

Outlook 2026

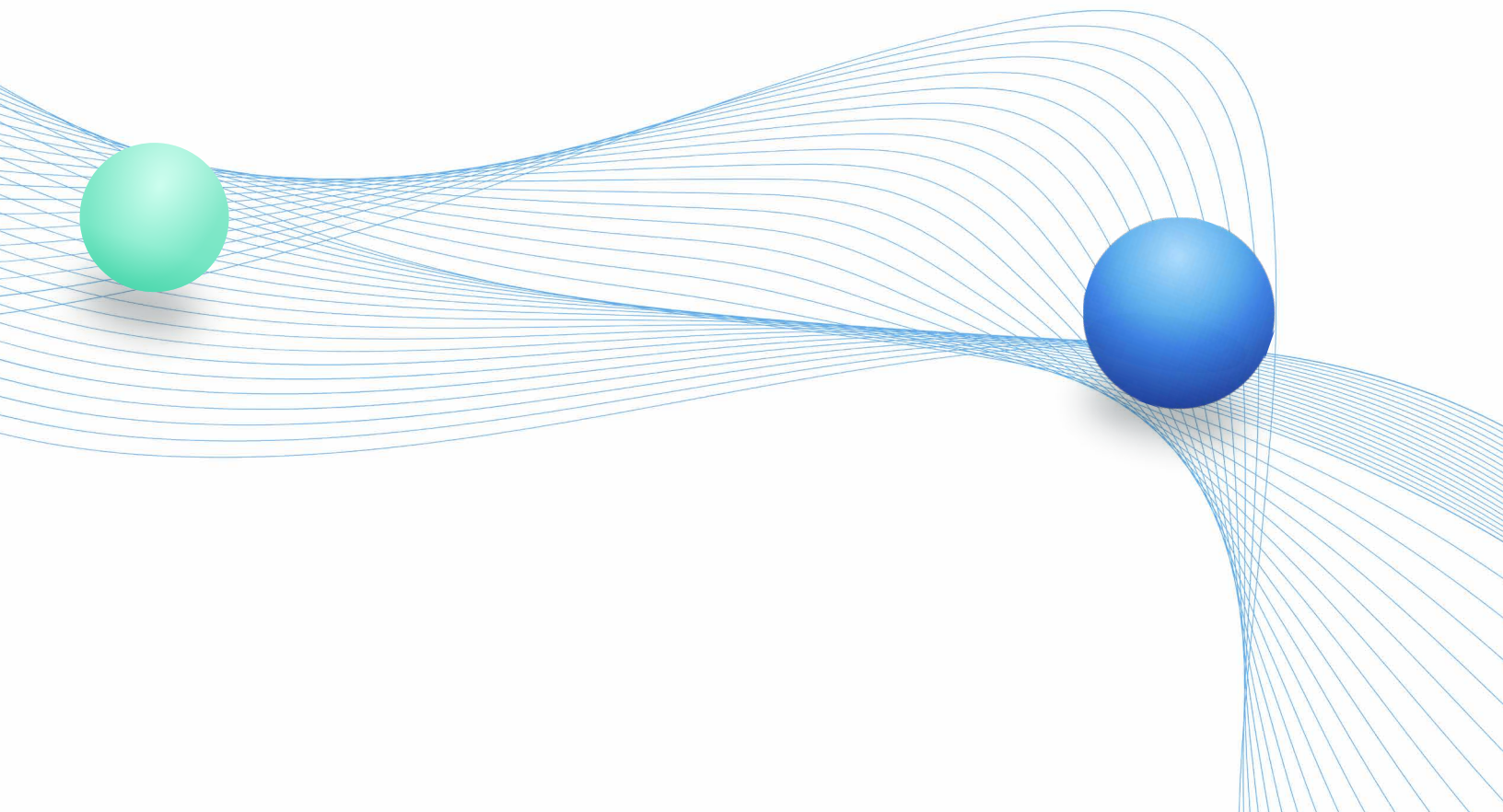
Real Estate

Forward-thinking real estate investors and owners have opportunities to build risk-mature portfolios that exceed expectations.



What to Expect in 2026

Economic uncertainty will pressure real estate profits in 2026, though ongoing interest rate cuts could unlock refinance opportunities and improve market liquidity. Although liability coverage remains challenging with nuclear verdicts and crime-related claims, declining property insurance rates are likely to provide much-needed relief. Real estate investors and owners who adapt and respond to persistent risk — those with portfolios that are risk mature — will be rewarded with improved performance.



Profitability

Regional market dynamics and portfolio diversification will be key to maintaining profits.

Despite economic uncertainty and rising construction costs, the likelihood of lower interest rates and insurance premiums will stabilize or even improve profitability in 2026.

The picture by sector remains mixed. Office buildings as a class are struggling with high vacancies,¹ although Class A office demand remains strong. The industrial sector is under pressure, in part due to tariff uncertainty,² but multifamily vacancies have remained steady in the past year.³

Nearly \$960 billion of all outstanding commercial real estate mortgages were set to mature in 2025,⁴ and \$1.8 trillion will mature in 2026,⁵ pressuring profits. The Federal Reserve Board in September and October 2025 announced two separate quarter-percentage point rate cuts in its overnight lending rate.⁶

Portfolio diversification — both [geographically and in property types](#) will be key to profitability in 2026.

Those cuts are likely to boost profits and facilitate refinancing at lower interest rates, though they may not immediately affect real estate investors' portfolio strategies.

Interest rate cuts will also allow owners to invest in property improvements that have been deferred. However, construction labor shortages and tariffs could further complicate construction costs. Higher expenses for cross-border material flows, particularly lumber from Canada, will remain a persistent issue.⁷

According to HUB International's 2026 Profitability & Resiliency Survey,⁸ 91% of respondents in an industry category that includes real estate said rising operating and labor costs will be the biggest threat to profits in 2026.

Portfolio diversification — both geographically and in property types — will be key to profitability in 2026. Real estate owners should consider if they can [convert underperforming assets like shopping malls and older office buildings into profitable mixed-use properties](#) that incorporate residential, retail and public space.

Developers are also building mixed-use properties from the ground up, with retail on ground floors and residential spaces above. These projects offer the benefits of a diversified portfolio within a single property while leveraging available tax incentives that local governments create to stimulate the housing supply.

Investors must factor in regional insurance cost variations into their profitability projections, as they can vary widely. Even as rates will drop overall, some markets are less fortunate, with property and casualty insurance consuming 30% of budgets, compared with the traditional standard of 18%.

Still, in general, the insurance premium cuts of 2025 will continue for the next 12 months and possibly beyond. Underwriters will favor real estate owners and investors who have well-maintained properties, closely evaluated risk exposures and demonstrated their portfolios are risk mature.

Real estate investors and owners can also take advantage of niche and alternative insurance solutions like [tenant default captives](#) to boost profits. Doing so requires the help of a broker well-versed in the real estate industry to find the right coverage at an affordable rate.

Profitability

1. Moody's, "[The Office Sector's Double Whammy](#)," July 8, 2025.
2. Newmark, "[2025 North American Industrial Outlook](#)," accessed September 5, 2025.
3. National Association of Realtors, "[July 2025 Commercial Real Estate Market Insights](#)," accessed September 5, 2025.
4. Mortgage Bankers Association, "[20 Percent of Commercial and Multifamily Mortgage Balances Mature in 2025](#)," February 10, 2025.
5. NAIOP, "[Ten Challenges Facing Commercial Real Estate in 2025](#)," accessed September 5, 2025.
6. CNBC, "[Fed cuts rates again, but Powell raises doubts about easing at next meeting](#)," October 29, 2025.
7. National Association of Home Builders, "[How Tariffs Impact the Home Building Industry](#)," accessed September 5, 2025.
8. The HUB International 2026 Profitability & Resiliency Survey polled 350 industry leaders and executives across North America on the issues facing them on profitability and resilience.

Vitality

Creative benefits solutions will help meet labor challenges for both real estate companies and their tenants.

Like in most other industries, labor shortages continue to weigh on real estate. Property and facility management roles are under particular strain: By 2030, as many as 160,000 facility management jobs are expected to go unfilled.⁹

Tenants in hospitality, including hotels and restaurants, remain understaffed,¹⁰ while retail and customer service positions remain vacant.¹¹ Labor shortages in industrial mean many warehouses are not at full capacity.¹² These shortages can compromise tenants' ability to stay viable long term.

Technology and artificial intelligence (AI) are improving efficiency for both property management and commercial tenants, but they can't solve the mounting labor challenge alone. The shift to hybrid work further complicates the picture for office landlords,¹³ who are often forced to adopt "office hoteling" models that reduce per-tenant space needs and drive down rents.

To help increase occupancy rates, real estate industry players are repositioning their properties with enhanced amenities and lifestyle features like concierge services, fitness facilities and rooftop spaces. However, owners and investors will struggle to find construction workers who can make these improvements or simply maintain buildings.

As a result of these trends, property owners are carefully assessing potential tenants' industry outlook and ability to attract and keep workers.

Real estate investors and owners have tools at their disposal to stem labor shortages — improved training, stronger compensation packages and career pathing will help employee recruiting and retention. Workers can then envision a fully realized career in property management.

Personalized benefits help differentiate employers in the eyes of current and potential employees. Tools like HUB's [Workforce Persona Analysis™](#) can help deliver personalized benefits that can boost recruiting and retention through data and analytics.

Training, strong compensation packages and career pathing will help real estate investors and owners improve employee recruiting and retention.

Personalization is especially powerful when it speaks to employees' most pressing concerns. [HUB's 2025 U.S. Workforce Vitality Gap Index](#) found that financial stress is the number one challenge today's workers face. By offering tailored financial wellbeing platforms such as [HUB FinPath](#), employers can directly address that need and strengthen both recruiting and retention.

9. Propmodo, "[Amid Labor Shortages and Aging Workforce the Property Industry Turns to Tech](#)," April 2, 2025.
10. Room 1903, "[The Talent Challenge: Understanding the Labor Shortage](#)," July 2, 2025.
11. CX Dive, "[Customer service worker shortage grew in Q1, despite wage increases](#)," April 28, 2025.
12. Supply Chain Brain, "[Coping With the Labor Shortage Crisis in the Supply Chain Industry](#)," May 7, 2025.
13. WFH Research, "[SWAA July 2025 Updates](#)," August 2, 2025.

Resiliency

Further insurance rate cuts await investors and owners with strategically managed portfolios.

Real estate owners and investors are likely to see further insurance rate relief in 2026, coming on the heels of rate reductions throughout 2025. Owners and investors with risk-mature portfolios will be far better positioned to benefit from the reductions.

Greater competition and excess capacity will continue, bringing commercial property rates down by as much as 15% after similar decreases in 2025. Rates for residential properties could fall as much as 25%, largely due to new underwriters entering the market.

And risks with strong loss prevention and minimal catastrophe exposure are seeing rate reductions up to 50%, depending on geographic location and loss history.

Even premiums for catastrophic (CAT) perils, which have been high for years, are likely to fall 10% to 20%, particularly for insureds who had significant premium hikes in the past.

Premiums for CAT perils are likely to decrease as much as 20%, particularly for insureds with significant premium hikes in the past.

Rate relief is not universal, however. Climate change is increasing weather-disaster frequency and intensity, and aggressive litigation and crime threaten to claw back some of the gains the industry has seen with lower property insurance premiums. A property's location is likely to be the deciding factor in determining rate reductions.

For instance, properties in CAT-prone areas may not see rate reductions as weather disasters proliferate. In the first half of 2025, 15 weather-related catastrophes caused \$1 billion or more in damage, totaling a record \$81 billion in insured losses.¹⁴ The continuing pace of unpredictable weather underscores the importance of geographic pricing differences and underwriting scrutiny.

And general liability insurance will remain difficult. Underwriters have reduced limits due to losses from litigation, crime and other liabilities. Large jury verdicts have affected coverage. As a result, carriers are implementing sublimits for assault and battery, firearm incidents and abuse or molestation claims while actively avoiding properties in higher-crime areas.

Insurance carriers will continue to demand updated replacement valuations. Higher expenses for building materials and labor will result in elevated repair costs for damaged properties, increasing claims costs for insurers.

But a resilient real estate portfolio will mean more than properties in safe markets. Savvy investors are digging deeper into property data before committing money, often leveraging AI to identify assets that can withstand both physical and financial shocks.

Underwriters will look favorably on properties with updated valuations, accurate cost projections and demonstrated risk maturity. The key will be the degree of competition from underwriters in local markets and understanding which class of real estate they are targeting. Consulting with a broker with localized carrier relationships in regional markets can help deliver optimal results in 2026.

14. Yale Climate Connections, "[U.S. socked with 15 billion-dollar weather disasters during the 1st half of 2025](#)," July 16, 2025.

Preparedness

Advanced risk maturity will help protect against emerging and unpredictable risks.

Preparing for weather disasters, minimizing legal exposure and improving cybersecurity will underpin the real estate industry's efforts to stave off losses from risks that are difficult to predict and quantify. These enterprise-wide efforts will accelerate a portfolio's risk maturity and help prepare it for 2026.

Two-thirds of all "Built Environment and Infrastructure" enterprises (which include real estate operations) say they are confident in tackling regulatory and legal challenges in 2026, according to HUB International's 2026 Profitability & Resiliency Survey. That confidence will be tested, however.

Cyber exposures present a major unpredictable risk, as real estate companies are prime targets for business email compromise and wire fraud schemes.

The ever-increasing number of lawsuits and amount of jury awards that have plagued real estate owners are of particular concern. The number of nuclear verdicts — jury awards exceeding \$10 million — rose 52% across industries in 2024, and "thermonuclear" verdicts, which exceed \$100 million, rose 81%.¹⁵ The rise of third-party litigation funding has significantly exacerbated the problem. Real estate owners and investors can be targets when actionable incidents happen on their properties.

Just as problematic are nuisance lawsuits, which often involve violations of the Americans with Disability Act (ADA). These suits, typically settled out of court for

\$5,000 to \$20,000, usually come without warning. Settling a single dispute can make a property a litigation target for other violations.

Legislation in California to address ADA claims¹⁶ may have the unintended effect of encouraging more lawsuits. The cost of audits to pre-emptively identify every possible violation can cost owners massive upfront capital expenses.

Cyber exposures also present a major unpredictable risk, as real estate companies are prime targets for business email compromise¹⁷ and wire fraud schemes, with one owner-manager losing \$19 million in a single phishing incident.¹⁸ AI has made it even more difficult to combat, particularly for social engineering schemes in which fake but hyper-realistic documents, videos and even video calls have resulted in escrow funds being stolen, directed to accounts from fake investors.

Properties reliant on automated systems face further vulnerabilities, where an attack can halt operations or compromise tenant data.¹⁹ As smart buildings and AI-driven monitoring become more common, [proper cyber defenses](#) will become paramount in managing risk.

In an ever-evolving risk environment with legal and cyber threats, real estate owners and investors need to be cognizant of the interrelated nature of different risks and take a broader view of preparedness, improving risk maturity within their portfolios. A strategy based on [enterprise risk management \(ERM\)](#) provides a framework to address this wider risk landscape.

By working with brokers to integrate litigation risk assessments, cyber incident response plans and rigorous cybersecurity and [cyber insurance](#) into an overall ERM program, real estate owners and investors can prepare for emerging risks.

Preparedness

15. Marathon Strategies, "[Corporate Verdicts Go Thermonuclear, 2025 Edition](#)," accessed September 5, 2025.
16. Olgetree Deakins, "[California Senate Passes Nation's First Bill for Accessibility Violation Cure Period](#)," June 17, 2025.
17. Stewart, "[How Business Email Compromise Attacks Real Estate Transactions](#)," April 28, 2025.
18. The Broadsheet, "[Phishing Expedition: Hackers Scam Millions from Company Managing Battery Park City Condos](#)," accessed September 10, 2025.
19. Facilities Manager Advisor, "[The Not-So-Hidden Cyber Risks in Commercial Real Estate](#)," May 8, 2025.

Moving Your Organization Forward

HUB real estate insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy that will protect the bottom line, support the vitality of your workforce and build resiliency for 2026. Here are some important considerations:

- 1 Accelerate your risk maturity.**

An uncertain economic environment, a greater number and intensity of catastrophes and nuclear verdicts have increased risk for real estate owners and investors. A higher deductible reduces premiums and improves experience rating, while alternative risk transfer vehicles can lower costs. Discuss with your broker what kind of insurance strategy meets your risk profile and budget.

- 2 Make safety a tenet of the organization.**

Nuclear verdicts against real estate companies have become common. Make safety a foundation of the organization, with extra training and risk management practices like [increased security](#) for all properties and to-the-letter compliance with regulations. A focus on prevention can save you millions.

- 3 Analyze loss trends.**

Understand the root causes of large losses and explain to carriers what you're doing to prevent future claims. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.

- 4 Increase workforce engagement through benefits.**

Real estate entities have had difficulty attracting and retaining employees, but those with a benefits strategy based on personalization and fostering a [quality employee experience \(QEX\)](#) will boost engagement, have an advantage in recruitment and retention and lower risk as well. Work with your benefits advisor to identify the right data for a personalized benefits strategy.

- 5 Be transparent with your broker.**

Let your insurance broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

Real Estate Rate Guide — U.S.

HUB International’s rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the real estate industry.

After years of large premium increases, the marketplace has changed course, and carriers are fighting to maintain market share with modest new business goals for risks that they believe to be in the appetite. Below are projections of rate decreases and modest increases we anticipate in 2026. It’s important to discuss your business’ exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2026 Real Estate Rate Guide	Insights
Commercial Property	-15% to -5%	<p>The real estate property market continues to exhibit signs of softening, driven by sustained competition among insurers. Available capacity continues to exceed demand, intensifying competition and exerting downward pressure on premiums. Rate outliers exist on both ends of the spectrum, largely influenced by factors such as occupancy type, geographic location, loss experience and the quality of risk control measures in place.</p> <p>Warehousing and manufacturing risks are seeing heightened competition as insurers aggressively vie for their premium dollars. Companies benefiting from premium relief are increasingly choosing to reinvest in their property programs — either by increasing policy limits or reducing deductibles — to enhance overall coverage.</p>
Residential/ Habitational Property	-25% to -10%	<p>The influx of new insurer entrants to the U.S. property market, both domestic and through the London market, has intensified competition and contributed to a meaningful downward pressure on rates. This increased capacity, particularly in excess layers and in the wholesale market, is driving premium relief for many insureds. However, retail markets remain cautious, with many carriers still hesitant to re-enter the habitational space after years of strategic portfolio reduction.</p> <p>Rate movement varies significantly depending on risk characteristics. Favorable risks — such as newer construction, full sprinkler protection, strong COPE data and wind-resistive features in CAT-prone zones — are realizing the greatest benefit from rate compression. Conversely, older frame structures or assets located in convective storm corridors or coastal areas may experience only modest reductions, or in some cases, slight increases. Garden-style apartments will see more options as well and are considered preferred or favorable risks.</p>
Catastrophic Perils	-20% to -10%	<p>Rates for CAT-perils are expected to continue their downward trend, particularly for insureds who experienced the most significant rate increases during the prolonged hard market. While underwriters remain cautious around secondary perils, overall capacity remains adequate. However, wildfire coverage continues to present challenges, as many carriers are excluding entire counties based on elevated wildfire risk scores, making capacity for this peril increasingly scarce.</p>

Real Estate Rate Guide — U.S.

Coverage	2026 Real Estate Rate Guide	Insights
General Liability	Flat to +10%	<p>Liability premium rates are expected to remain flat in the absence of losses. However, accounts with adverse loss experience can anticipate higher rates and reduced competition. Pricing remains closely tied to the class of real estate, with properties featuring high vacancy rates or significant foot traffic typically commanding higher premiums due to increased exposure.</p> <p>Capacity constraints persist in certain segments, particularly for coverages such as sexual misconduct liability (SML) within GL policies, product liability and premises liability for assets with substantial public access. These challenges are driven by heightened concerns over violence, abuse claims and social inflation, which continue to impact underwriting appetite and capacity.</p>
Tenant Liability	-10% to Flat	<p>Tenant liability insurance covers damage that a tenant may cause — intentionally or accidentally — to the landlord’s property (e.g., fire, water or smoke). This can reduce the number of claims filed against a master property program.</p>
Alternative Risk	N/A	<p>Captives offer an alternative to purchasing a traditional insurance policy from a commercial insurer by self-insuring, typically by a group of businesses.</p> <p>A parametric insurance policy is a type of insurance triggered by a predefined event. Lenders have started to accept parametric policies in certain states, especially to replace retention.</p>
Workers’ Compensation	-5% to +5%	<p>Workers’ compensation rates are state-specific and highly influenced by local economic conditions, legal environments and payroll levels. Overall, rates are expected to remain largely stable, supported by a sustained multi-year trend of declining claims frequency. However, increases in claims severity have led to modest rate upticks for some insureds, particularly those with guaranteed cost programs, lower deductibles or higher-risk employee class codes.</p> <p>Insurers are also placing greater scrutiny on class code accuracy, and audits are expected to become more stringent as carriers seek to ensure proper classification and rating.</p>
Umbrella and Excess Liability	+5% to +10%	<p>Loss severity trends in auto liability and general liability (GL) are the primary drivers of rate increases in umbrella and excess liability markets. Fleets with larger and heavier vehicles represent a significant contributor to rising costs, due to both the frequency and severity of losses.</p> <p>Additionally, the deteriorating litigation environment across the real estate sector, combined with escalating defense costs, continues to influence pricing, especially in states with the highest litigation risk.</p> <p>Risks with exposure to violence or social liability claims — including shopping malls, entertainment venues and habitational properties susceptible to allegations of sexual misconduct or human trafficking — remain difficult to place in the umbrella and excess liability markets. Many carriers continue to scale back capacity, tighten underwriting criteria and apply stricter risk selection standards.</p>

Real Estate Rate Guide — U.S.

Coverage	2026 Real Estate Rate Guide	Insights
Environmental	Flat to +5%	<p>The average rate change represents a blended view across all environmental real estate segments; however, rate movement varies significantly by product line.</p> <p>Contractors' pollution liability (CPL) remains the most competitive, with some insureds experiencing modest rate reductions. In contrast, premises pollution liability (PPL) rates are generally holding steady with minimal movement.</p> <p>Environmental casualty risks that include general liability, commercial auto and excess liability are seeing more pronounced rate increases, driven largely by continued loss severity trends and litigation concerns.</p> <p>Within this space, contracting risks are experiencing a greater rate pressure compared to companies with a stronger products liability profile, reflecting the higher exposure associated with on-site operations and third-party claims.</p>
D&O	Flat to +5%	<p>After an extended period of soft market conditions, directors and officers (D&O) pricing is reaching an inflection point. With some carriers withdrawing capacity and others tightening terms, premium decreases are expected to plateau. Well-performing private companies with no claims or material exposure changes can expect flat to low single-digit adjustments.</p> <p>Employment practices liability (EPL) continues to face upward pricing pressure, driven by economic inflation, increased claim frequency and the growing impact of nuclear verdicts.</p> <p>Artificial intelligence-related exposures are under increased scrutiny, and there are rising concerns about how AI is affecting work, employment and risk governance.</p>
Cyber	Flat to +5%	<p>The frequency of ransomware and social engineering claims remained elevated in 2025, continuing the trend of persistent cyber threats despite improved risk control conditions among many insureds. In addition to ransomware and social engineering, dependent business interruption is a growing focus area, especially following large-scale third-party outages (e.g., Change Healthcare, CrowdStrike in 2024).</p> <p>The use of AI by cybercriminals is enabling more credible phishing attacks. The cyber market is more disciplined and better capitalized than it was at the height of the ransomware surge several years ago. Barring a large systematic event, expect small rate increases in 2026.</p>

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or an individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Real Estate

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