

Overview

Small-cap CRE trading continued to recover in the year ended Q3 2026, but at a slower pace. Trailing-12-month sales increased 6.3% to \$156.8 billion, with gains across all four sectors. Pricing signals were less consistent: retail led with a 3.7% increase, multifamily gained modestly, office was nearly flat, and industrial slipped. Cap rates rose in three sectors. Retail delivered the clearest alignment of stronger volume, higher prices and stable yields. The broader recovery remains intact, but rising sales activity alone offers limited confirmation of stronger values.

Introduction

Q3 extends the recovery in small-cap CRE transactions, while revealing a wider gap between trading activity and pricing strength. Sales growth over 12 months slowed in every sector, and cap rates rose even as most price measures held steady or increased.

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

Their alignment helps distinguish a recovery supported by firmer pricing from increased activity accompanied by price concessions or changes in the properties sold. In Q3, retail shows the strongest favorable alignment; industrial presents the clearest divergence between rising volume and softer prices.

A Data-Grounded View (2019 Q3-2026 Q3)

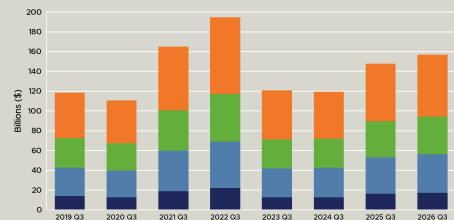
The full series captures the boom, correction and recovery. Combined sales remain 19.4% below Q3 2022, but have risen 31.5% since Q3 2024. The trailing 12-month gain of 6.3% is much smaller than the preceding year's 23.7% increase.

Recent pricing is also more selective. Retail's price growth accelerated, while gains slowed in multifamily and office and turned negative in industrial. Cap rates increased by 10-30 basis points in three sectors.

The next page presents the full-history charts and latest changes YOY using Q3 observations as the base period. Sales volume is trailing 12 months, not quarterly sales.

SMALL-CAP CRE SALES | TRAILING 12 MONTH TRENDS

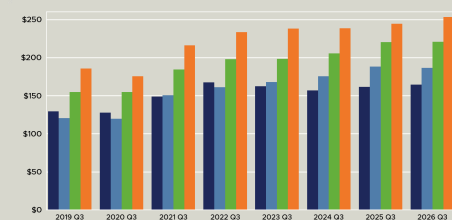
■ Multifamily ■ Industrial ■ Office ■ Retail



Source: Boxwood Means, LLC; CoStar

SMALL-CAP CRE SALES PRICE TRENDS (PSF)

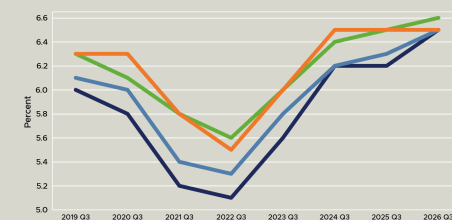
■ Multifamily (\$/Unit) ■ Industrial ■ Office ■ Retail



Source: Boxwood Means, LLC; CoStar

SMALL CAP CRE CAP RATE TRENDS

■ Multifamily ■ Industrial ■ Office ■ Retail



Source: Boxwood Means, LLC; CoStar

TRANSACTION VOLUME

- Retail: \$62.5B, +7.4% over 12 months; largest segment and fastest growth.
- Industrial: \$39.1B, +6.2% YOY.
- Office: \$38.0B, +4.6% YOY; slowest gain.
- Multifamily: \$17.3B, +6.9% YOY.

Key takeaway:

Aggregate sales rose 6.3% over the last four quarters. Every sector expanded, but growth slowed from the preceding 12 months. Retail supplied 46% of the \$9.3 billion annual increase in dollar volume.

SALES PRICE METRICS

- Retail: \$253.25/SF, +3.7% YOY; a series high.
- Industrial: \$186.40/SF, down 0.9% YOY.
- Multifamily: prices up 1.8% YOY.
- Office: \$220.52/SF, nearly flat (+0.2%).

Key takeaway:

Retail's price growth accelerated 2.4% from a year earlier. Industrial reversed its prior 7.2% gain, while office appreciation nearly ceased. Price support remains uneven.

CAP RATES

- Retail: 6.5%, unchanged YOY.
- Multifamily: 6.5%, +30 bps YOY.
- Industrial: 6.5%, +20 bps YOY.
- Office: 6.6%, +10 bps YOY.

Key takeaway:

Yield pressure persists despite higher sales volume. Cap rates rose in three sectors and converged within a narrow 6.5%-6.6% range. Multifamily recorded the largest increase.

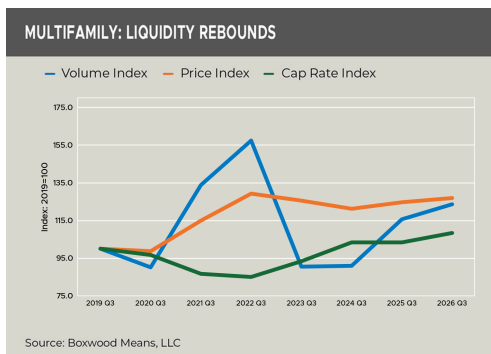
An Integrated View

Liquidity improves; pricing confirmation narrows.

All four sectors recorded higher sales over the latest four quarters. Yet only the retail sector combined accelerating price growth with stable cap rates. Multifamily's modest price gain accompanied a larger yield increase; office pricing stalled; industrial's prices fell as yields rose.

The latest signals over the last 12 months therefore support a selective recovery. Higher dollar volume is constructive, but does not establish broad-based price appreciation.

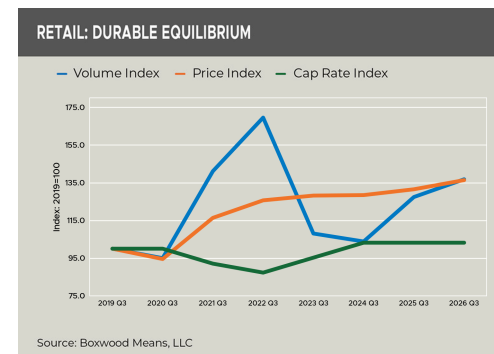
Note: Charts index each measure to Q3 2019 = 100.



MULTIFAMILY: LIQUIDITY RECOVERS, YIELD PRESSURE RISES

Sales rose 6.9% to \$17.3 billion, while sales prices increased 1.8%, albeit slower than the 2.9% gain over the previous four quarters. The cap rate climbed 30 basis points to 6.5%, the largest sector increase.

Higher volume and modest pricing gains support continued recovery, but the yield adjustment limits confirmation of broader value strength.

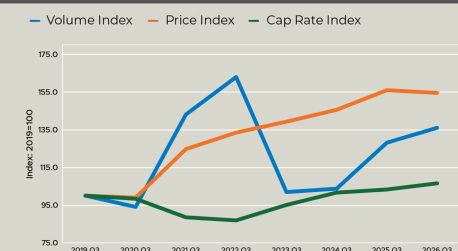


RETAIL: DURABLE DEMAND AT A STABLE YIELD

Retail sales increased 7.4% to \$62.5 billion, while prices rose 3.7% to \$253.25/SF and the cap rate held at 6.5%. Among all sectors, retail led both sales growth and price appreciation.

This is the strongest favorable three-factor alignment: greater liquidity, firmer pricing and stable yields. Sales growth slowed from 22.7% in the prior comparison, but price growth accelerated. The strength lies in the consistency of the latest signals, rather than faster trading growth.

INDUSTRIAL: PRICE CONFIRMATION



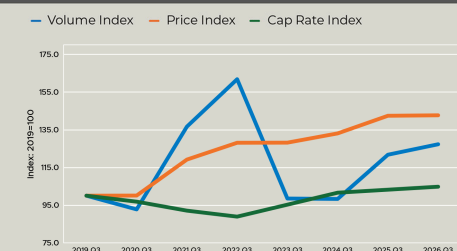
Source: Boxwood Means, LLC

INDUSTRIAL: MORE TRADING, GREATER PRICING RESISTANCE

Industrial sales increased 6.2% to \$39.1 billion, but prices fell 0.9% to \$186.40/SF as cap rates rose 20 basis points to 6.5%. The price decline reverses the previous 12-month gain of 7.2%.

The three factors show improving liquidity alongside pricing pressure. Lower prices and higher yields are economically consistent; rising sales activity indicates that transactions are still clearing. Industrial's modest decline in values represents the clearest break from the prior annual pricing trend.

OFFICE: UNEVEN DISCOVERY



Source: Boxwood Means, LLC

OFFICE: MORE TRADES, LIMITED PRICE CONFIRMATION

Office sales rose 4.6% to \$38.0 billion. Prices were nearly flat at \$220.52/SF, up 0.2%, while the cap rate increased 10 basis points to 6.6%. Price growth slowed markedly from 7.0% in the preceding year.

Liquidity is improving more clearly than pricing. The combination offers limited confirmation of a value recovery, while the small yield increase suggests continued discipline in the returns at which properties trade. Office had the slowest sales growth of the four sectors.

Implications Going Forward

The recovery continues, with less uniform support for values.

Retail offers the strongest current alignment between activity, prices and yields. Multifamily remains constructive but faces greater yield pressure. Office has gained liquidity with little price movement, while industrial's price reversal warrants closer attention.

For lenders and investors assessing collateral, stronger trade activity should be read alongside pricing and cap rates. Dollar volume can improve through changes in deal size or transaction mix, without an equivalent improvement in individual property values.

The primary Q3 takeaway is a slower, more selective recovery. Retail provides the clearest pricing confirmation; the other sectors show why stronger trading alone is insufficient to make the call on a turnaround.