

# The Weekly Take

## Q2 2026 Commercial Real Estate Outlook with Dr. Henry Chin (BONUS EPISODE)

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### **Spencer Levy**

Welcome to a special edition of The Weekly Take. 2026 is still young. But after an eventful first quarter in terms of global current events, it's time to check in on the state of the economy and update our outlook on commercial real estate. On this Weekly Take Extra, we're joined by CBRE's Global Head of Research, Dr. Henry Chin, to share up-to-the-moment insights across the business. My good friend Henry Chin, welcome back to the show. Great to see you.

### **Henry Chin**

Good to see you, Spencer. It's always good to be back to the show.

### **Spencer Levy**

Always great to have you back. And these are some of our most popular recordings. Let's just start big picture. We're recording this at the end of April. We have a lot of macro noise going on today: Interest rates are up. We're feeling uncertainty from investors. Inflation is staying sticky. Before we get into the individual asset types, just give me the big picture

### **Henry Chin**

I have to say, Spencer, the global real estate market and the U.S. commercial real estate market continued to perform very, very well in the first quarter of 2026. It's not only coming from the investor capital market side that leasing performance has been so strong. And even when we are looking at global macro pictures, yes, we do see some slowdown revising down a bit, but nevertheless, I think the recovery continues in our space.

### **Spencer Levy**

Well that's great to hear, Henry. The way that I try to frame it is that you have the news of the day on one hand, and then you have what I call the math on the other. I think what you're saying here, Henry, is that notwithstanding the fact there's some scary news out there – we talked about inflation, interest rates, obviously the wars – the math as measured by fundamentals in terms of people leasing, people selling, those are still going strong. Fair statement?

### **Henry Chin**

That's a fair statement. Real estate is all about demand and supply, right? So therefore, we look at the facts, as you say, the scientific methods. Real estate's still doing really good. This asset class is really resilient.

### **Spencer Levy**

A couple of the stars of the show of real estate in the last couple of years of course have been industrial and multifamily. But we have seen a little bit of softness in the last few quarters in these sectors. What are we seeing today?

## **Henry Chin**

Industrial from the second half of last year, leasing activity has picked up, and picked up particularly good quality of asset in the mega centers. I think the momentum has continued in first quarter of this year. We see a 14% uptick for the leasing activities for logistics spaces, okay, which is the strongest for the first quarter for a number of years. The second one I want to highlight here: We are upgrading our whole year leasing activities to 8%, which means we are going to see over a billion square footage of leasing transactions in 2026 – which also means 2026 is the strongest leasing activity on record. So therefore, this is real. I think that industrial leasing is coming back. It's largely driven by 3PL and manufacturing activities.

## **Spencer Levy**

Let's dig into that in two ways, both macro and micro. One, I want to go back to something you said earlier, that we're seeing a disproportionate amount of this leasing in new facilities. So what's happening with the old facilities? That's question A. And question B is, how real is this manufacturing reshoring, and how much is it driving industrial demand?

## **Henry Chin**

It's very interesting. I think that flight to quality also happened in the industrial space. So older facilities, the landlords, are offering more incentive to keep the occupiers. That's the reality. So flight to quality is happening in this space. For the manufacturing segment, I think we do see the first quarter of this year, the share of leasing is in the lower double digits. Within those manufacturing segments, tech, power, defense are the major, major drivers taking up more leasing spaces. We also did our first occupier survey for industrial spaces here in the U.S. We can see 40% of manufacturers, they are telling us that we are going to expand even more. So therefore the share of manufacturing, I think is going to increase even further because re-shoring, near-shoring is really happening here in the US.

## **Spencer Levy**

I'm glad you said that, Henry. This is not the manufacturing show, but one of the things I say over and over and over again, is that I think our traditional real estate investors should look at not only investing near manufacturing facilities and warehouses and multifamily and other uses, but the facilities themselves. And I think we're increasingly seeing that in part because of this huge uptick in demand.

## **Henry Chin**

100% agree. And, Spencer, one thing about industrial spaces I want to highlight. Los Angeles was the top manufacturing demand in the first quarter of 2026. If you're thinking about 12 months ago, people talking about the tariffs, there's not much of demand, the greater LA had tough challenges. But look at this: 12 months after, they are the top leasing demand for these spaces.

## **Spencer Levy**

Well, I'm pleased to hear that because we heard some negative stories about the Southern California market, particularly the Inland Empire, which is not L.A., but it's close. But I'm glad to see it's turned the corner, and I'm not surprised at all. And I think the reason is that the supply spigot shut off a little bit. And once the supply spigot shuts off, existing products are going to get absorbed.

## **Henry Chin**

Yeah, the supply issue is quite interesting. I think over the past few years, we got tons of supply coming to the market for logistics spaces, But going forward, probably we are going

back to a historical average and that compared to COVID time is only a third. So therefore I think the balance of demand and supply is coming to the market before too long.

### **Spencer Levy**

But Henry, let's talk about multifamily for just a moment. And we have seen some softness in the multifamily sector, particularly in the Southeast and Texas, where there was some overbuilding. Notwithstanding that, I'm optimistic that, much like we've absorbed the industrial faster than we thought, I think we're going to absorb the multi faster than we thought because of the population growth. What do you think, Henry?

### **Henry Chin**

Well, as I say, multifamily is always quite hard to generalize. Clearly they are divergence in multifamily markets. You're highlighting that part. But if you're thinking about the U.S. as a whole, the Q1 number for rental growth is up by 0.2 percent. Okay, Spencer, it's not—

### **Spencer Levy**

So it's flat.

### **Henry Chin**

It's flat basically. And then there's a divergence right? So to my surprise, the Bay Area and San Francisco, we are seeing closer to 10% of rental growth in Q1.

### **Spencer Levy**

Well, Henry, I've got to tell you—and, well, this is not the pat myself on the back moment, but on this show I've said multiple times three years ago that San Francisco was the most undervalued market in the U.S. And lo and behold, multifamily is killing it there and the reason is there's no new supply.

### **Henry Chin**

Exactly. And also the fact is San Francisco has regained all the rental losses during COVID as of now. So going forward, if you're small investors, and listened to you three years ago, they bought the asset. I'm going to think they're going to make a decent profit. And to our surprise, I think the Mountain region also rebounded around 5% rental growth, which is fascinating to see that. And as you highlighted the Southeast-Texas area, we do see some rental decline, but the level of decline has slowed, which is again a good sign. When we pivot to the supply picture, Q1 supply hit the lowest quarterly deliveries since 2021. So the situation might happen to multifamily, that this asset class might reach the bottom. We are going to see a stronger recovery probably into 2027. We still got that overhang supply to go through but overall I think in 2027 we are looking to see that bottoming out.

### **Spencer Levy**

The office sector seems to be getting a lot more interest today and the office sector—we don't have to go back to where we were three years ago, but we aren't three years ago, we are now. And one of the comments I've made is, you know what the best time to buy office was? Last year. You know what another good time is? This year. You buy the best office in the best located sub-markets, you're seeing great demand for newer product. What are you seeing, Henry?

### **Henry Chin** [00:08:45]

100, 100 percent agree with you Spencer. You know I am an office bull for such a long time and probably because I do believe the future of office, return to work is going to be a

new normal for us and I want to highlight for Q1 that office rental growth in the U.S. as a whole is up by 2.2 percent

**Spencer Levy**

Up by 2.2% year-over-year?

**Henry Chin**

Year over year. That means we are returning to the long-term average – the long term average is the 30-year average. And the second one I want to highlight: This is the strongest rental growth since Q1 2020. So, Spencer, that's fantastic news. So really the office market has already bottomed out, moving to recovery stories

**Spencer Levy**

Well, it sounds like industrial, where the new normal is like the old normal. Maybe that'll be the title of today's episode.

**Henry Chin**

Yeah exactly. And also of course we see the good quality of asset versus not so good quality, if you look at those prime segments, Spencer, the rental growth is closer to five percent. So therefore the top end segment of the office market is definitely driving the growth going forward. Every indicator we are seeing is actually the markets continue to recover.

**Spencer Levy**

Quick comment on retail. We just did a terrific show with Jackson Hsieh, the CEO of Macerich, talking about how his leasing activity is picking up, how they're transforming some of their malls, doing a little bit more outdoor leasing, changing the tenant mix. What are you seeing in retail.

**Henry Chin**

Retail's an interesting story. I think fundamentals remain largely stable and asking rent is also going up by 2.4% year over year. I think lack of supply is still going to be a feature for the retail space and we haven't seen much construction. But new construction is largely concentrated, funny enough, in the Sunbelt market. The strongest deliverables is actually coming in Dallas and Phoenix. I think that is the real stuff on the mental side. But when we are looking at retailers' sentiments, I think retailers become a little bit cautious because their margin has not been expanded. So therefore, they become very, very selective to choose the location they want to operate, they want to open a store. From a consumer point of view, unfortunately, petrol price is so high, even higher in dollars, so consumer sentiment is a little bit weakening due to the higher inflation and higher oil price.

**Spencer Levy**

I'm with you, but let's talk about smaller asset classes, the sub-asset types. One of the best one is industrial outdoor storage. The asset class that I hesitate to mention but I'm going to mention is life sciences, which has gotten hit really, really hard. What do you see in some of these sub-asset classes?

**Henry Chin**

It's very interesting talking about IOS, because I was with some investors here in Dallas two weekends ago, and people talked about IOS. I think that IOS is definitely emerging as an alternative asset class, given the reshoring, near-shoring. I think that creates demand for us. And the second component you highlighted for life sciences, it's a similar story we

heard about office, about retail a few years ago. I think life science has been through the tough patch over the last 18 months. The market is very, very close to the bottom. And I have to say, if you are the smart investor, pick on the life sciences. Now is a good time to negotiate how to get a big bargain. And the market will recover. Once it recovers, it's going to be fast and furious.

### **Spencer Levy**

And I believe it's going to be in places like La Jolla. It's going to be in San Francisco. It's going to be in Cambridge. I think it's also going to be on or pertinent to large research university campuses. I think life sciences is a niche-y industry. But if you get the right location, you get the right demand-drivers now is an unbelievably great buy for that subsegment.

### **Henry Chin**

You just nailed it. I think during the COVID time people in every single city, they wanted to call themselves a life-sciences hub. But come on, just be realistic. How many life-sciences hubs do we have in the U.S? You're talking about the San Diego area, the Bay Area, probably otherwise Boston, all the others it might take a longer time to recover but those major hubs will recover first

### **Spencer Levy**

Henry, we've been speaking a lot about what investors are thinking, and the news is generally good to very good, and to some degree, getting back to more of a normal environment, a pre-COVID type of environment. But we've got a lot of occupiers listening to this call. What is their perspective? And let's just keep it simple. Let's do industrial and then office. What are they thinking today? Where is value? What are the types of decisions they should be making?

### **Henry Chin**

I think number one, flight to quality is across every single segment. Everyone knows about it. Think about that, the flight to quantity. Number two, it's plan for future spaces. I think you need to start thinking about your composition of your labor force because AI does have a drastic impact on the way we work. So I think occupiers should be thinking about what's the composition of labor. The third one, I want everyone to know that vacancy rates for prime assets in ideal locations are trending down. So if you put all of those three points together, I think occupiers should take advantage to sign leases for suitable spaces as soon as possible, because they still have the window to get a better deal before the market switches to the not-favored side.

### **Spencer Levy**

What are your final thoughts for our listeners for the first quarter of 2026?

### **Henry Chin**

Well, I think, Spencer, we've been highlighting throughout the conversation, I think we just try not to be overcrowded by lots of news headlines – because news headlines do have sensational assumptions when it comes to real estate. Do remember, real estate is a function of demand and supply. Lack of supply will be a feature. And demand, we haven't seen any slowdown based on the pipeline we are seeing, based on the micro-forecast we are seeing, so it's still relatively solid. And also people are looking about oil prices versus real estate value. Spencer, I want to highlight, we did so many analysis, the insignificant correlations between real estate value cap rate and the oil price. And the biggest uncertainty we are facing is how long the duration of the conflict. Even we were looking at

previous geopolitical issues, even the conflict is getting so drastically longer, we're going to see the dip in a quarter or two maximum before we recover back. And that's not the basis thesis we are subscribing to. So therefore, we're always thinking about fundamentals, demand and supply. Let it play out and then stick with the math. I think you're going to get decent returns going forward.

**Spencer Levy**

Well, on behalf of The Weekly Take, thanks again to you, Henry and to everyone in the audience.

**Henry Chin**

Thank you, Spencer, and goodbye, everyone.

**Spencer Levy**

Henry will return to the show to keep you up-to-date on the best insights and information, and we'll return with regularly scheduled programming next week. And as always, you can find more on our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). Thanks for listening. I'm Spencer Levy. Be smart, Be safe. Be well.