



# COMMERCIAL REAL ESTATE TRACKER

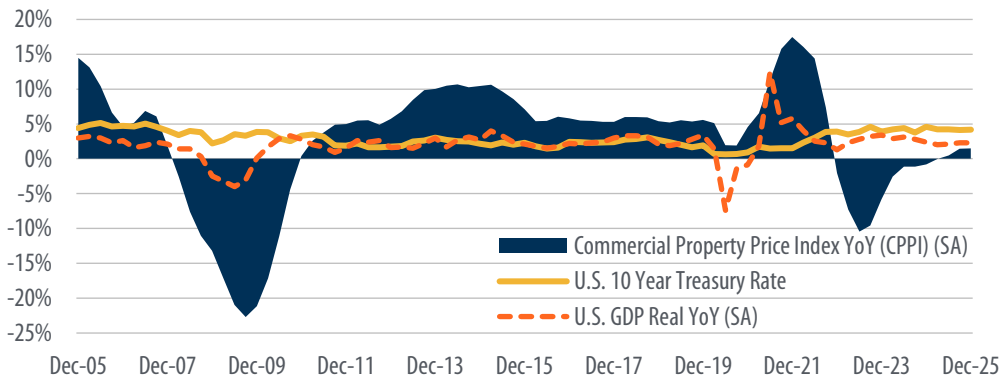
1Q 2026 | First Trust Government and Securitized Products Group

 First Trust

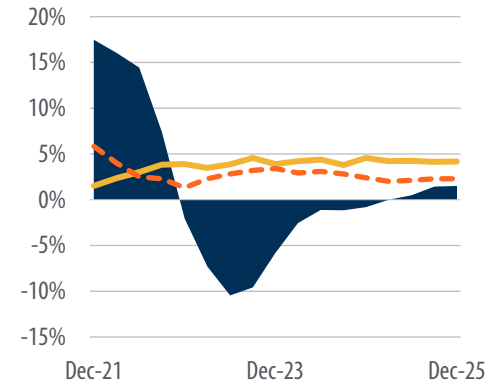
## 2025 - A Year of Returns to Price Growth and Office Lending Following an Extended Period of Price Declines and Limited Office Lending

Steady Rates and Economic Growth Were A Conducive Backdrop for Commercial Real Estate This Year, Unlike Prior Year's Headwinds.

December 2005 to December 2025



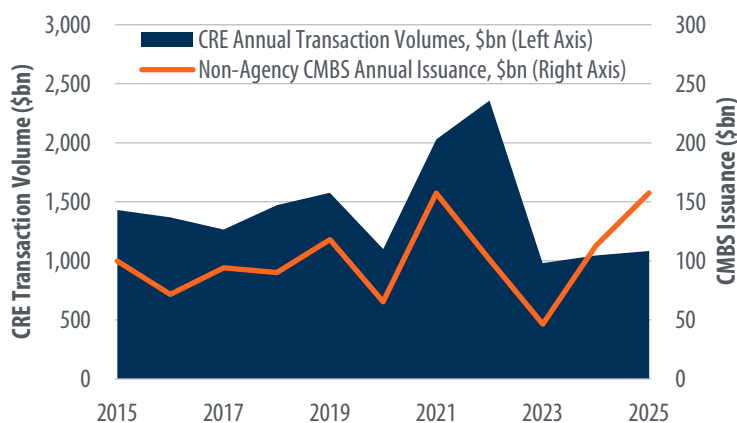
December 2021 to December 2025



Source: Real Capital Analysis, Bureau of Economic Analysis, Bloomberg. Data as of December 31, 2025. SA - Seasonally Adjusted.

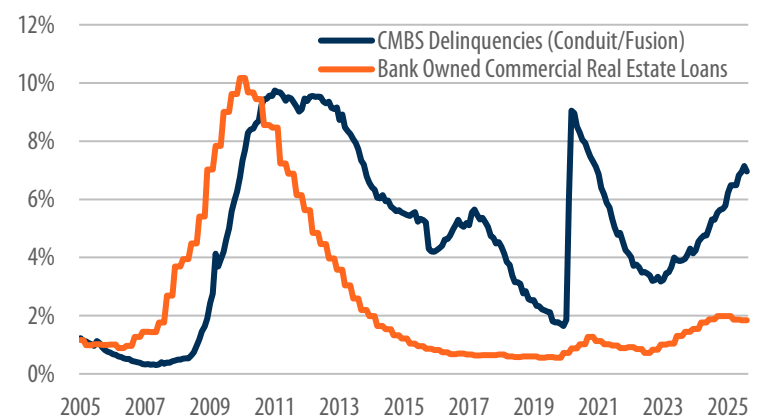
**Commercial Real Estate (CRE) Capital Markets Were More Active in 2025. Perhaps Counterintuitively, Commercial Mortgage Backed Securities' (CMBS) New Issuance Increased 40% Year-over-Year, While Delinquencies Continue to Climb.**

CRE Annual Transaction Volumes & Non-Agency CMBS Annual Issuance



Source: Real Capital Analytics, Morgan Stanley, J.P. Morgan, Commercial Mortgage Alert, Bloomberg. Data from January 2015 - November 2025.

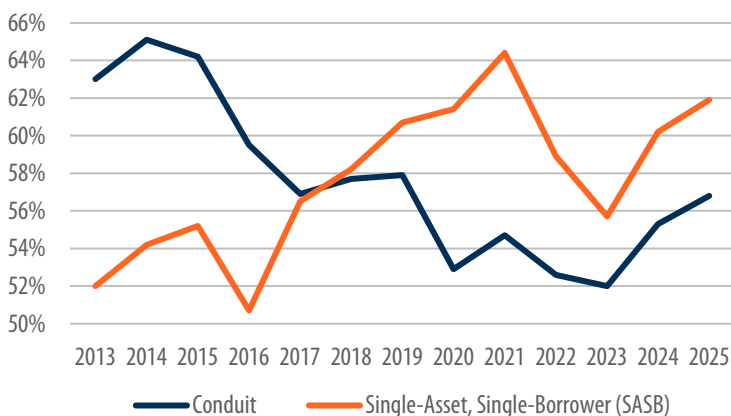
Delinquencies Tick Higher in Conduit CMBS



Source: Intex, Federal Reserve's Federal Financial Institutions Examination Council. Data as of December 31, 2025. 30 Plus Day Delinquencies. Bank Owned includes data from 100 largest banks. Not seasonally adjusted.

**As CRE Lending and Transactions Increased, Financing Terms Loosened. Loan to Values on CMBS Increased.**

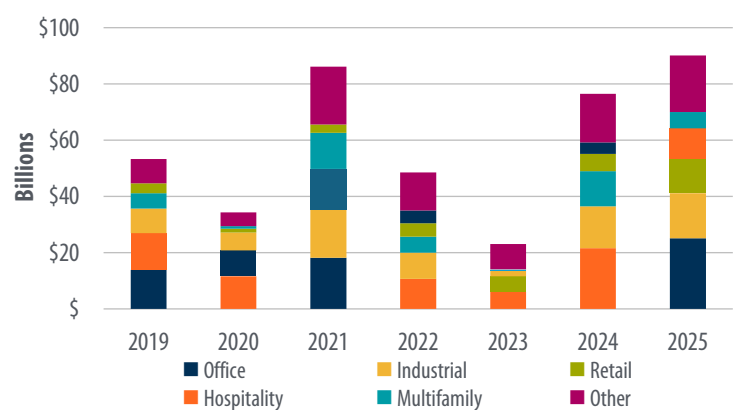
CMBS Loan-to-Value Ratio



Source: Trepp, Barclays Research. Data year-to-date (YTD) as of 2025.

**The "Return to Office" Narrative Finally Came, At Least in the Lending Markets, Ending a Nearly 3-Year Drought in Office Building Financing.**

Non-Agency CMBS Annual Issuance (\$Bn)



Source: Intex. Data year-to-date (YTD) as of 2025.

Office Outperforms Retail and Industrial for First Time Since 2021.

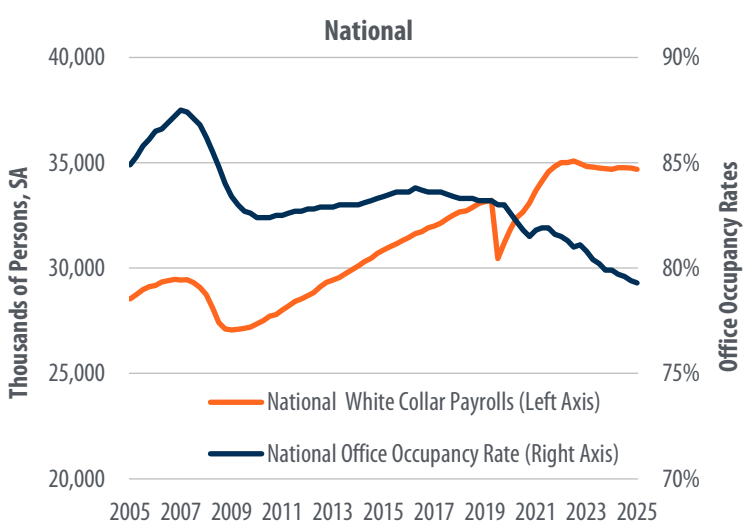
CRE Snapshot

Cap Rate (%)	12/31/25	Change YoY
Office	7.41%	-0.23%
Apartments	5.71%	0.08%
Retail	7.17%	0.14%
Industrial	6.31%	0.14%

Cap Rate Spreads vs. U.S. 10 Year Treasury (bps)	12/31/25	Change YoY
Office	323	-2
Apartments	153	29
Retail	299	35
Industrial	213	35

Source: Real Capital Analytics, Bloomberg. As of 12/31/25, most recent data available. Bps - basis points.

Office Occupancy Continues to Trend Downward While White Collar Payrolls Flatten.



Source: U.S. Bureau of Labor Statistics, REIS Inc., Bloomberg. Data from March 31, 2005 to September 30, 2025. Most recent data available. SA - Seasonally Adjusted. White Collar Payroll History is at Metropolitan Statistical Area (MSA) level, seasonally adjusted and includes professional and business services, financial activities and information.

Definitions

- Cap Rate:** The capitalization rate, or cap rate, is a measure of expected return on a real estate investment. It's determined by dividing the property's expected net income by its value, expressed as a percentage.
- Commercial Property Price Index (CPPI):** Commercial Property Price Index is a transaction-based index that measures property prices at a national level. The index covers Apartment, Retail, Office, and Industrial sectors.
- Commercial Mortgage-Backed Securities (CMBS):** Fixed-income investment instruments that are backed by commercial and multifamily mortgages.
- Conduit Commercial Mortgage-Backed Securities (CMBS):** A type of bond backed by a large, diversified pool of commercial real estate loans that have been aggregated, securitized, and sold to investors in tranches with varying risk levels.
- SASB Commercial Mortgage-Backed Securities (CMBS):** A type of CMBS that is backed by a single commercial loan on a single property to a single owner.
- Year-over-Year (YoY):** A calculation that helps compare growth over the previous 12 months and automatically negates the effect of seasonality.

Important Considerations

Commercial real estate securities carry several risks, including the possibility that property owners may default on loans or lease obligations. They are also subject to market risk due to fluctuating property values driven by economic cycles, interest rates, and regional demand. Additionally, rising vacancy rates, declining rental income, or shifts in property usage can impact cash flow and valuations. Liquidity risk is also a factor, as some commercial real estate securities can be difficult to sell in volatile markets.

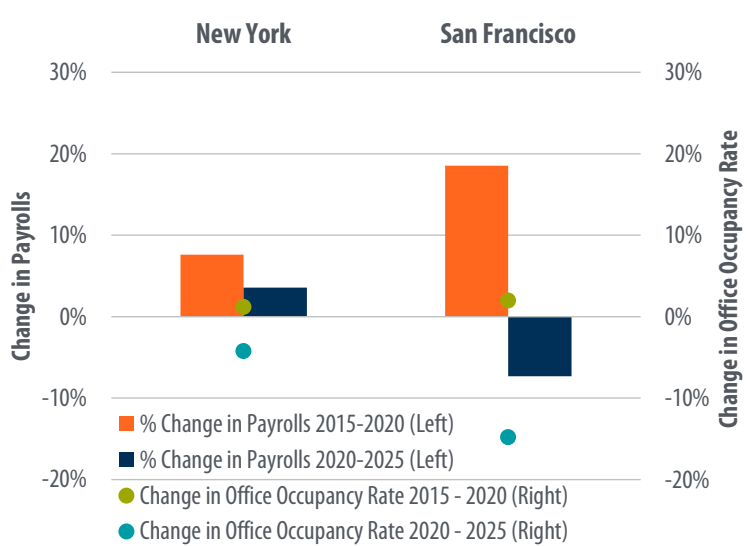
There is no guarantee that past trends will continue, or projections will be realized. This report was prepared by First Trust Advisors L.P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

Commercial Property Price Index (CPPI)	Change YoY%	% Change from Peak 2022 to 12/2025	% Change Prior Peak (2007) to Trough (2011)
Office	2.78%	-23.07%	-40.7%
Apartments	-1.35%	-21.23%	-30.9%
Retail	0.21%	-6.44%	-36.2%
Industrial	2.04%	N/A	-33.6%

Sales Volume (\$mm)	11/30/25	Change YoY%	11/30/24
Office	\$17,635	31.7%	\$13,385
Apartments	\$36,143	-14.3%	\$42,193
Retail	\$13,450	20.6%	\$11,153
Industrial	\$22,264	-5.5%	\$23,561

Geographic Variation Persists in Return to Office Metrics.



Source: U.S. Bureau of Labor Statistics, REIS Inc., Bloomberg. Data from March 2015 to November 2025. Most recent data available.