RESEARCH BRIEF

Marcus & Millichap

TRANSACTION MARKET TRENDS

AUGUST 2026

Factors Beyond Financing Continue to Support CRE Investment

Shifting interest rate dynamics. Higher borrowing costs have created headwinds for commercial real estate transactions. Interest rates alone, however, do not fully explain market activity.

- Treasury yields declined early in 2026, supporting **investor sentiment** and commercial real estate **transaction activity** amid expectations of dovish monetary policy by year-end.
- Following the outbreak of the current conflict in the Middle East, interest rate projections shifted materially and Treasury yields rose by approximately **70 basis points**.
- In turn, market expectations have shifted from potential rate cuts to a **growing probability** of rate hikes later this year.
- Higher financing costs are creating **pressure** on transaction activity across property sectors.
- While interest rates remain a key consideration, CRE transaction velocity **does not consistently move inversely** with debt costs, evidenced by historical periods in which elevated rates coincided with robust deal flow and vice versa.
- As such, transaction activity is ultimately influenced by a broader set of **economic** and **investor-specific factors**.

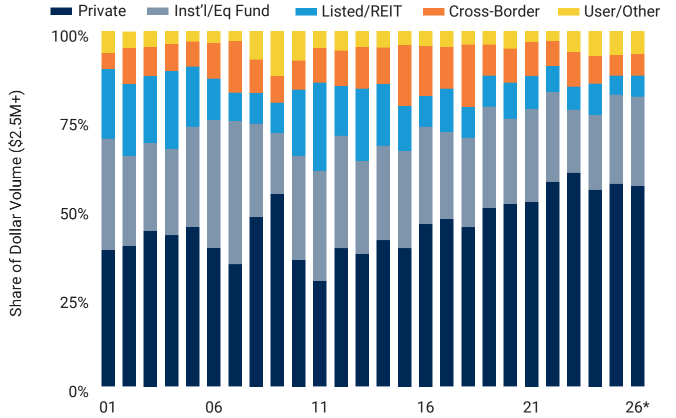
Deal flow tilts toward private investors. The outsized growth in smaller transactions underscores the growing prominence of private investors in the CRE marketplace.

- Private investors have accounted for roughly **55** to **60 percent** of commercial property acquisitions over the past five years, exceeding their average market share of **50 percent** in the five years preceding the pandemic.
- Transaction activity in the first half of 2026 outpaced the pre-pandemic mean across **all major price tranches**.
- The strongest gains have occurred in assets trading between $1 million and $10 million, where deal flow is nearly **39 percent** above the 2015-2019 first-half average.
- By comparison, transaction counts increased **22 percent** for assets priced above $20 million, and **15 percent** for assets priced between $10 million and $20 million.
- Single-tenant retail, small offices, and industrial spaces have experienced the **strongest gains in private investor activity**, while apartment growth has been comparatively modest.

Key themes for the second half of 2026. Interest rates, private investor activity, and slowing new supply will influence the commercial real estate outlook.

- Interest rates may remain a headwind, though current Treasury yields appear to r**eflect anticipated rate hikes**.
- As a result, borrowing costs may remain elevated, though the risk of a material near-term **increase appears low**.
- Private investors are expected to **remain active** as buyers and sellers continue adapting to prevailing market conditions.
- Compared with other investors, private buyers are often motivated by factors beyond current pricing and financing conditions, such as **estate planning**, **tax considerations**, and **long-term wealth preservation objectives**.
- These factors, together with localized market knowledge and longer investment horizons, often support **sustained private-market activity** across economic cycles.
- Construction activity is **slowing** across all major property sectors, limiting the pipeline of new CRE supply.
- While demand growth remains modest, improved economic confidence could allow space and rental housing absorption to accelerate faster than supply, supporting **stronger fundamentals** in the future.

PRIVATE-BUYER SHARE OF ACQUISITIONS RISING



* Year ended 2Q | Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CME Group; CoStar Group, Inc.; Federal Reserve; Real Capital Analytics; RealPage, Inc.

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