

OakNorth Sector Pulse

US REAL ESTATE

March 2026



OakNorth

Industry overview

The US real estate market is moving into a measured recovery phase after a multiyear repricing cycle. Policy rates remain well below the 2023 peak, and the Federal Reserve has held the federal funds target range at **3.50% to 3.75%** as of mid-February 2026, supporting improving debt market confidence and refinancing visibility.

Liquidity conditions have improved and transaction markets are reopening selectively, led by property types where income durability and leasing visibility are strongest. **Cap rate expansion** has slowed materially, and in certain high demand segments early compression is emerging. 2025 increasingly represents the stabilisation point for much of US real estate, with 2026 shaping up to deliver differentiated performance by asset quality, geography, and supply exposure.

Key sectoral trends

MULTIFAMILY

Apartment demand in 2025 stayed robust, with net absorption among the strongest in decades, reflecting up-beat household formation and continued affordability challenges that keep renter households active in the market. Cushman and Wakefield estimates full year absorption of approximately **355,000 units**, placing 2025 among the strongest demand years of the past two decades.

Supply remained the primary headwind. Elevated deliveries kept vacancy higher in high construction metros. CBRE reported national multifamily vacancy at **4.9%** in Q4 2025, with late year absorption moderating as supply peaked and seasonal softness emerged.

Capital markets reengaged as pricing clarity improved. CBRE reported that annual multifamily investment volume increased by approximately 9.1% in 2025 compared with the prior year, highlighting renewed institutional engagement as pricing and capital conditions stabilised.

Over the coming quarters, performance will hinge on how quickly new deliveries taper. Construction starts have already slowed materially, and as the pipeline contracts through 2026, vacancy rates should gradually compress in undersupplied metros. Rent growth is expected to reaccelerate first in markets where completions fall sharply and employment growth remains robust, particularly in select coastal cores and supply constrained Sunbelt submarkets. Structural demand drivers including demographic momentum, migration to growth markets, and affordability barriers to ownership continue to underpin long term investor conviction.



In 2025, strong apartment demand offset supply pressure, with recovery expected as deliveries slow.

OFFICE

Office remains the most structurally challenged major asset class, but late 2025 data points to clearer cyclical stabilisation in high quality segments. JLL reported that annual leasing increased 5.2% year on year in 2025, net absorption turned positive in the second half, and total transaction volume rose **35%** year on year, with sales activity increasing for seven consecutive quarters.

New development has fallen to historically low levels, with inventory under construction more than 20% below prior cyclical lows. This sharp pullback in supply is beginning to limit incremental vacancy expansion. CBRE highlights the ongoing bifurcation within the sector, noting that prime downtown vacancy has declined 1.5% since year end 2024, reflecting continued flight to quality.

In the near term, demand will remain heavily concentrated in best in class, sustainable buildings offering premium amenities and flexible layouts. Secondary assets face intensifying repositioning pressure, with office to residential and mixed-use conversions becoming more prevalent where viable. Any broad-based vacancy recovery is likely to be gradual, but well-located Class A assets in major urban cores are positioned to lead the sector's eventual rebound.



Office stayed fragile, though Class A assets strengthened.

INDUSTRIAL / WAREHOUSE

Industrial has normalised from pandemic era peaks but continues to benefit from structural tailwinds including supply chain reconfiguration, e-commerce penetration, and nearshoring. Market indicators show vacancy at cyclical highs but stabilising as construction moderates and leasing strengthens. Colliers reported industrial vacancy at approximately 7.3% in late 2025, reflecting a meaningful slowdown in new supply.

CBRE recorded a 12% increase in industrial leasing activity during 2025, despite vacancy rising to 6.7% as supply temporarily outpaced absorption. Cushman and Wakefield similarly reported vacancy at 7.1% for a third consecutive quarter, suggesting the market is nearing an inflection point as new deliveries slow.

As 2026 progresses, the sharply reduced development pipeline is expected to allow demand to catch up with supply, supporting gradual vacancy compression. Rent growth will likely continue at a slower but healthier pace than during the 2021 to 2022 surge, led by core logistics corridors near ports, major transport infrastructure, and large population centres. Institutional capital remains firmly allocated to modern, well-located assets with strong ESG credentials and operational flexibility.



Industrial normalised in 2025, but structural demand remained strong.

RETAIL

Retail remains one of the strongest performing sectors in US commercial real estate, supported by structurally limited new supply and sustained tenant demand for well-located space. CBRE reported that retail availability tightened to 4.8% in Q4 2025, supported by 11.3 million sq ft of net absorption, while new deliveries fell to approximately 5 million sq ft, reflecting elevated construction costs and disciplined development.

JLL notes that vacancy remains near historic lows, reinforcing landlord pricing power in prime open air and grocery anchored centres. Cushman and Wakefield reported shopping centre vacancy at 5.7% in Q4 2025, with discount, grocery, and value oriented retailers driving backfill activity.

Throughout this year, retail fundamentals are expected to remain firm given minimal new construction and steady consumer activity. Grocery anchored, necessity based, and experiential formats should continue to attract capital. Lower tier malls and weak trade areas will face ongoing structural pressure, but well capitalised owners are advancing mixed use redevelopments and selective repurposing strategies. Cap rates are likely to remain broadly stable, supported by strong income visibility and constrained supply.



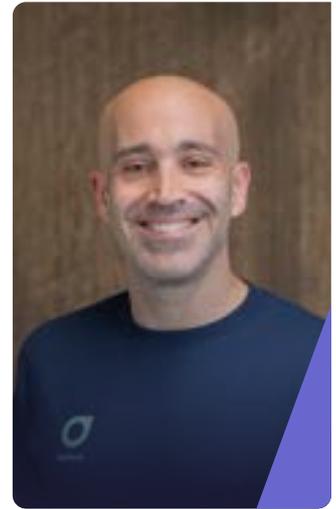
Retail stayed strong in 2025, supported by limited supply and steady demand.



After several years of repricing across US commercial real estate, we're starting to see improving pricing clarity and a gradual return of liquidity to the market. While the recovery will be uneven across sectors, areas with strong underlying demand, particularly residential and operational real estate, are showing early signs of momentum.

At OakNorth, we continue to focus on entrepreneurial sponsors and middle-market opportunities where flexible capital and disciplined underwriting can unlock value. Recent transactions, including our \$42m financing for assisted living assets alongside Bravo Property Trust, our \$78m co-loan for the office-to-residential conversion of 100 William Street in Manhattan, and our note-on-note facility with S3 Capital, reflect the breadth of opportunities we're seeing as the market moves into its next phase."

Ben Barbanel
Chief Lending Officer at OakNorth



Customer insights

What does it mean to be a trusted capital partner in US lender finance?

It's not just about deploying capital quickly. It's about:



Understanding the underlying sponsors and collateral – not just the surface-level deal



Bringing consistency in credit philosophy, even as markets fluctuate



Communicating transparently, so counterparties can build with confidence



Leaning in on complexity, rather than stepping back from it

Charlie Brosens, Partner at Urban Standard Capital, recently shared his perspective on working with OakNorth in the US lender finance market, and what it takes to build a reputation in a competitive space, faster than most expect.

In a market where alignment matters as much as pricing, we're proud of the relationships we've built – and the work still ahead.

Read Charlie's thoughts today:

<https://lnkd.in/eDCebG4M>

Charlie Brosens
Partner at Urban Standard Capital



Sector spotlight



BRAVO
PROPERTY TRUST

Privately held financing platform

In February, we provided a \$42m loan alongside leading privately held financing platform, [Bravo Property Trust](#), to support two Class A, assisted living facilities in Taylor, Michigan and Chesapeake, Virginia.



OAK
FUNDING

Property Lending Platform

Also in February, we completed a \$78m co-loan alongside, New Jersey-based real estate lending platform, [Oak Funding](#), to vertically integrated real estate firm, [Bushburg](#), to support the acquisition of 100 William Street, a 21-story office building in Manhattan's Financial District, and fund pre-development works ahead of its planned office-to-residential conversion.



New York-based asset management company

In January, we provided a \$4.9m loan to New York-based asset management company, [Top Quality Management](#), to refinance existing debt on a four-story multifamily asset in Brooklyn, New York.



2218 Jerome Operating LLC

Bronx charter school conversion

Also in January, we provided a \$10.7m loan to 2218 Jerome Operating LLC, to support the acquisition and conversion of a vacant two-story building in The Bronx into a new Charter school campus.



S3

New York-based lending platform

In December, we provided a \$60.7m note-on-note facility to returning customer and New York-based lending platform, [S3 Capital](#), to support the development of 68 new luxury condo in Brooklyn.



MODULE FIVE
CAPITAL

New York-based real estate lending platform

In November, we provided a \$30m note-on-note revolving credit facility to [Module Five Capital](#), the New York-based real estate lending platform, to accelerate growth of its lending platform, following \$30m facility from OakNorth.



PHG

Vertically integrated hospitality company

In October, we provided a \$9.5m loan to, [Pro Hospitality Group](#), the vertically integrated hospitality investment, development, and management company, to support the relaunch of the 100-key Hotel Elev8 in Flagstaff, Arizona.



AYA NEW YORK

Manhattan-based real estate investment firm

Also in October, we provided a \$45m loan to [Aya New York](#), the Manhattan-based real estate investment firm, to support the acquisition and renovation of the 166-key, Cassa Hotel, located at 70 West, 45th Street.



INNESS

Upstate New York luxury getaway

In September, we provided a \$22m loan to [Inness](#), the 220-acre upstate New York luxury getaway, to support the development of an additional 20 individual cabins across the site.