

CRE MARKET SNAPSHOT Q4 2025

FOCUS ON PHASE I ENVIRONMENTAL SITE ASSESSMENT TRENDS
(October 1-December 31, 2025)

Q4 Phase I ESA Activity Cools in Less Severe Seasonal Dip, Signaling Market Stability

Editor's Note: This report, an installment of the LightBox CRE Market Snapshot Q4 2025 series, highlights trends in the environmental due diligence market, including the latest industry benchmarks on volume, and geographic hot spots by region and metropolitan area. Other reports in the series include the Appraisal Market Snapshot, which covers trends in lender-driven appraisals and the Capital Markets and Investment Trends Snapshot that analyzes developments in capital markets and emerging opportunities for brokers and investors.

After rising in the prior two quarters, the LightBox Phase I ESA Activity Index eased to 93.6 in Q4 2025, down from 98.0 in Q3, reflecting a typical year-end slowdown that was notably milder than historical averages. Regionally, activity remained strong, led by the West (27.1% quarter-over-quarter growth) and North Atlantic (26.7%), both exceeding the long-term industry benchmark. For the year, Houston, Nashville, and New York City drove the strongest metro-level demand, each posting year-to-date growth above 30%.

Members of the LightBox Environmental Due Diligence Market Advisory Council described Q4 as a period of cautious stabilization, marked by a modest but meaningful shift toward optimism as investor sentiment improved late in the year. While lender clients remain conservative with heightened scrutiny of potential environmental risk, many are showing greater intent to pursue new originations. The three interest rate cuts of September, November, and December brought buyers back to the table, and the impact of tariffs became clearer than earlier in the year. Overall, market conditions felt less volatile and more deliberate, setting the stage for a stronger start to 2026.

Looking ahead, 75% of Council members expect a modest increase in Phase I ESA demand in 2026, supported by refinancing activity and busier deal pipelines. At the same time, sentiment softened, with the Council's outlook score falling to 59.6 in Q4, reflecting ongoing concerns around geopolitical uncertainty, labor market weakness, and elevated interest rates.

KEY Q4 2025 DEVELOPMENTS

- **Phase I ESA activity declined 9% in Q4**, a typical seasonal slowdown and notably milder than the 18% average quarter-over-quarter decline seen over the prior three years.
- **Strongest metros:** Houston (36%), Nashville (34%), and New York City (33%) led the nation in Phase I ESA demand growth for the year, each more than doubling the industry benchmark of 13%.
- **Strongest regions:** The South and North Atlantic posted the strongest year-over-year growth in Q4 at 26%, followed by the West at 22%.
- **Market sentiment softened** amid macro volatility and rising geopolitical pressures, with the LightBox Market Advisory Council Index falling to 59.6 in Q4, down from 71.4 in Q3 and 63.1 in Q2.
- **Council members expect modest growth in 2026**, driven by improving client sentiment, refinancing activity, and more consistent underwriting, rather than a sharp rebound from 2025 levels.

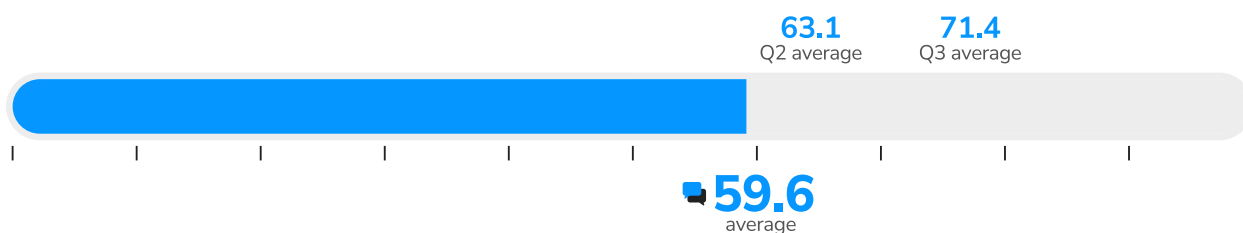
PHASE I ESA MARKET SENTIMENT MODERATES AMID ONGOING UNCERTAINTY

Although Council members reported that clients were more intentional in Q4 than earlier in the year, heightened uncertainty weighed on sentiment. The Phase I ESA Market Sentiment Index fell to 59.6 in Q4, down from 71.4 in Q3, signaling a more cautious tone as the year closed. Individual responses showed significant variability, with scores ranging from a low of 35 to a high of 90, underscoring how sentiment diverged based on each member's regional exposure and client mix.

Council members continued to describe overall market conditions as stable but uneven. While some saw improved activity tied to refinancing needs and select deal pipelines, others cited lingering concerns around interest rates, geopolitical risk, and macroeconomic direction. The wide dispersion in responses suggests that while confidence has improved from early 2025 lows, uncertainty remains a defining feature of the Phase I ESA market heading into 2026.

State of Q4 2025 Phase I ESA Market

(1=worsening to 100=improving)



SOURCE: Q4 Market Advisory Survey (January 2026)

“

What excites me most about the market in 2026 is the increased optimism, less fear and uncertainty, and overall heightened level of engagement. Confidence is returning to the CRE market, and everyone seems to be experiencing more inquiries, increased communication and willingness to talk more seriously about deal flow. As one Boston-based investor said recently, “2027 will be heaven!”

– Elizabeth Krol, Associate VP, Li-Ro Hill

“

We expect continued strength in the multi-family housing sector and do expect the industrial sector to heat up with onshoring and greater investment in domestic manufacturing. Data Centers have been hot, but we are seeing a slow down due to hurdles with grid capacity and zoning approvals.”

– Mike Miller, Senior VP, National Environmental Market Leader, SCS Engineers

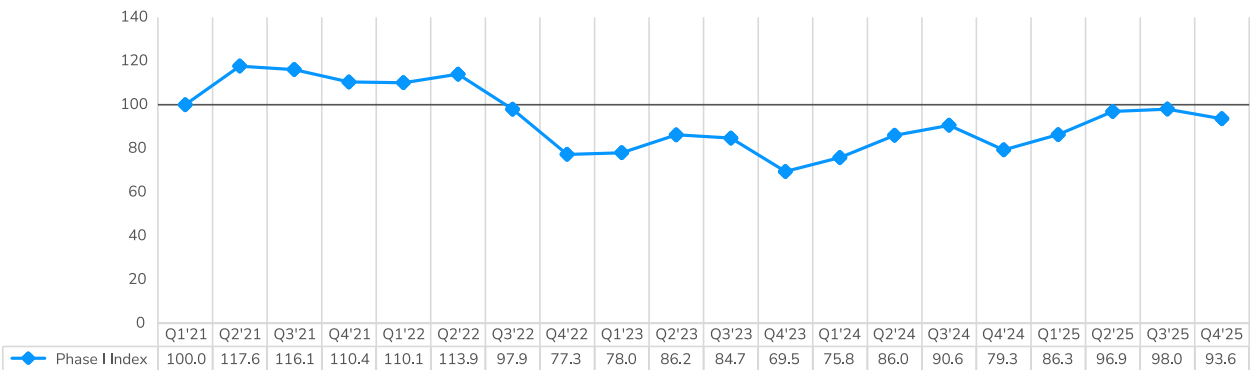
LIGHTBOX PHASE I ESA INDEX SHOWS SEASONAL Q4 DIP, WELL ABOVE PRIOR-YEAR LEVEL

The LightBox Phase I ESA Index moderated to 93.6 in Q4 2025, down from 98.0 in Q3, reflecting a typical year-end slowdown following two quarters of steady gains. Importantly, the Q3-to-Q4 decline of roughly 9% was meaningfully less severe than the historical 18% drop observed over the prior three years, a reassuring sign of greater market resilience as 2025 ended.

Activity earlier in the year showed a clear recovery trend, with the Index rising from 86.3 in Q1 to 96.9 in Q2, before peaking near 98.0 in Q3. On a year-over-year basis, Q4 activity remained well above Q4 2024's low of 79.3, a clear indication of the strength of market's rebound over the past 12 months.

Monthly readings for October, November, and December pointed to a stable finish to the year, consistent with seasonal patterns. After reaching a high point in mid-2025, activity slowed gradually through the second half of the year, ending with a typically softer December. Overall, the trajectory suggests a market that has moved beyond volatility and into a more measured, steady phase heading into 2026.

LightBox Phase I ESA Activity Index (base Q1 2021=100)



NOTE: The LightBox Phase I ESA Activity Index is derived from the output of the LightBox EDR ScoreKeeper model. Quarterly volumes are normalized to a Q1 2021 base and calculated based on an average volume per business day (adjusted as necessary for changes in client mix to highlight organic market trends). This index is one of three indices that feed into the LightBox CRE Index, an aggregate activity index 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.



I expect a typical seasonal slowdown from Q4 levels: a soft January, a pickup in February, and a steady ramp up in March that continues into the summer. Looking beyond the quarter, I expect modest growth in due diligence demand through the first half of 2026, especially as investors who paused in 2023–2024 are re entering the market selectively and leaning heavily on due diligence providers to quantify risk in a still-uncertain market."

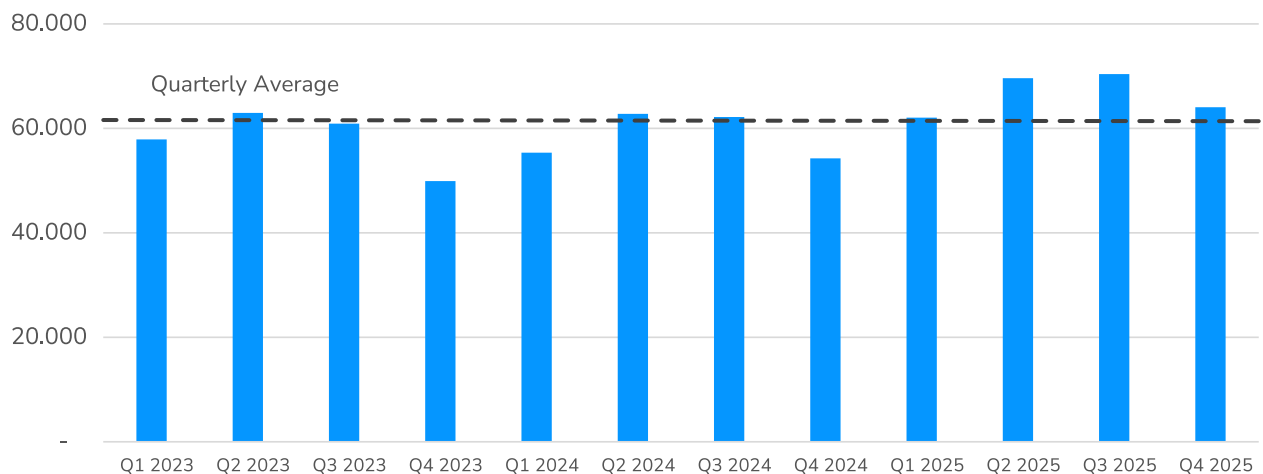
– Jeff Coyne, Senior VP, GRS Group/NV5



U.S. PHASE I ESA ENDS THE YEAR ON STILL-STRONG FOOTING

U.S. Phase I ESA volume reached 64,050 in Q4 2025, down from 70,400 in Q3 but broadly in line with Q2's 69,631, reflecting a typical seasonal slowdown rather than any loss of momentum. **Notably, Q4 volume was 18% higher year over year, marking the strongest fourth-quarter total since Q4 2021 and exceeding the three-year quarterly average of 61,030.** This performance is particularly encouraging given that federal agency–related work was disrupted by the record-long federal government shutdown earlier in Q4, which constrained activity tied to public-sector funding.

Quarterly U.S. Phase I ESA Volume, Q1 2023–Present



SOURCE: LightBox EDR ScoreKeeper model

GEOGRAPHIC HOT SPOTS HIGHLIGHT WHERE CRE ACTIVITY IS GAINING TRACTION

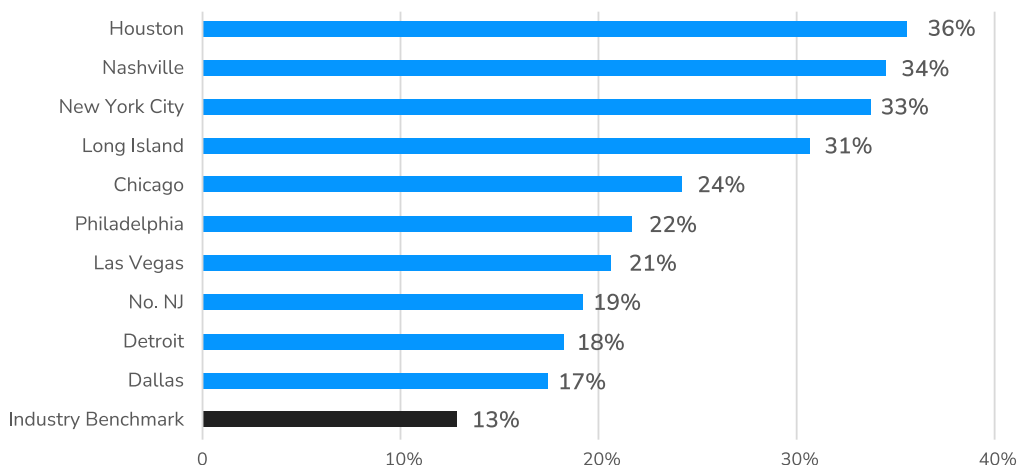
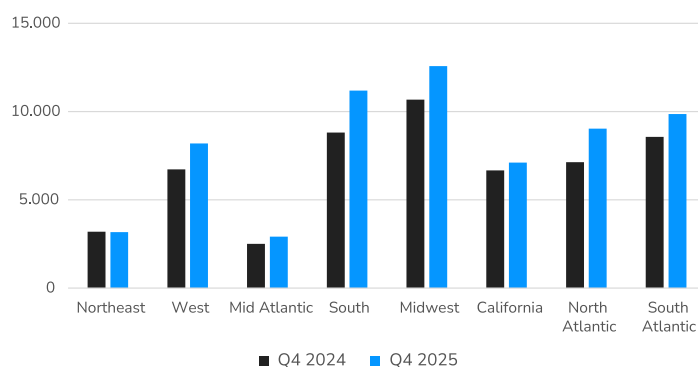
The LightBox ScoreKeeper model, which tracks Phase I ESA volume across the U.S., continues to point to an uneven but strengthening market, with clear regional leaders emerging. In Q4 2025, Phase I ESA activity exceeded the national industry benchmark of 18% quarter-over-quarter growth in several regions, a strong sign of where investment and lending momentum is accelerating faster than others.

The South led all regions with 27.1% quarter-over-quarter growth, followed closely by the North Atlantic at 26.7%, while the West rounded out the top three with 21.9% growth. These regions are attracting outsized due diligence activity, reflecting deeper deal pipelines and more active capital deployment relative to the broader market. While growth remains uneven across the country, the Q4 results point to clear signs of strength in the South, North Atlantic, and West regions.

At the metro level, Houston (36%), Nashville (34%), and New York City (33%) posted the strongest year-over-year growth in Phase I ESA activity in 2025, each far exceeding the U.S. industry benchmark of 13%. Long Island (31%) and Chicago (24%) rounded out the top five.

While each market has distinct drivers, a common theme emerges. Investors are concentrating capital where either distress is creating opportunity, particularly in office-heavy markets like New York City, Long Island, and Chicago, or where population growth and in-migration are supporting long-term fundamentals, as seen in Houston and Nashville. Collectively, these metros highlight where pricing resets, refinancing activity, and demographic tailwinds are translating into elevated due diligence demand and positioning them as leading indicators of CRE investment focus heading into 2026.

**Phase I ESA Volume by Region
(Q4 2025 vs. Q4 2024)**



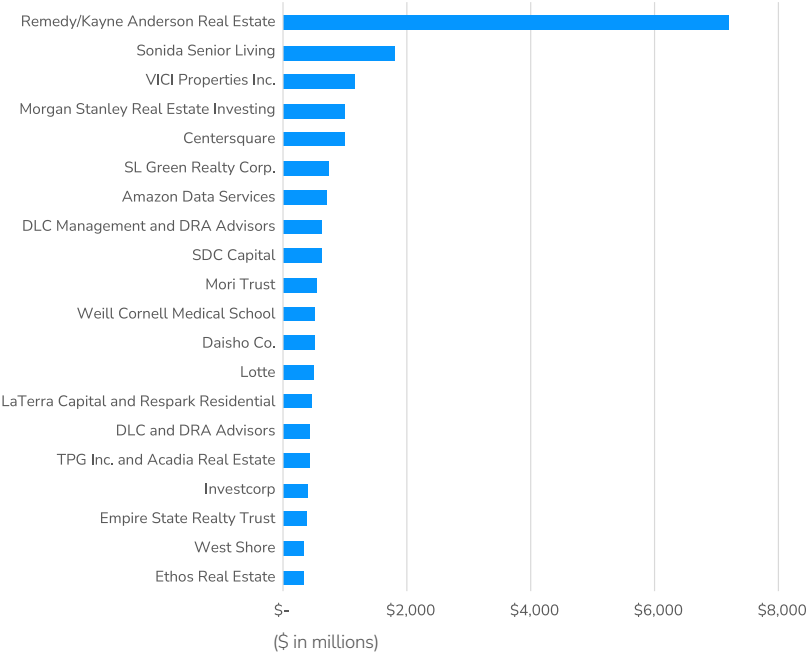
INVESTOR-LED DEMAND DRIVES STRONG DUE DILIGENCE ACTIVITY

One of the surprises of 2025 was the uneven pace of investor-driven environmental due diligence. Expectations for moderate, steady growth gave way to a stop-start pattern as delayed rate cuts, tariff uncertainty, and a flurry of federal policy actions repeatedly forced buyers and lenders to recalibrate underwriting assumptions. The first half of the year was marked by pronounced month-to-month volatility, with deal activity accelerating and stalling unpredictably. While overall volume did not surge, the market proved more resilient, and more disciplined than many council members anticipated, settling into a steadier rhythm only in the second half of the year.

That stabilization showed up clearly in the data. Environmental due diligence activity strengthened in September and October, consistent with the typical one-to-two-month lag between due diligence and deal closings and set the stage for the year-end surge in transactions. LightBox’s December Transaction Tracker [recorded the strongest deal volume of the year](#), as investors moved decisively to close before the calendar turned.

Q4 due diligence demand was fueled by data center development, utility infrastructure, and manufacturing projects, alongside steady multifamily and industrial investment. Institutional and private equity-focused consultants supporting buyers such as Kayne Anderson, Sonida Senior Living, VICI Properties, and Morgan Stanley were among the most active, reflecting the depth of capital and the role of due diligence in supporting selective yet decisive year-end dealmaking.

Top CRE Investors
(Q4 2025)



SOURCE: LightBox Transaction Tracker



We saw insurance, whether environmental policies or secured creditor policies, considered or implemented for several transactions in Q4 2025. This seemed to be based in lenders showing motivation to make transactions happen but also increased awareness of available tools, especially in situations where past environmental due diligence was dated or incomplete.”

– Heather Ridgway, President, Environmental Professional Partners, LLC

OUTLOOK: A MIX OF SELECTIVE MOMENTUM AND CAUTIOUS CONFIDENCE

A key positive signal heading into 2026 is the strength of the LightBox CRE Activity Index, which [finished December nearly 49% higher than a year earlier](#). Unlike late 2024 when post-election uncertainty sharply curtailed activity, year-end 2025 reflected a market more willing to transact. Improved capital conditions continue to support that momentum, with Q4 bank earnings pointing to ongoing loan growth, CMBS issuance near multi-year highs, and easing rates beginning to unlock sidelined capital after the volatility of 2024.

Looking ahead, the backdrop remains modestly optimistic but measured. Debt and equity capital are widely available, pricing gaps are narrowing, and underwriting remains disciplined. December's surge in large transactions, with nine-figure deals up 44% month over month, illustrates how improving sentiment earlier in the fall translated into year-end execution. Consistent with this view, 75% of Market Advisory Council members expect a modest uptick in Phase I ESA volume in 2026, rather than a sharp acceleration.

Council members broadly described the start of 2026 as seasonally slow but directionally encouraging. The typical Q1 pattern is a softer January, a February pickup, and steadier momentum by March, followed by gradual improvement into the second half of the year. Across responses, there was a shared sense that the market has largely worked through its reset and is entering a more stable phase of the cycle. Refinancing tied to the 2026 wall of maturities, improved rate visibility, and more realistic seller pricing are expected to drive steady demand for environmental due diligence. Activity is anticipated to remain strongest in multifamily, industrial, senior housing, and selective redevelopment and portfolio repositioning, with secondary and tertiary markets drawing increased investor interest.

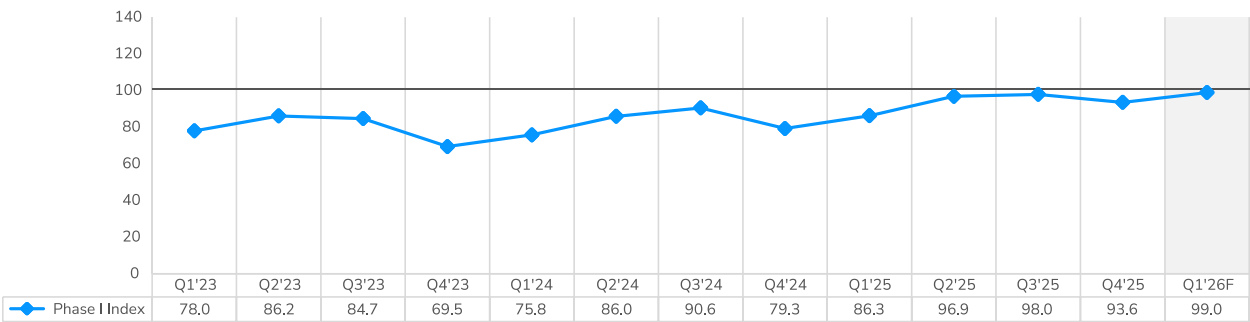
At the same time, Council members are clear-eyed about risks. Sticky inflation, a weakening labor market, rising geopolitical uncertainty, and declining consumer confidence, while still soft data points, bear watching, as prolonged deterioration could eventually seep into business decision-making. Yet the prevailing tone is one of practical optimism: less fear, more engagement, and a growing willingness among lenders and investors to move forward on well-underwritten deals. As one Council member put it, 2026 may prove to be a transitional year, laying the groundwork for a more durable expansion ahead.

FORECAST: Expectations for Phase I ESA Demand in 2026

Somewhat weaker (<10%)		7%
About the same		18%
Significantly stronger (10%+)		75%

SOURCE: Q4 2025 Market Advisory Council Survey

LightBox Phase I ESA Activity Index (base Q1 2021=100): Near-Term Forecast



ABOUT THE ENVIRONMENTAL DUE DILIGENCE MARKET ADVISORY COUNCIL

LightBox is pleased to announce the second Environmental Due Diligence Market Advisory for Q2 2025 - Q2 2026. Each of the following leading professionals volunteered to share their invaluable perspectives and insights on the state of the market at the close of each quarter. This outreach ensures that LightBox's quarterly CRE Market Snapshot reports are in line with trends in the field and reflect the input from a broad range of professionals offering a wide range of consulting services to different types of clients in every region of the U.S. With this edition of the Snapshot report, these leaders at environmental due diligence firms from across the U.S. begin their one-year term.

LightBox 2025-2026 Environmental Due Diligence Market Advisory Council



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About the LightBox Phase I ESA Market Snapshot Report

This analysis is part of the LightBox Quarterly CRE Market Snapshot Series, which provides insight into activities that support commercial property dealmaking. The data presented in the Focus on Phase I Environmental Site Assessment Trends are derived from LightBox EDR ScoreKeeper. LightBox clients rely on ScoreKeeper reports for strategic intelligence on Phase I ESA Activity, analyzed by region, state and metropolitan area.

For more information about this report or the data, email Insights@LightBoxRE.com

About LightBox

LightBox is the leading data and workflow platform for commercial real estate (CRE) and location intelligence. The Company provides authoritative property, ownership, zoning, environmental, and transaction data powered by a proprietary nationwide parcel fabric and the LightBox ID — a standardized identifier that brings clarity and consistency to complex real estate assets. Through its LightBox Live platform and suite of capital markets, lending, and due diligence solutions, LightBox supports critical workflows across investors, lenders, brokers, environmental professionals, government agencies, and infrastructure operators. By transforming fragmented public and private records into structured, connected intelligence, LightBox enables customers to reduce risk, accelerate transactions, improve underwriting accuracy, and make more informed decisions about physical assets and portfolio exposure. Visit us at: www.LightBoxRE.com

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