, however the US real estate market remains somewhat resilient for now; investment of US$46bn in March was up 36% on the year, outperforming both January and February.

The resilience in the transactional data is reinforced by signals on pricing. Prime yields have broadly stabilised over the last year, and we're expecting little change over the next 12 months. This represents a slight shift in the outlook; going into 2026, yields were largely expected to follow interest rates lower, however the inflationary impact of the energy supply crisis is now likely to keep the Federal Reserve on hold this year. Nevertheless, positive income growth continues to support some price appreciation in aggregate, and particularly at the top end of the market.

US REAL ESTATE INVESTMENT TURNOVER

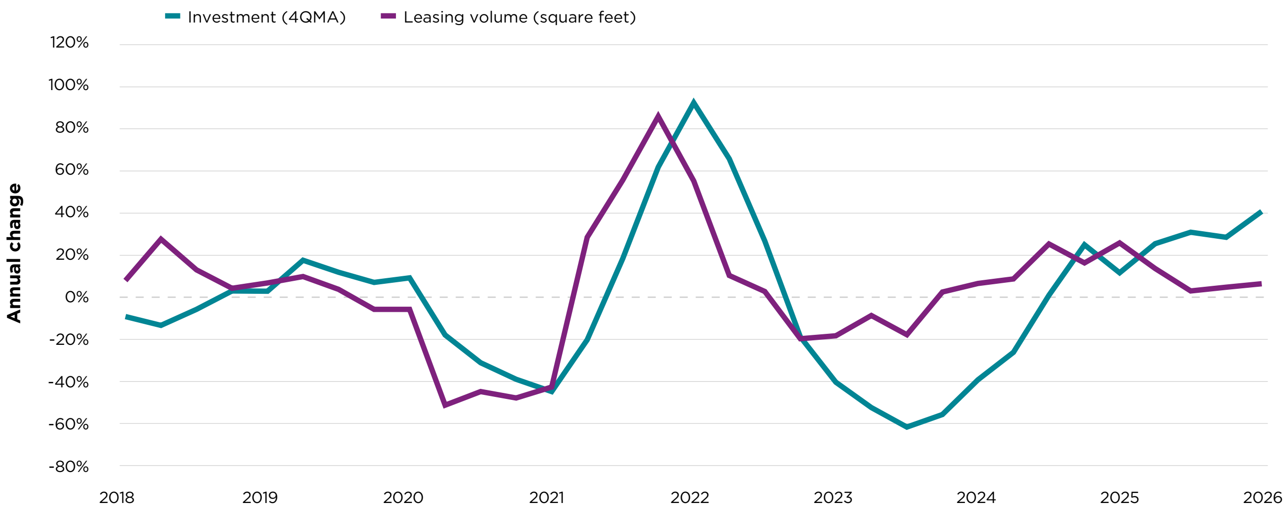


Source: Savills Research using MSCI RCA. Excludes development sites.

The office sector was one of the clearest areas of improvement in US capital markets in the first quarter, with investment activity rising sharply and liquidity returning more convincingly than in recent quarters. Total office investment surpassed US$20bn, up 40% on the year. This was the fourth consecutive quarter of double-digit growth, as investors continue to re-engage with a sector showing a meaningful improvement in fundamentals.

US institutional investors have been the buyers of nearly one-quarter of completed deals by value in early 2026, the highest share since 2022, while over 30 deals in excess of US$100m were finalised in the quarter, more than double the low-point in the recent cycle. Included within this list was the completion of the US$1.1bn take private acquisition of Vancouver-based City Office REIT by Elliott Investment Management and Morning Calm Management, highlighting the growing conviction in traditional office assets, and the potential arbitrage opportunity with the listed sector continuing to trade at a significant discount to NAV.

US OFFICE SECTOR INVESTMENT AND LEASING DEMAND



Source: Savills Research using MSCI RCA

Distress remains central to the narrative surrounding the office sector. However, it is increasingly supporting price discovery rather than simply weighing on sentiment. Offices accounted for nearly 40% of total new distress in the first quarter, yet the sector also led on workouts. The value of distressed office sales rose by 45% y/y, and accounted for over 7% of all deals in the quarter. Delinquency rates remain elevated, but appear to have plateaued at around 11.5%, according to Trepp.

However, the shift in sentiment is also grounded in the underlying fundamentals, rather than being opportunistic in nature. The occupational backdrop has become more supportive of the underwrite, with leasing activity reaching its highest level in five years. The major gateway and innovation-led markets continue to lead the way; Manhattan registered its best quarter since 2019, while in San Francisco, Q1 leasing demand was the strongest in over a decade.

Against this backdrop, the development pipeline remains extremely tight, with annual new completions expected to barely register a quarter of pre-Covid-19 levels for this year and next, providing an anchor to asking rents and supporting a steady decline in vacancy across most markets.

Industrial and logistics overtook multifamily as the largest invested sector in the US at the beginning of this year, underlining the sector's continued appeal to investors, even as occupier fundamentals become more mixed. The total value of transactions rose by 26% on the year, pushing above US$30bn in the process, making it the sector's best start to a year since 2022. Notably, US institutional investors were strong net buyers of industrial and logistics assets in early 2026, after being net sellers for the last three years.

Occupier demand, however, is becoming increasingly polarised. Southern markets such as Dallas, Houston and Atlanta continue to see healthy leasing momentum, firming rental growth and tightening vacancy, while a number of coastal gateway locations, including Los Angeles and Northern New Jersey, are experiencing a softer backdrop. Trade tensions and tariff-related uncertainty are contributing to that divergence, particularly in Los Angeles and the Inland Empire, where volatile port volumes are weighing on occupier sentiment and encouraging a 'wait-and-see' approach from many businesses.

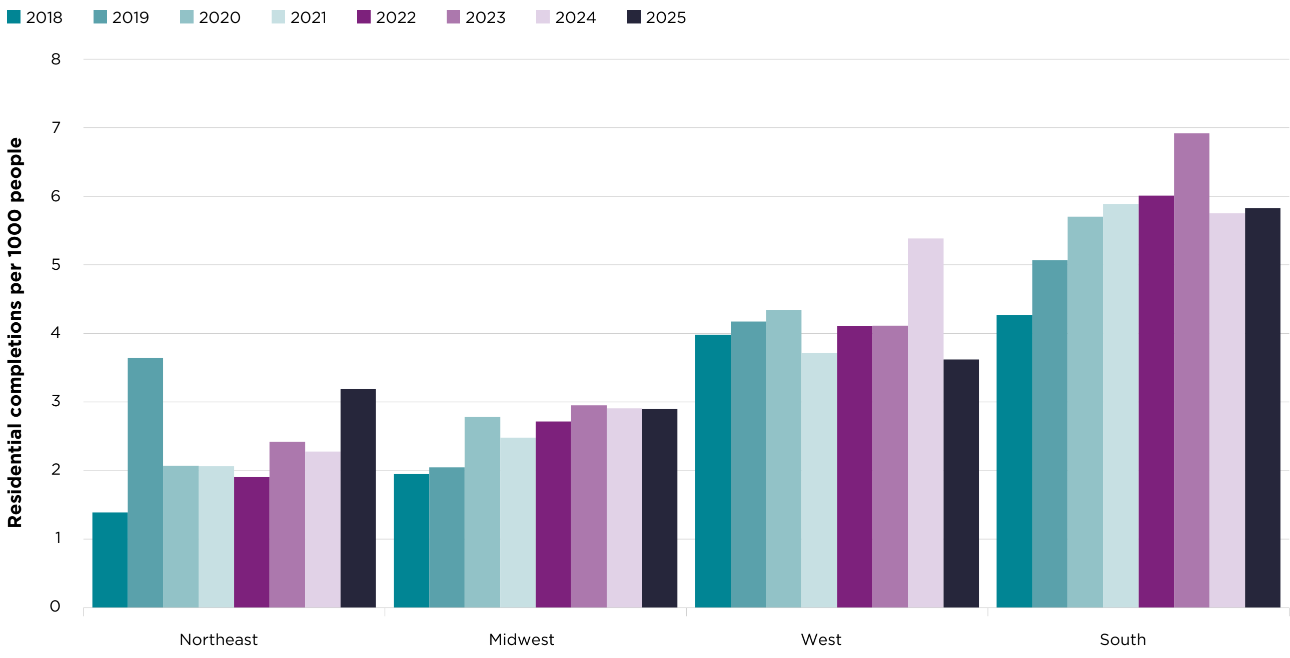
Investment in the multifamily sector also surpassed US$30bn in the quarter, although this represented a 4% decline on the year. This is was largely due to a lack of activity from institutional investors, and consequentially, fewer portfolio deals. The aggregate value of portfolios trading in Q1 was down 24% on the year, with no deals exceeding US$500m registered year-to-date.

Occupationally, the market began the year on a relative positive note. In total, the US market absorbed over 90,000 multifamily apartments in Q1, according to RealPage, one of the strongest first quarter outturns in the past decade. Demand in general continues to benefit from positive household formation, as well as homeownership affordability constraints. Class A properties are outperforming, underpinned by a 'flight-to-quality' trend that mirrors the wider commercial real estate sector, as well as a more balanced tenant-landlord relationship.

However, headwinds are also apparent in the form of a softening labour market and lack of employment growth. As such, from a wider perspective, the Q1 data was more anomaly than trend, with demand conditions remaining below the long term average on a 12-month rolling basis. The national vacancy rate has risen by 30bps over the last year to 6.8% as a consequence, according to Moody's Analytics, albeit that it is has broadly plateaued on a sequential basis.

Annual demand is also running below supply, with regional polarisation underpinned by contrasting supply dynamics. The Sunbelt region in particular is struggling to onboard new supply, despite also leading the US in absorption rates, following a post-Covid-19 construction boom that is yet to fully work through the sector. These trends are driving some weakness in asking rents, which were down by 0.5% on average nationwide against the same period last year. High supply markets continue to see the steepest rental corrections; in Austin, the annual asking rent has fallen by more than 7% over the last 12 months, while in Phoenix is it down by nearly 5%.

US RESIDENTIAL CONSTRUCTION BY REGION



Source: Savills Research using US Census Bureau.

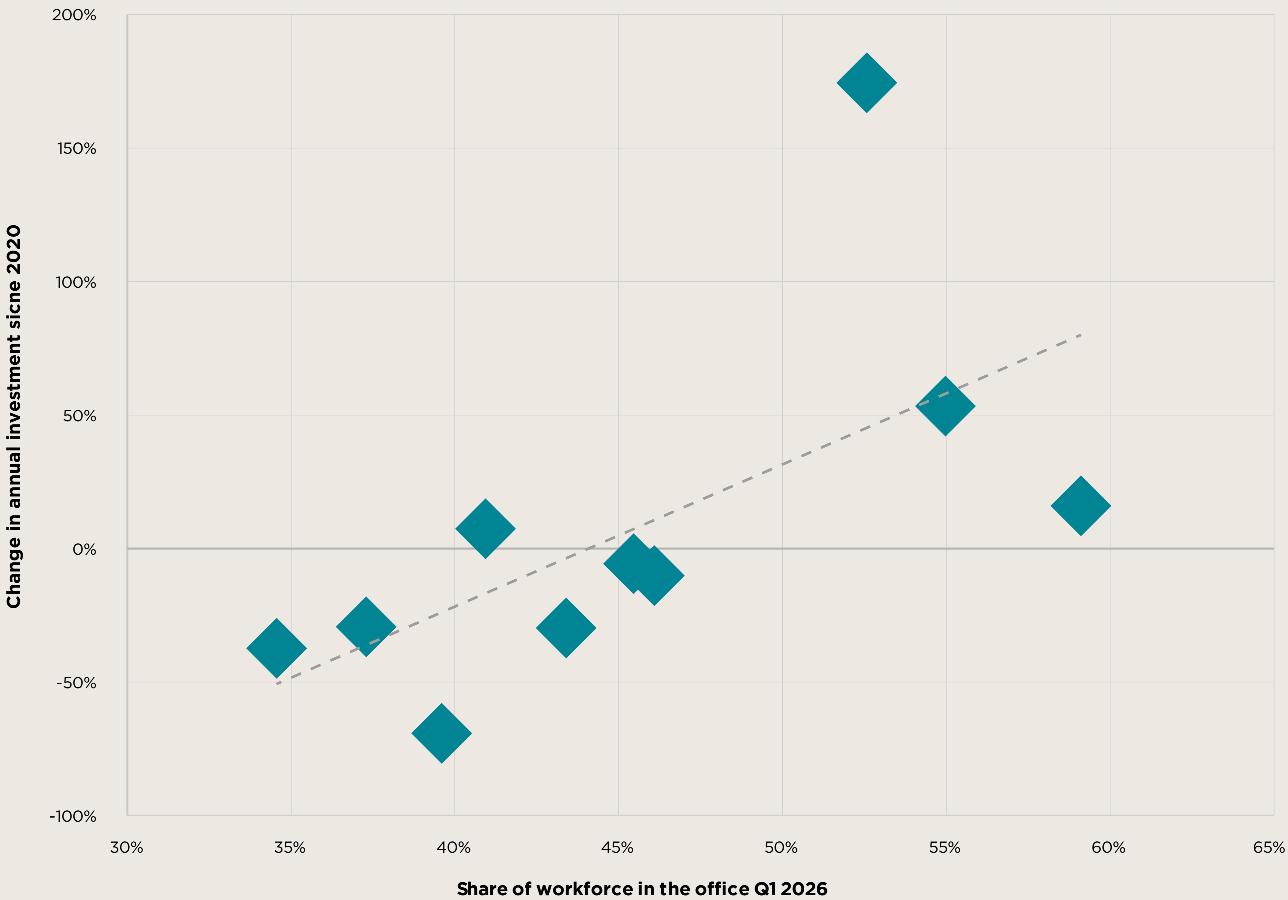
These supply dynamics are broadly mirrored in the data on transactional activity. Major cities in the South and West regions, which have struggled with oversupply, have seen investment fall on the year by an average of 14%. By contrast, markets in the Midwest with a more constrained supply backdrop, such as Chicago and Cleveland, have seen investment rise by 15%. One of the largest deals this quarter, the US$455m acquisition of a seven property portfolio by a JV between LaTerra Development and Respark, was in Chicago.

New supply continues to slow, however, with Q1 marking the fifth consecutive quarter of declining annual completions nationwide, allowing new additions to fall back in line with the long term average. This should provide for a more supportive backdrop for investors underwriting new deals, bringing some stability to the occupational dynamics, particularly given that the structural undersupply of housing in the US will keep occupancy rates high.

Investment in the retail sector was also broadly stable on the quarter, with turnover edging up by 1% y/y to US$18bn. This followed a very strong 2025, which delivered growth of around 30%. The modest headline increase in Q1 masks a clear divergence in deal activity; portfolio transactions fell sharply, down almost 50% y/y, as investors continued to favour single-asset deals. Indeed, Q1 was the fourth consecutive quarter of double-digit growth in single asset sales. The largest transaction was the sale of Victoria Gardens in suburban Los Angeles, where Brookfield sold the asset for US$530m to Redwood West, Panattoni Development and Prime Finance.

At a regional level, markets in the South recorded the strongest growth, with investment up 20% on the year. This reflects continued positive demographic trends and a more pronounced return-to-office impetus. Among the ten largest US cities by population, there is a good correlation between office attendance and retail investment.

US RETAIL INVESTMENT AND RETURN TO OFFICE



Source: Savills Research using Macrobond and MSCI RCA

Finally, the hotels sector recorded substantial growth of 18% y/y in Q1, with investment of US$7bn. However, growth was concentrated across a relatively small number of large transactions, with the total value of portfolio deals doubling on the year to US$2bn. Capital has been directed primarily towards luxury and upscale properties, particularly trophy assets in New York, Miami, and resort markets. By contrast, economy and midscale hotels continue to transact at lower prices and higher yields. These trends were illustrated by the US$1.1bn sale of a portfolio comprising of two Four Seasons hotels in Orlando and Jackson Hole.

The operational backdrop for US hotels remains fragile, reinforcing investor selectivity.

National RevPAR fell by 0.3% in 2025, one of the only non-recessionary periods on record to post an annual decline, and remained broadly flat on a trailing 12-month basis into Q1 2026. Performance divergence is pronounced; luxury hotels continue to deliver positive revenue growth, while economy hotels remain under pressure, with mid-single digit declines extending into 2025.

International travel to the US in 2025 remained 14% below 2019 levels, however, major events such as the 2026 FIFA World Cup and the 2028 Los Angeles Olympics are expected to deliver a meaningful, although geographically concentrated, uplift to demand in gateway and host markets.

PRIME US YIELDS, Q1 2026 (AS AT END OF MARCH)

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	5.25%	No change	65%	6.0%	3.9%	1.0%
Logistics	Los Angeles	5.25%	No change	65%	6.0%	3.9%	1.0%
Logistics	Chicago	5.50%	No change	65%	6.0%	4.6%	1.2%
Logistics	Houston	5.75%	No change	65%	6.0%	5.3%	1.5%
Office	New York	5.50%	No change	65%	6.3%	4.1%	1.2%
Office	Los Angeles	7.50%	No change	65%	6.3%	9.8%	3.2%

Source: Savills Research and Macrobond

TRANSAMERICA PYRAMID, SAN FRANCISCO

Sector: Office

Tenant: Morgan, Lewis & Bockius LLP, Mizuho

Lease length (WAULT): Undisclosed

Area: 750,000 sqft (70,000 sqm)

Price/NIY: US$690m / Undisclosed

Vendor: SHVO JV BVK JV Deutsche Finance

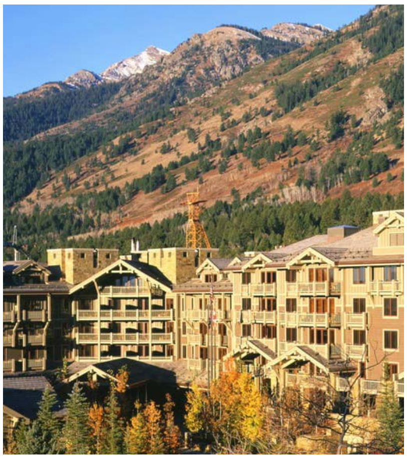
Vendor nationality: US / Germany

Purchaser: Yoda PLC

Purchaser nationality: Cyprus

Other comments:
A 3 property portfolio, with the key asset being the Transamerica Pyramid. Portfolio was last sold in late 2020 for US$650m and has been heavily renovated costing an estimated US$250m.

HOST FL/WY HOTEL PORTFOLIO, ORLANDO & JACKSON HOLE



Sector: Hotel

Tenant: Four Seasons

Lease length (WAULT): N/A

Area: 569 units

Price/NIY: US$1.1bn / Undisclosed

Vendor: Host Hotels & Resorts

Vendor nationality: US

Purchaser: BDT and MSD Partners

Purchaser nationality: US

Other comments:
Portfolio comprises Four Seasons Orlando at Walt Disney World and Four Seasons Resort & Residences Jackson Hole. The Orlando asset is the only luxury resort within the resort that is not owned by Disney.

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 sq ft 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.

Savills Research

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