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2026 commercial real estate M&A outlook

Room to maneuver

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Introduction

After another year of waiting for the market to turn decisively, commercial real estate mergers and acquisitions enter 2026 with cautious optimism. In 2025, we saw improved sector activity in data centers and select public-to-private transactions, but overall volumes still fell short of expectations. Interest rates didn't decline as quickly as many had hoped, as elevated inflation kept pressure on financing costs, and buyers and sellers continued to struggle to bridge valuation gaps.

Looking ahead, however, the tone feels different. Capital remains abundant. Refinancing timelines are shortening as other sources of capital enter the market. Investors appear increasingly willing to accept that today's rate environment may represent a new normal. At the same time, evolving geopolitical instability—particularly in the Middle East—has introduced an additional layer of uncertainty that could influence energy markets, inflation expectations, and broader investor sentiment. While it remains too early to assess the full implications for real estate capital markets, the question for the remainder of 2026 may be less about whether opportunities exist and more about who's prepared to act on them—and where.

2025 in review

Globally, commercial real estate M&A value declined 57% year over year, from \$206.7 billion in 2024 to \$88.7 billion in 2025. Deal count fell 74% worldwide—from 3,286 in 2024 to 846 in 2025—indicating a shift toward fewer, higher-conviction transactions.

Average deal size increased sharply in 2025, reaching \$255 million, more than double 2024 levels. Deals in the United States averaged \$300 million versus \$224 million for non-US deals, highlighting the continued pull of large, US-centric transactions. This divergence suggests global investors remained selective internationally while deploying capital in the US (figure 1).

Figure 1. US and global commercial real estate sector M&A activity, 2024–2025

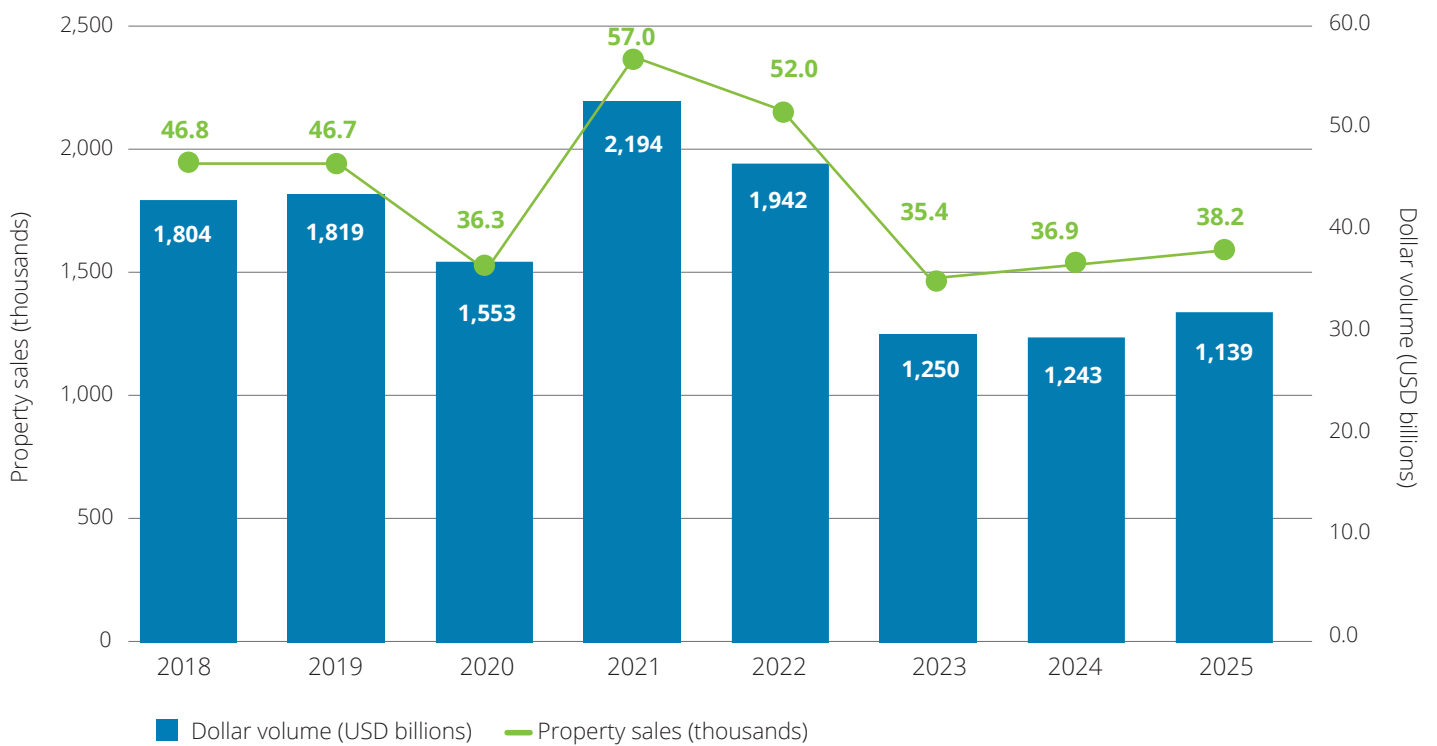
	Number of transactions			Aggregate deal value (\$M)			Average deal value (\$M)		
	FY2024	FY2025	YoY change	FY2024	FY2025	YoY change	FY2024	FY2025	YoY change
Real estate (Global)	3,286	846	(74%)	206,714	88,703	(57%)	115	255	123%
Real estate (US)	1,673	338	(80%)	90,680	42,536	(53%)	96	300	211%
Real estate (Non-US)	1,613	508	(69%)	116,034	46,167	(60%)	134	224	67%

Source: S&P Capital IQ and MSCI Real Capital Analytics, accessed January 30, 2026. Includes closed deals only. Transaction value is the sum of total consideration to shareholders, total other consideration, total earnout/contingent payments, total rights/warrants/options, net assumed liabilities, adjustment size, cash, and short-term investments.

Global commercial property sales tracked at their lowest levels since 2018. Sales transactions rose 3.5% from the year before while the dollar volume rose roughly 8% (figure 2). For 2025, this likely reflects

fewer large portfolio trades, extended timelines, and an increased share of distressed or recapitalization-driven transactions rather than growth-oriented acquisitions.

Figure 2. Global (including US) property sales, 2018–2025

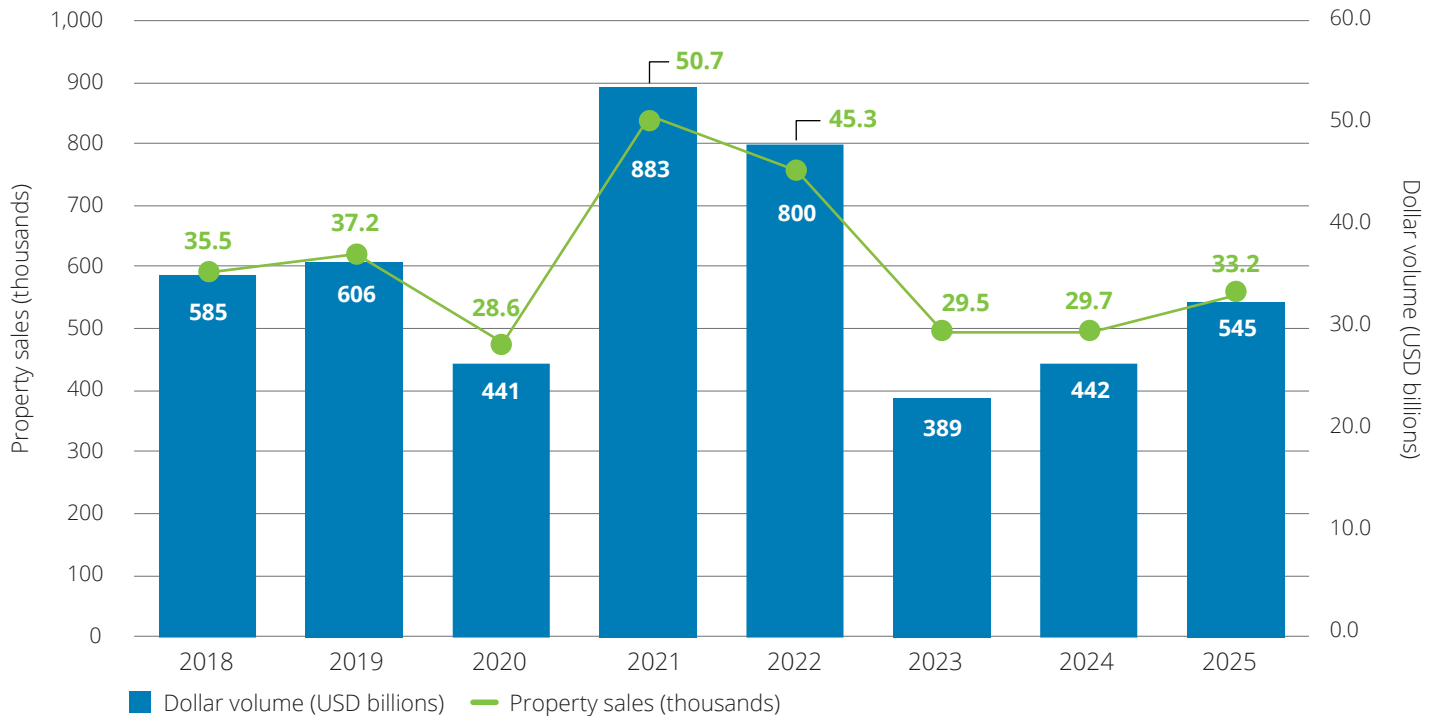


Source: MSCI Real Capital Analytics, accessed January 30, 2026. Includes closed deals only.

In the US, commercial property sales showed a modest rebound in 2025 following two years of depressed activity. Dollar volume increased 23% from 2024, while transaction activity rose 12%.

Although activity stayed well below the 2021 peak, the improvement suggests stabilizing capital markets conditions, narrowing bid-ask spreads, and selectively improving investor confidence (figure 3).

Figure 3. US property sales, 2018–2025

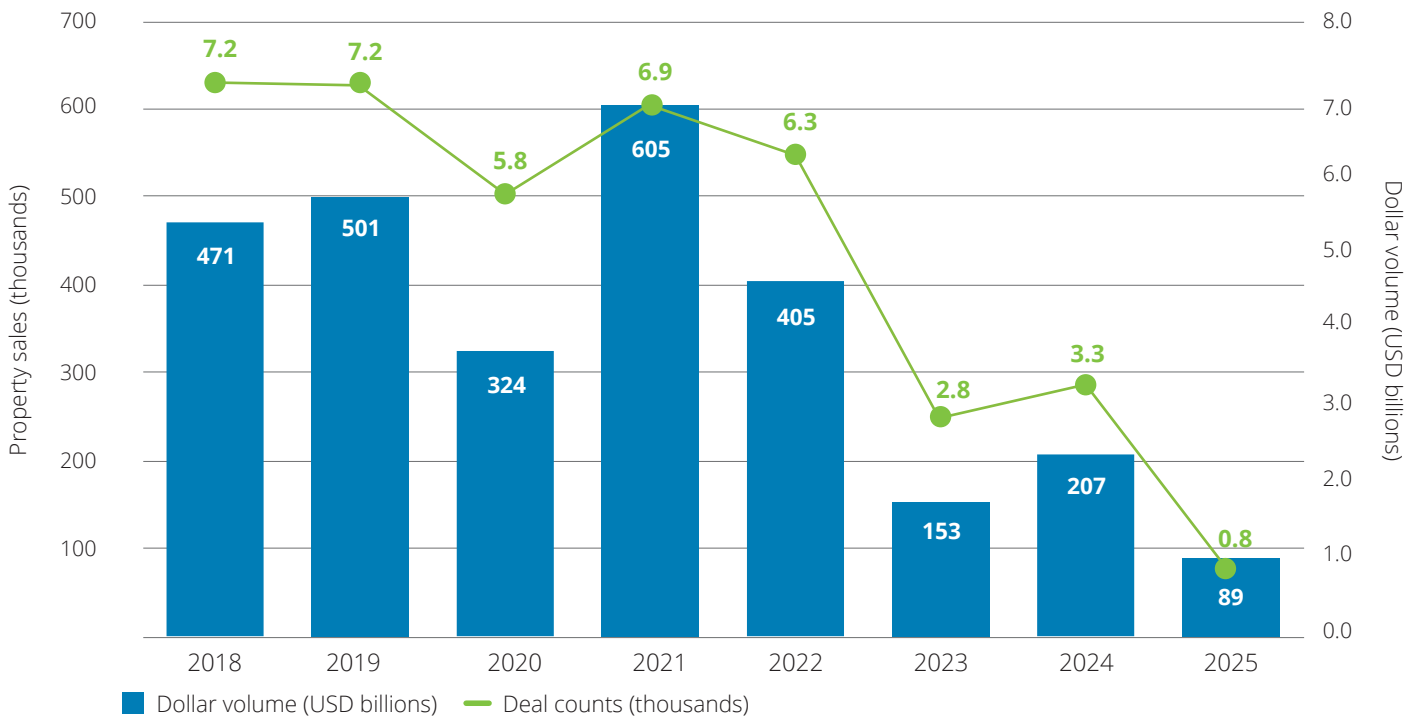


Source: MSCI Real Capital Analytics, accessed January 30, 2026. Includes closed deals only.

As for M&A, the global picture again shows constrained activity, with year-over-year deal count and total dollar volume falling 76% and 57% respectively to reach their lowest levels in the period shown (figure 4). Entering 2025, expectations were more optimistic, with many anticipating a continued upward trend following modest

improvements in 2024. However, those expectations were ultimately tempered as deal momentum failed to materialize. This suggests that transactions are still being delayed or shelved as financing conditions and valuation uncertainty continue to suppress dealmaking.

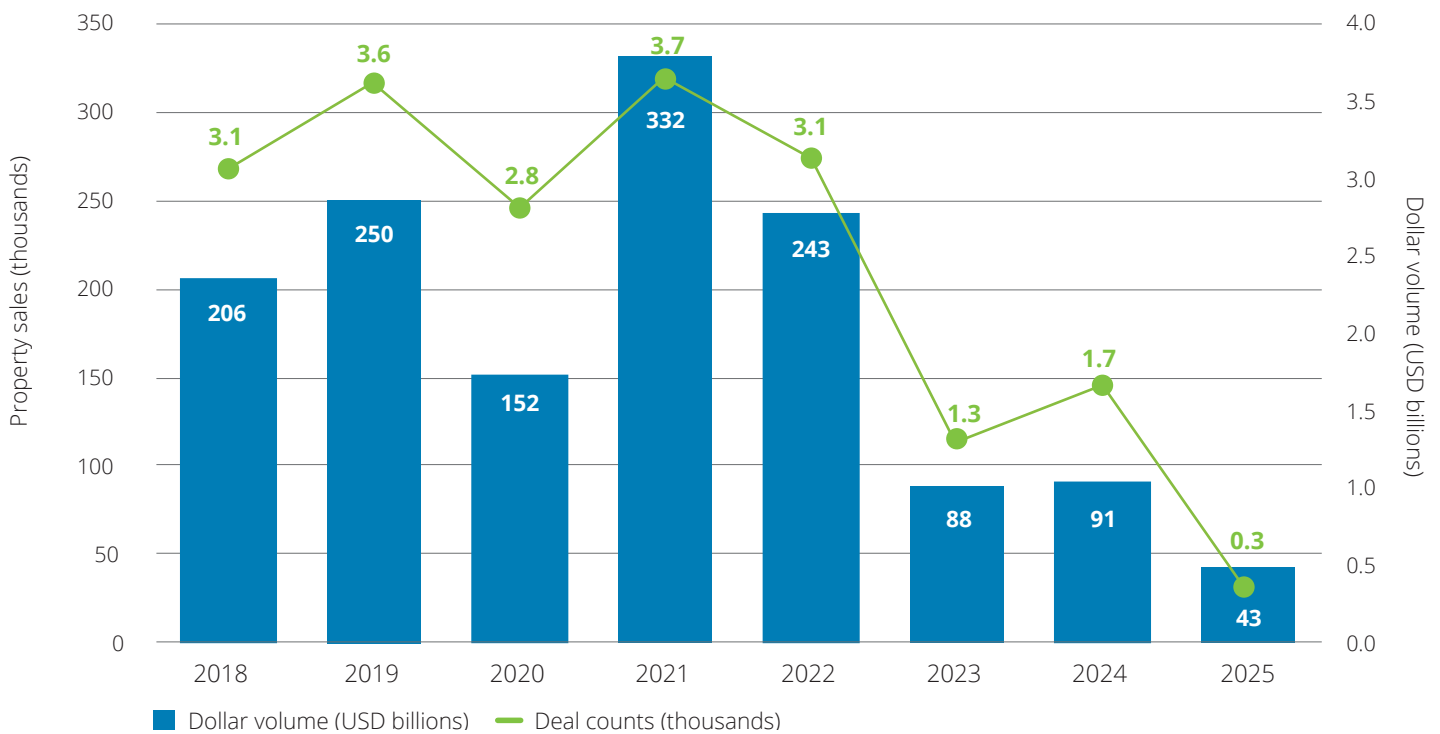
Figure 4. Global (including US) M&A transaction activity, 2018-2025



Source: S&P Capital IQ, accessed January 30, 2026. Includes closed deals only. Transaction value is the sum of total consideration to shareholders, total other consideration, total earnout/contingent payments, total rights/warrants/options, net assumed liabilities, adjustment size, cash, and short-term investments.

M&A activity in the US followed a similar trend. Deal count fell 82% and dollar volume dropped 53% from already subdued 2024 levels, pointing to a market driven primarily by opportunistic or highly targeted transactions (figure 5).

Figure 5. US M&A transaction activity, 2018–2025



Top 5 US RE deals						
Target	Acquirer	Announcement date	Closing date	Value (\$M)	Target primary industry	Target primary property type
Paramount Group, Inc.	Rithm Capital Corp.	17-Sep-25	19-Dec-25	\$6,213.8	Office REITs	Office
Anywhere Real Estate Inc.	Compass, Inc.	22-Sep-25	09-Jan-26	\$5,069.0	Real Estate Services	Residential
Redfin Corporation	Rocket Companies, Inc.	10-Mar-25	01-Jul-25	\$2,800.4	Real Estate Services	Residential
Global Net Lease (100 property portfolio)	RCG Ventures LLC	26-Feb-25	18-Jun-25	\$2,291.0	Diversified REITs	Retail
Plymouth Industrial REIT, Inc.	Ares Alternative Credit, Makarora Management LP	24-Oct-25	27-Jan-26	\$2,031.4	Industrial REITs	Industrial

Source: S&P Capital IQ, accessed January 30, 2026. Includes closed deals only. Transaction value is the sum of total consideration to shareholders, total other consideration, total earnout/contingent payments, total rights/warrants/options, net assumed liabilities, adjustment size, cash, and short-term investments.

Expectations for 2026

1. Interest rate predictability may unlock pent-up transaction volume

Commercial real estate M&A in 2026 could depend on confidence in the direction of interest rates. Over the past several years, many sellers extended hold periods in hopes that lower financing costs would restore pricing. Buyers, meanwhile, struggled to underwrite deals amid rate volatility and uncertain exit assumptions. In the US, the anticipated transition in Federal Reserve leadership, and the potential recalibration of monetary policy that may follow, adds another layer of uncertainty while also creating the possibility of a clearer policy trajectory.

Delinquency rates may also play a defining role in transaction activity. In January 2026, the delinquency rate for office loans in commercial mortgage-backed securities hit a record 12.34%.¹ Two forces appear to be contributing: a growing consensus among banks that rates are unlikely to go down, and the persistent drop in office use. If delinquencies translate into an acceleration of foreclosures or forced asset sales, distressed transactions and recapitalizations could increase, providing additional fuel for M&A activity.

At the same time, the broader rate environment will continue to shape the pace and tone of activity. Predictability may matter more than dramatic cuts. Financing remains broadly available, particularly through private credit and alternative lenders, and a steadier policy backdrop could help valuation expectations reset. Together, these dynamics may release a backlog of recapitalizations, portfolio sales, and platform-level transactions that have been building beneath the surface.

2. Data centers remain central, but deal structures may evolve

Few asset classes command as much attention as data centers. Demand tied to artificial intelligence, cloud computing, and digital infrastructure continues to draw private equity, sovereign wealth funds, infrastructure investors, and strategic operators into the sector. CBRE's \$1.3 billion acquisition of Pearce Services, completed in November 2025, reflects capital's ongoing tilt toward scaled digital infrastructure platforms.²

Capital is plentiful, and the long-term lease structures tied to creditworthy tenants remain attractive. Even so, the structure of transactions may shift in 2026. Many large public platforms have already been taken private or recapitalized, and competition for stabilized assets is intense. As a result, activity may concentrate

more heavily in joint ventures, campus expansions, and development partnerships rather than outright platform acquisitions. Power availability, permitting timelines, and community response could increasingly shape where growth can occur. While demand appears durable, disciplined underwriting may become more important as pricing stretches in certain markets.

3. Office M&A may broaden, but the bifurcation will likely sharpen

Office is no longer uniformly off-limits. In several major US markets, return-to-office trends have lifted occupancy in high-quality buildings, and investors are showing greater willingness to transact where tenant demand is visible. Newer, amenitized properties in markets such as New York and select West Coast cities are attracting renewed interest. Rithm Capital's acquisition of Paramount Group and its portfolio of Class A office assets, closed in December 2025, illustrates how capital can reenter the sector when basis and quality align.³ The February 2026 sale of "Graffiti Towers" in Los Angeles, reportedly at a significant discount to its prior valuation, further underscores that transactions are clearing when pricing reflects today's fundamentals rather than peak-cycle expectations.⁴

Yet the divide within office remains pronounced. Older Class B and Class C properties continue to face structural headwinds, and the capital required for repositioning often competes with uncertain leasing prospects. That dynamic may create selective distressed or value-driven opportunities, especially where conversion to residential or alternative uses is feasible. Overall, office deal activity may increase in 2026, but transactions are likely to remain highly asset-specific rather than broad-based.

4. Residential activity may turn increasingly geography-driven

Housing remains both an economic necessity and a political flashpoint, and that tension may shape transaction dynamics in 2026. Multifamily demand continues to benefit from affordability constraints in the for-sale market. At the same time, supply in certain Sun Belt markets has created pockets of softness. As recently delivered projects seek permanent financing, recapitalizations and selective acquisitions could rise in oversupplied geographies, while healthier markets continue to trade steadily.

Blackstone's September 2025 purchase of Phoenix-area build-to-rent assets through its Tricon Residential arm reflects the more selective approach.⁵ Unlike prior cycles, when institutional investors often pursued full platform acquisitions, recent activity has centered on individual build-to-rent communities. Many were originally developed through joint ventures, highlighting a shift toward precision buying.

Single-family rental remains an area to watch. Policy rhetoric around institutional ownership has introduced uncertainty, even though institutional holdings represent a small share of overall housing inventory. Whether or not material regulation emerges, sentiment alone may influence capital allocation decisions. As a result, residential M&A in 2026 may be defined more by local fundamentals and policy developments than by broad national trends.

5. Platform consolidation and services expansion could gain momentum

Beyond property-level transactions, 2026 may see increased consolidation among investment managers and service providers. Firms that have navigated several slower fundraising cycles may look to combine in order to gain scale, diversify capital sources, and strengthen margins. Larger players could selectively acquire specialized operators or niche strategies to deepen expertise in targeted sectors.

Service providers are also likely to remain active. As owners demand integrated, technology-enabled solutions, scale and breadth of capability become more valuable. CBRE's purchase of Pearce signals continued interest in expanding operating capabilities. So does CBRE's full acquisition of flexible workspace operator Industrious, closed in January 2025.⁶ In this environment, consolidation may be driven as much by platform durability and service integration as by asset growth alone.

Wild cards to watch in 2026

1. Power constraints could reshape data center M&A dynamics

If energy availability tightens or local regulatory resistance intensifies in key markets, data center growth may shift geographically toward regions with more reliable access to power. At the same time, operators may increasingly seek to secure dedicated capacity, whether by investing directly in generation assets or partnering with energy providers to bring their own power solutions online. These strategies could blur the line between real estate and energy infrastructure, redirect capital flows, and alter competitive positioning within the sector.

2. Public-private incentives could determine the pace of office conversions

Office-to-residential and mixed-use conversions are widely discussed but often difficult to finance without government support. Expanded municipal or state incentives in 2026 could accelerate transactions in certain cities. Absent that support, many buildings may remain in limbo.

3. Policy shifts in single-family rental may alter capital flows

Even incremental federal or state action related to institutional ownership of single-family homes could influence underwriting assumptions and portfolio strategies. Greater regulatory clarity, or continued ambiguity, may determine whether capital expands or retreats from the sector.

Positioning for the next cycle

Commercial real estate M&A in 2026 may reward preparedness over prediction. Capital is available, but competition for high-quality assets remains intense, and underwriting must reflect ongoing structural shifts across sectors.

Investors can prepare by sharpening sector theses, stress-testing financing scenarios, and identifying potential partners early—particularly in capital-intensive areas like digital infrastructure

and redevelopment projects. Operational readiness matters just as much: Integration planning, technology capabilities, and exit strategy clarity should be established before deals are signed. In a market defined by selective opportunity, discipline paired with decisiveness may separate those who wait from those who move.



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