Global Real Estate Outlook

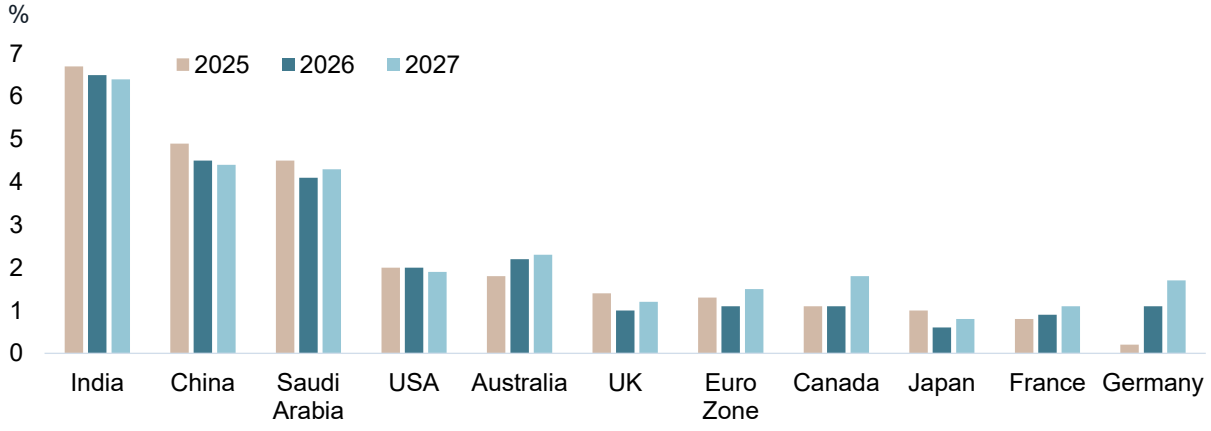
Six forces reshaping commercial real estate in 2026

Following a challenging year, the outlook for 2026 is more positive. Improving market fundamentals, including positive economic growth across most major markets, easing trade concerns, moderating inflation and lower interest rates will contribute to a more stable operating environment. And yet, the convergence of economic, technological and social forces leaves organizations across the globe navigating a complex and evolving environment, with the commercial real estate industry on the precipice of substantial – and exciting - transformation.

This Outlook examines six critical forces reshaping commercial real estate: the imperative for efficiency in a higher-cost environment; intensifying supply shortages across property types; 'experience' as the new value driver in real estate; the maturation of AI implementation beyond pilot programs; the convergence of buildings with power systems; and the democratization of commercial real estate investing. Each represents both challenge and opportunity for real estate actors.

Positive economic growth in 2026 and 2027 across most major markets

GDP growth forecast



Source: Consensus Economics, November 2025

For real estate capital markets, the environment strengthened notably in the second half of 2025 and momentum is expected to build further in 2026. We expect debt markets to remain very active and for

lender appetite to continue to broaden across property sectors. Over the next year, we anticipate the competitiveness of investor bidding to rise further as the real estate investment cycle gains momentum, resulting in an expansion of transaction volumes through the year. The AI infrastructure boom will continue to drive demand for data centers, while the Living sector will remain the world's largest investment sector, with growing investor demand across all forms of housing. Markets with deep product pools will continue to be active and we expect growing demand in a range of countries, from Australia to Spain.

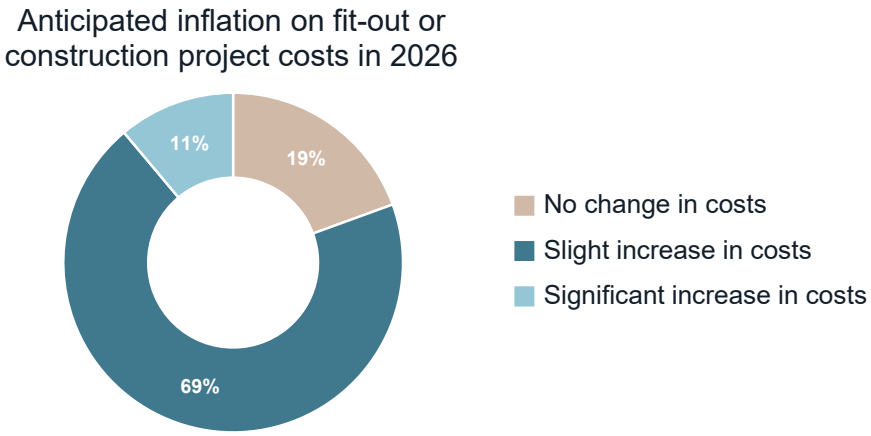
Meanwhile leasing demand is expected to strengthen across many markets and property types in 2026. Office and industrial take-up are projected to increase globally, with growth in most major countries including the U.S., India and the UK. The impact of lower new construction will become progressively larger in the office sector as occupiers looking for new, large-block space face fewer options and higher rental rates. In supply-constrained locations, shortages of quality space – particularly acute in Tokyo, New York and London - will mean demand broadens beyond the top end of the market. Industrial and logistics deliveries are also falling globally, which will contribute to contracting vacancy as leasing increases.

1. Higher cost environment will sharpen focus on efficiency

Organizations across all sectors are confronting an increasingly expensive operating environment as multiple external cost pressures converge. Debt and borrowing costs have risen as concerns about government fiscal sustainability have spilled over into private credit charges; employers face mounting labor expenses from rising payroll taxes, persistent skills mismatches and widespread worker shortages. Construction materials and fit-out costs are also elevated and face further upward pressure in 2026. For example, in Europe 'all-in' cost inflation for 2026 in the UK and Germany is expected to be in the range of 2.7-3% and 3.5-4% in the U.S., while estimates are higher in parts of Asia Pacific with construction costs in Singapore and Australia predicted to rise by 5-6%.

For investors, developers and occupiers alike, this confluence of factors has pushed cost management into the number one spot on their list of concerns: 72% of corporate real estate leaders have identified costs and budget efficiency as their top priority as we head into the new year.

Cost inflation remains a concern, including costs of both materials and labor



Source: JLL Research, 2025; Based on a survey of JLL experts across 37 markets globally

Dealing with this demands a strategic rethinking of cost management approaches, with real estate teams focused on three areas in 2026: interrogating budget lines closely; optimizing space utilization; and improving operational efficiencies.

In 2026, cost reduction will involve meticulous scrutiny of every expense. For investors this means asset optimization – maximizing asset efficiency and performance, with proactive maintenance and capex management. For occupiers, it means scrutinizing every operational expense, from utilities to fit-out and improvement costs, to maintenance contracts. Space optimization and portfolio right-sizing will be a key focus to ensure the entire real estate footprint aligns with both current operations and future business needs.

The continuous drive toward improved efficiency will increasingly lead organizations to external partnerships through outsourcing and supply chain optimization. Technology adoption for buildings/facilities management and service delivery will represent another critical efficiency pathway. Automation and digital solutions promise to significantly reduce operational costs while maintaining service quality, if implemented successfully.

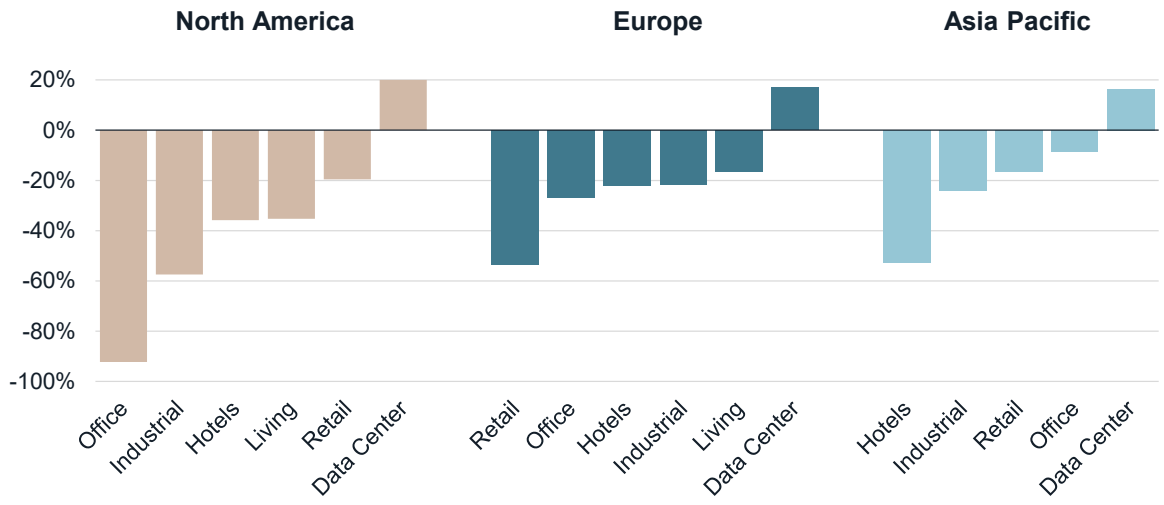
Each cost management strategy will require careful calibration, as every cost reduction initiative must be evaluated for its potential impact on employee productivity, organizational resilience, user experience and talent retention.

2. Supply shortages will intensify for top-quality space across property types

In 2026, new supply will decline further across most commercial real estate property sectors in North America and Europe. Economic uncertainty combined with high build and finance costs (see trend 1) is continuing to push construction starts lower following a decrease in development during 2025. As organizations move through the next 12 months, the impacts from declining availability of modern space will become progressively larger for both occupiers and owners.

In the office sector, development is at an all-time low in the U.S. with completions set to fall by 75% in 2026 and three-quarters of the remaining pipeline already pre-leased. New construction starts in Europe are at their lowest levels since 2010 and deliveries are projected to decline by 5% next year following an equivalent decrease in 2025. Supply shortages of top-quality offices will be particularly acute in cities like Tokyo, New York and London. With leasing activity increasing, occupiers looking for new, large-block space will face fewer options and higher rental rates. This will bring availability and affordability into sharper focus as demand broadens beyond the top end of the market.

New supply will be limited across most property types in 2026
2026 forecast completions vs 2021-25 peak



Source: JLL Research, 2025. North America = U.S., Canada; Retail = under construction vs previous under construction peak; Europe Living = Germany, UK Build-to-Rent; U.S. Living = Multi-housing; Europe / Asia Pacific Retail = Shopping Centers; U.S. Retail = total retail

Lower supply is also evident across most other property types. Globally, industrial and logistics deliveries in 2026 are expected to be 42% below the peak levels seen in 2023, with less speculative new construction and greater competition for land from other uses such as data centers and manufacturing. Retail supply is

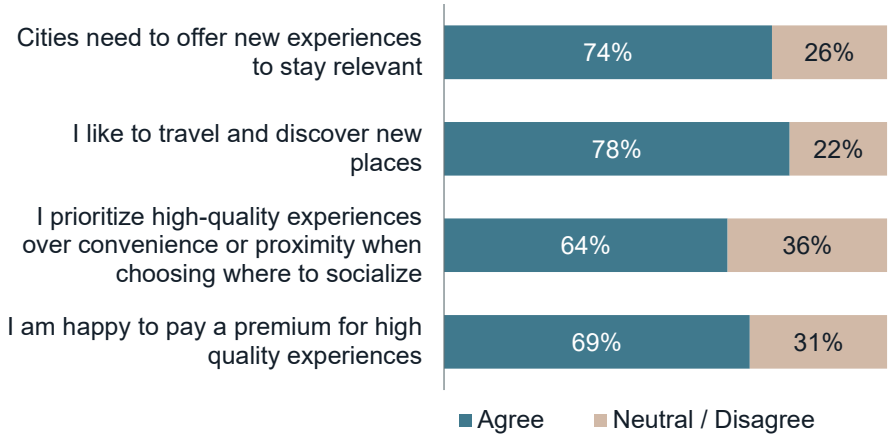
near all-time lows in mature markets, while multi-housing development in the U.S. is down by more than three-quarters from its recent peak and still limited in many countries across Europe and Asia Pacific. Data center construction continues to be the outlier and is surging ahead with capacity forecast to increase by 19% in 2026 as hyperscalers, among others, commit record amounts of capital.

At the same time as increasing shortages of in-demand space, the need for extensive repositioning or retrofitting of properties at risk of obsolescence will accelerate. The top 10 largest office markets for repositioning have more than 130 million square meters of space at risk of stranding and cities such as Paris, London, New York, Boston and Chicago will have some of the most compelling opportunities in this space. Owners are becoming more attuned to the advantages of retrofitting and repositioning existing assets, including faster construction timeframes, reductions in embodied carbon and lower costs. Energy-focused improvements not only help with managing expenses but can also yield a 55% higher return when done earlier in a building's lifecycle.

3. ‘Experience’ is the new value driver

Across the global built environment, ‘experience’ has become the decisive factor shaping how people choose where to live, work, shop and spend their time. However, buildings and places are not keeping pace, with ‘experience obsolescence’ risks to assets emerging. While more than two-thirds of people worldwide now expect high-quality, personalized and wellness-enhancing experiences to be integrated into every type of space they engage with, up 5% from 2024, the undersupply of Grade A quality stock coupled with aging and obsolete stock in key U.S. and European markets, will focus ‘experience factors’ as a fundamental investment driver in 2026.

People will expect ‘experience’ to be integrated into the places they live, work and play
% of respondents agreeing / disagreeing with the following statements



Source: JLL Global Consumer Experience Survey, 2025

Design trends are moving in the same direction, where people-centric ‘street-to-seat’ journeys, social connection and immersive, tech-enabled environments are the focus, transcending retail and driving office experiences too. Most companies have defined their specific in-office expectation and our research shows that employees broadly understand and accept current attendance frameworks, as 66% of employees globally say their employer has a clear policy and 72% view it positively. But understanding doesn't equal showing up. Support and compliance rise when the office feels worth the commute; resistance correlates with poor comfort, limited autonomy and weak wellbeing support.

The new challenge is harder: creating environments in which people actually want to work, with better wellbeing and performance outcomes for businesses. The organizations pulling ahead are optimizing for experience, not just occupancy.

What wins attention in retail and hospitality also wins in the office: wellness and nature (73% say more greenery near their workplace would improve wellbeing); personalization (74% prefer places that recognize and tailor to them); and convenience through multi-amenity access. When employees rate their workplace experience highly, 84% also feel positive about attendance expectations.

Put simply: people don't reject the office - they reject a bad office experience. This transcends physical design principles; location, access to amenities and frictionless experiences are imperative in creating value for users. Investors and operators with a focus on location strategies and place-making will capture more users by creating environments that feel intuitive, connected and genuinely worth engaging with.

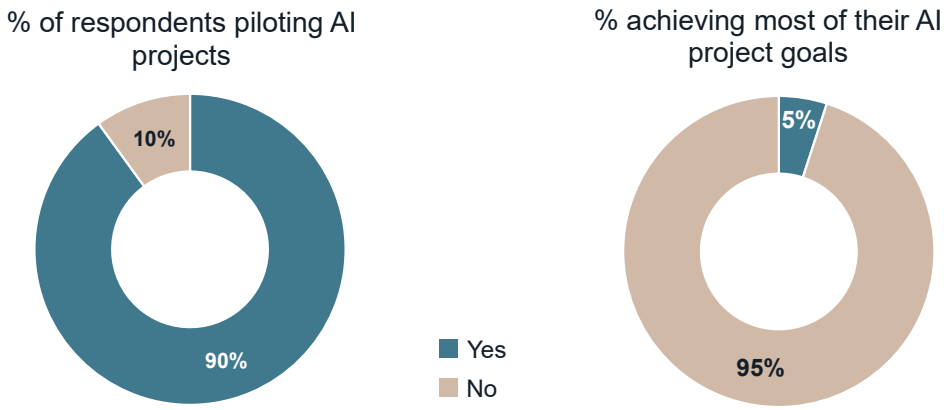
Location strategies are increasingly focused on secondary and lifestyle markets, to meet talent demands for more vibrant workplace neighborhoods and livable cities. In the U.S., JLL research shows that offices located in ‘lifestyle districts’ that have access to amenities like entertainment venues, outdoor pavilions and waterfront attractions can attract a 32% rental premium. And employees agree, our recent survey shows that 67% of people want to work in a vibrant neighborhood, rising to 74% of 25-34-year-olds.

Experience itself will become even more important in 2026 across sectors and geographies. The convergence of talent competition in key locations, escalating rates of employee burn-out rates and AI powered changes to work tasks will converge in 2026, requiring employers to reflect on how their workspaces are influencing employee experience and ultimately business outcomes.

4. The AI strategy reckoning: when pilots hit the wall

Real estate organizations are approaching a critical juncture in their AI adoption journey. Following the rapid expansion of AI pilots in 2025 - with 92% of corporate occupiers and 88% of investors in our recent technology survey initiating AI programs - the industry will face increased scrutiny over implementation effectiveness and scalability in 2026.

90% of companies are piloting AI projects, but only 5% have achieved key program goals



Source: JLL Global Real Estate Technology Survey, 2025

Currently, organizations are pursuing an average of five AI use cases simultaneously (across data workflows, portfolio optimization, energy management, market analysis and risk modeling), yet only 5% report achieving most of their program goals. Private investors and investment management firms were slightly behind listed investors and institutional investors in their AI results.

In 2026, AI pilot fatigue will emerge as organizations struggle to scale 2025's AI initiatives beyond experimentation. Those that launched multiple pilots without systematic planning will face mounting pressure to demonstrate meaningful ROI, with many discovering their fragmented approach has limited scalability. Companies lacking foundational capabilities - data infrastructure, change management, talent - will hit implementation walls, forcing decisions between strategic investment or AI program abandonment.

60% of investors across all types still do not have a unified technology strategy for their real estate functions and asset types. For occupiers, 70% do not have a change management framework for AI. 50% are not sufficiently resourced in terms of digital and AI talent. Industries such as life sciences and professional services are particularly challenged in CRE AI talent availability.

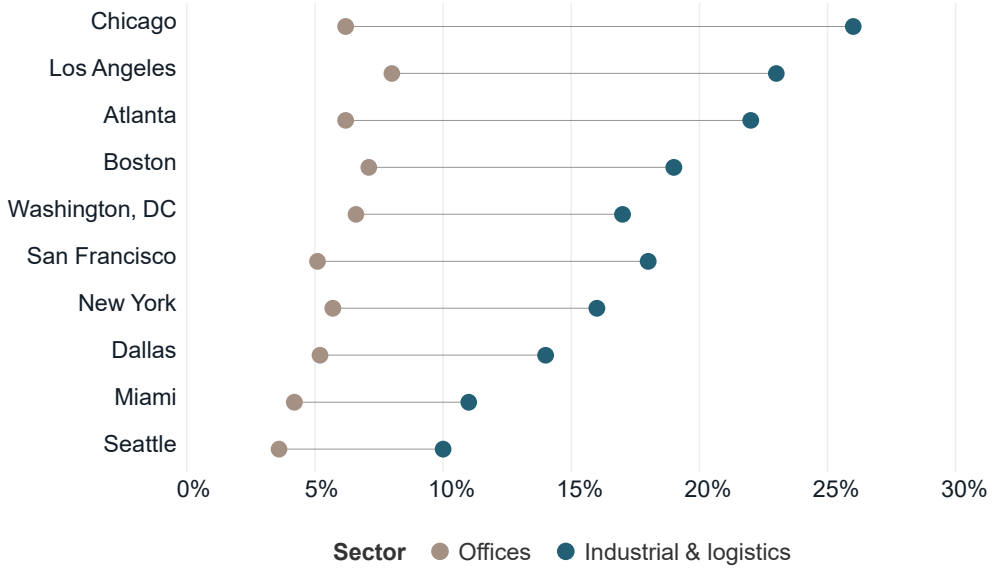
The widening performance gap between systematic implementers and experimental pilots will become undeniable, with leading organizations pulling further ahead while laggards struggle to justify continued AI investment. As AI transformation shifts from productivity and efficiency to workflow redesign and business model innovation, the value propositions of real estate players will change. Strategic capabilities to open up new markets, operate with agility and provide a data-driven edge in decision making will become gradually more important in defining success.

5. Energy solutions: the convergence of buildings and power

In 2026, the relationship between real estate and energy will shift from adjacency to interdependence. Reliable, clean and affordable power will sit alongside location as a defining factor of real-estate competitiveness. The built environment is no longer positioned at the edge of the energy transition. Instead, buildings are beginning to operate as integrated parts of the power system - generating, storing and managing electricity while participating in new forms of local energy markets.

The strain on power systems is focusing efforts to increase capacity. Global power demand from data centers alone is projected to have risen 21% in 2025 and will more than double by 2030. In areas near major data-center hubs, electricity prices have already increased as much as 267% for a single month over the last five years.

Energy efficiency improvements will offer substantial value uplifts in high-burden markets
Electricity costs relative to rent in 2025, by market (Office vs. Industrial & logistics)



Source: JLL Research, 2025; U.S. Energy Information Administration. Note: Analysis leverages whole building electricity cost estimates on a per square foot basis.

The energy system cannot expand quickly enough to meet accelerating demand, and the implications are landing at the asset level. Energy costs are proportionate to as much as 26% of rental value, making efficiency essential for competitiveness. But the opportunity for real estate extends beyond cost avoidance. With rising price volatility, outage risks and surging demand, buildings can increasingly help address these pressures through distributed energy solutions.

In markets such as California, New Jersey as well as Germany, strong policy frameworks and elevated electricity prices are already driving rapid uptake of rooftop PV and behind-the-meter storage as occupiers seek stability and resilience. In China, building owners and occupiers are accelerating rooftop-solar adoption to secure predictable power and hedge against grid variability. The trajectory is clear, and these markets are at the forefront: buildings are moving from passive consumers to active energy resources - and assets able to integrate onsite solutions can unlock revenue uplift of 25% to 50% compared to rent.

6. The democratization of commercial real estate investing

Historically, commercial real estate investing has been the domain of institutional investors, real estate operating companies, family offices and high-net-worth individuals. Capital and financing requirements, operating experience and market barriers to entry have favored experienced and well-capitalized investors. However, regulatory changes, new technologies, increased personal wealth and increased education are paving the way for the democratization of commercial real estate investing and ownership.

While pension plans have long invested in real estate via their investment managers, regulatory changes are now transforming the broader investment landscape: Policies such as the UK's Mansion House Accord, or the more recent U.S. Executive Order allowing 401(k) plans to offer private real estate funds as a part of their offering, are paving the way for a potential new wave of capital into the sector in the coming years.

Beyond pension and retirement plans, the collective increase in private wealth over the past 15 years will result in a new class of investors seeking income-generating assets at a greater relative value to the global private equity and equities markets. Since the Global Financial Crisis, the aggregate wealth of billionaires has increased by 265%, reaching an estimated US$15.4 trillion in 2025, resulting in significant additional investment capital.

Additionally, blockchain has at last become a viable platform for commercial real estate investing. Recent notable transactions include KJRM's Realty Token backed by Shiodome City Center as well as the token publicly offered by Kenedix, SMBC Trust Bank, Nomura Securities and BOOSTRY for the investment into rental homes.

Regulatory changes stand to broaden the ways for individual retirement and pension fund investors to access private markets and commercial real estate and education on the benefits of real estate ownership is expanding as well. This will allow more private and retail investors to gain exposure to private real estate investment funds, and in some cases even own fractional shares of high-value properties - resulting in the democratization of real estate investing.

Looking ahead

The commercial real estate landscape of 2026 will reward organizations that embrace strategic adaptation over tactical responses. The six forces outlined - cost pressures, supply constraints, experience as a value-driver, AI maturation, energy convergence and investment democratization - are not isolated challenges and opportunities but interconnected dynamics that require holistic thinking and coordinated action.

For investors, success in this environment demands moving beyond traditional real estate management to integrated asset strategy that considers operational efficiency, experience, technological capability, energy performance and capital access as unified components of competitive advantage. Investors that view these forces as opportunities for differentiation rather than obstacles to overcome, will emerge as leaders in the transformed real estate ecosystem of 2026 and beyond.

For occupiers, the companies that thrive will be those that recognize real estate not merely as an operational necessity, but as a strategic platform for innovation, efficiency and growth. As the industry navigates this period of unprecedented change, the organizations that invest in comprehensive transformation - balancing immediate cost pressures with long-term strategic positioning - will define the future of commercial real estate.

Major markets with expected improvement in fundamentals in 2026 by sector

We define 'Improving' as markets seeing strengthening fundamentals: rising occupier demand, supply or vacancy stable to declining, increasing rents or income.

Source: JLL Research, 2025 | Note: Not an exhaustive list, markets are shown by region in alphabetical order. This is a broad outlook at the sector level; market dynamics are highly nuanced and will vary at the submarket and subsector level; outlook for specific geographies may change as the year progresses.

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Research at JLL

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