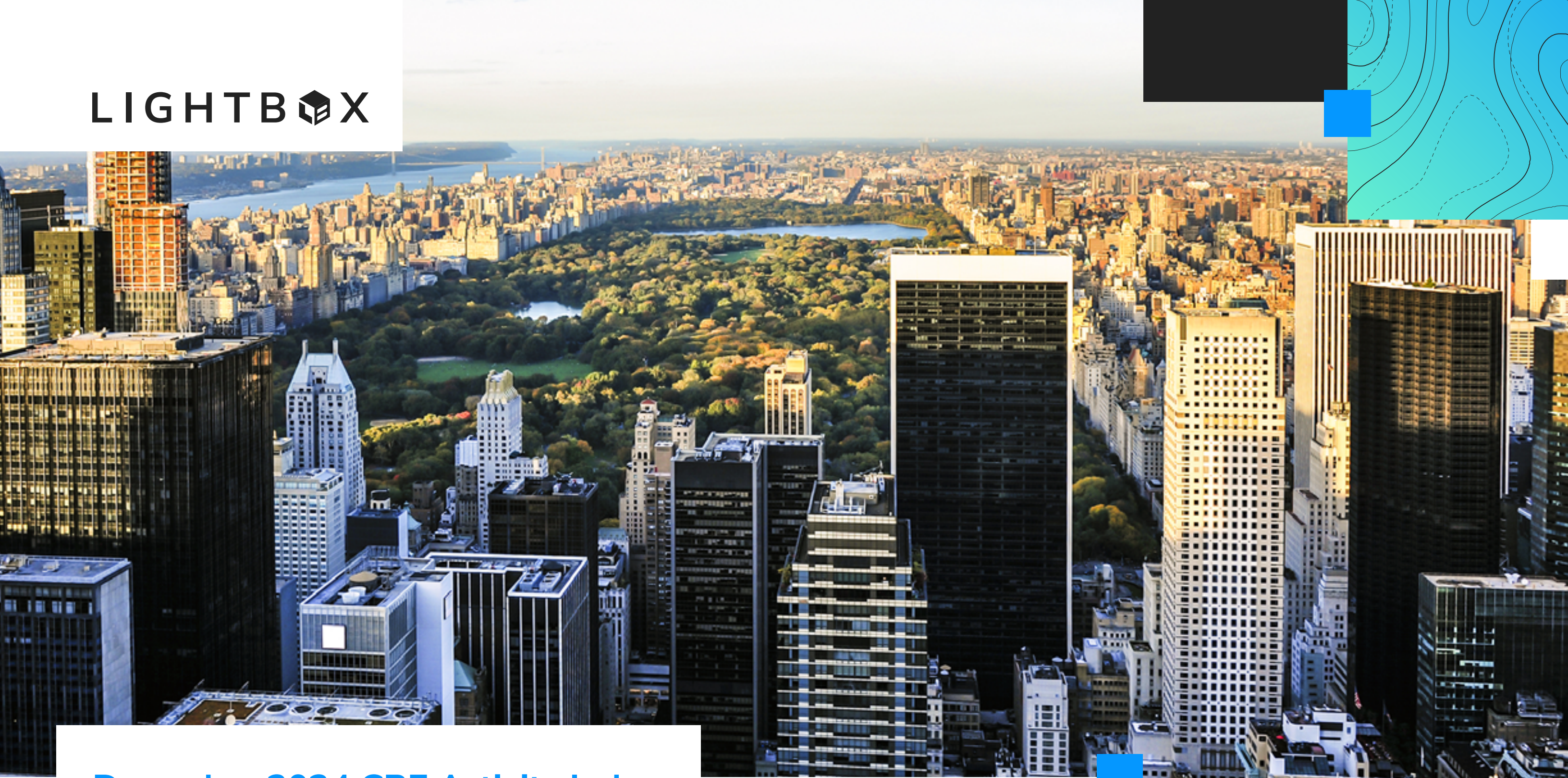


December 2024 CRE Activity Index

LightBox December CRE Activity Index Declines, Capping a Year of Volatility Amid Long-Term Optimism

As 2024 ended, the LightBox CRE Activity Index reflected both the seasonal slowdown typical of December and heightened market uncertainty. The Index fell sharply by 23.7 points month-over-month, closing at 56.8—but still nearly nine points higher than the four-year low point in December 2023 (48.2). The Index is an aggregate measure of how momentum across critical functions like property listings, appraisals, and environmental due diligence is shifting in response to market forces.

While seasonal moderation is expected at year-end, the December month-over-month decline was steeper than the average 19.3-point drop seen over the prior three years. Contributing to the decline were rising treasury yields fueled by investor concerns over the federal deficit, the potential for new tariffs, and persistent inflation. The 10-year Treasury yields increased by 40 basis points, from 4.2% at the end of November to nearly 4.6% by year-end. Additionally, despite a third Fed rate cut in mid-December, expectations for further cuts in early 2025 were tempered, which likely added to market hesitancy.

Pulling the lens back a bit for broader context, from 2024's high of 98.2 in September, the near nine-point increase year-over-year highlights a wider trajectory of recovery and momentum despite short-term volatility.

Optimism usually abounds at the start of a new year and that's certainly the case today. Despite the volatile fourth quarter and continued uncertainty, the pervasive market sentiment is still largely bullish about CRE lending and investment in 2025. Broad signals are pointing to a positive market shift gaining momentum. Among them, investors are demonstrating a willingness to deploy capital, encouraged by a round of deals that closed late in 2024 as rates declined and a loosening of debt-side purse strings as banks reinvigorate lending for the first time in years. In an early sign of momentum building in the investment market, **the number of new listings on the LightBox RCM platform, while generally light in December, doubled in the final two weeks of 2024** compared to the corresponding period of 2023.

December Index Falls to 56.8 as Treasury Yields Rise

The recent trajectory of the LightBox CRE Activity Index over the past few months collectively reflects how the momentum behind CRE activity in the property listings, environmental due diligence, and appraisal segments is responding to shifting sands in the market. After the Fed's first interest rate cut in September, the Index spiked to its 2024 high as momentum built for a wave of transactions that continued into October. After that, the typical seasonal slowdown in November and December also reflected a shift as the post-election optimism gave way to federal policy speculation and the market's collective adjustment to a slower than expected reduction in interest rates in 2025 (Figure 1).

More encouraging, however, is the dramatic 8.6-point improvement in the CRE Activity Index year over year, fueled by double-digit increases in the property listings and environmental due diligence components of the Index. This is a notable improvement over year-end 2023 when transactions were thwarted by high interest rates, tight debt capital as lenders held fast to the reins of new originations, and sellers were reluctant to list properties given the lack of pricing clarity. Leading into January, it is encouraging to see the momentum of property listings activity building as sellers put assets on the selling block in the final weeks of a tumultuous fourth quarter. At the ground level, sentiments from leading CRE professionals on the LightBox Market Advisory Councils for capital markets and environmental due diligence report seeing more portfolios, higher interest from institutional investors, and re-engagement from clients who were in wait-and-see mode for much of 2024.

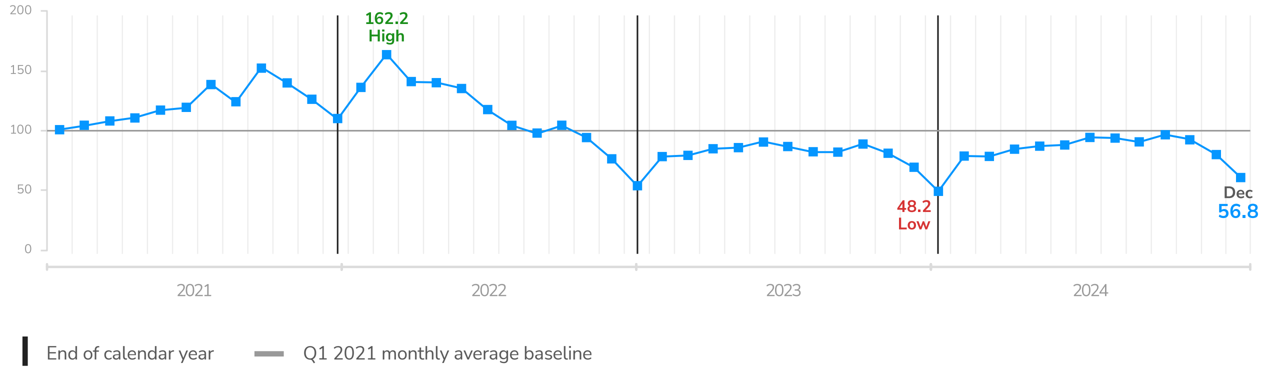


Figure 1

NOTE: The LightBox CRE Activity Index is based on changes in environmental due diligence (measured by Phase I ESA volume), commercial property listings, and valuation market activity indexed to a baseline (Q1 2021 monthly average =100) to give market watchers a pre-slowdown basis of comparison. The index is normalized to account for variations in the number of business days per month.

December: Current Month vs. Historical Benchmarks

	Current Month	Previous Month	Corresponding Month of Prior Year	12-Month Moving Average	Historic Low*	Historic High*
Overall Index	56.8	80.5	48.2	84.4	48.2 (Dec. '23)	162.2 (Feb. '22)

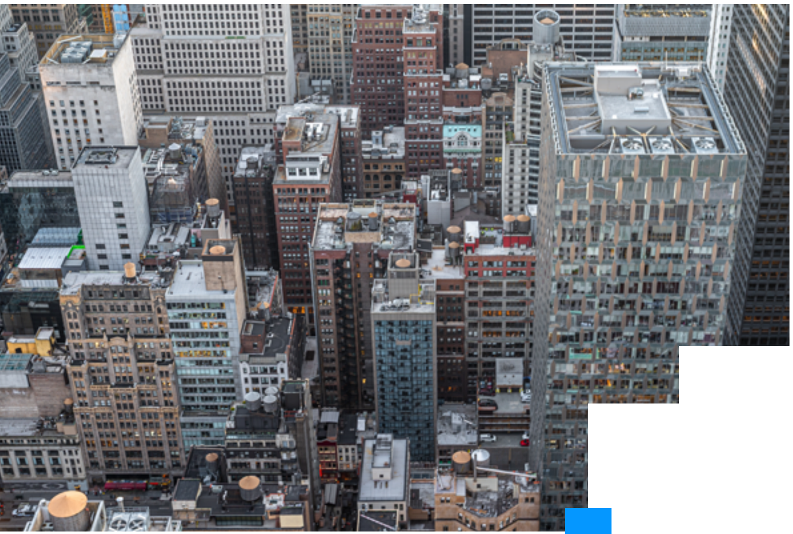
Figure 2

NOTE: The historic low and historic high are based on the timeframe from the Index's baseline of Q1 2021's monthly average.

Lower Rates Drive Wave of Late-Year Loans and Transactions

Investors are eagerly watching for signs of a bottoming out that will signal that the time is right to move in and take advantage of opportunities. Despite the December lull, it was encouraging to see that deals valued at $100 million or more tracked by LightBox, continued throughout the fourth quarter as large institutional investors returned to dealmaking. In December, LightBox recorded [40 nine-figure deals]—just shy of November's 41 deals.

Another positive recent development is that large financial institutions are back in the CRE lending game and competing with other sources of debt capital like insurance companies and private equity lenders. Longer-term interest rates are already accounting for the expectation for future Fed cuts this year and are balancing a mix of other variables like economic growth, inflation rates, and federal budget deficits.



CRE Pricing Stabilizes Across Asset Classes

One critical factor that positions the market for growth in 2025 is that the pace of deterioration in property pricing is slowing across asset classes after roughly two years of correction. In mid-2022, the national CPPI (Commercial Property Price Index) index peaked and is now down an average of 12%, bringing it back in line with pre-pandemic levels. The largest pricing adjustment is in central business district (CBD) office with values in some metros dropping by as much as 70% amid high vacancies and low tenant demand. In the fourth quarter, however, several metros including Miami, Seattle, and Manhattan set office leasing and sales volume records as large corporate tenants inked leases for high-quality, well-located space. These recent developments are important early indicators that the CBD office sector is stabilizing and drawing investors back into the market in their search to acquire assets, distressed or healthy, as assets move into play and tenants drive demand for space as the return-to-office trend takes hold.

In addition to major office leasing and sales in December, multifamily and industrial deals—particularly in the data center segment—are leading investment activity followed by retail. With retail vacancies at still-record lows, retailers are scrambling for space, especially in open-air shopping centers, strip malls, and new live-work-play developments. Given the positive fundamentals, there is more liquidity in capital markets for retail lending and the investor sentiment is more positive than it has been in years.

OUTLOOK: Optimism Builds for 2025 Forecast as the FOMO Mindset Takes Root

Driven by the mix of seasonal slowness, as well as factors unique to this stage of the market at year-end, the CRE Activity Index ended December lower than expected. Looking back, 2024 was slower than most CRE professionals had forecast based on a widespread expectation that falling interest rates and the related uptick in dealmaking would have gotten underway earlier in the year than September. Instead, inflation proved more stubborn than forecast and the election and related uncertainty failed to deliver the stability that the market craved.

As 2025 gets underway, despite December's volatility, anecdotally, the word on the street is that investment-related activity is gaining steam as eager investors get more comfortable shopping around for opportunities and lenders re-engage as rates slowly come down. With the start of the Fed's rate easing cycle and the presidential election in the rear-view mirror, some of the uncertainty around monetary policy going forward is dissipating.

The "Balanced Sheet": An Even Mix of Headwinds and Tailwinds

While there are differences by degrees and myriad forecast scenarios, most CRE professionals agree that 2025 will be better than 2024 for transaction activity, despite some persistent market challenges. Preliminary findings from LightBox's Q4 2024 survey of Market Advisory Council members suggest a promising outlook for 2025, with CRE transactions expected to grow between 10% and 35% and CRE lending projected to increase between 15% and 40%.

Among the greatest headwinds clouding an otherwise bullish forecast are continued concerns about the elevated 10-year Treasury yield, the looming federal budget deficit, and the lingering sticky inflation, particularly given the possibility of tariffs this year, that could derail any further rate cuts.

Major tailwinds that are driving growth forecasts in CRE this year include the still-strong economy which maintains an average quarterly growth around 2.8% in recent quarters, a solid jobs market and unemployment at historically low levels.

As more transactions close, the bid-ask gap that challenged deals over the past few years will narrow further and entice more buyers and sellers into the market. Each new round of dealmaking helps establish a bottom in the market as prices become more predictable. As the value correction continues, investors will likely see more long-term opportunities than in 2024 and will grow increasingly more comfortable chasing attractive opportunities. Sellers, either through forced transactions or by choice, will be incentivized to move properties into play. Lower construction starts in some segments will also improve the supply-demand balance and drive rent growth, particularly in multifamily. The market will also see a wave of distress this year as the volume of loan maturities grows, particularly in office and multifamily. As many as $500 billion in CRE loans are set to mature in 2025, and competition for debt capital will intensify.

From “Wait and See” in ’24, Investors Are Poised to Pounce

After more than a year of waiting for interest rates to fall, much-needed confidence is returning to the market. As capital mobilizes to take advantage of opportunities and the market senses that the market is approaching bottom in some segments, a fear of waiting too long and missing out on bargains is taking root. Investors with pent-up demand, especially those with their own capital, are actively looking for the types of deals that drove transactions late in 2024. The re-entry of big banks, at least cautiously, will also have a positive impact on transactions of all asset types this year. Strong drivers in multifamily, data centers, and retail, as well as the ongoing stabilization in some office markets will also support growth this year.

Acknowledging the wide disparities across sectors and geographies, the CRE market is entering a new cycle with growing confidence, fueled by improved mid-term macroeconomic clarity and a general sense of optimism around near-term investment and lending opportunities.

ABOUT THE MONTHLY LIGHTBOX CRE ACTIVITY INDEX

The LightBox Monthly CRE Activity Index is an aggregate that represents a composite measure of movements across activity in appraisals, environmental due diligence, and commercial property listings as a barometer of broad industry shifts in response to changes in market conditions. To receive LightBox reports, **subscribe to Insights.**

ABOUT LIGHTBOX

At LightBox, we are at the forefront of delivering advanced and precise solutions for commercial real estate intelligence. Our dedication to innovation propels real estate professionals forward by providing them with the essential tools required to navigate complex decisions, minimize risk, and boost productivity across the spectrum of real estate operations. LightBox is renowned for its commitment to promoting excellence and fostering connections in the industry, serving an extensive clientele of over 30,000 customers. Our diverse client base spans commercial and government sectors, including but not limited to brokers, developers, investors, lenders, insurers, technologists, environmental advisors, appraisers, and other businesses that depend on geospatial information. To discover more about how LightBox can illuminate the path to informed real estate solutions, visit us at: **www.LightBoxRE.com**

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