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ECONOMIC OUTLOOK

August 2026

Commercial Real Estate in the National Economic Context: Return to Sustainability

In collaboration with John E. Silvia, Ph.D.

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ABOUT TEEL VALUATION GROUP

- Founded in 1983 by Gerald A. Teel, built on rigorous analysis, independence, and high professional standards

- Over 40 years of growth from a local practice to a regional firm with national coverage

- Serves a diverse client base across the U.S.
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  - Corporations
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ABOUT JOHN E. SILVIA, Ph.D.

- Over two decades as Senior Economist for the U.S. Senate Banking Committee and the Joint Economic Committee
- Founder of Dynamic Economic Strategy and former chief economist at Wells Fargo, where he led global economic research and strategy for two decades
- Recognized by Bloomberg and FocusEconomics as one of the nation's top forecasters. Known for his accurate and accessible assessment of growth, inflation, and interest-rate trends

John E. Silvia, Ph.D.
Dynamic Economic Strategy | Former Chief Economist, Wells Fargo

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DR. SILVIA'S KEY TAKEAWAYS

- CRE loan growth has converged with real final sales, running near 3%
- Banks are easing: the net share tightening CRE standards has fallen from about 42% in early 2024 to slightly below zero
- Bank delinquencies flattened near 1.6% after mid-2024, but securitized credit is deteriorating
- Large banks have worked through their stress; smaller banks are still in the rising phase
- Labor markets are diverging by metro: the major Texas metros are holding steady, while Tampa, Albuquerque and Oklahoma City soften

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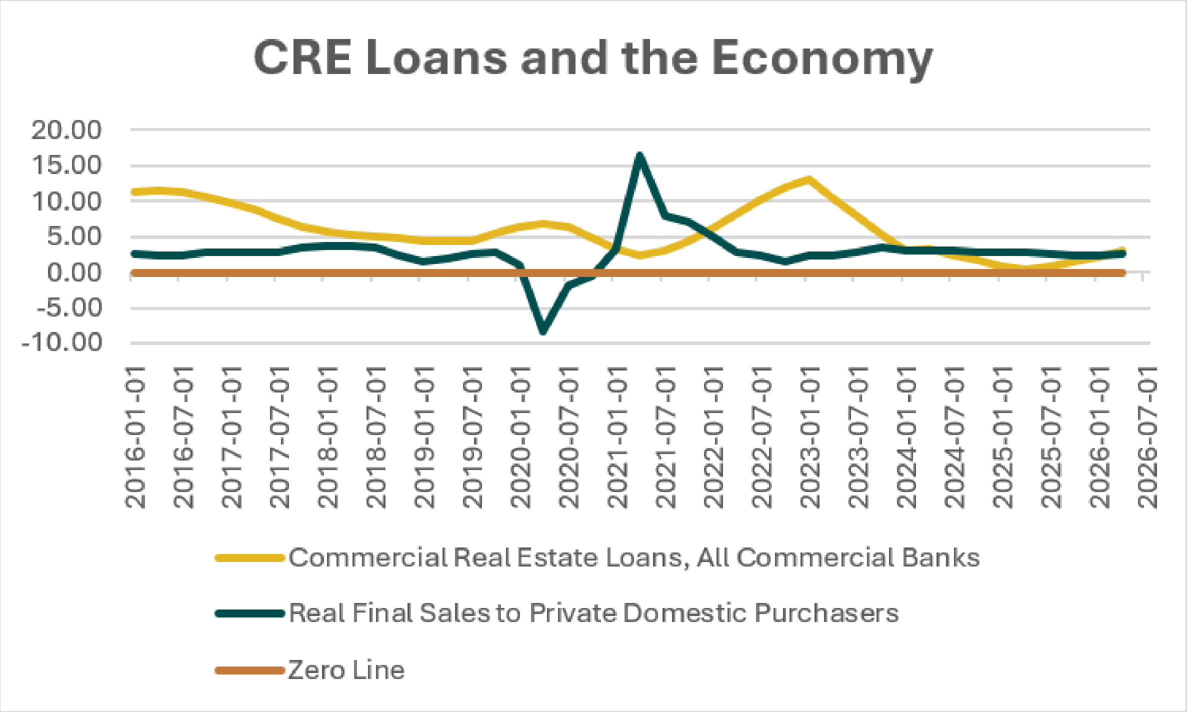
CRE LENDING GROWTH HAS NORMALIZED



The Covid shutdown shocked the economy and especially CRE lending.

Since 2024 the pace has slowed steadily. Growth now runs near 3%, in line with real final sales to private domestic purchasers.

The 2026 story is normalization, not retrenchment. Balances are still expanding, but at a pace banks can underwrite and hold, without the distortions of the shutdown and the stimulus that followed.

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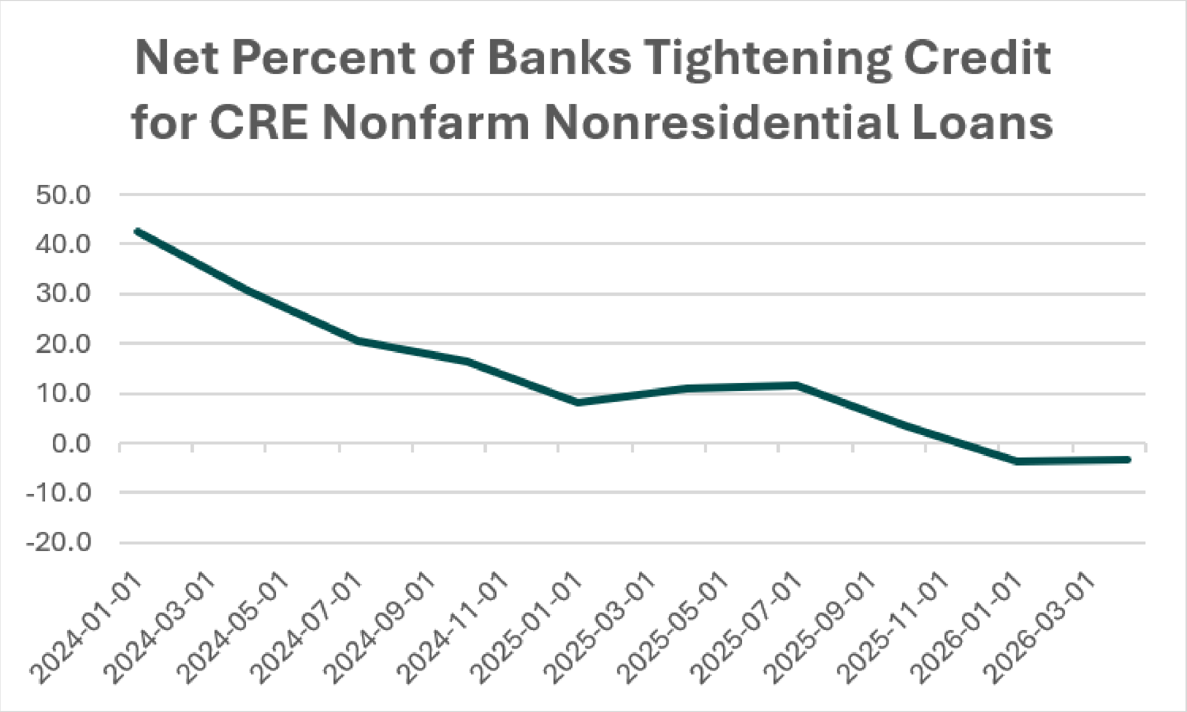
CREDIT BENCHMARKS: THE NATIONAL PICTURE



Source: Federal Reserve Senior Loan Officer Opinion Survey, via the Federal Reserve Bank of St. Louis.

National CRE loan growth supports the case for credit availability, and standards have turned supportive.

The net share of banks tightening standards on nonfarm nonresidential loans has fallen from about 42% in early 2024 to slightly below zero by the first quarter of 2026. A small net share is now easing.

Not loose by historical standards, but the direction has clearly reversed. Foreign banks are the exception, and that weighs on gateway-market office more than the regional markets we cover.

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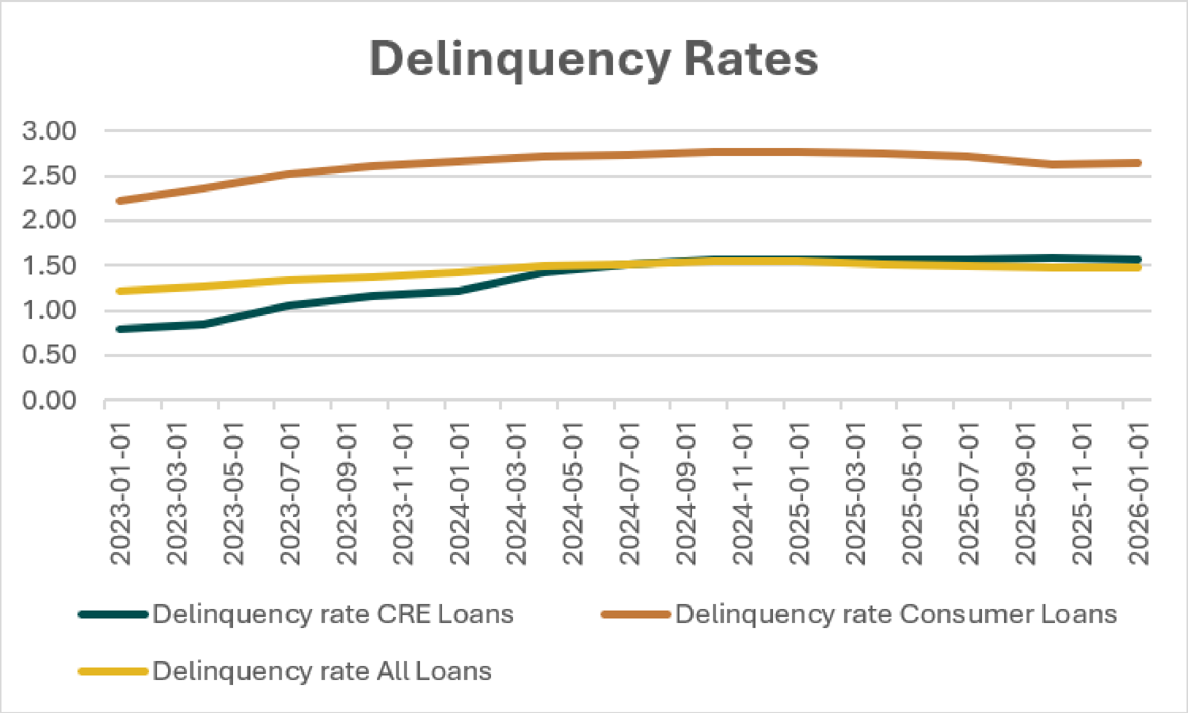
DELINQUENCY RATES AS SIGNAL OF CREDIT RISK



Bank-held CRE delinquencies run near 1.6%, in line with overall bank rates and below consumer loans. That is a balance-sheet story, and the distinction matters.

In the capital-markets channel, CMBS delinquencies are above 5% and the broader commercial mortgage market reached 4.02% in Q1 2026, up from 3.86% in the prior quarter.

Depository credit is holding; securitized credit is not. The benign bank numbers should not be read as a benign market.

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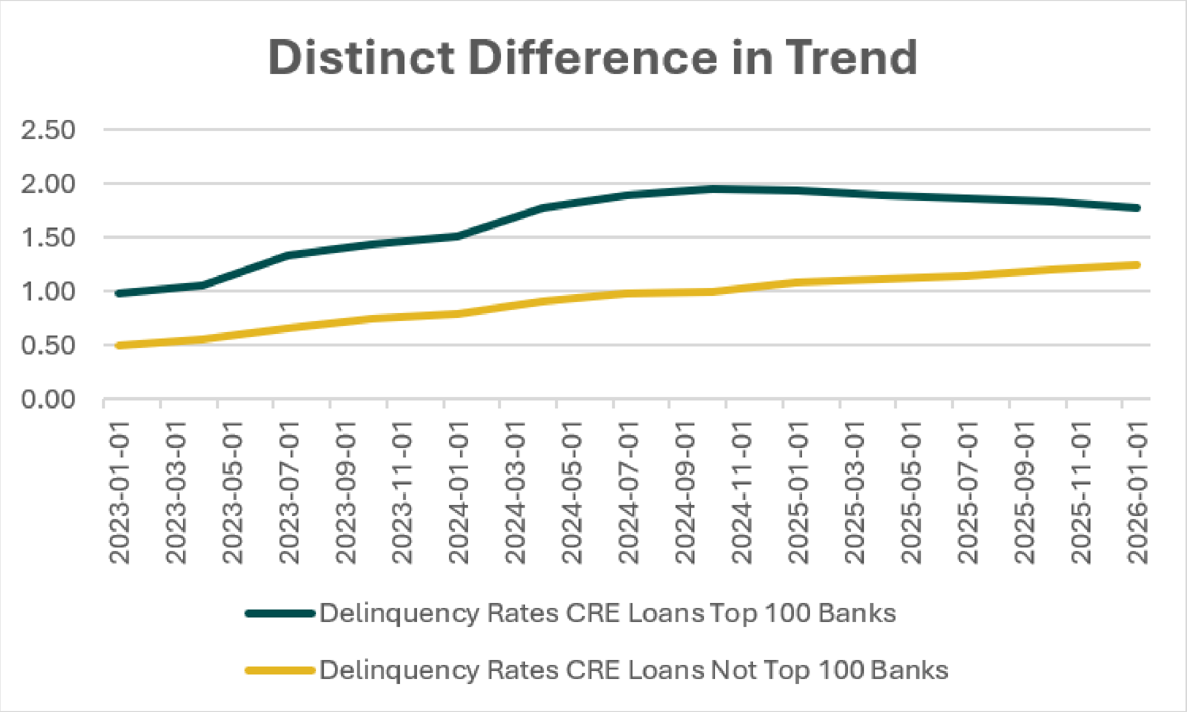
CREDIT TRENDS DIFFER BETWEEN LARGE AND SMALLER BANKS



The aggregate masks a real divergence by bank size. CRE delinquencies are concentrated at the largest institutions, the banks carrying the biggest downtown office exposures, where the rate peaked near 2.0% in late 2024 and has eased to about 1.8%.

Banks outside the top 100 run near 1.25% and are still rising. Note the asymmetry: smaller banks carry the higher CRE concentration relative to capital; large banks carry the higher realized delinquency.

For regional clients, community and regional lender credit has held up better than national headlines imply.

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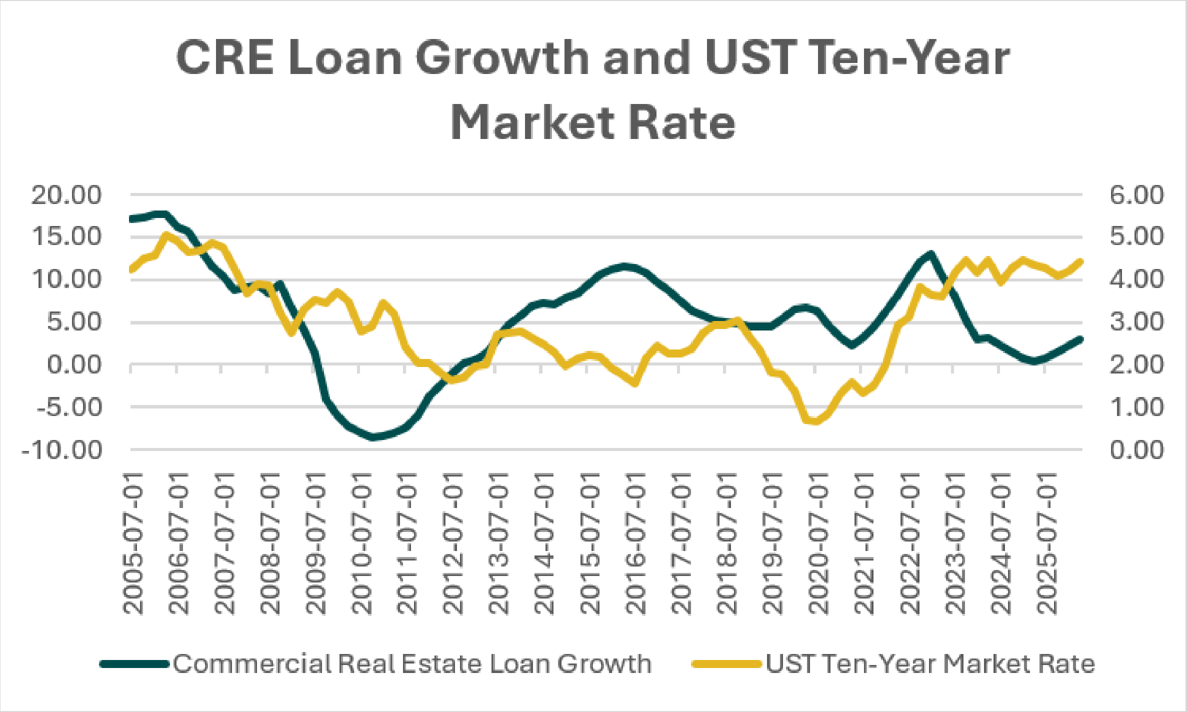
THE TEN-YEAR TREASURY RATE AS A SECONDARY FACTOR DRIVING CRE LENDING



Banks lend on their expectations for growth; rates are secondary. The ten-year sets the discount rate for property values and the hurdle for refinancing, but it does not determine loan volume. The relationship is loose and has changed sign across cycles.

Where it matters most in 2026 is the maturity wall: roughly $875 billion of CRE and multifamily debt comes due this year.

It is the ten-year at refinancing, not at origination, that sets the size of the equity gap.

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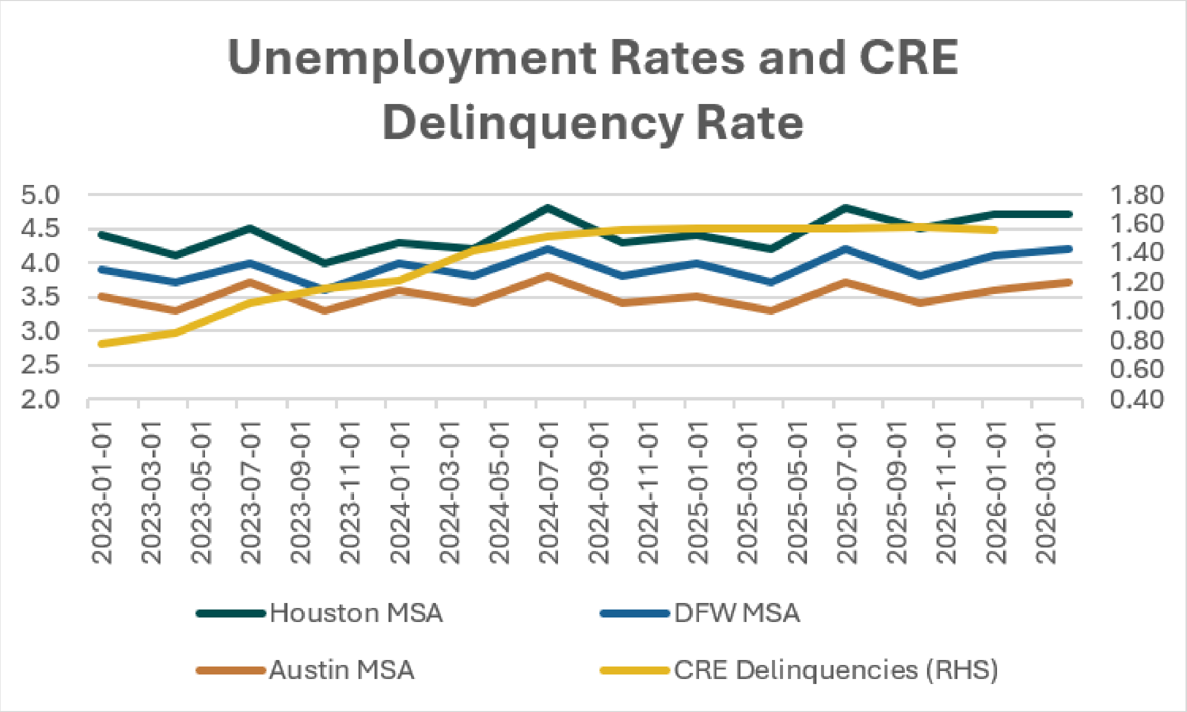
TEXAS METROS: LABOR MARKETS HOLDING STEADY



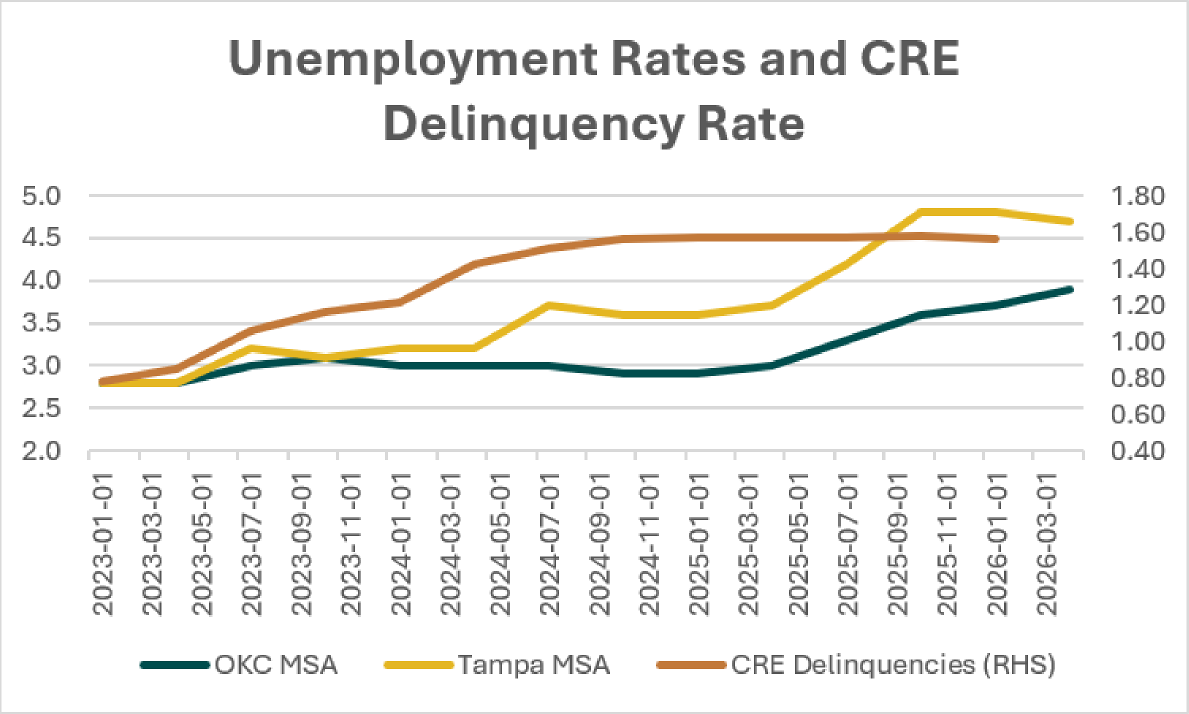
Delinquency series is the national bank CRE delinquency rate (right-hand scale), shown as a benchmark. Unemployment series are metro-level.

Labor markets are the transmission channel between the macro economy and CRE credit, which is why we track them together.

Since early 2023, unemployment in Houston, DFW and Austin has risen only two to three tenths of a point. Over the same period the national CRE delinquency rate rose about eight tenths. Texas labor markets have absorbed this cycle better than the national credit picture would suggest.

This is slow, orderly normalization in the state’s largest employment centers.

OKC AND TAMPA: THE LARGEST LABOR SOFTENING IN OUR COVERAGE



Delinquency series is the national bank CRE delinquency rate (right-hand scale), shown as a benchmark. Unemployment series are metro-level.

Oklahoma City and Tampa have seen the sharpest labor-market deterioration in our coverage, with unemployment up 1.1 and 1.9 points since early 2023. The national CRE delinquency rate rose about 0.8 points over the same window.

Worth watching rather than celebrating. The delinquency line here is national, so it does not confirm local credit has held up. Where labor moves this far ahead of credit, the gap usually closes through delinquencies catching up. Stress-test income assumptions against the labor data.

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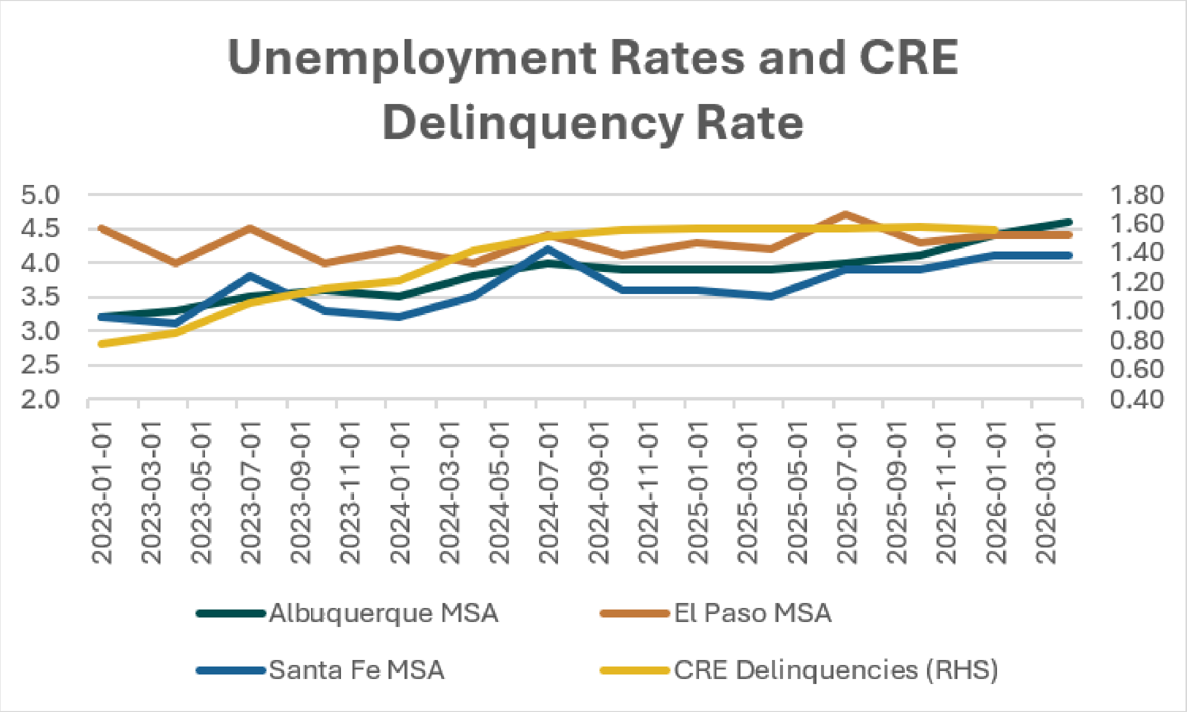
NEW MEXICO AND EL PASO: A MORE MEASURED PICTURE



Delinquency series is the national bank CRE delinquency rate (right-hand scale), shown as a benchmark. Unemployment series are metro-level.

Santa Fe and Albuquerque unemployment has risen 0.9 and 1.4 points since early 2023, moving broadly in step with the national CRE delinquency rate. On this evidence credit is repricing alongside the labor market rather than lagging it.

El Paso is the steadier case, with unemployment essentially flat at about 4.4%.

Albuquerque has softened as much as Oklahoma City and deserves the same scrutiny. Santa Fe and El Paso have not.

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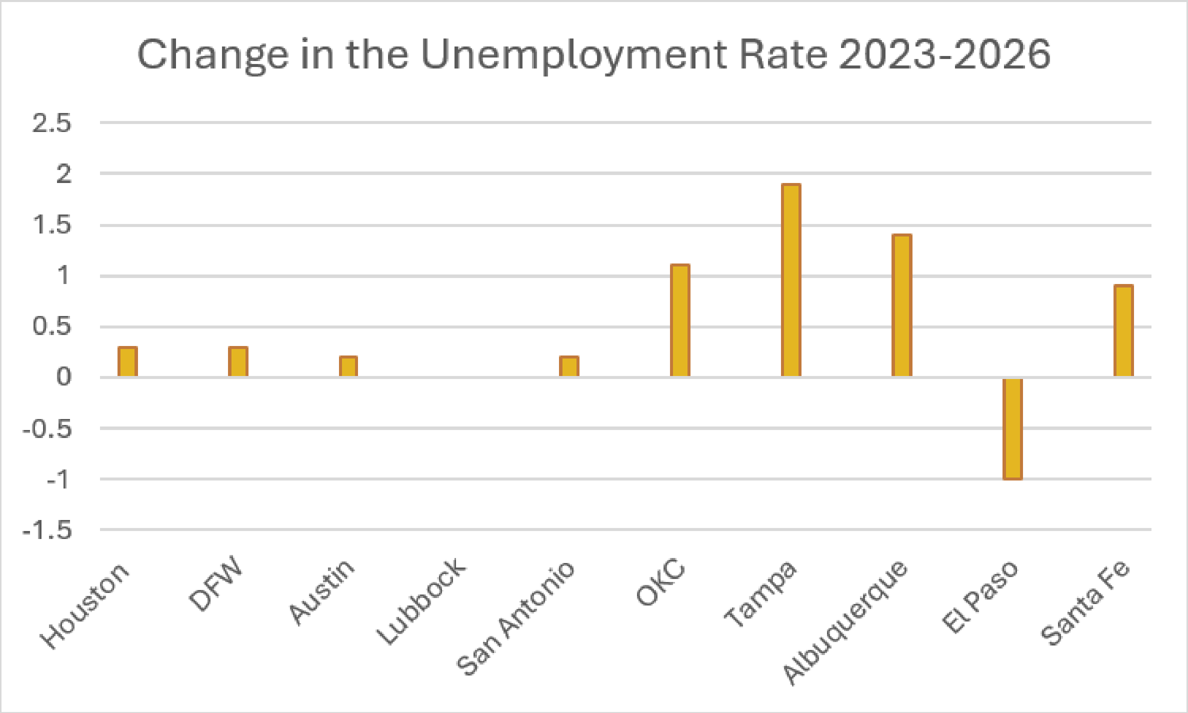
TEXAS HOLDS STEADY WHILE OTHER MARKETS SOFTEN



This chart frames relative momentum across the metros we cover. The ranking matters more than the magnitudes. Metros holding their labor markets steady are the ones where CRE credit performance should continue to track the national average.

Where unemployment has risen most, Tampa at 1.9 points, Albuquerque at 1.4 and Oklahoma City at 1.1, absorption, rent growth and exit cap assumptions deserve the closest scrutiny in our appraisal work.

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COMMERCIAL REAL ESTATE IMPLICATIONS

- Lending: CRE loan growth holds near 3% through 2027. No credit crunch in our markets.
- Standards: easing continues absent a growth shock. Availability improves at the margin, not sharply.
- Bank credit: delinquencies stay near 1.6%. Any drift higher is gradual, not cliff-like.
- Securitized credit: CMBS stress above 5% persists. Expect the bank/CMBS gap to widen.
- Maturities: roughly $875 billion comes due in 2026. Equity gaps, not defaults, are the binding constraint.
- Rates: at today’s ten-year, refinancing math stays tight. Relief requires lower long rates, not Fed cuts alone.
- Metros: Texas holds steady while Tampa, Albuquerque and Oklahoma City soften. Watch these three for credit follow-through.

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HOW TVG PUTS THIS TO WORK

TVG translates macroeconomic context like Dr. Silvia's into defensible value conclusions through market-specific analysis grounded in observed evidence.

- Regional employment analysis tied to local market conditions
- Sector-level insights across office, retail, industrial, hospitality, and specialized property types
- Market-specific research supporting credible valuation conclusions
- Analysis grounded in observed economic data, not broad assumptions

Let's talk.

We welcome the opportunity to discuss what these trends mean for your portfolio, your assignment, or your market.

Schedule a virtual or in-person briefing with the TVG team and Dr. Silvia.

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The economic views expressed in this outlook are those of Dr. John E. Silvia and Dynamic Economic Strategy. They are general in nature, do not constitute a forecast adopted by Teel Valuation Group, and are not relied upon in any specific TVG valuation assignment. Each TVG appraisal reflects conditions as of its stated effective date.