Small-Cap CRE Recovery Broadens – Pricing Remains Selective

August 2026

Overview

The latest four-quarter change shows a broader recovery in small-cap CRE liquidity, but not a broad return to price growth. Trailing-12-month sales rose 11.7% from Q2 2025 to Q2 2026, reaching $161.4 billion, with every sector recording higher activity. Prices were mixed: industrial and retail edged higher, multifamily was virtually flat, and office declined. Cap rates barely moved. The clearest current signal is transaction volume. Buyers are returning at normalized yields, but price discovery remains selective and sector-specific.

Introduction

Small-cap CRE entered 2026 with the main post-2021 yield reset largely complete. Q2 extends the transaction recovery that began after the 2024 trough, while showing much less movement in pricing and cap rates.

The three-variable framework remains useful: volume measures liquidity, price metrics show where values are clearing, and cap rates reveal the return thresholds supporting trades.

When volume, pricing, and cap rates move into closer alignment, the recovery is more likely to reflect durable improvement in liquidity and market confidence. When they diverge, increased activity may instead result from price concessions, favorable financing terms, compelled sales, changes in transaction mix, or other temporary factors that do not necessarily indicate broad market recovery.

A Data-Grounded View (2019 Q2-2026 Q2)

The series spans the boom, correction, and recovery. Aggregate volume remains 22.7% below Q2 2022, but has risen 35.7% since Q2 2024. Most importantly, the latest trailing-four-quarter gain occurred without renewed cap-rate expansion or widespread price declines. That is consistent with improving buyer-seller agreement, although office continues to show weaker price confirmation. See the next page for brief narrative and graphs related to transaction volume, sales prices, and cap rates.

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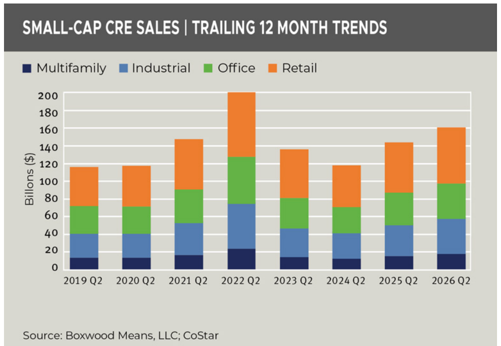

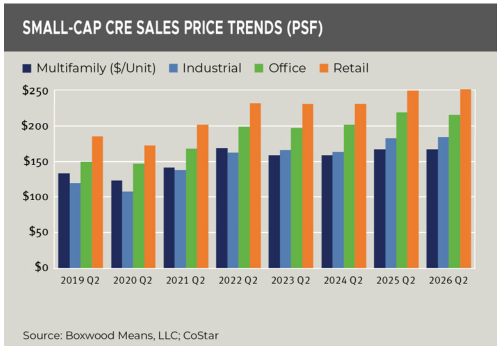

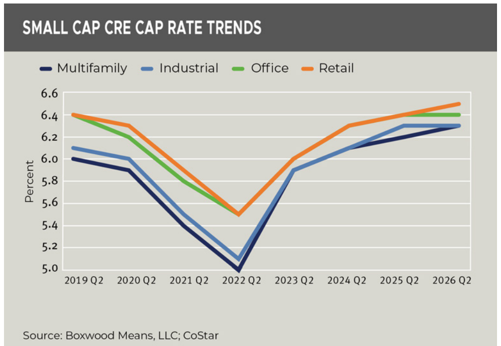

TRANSACTION VOLUME

- Retail: $62.4B, +12.0% YOY; still the largest segment.
- Industrial: $41.6B, +12.7% YOY.
- Office: $39.7B, +9.7% YOY; slowest gain.
- Multifamily: $17.7B, +12.7% YOY.

Key takeaway: Total volume rose 11.7% YOY and is now 35.7% above the Q2 2024 trough. The rebound is broad-based, although activity remains 22.7% below the Q2 2022 peak.

SALES PRICE METRICS

- Retail: $251.29, +0.7% YOY; a series high.
- Industrial: $184.70, +1.1% YOY; a series high.
- Multifamily: $166.67, essentially flat (+0.1%).
- Office: $214.92, down 2.0% YOY.

Key takeaway: Prices remain the stickiest variable. Industrial and retail set new highs, while flat multifamily and declining office values show that the liquidity recovery has not produced uniform appreciation.

CAP RATES

- Retail: 6.5%, +10 bps YOY.
- Multifamily: 6.3%, +10 bps YOY.
- Industrial: 6.3%, unchanged.
- Office: 6.4%, unchanged.

Key takeaway: The post-2022 yield reset has largely paused. Stable cap rates alongside higher volume suggest buyers and sellers are increasingly transacting around normalized return requirements.

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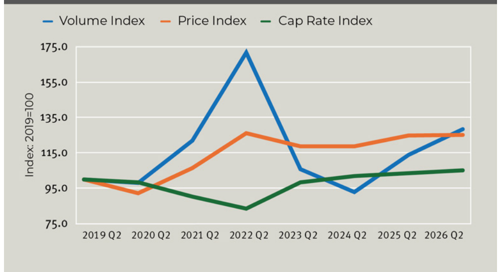
An Integrated View

The latest recovery is liquidity-led.

Across the latest four quarters, all four sectors recorded higher volume, but only industrial and retail produced price gains above one-half percent, and cap rates were nearly unchanged. Capital is returning around already-normalized yields. The next test is whether stronger deal flow broadens price support — or exposes further weakness where fundamentals remain fragile.

MULTIFAMILY: LIQUIDITY REBOUNDS

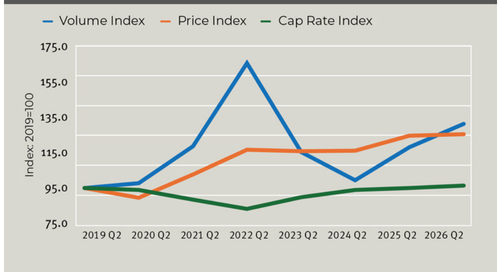


Source: Boxwood Means, LLC

MULTIFAMILY: LIQUIDITY RECOVERS, PRICING PLATEAUS

Volume rose 12.7% YOY, but the price metric was virtually unchanged and the cap rate increased 10 basis points. Transactions are clearing through yield discipline rather than renewed price acceleration. Multifamily appears liquid and broadly aligned, but appreciation remains restrained.

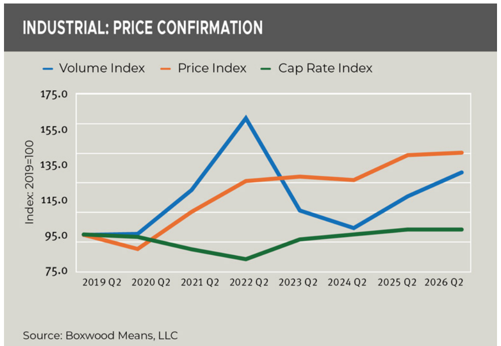
RETAIL: DURABLE EQUILIBRIUM



Source: Boxwood Means, LLC

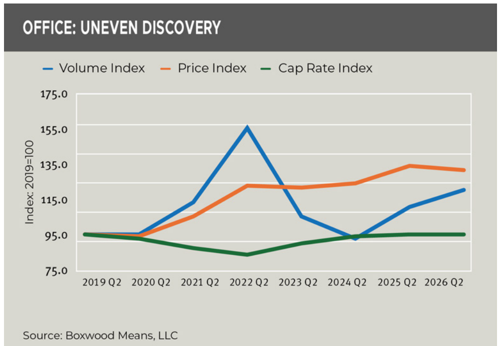
RETAIL: DURABLE DEMAND AT A SLIGHTLY HIGHER YIELD

Retail remained the largest segment, with volume up 12.0% to $62.4 billion. Pricing reached a series high while the cap rate rose 10 basis points to 6.5%. The combination points to resilient income expectations and healthy demand.



INDUSTRIAL: STRONGEST PRICE CONFIRMATION

Industrial produced the cleanest recent combination: volume increased 12.7%, pricing rose 1.1% to a series high, and the cap rate held at 6.3%. The synchronized improvement suggests firm demand and credible price support.



OFFICE: MORE TRADES, WEAKER PRICE SIGNAL

Office volume rose 9.7%, yet its price metric fell 2.0% while the cap rate held at 6.4%. Higher activity is constructive, but the price decline distinguishes office from the other sectors. Buyers retain leverage and values remain vulnerable.

Implications Going Forward

The market is clearing more efficiently, but not uniformly.

For investors, Q2 favors industrial and retail, where liquidity and pricing reinforce each other. Multifamily offers improving liquidity but limited near-term appreciation. Office remains tactical: increased volume is encouraging, but weaker pricing signals continued risk.

For lenders, stable cap rates reduce one source of valuation uncertainty, but underwriting should distinguish volume supported by prices from volume enabled by price concessions or other temporary and transaction-specific factors.

The primary Q2 takeaway is that recovery broadened through transaction activity. The next confirmation will be whether pricing follows without renewed cap-rate expansion.