

# CRE MARKET SNAPSHOT Q2 2025

FOCUS ON PHASE I ENVIRONMENTAL SITE ASSESSMENT TRENDS  
(April 1-June 30, 2025)

## LIGHTBOX PHASE I ESA MARKET BUILDS MOMENTUM IN Q2 AMID EMERGING HEADWINDS

### Editor's Note

*This report, an installment of the LightBox CRE Market Snapshot Q2 2025 series, highlights trends in the environmental due diligence market, including the latest industry benchmarks on volume, the Lightbox25 Index, 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.*

The Phase I ESA market extended its Q1 rebound with an even stronger Q2, a noteworthy achievement given the disruption triggered by the onset of the tariff wars in April. That development caused a brief market pause and reignited concerns around inflation, borrowing costs, and a potential recession. Despite those headwinds, the **LightBox Phase I ESA Activity Index climbed to 96.9, up 12% from Q1 and 13% year over year, reaching its highest level since early 2023.**

Growth was especially strong in Houston (+42%), Raleigh (+38%), and Oklahoma City (+30%), highlighting investor interest in resilient Sun Belt markets. This strength helped push the LightBox CRE Activity Index to 113.9 in June, its highest reading of 2025, signaling solid deal momentum even amid macro uncertainty.

Still, concerns are mounting. The LightBox Market Advisory Council scored the Phase I ESA industry a 63 on a scale from 1 (worsening) to 100 (improving), down from 70 in Q1, citing growing concerns from clients over tariff-related impacts on the market, interest rate uncertainty, and the potential for a broader economic slowdown.

### KEY Q2 2025 DEVELOPMENTS

- **The LightBox Phase I ESA Activity Index increased to 96.9 in Q2, a 13% uptick** from the same time last year and 12% higher than the prior quarter.
- **Houston led metro-level Phase I ESA growth in the first half of 2025**, with demand up 42% year over year, followed by Raleigh (38%), and Oklahoma City (30%).
- **LightBox Market Advisory Council members rated the Phase I ESA market at 63 out of 100**, down from 70 last quarter, reflecting rising uncertainty.
- 9% of environmental consultants responding to the LightBox Mid-Year CRE Sentiment Survey **expect CRE deal activity in the 2nd half of 2025 to “increase significantly”** and another 29% are forecasting a “slight increase.”

Phase I ESA demand drivers in Q2 were shaped by CRE investors and lenders re-entering the market albeit selectively, growing pressure to refinance maturing loans, distress-driven acquisitions, affordable housing projects, and strong M&A due diligence demand. Some clients remain cautious due to tariff-related policy shifts and economic ambiguity, while others, especially cash buyers with dry powder, are actively moving on closing transactions.

Nearly 40% of environmental consultants who responded to LightBox’s Mid-Year 2025 CRE Market Sentiment Survey expect CRE deal activity to increase in the second half of the year, a strong signal that, despite ongoing uncertainty and volatility, investors are gearing up to pursue compelling opportunities as debt capital becomes more accessible and pricing continues to stabilize.

Looking ahead, Q3 is typically a strong quarter for environmental due diligence, as activity ramps up following the summer slowdown to support the next wave of year-end CRE transactions. With market participants actively positioning for Q4 closings, Phase I ESA volume is expected to rise, particularly in sectors and metros showing renewed investor momentum.

### PHASE I ESA SENTIMENT READING DECLINES TO 63, A 7-POINT DROP FROM Q1

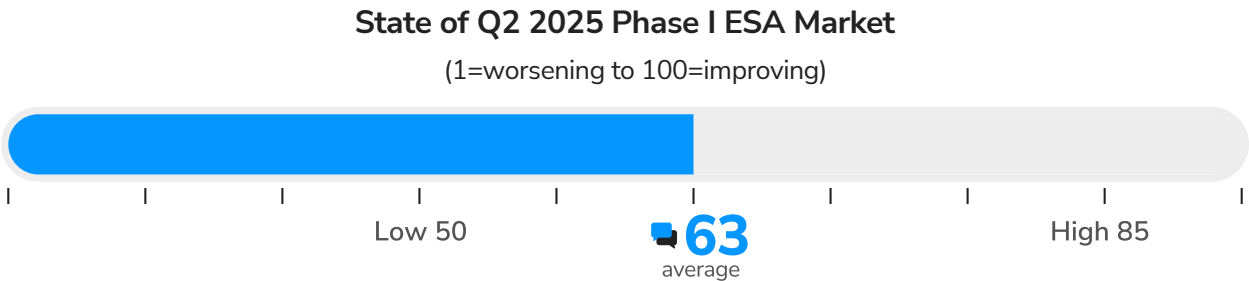
The new 2025-2026 LightBox Environmental Due Diligence Market Advisory Council (see final page of report for members) reported moderate-to-stable Phase I ESA market conditions in Q2 2025, although growing uncertainty began to weigh on sentiment. On a scale of 1 (worsening) to 100 (improving), the Council assigned an average market score of 63, down from 70 in Q1, a sign of increased caution following the tariff-driven volatility that emerged during the quarter. Individual responses showed limited dispersion, ranging from a low of 50 to a high of 85. The moderate drop in the reading keeps the reading in growth territory, suggesting a shift to a more cautious stance as the Phase I ESA market adjusts to mixed signals from capital market and growing concerns over trade policy, inflation pressures, and a stalled interest rate environment. As clarity develops around federal policy and interest rate direction in the second half of the year, the Q3 sentiment reading will provide an interesting view of how market perceptions are changing in the second half of 2025.



### WORD ON THE STREET

*“Historically, Q3, and specifically September, is a ramp up to increased transactions in the 4th quarter. Our Phase I ESA volume remained steady in Q1 and Q2, and the beginning of Q3 appears to be on the same track. A number of our clients are already indicating a more robust end of Q3, especially if a rate drop occurs.”*

– Heather Ridgway, President, Environmental Professional Partners, LLC

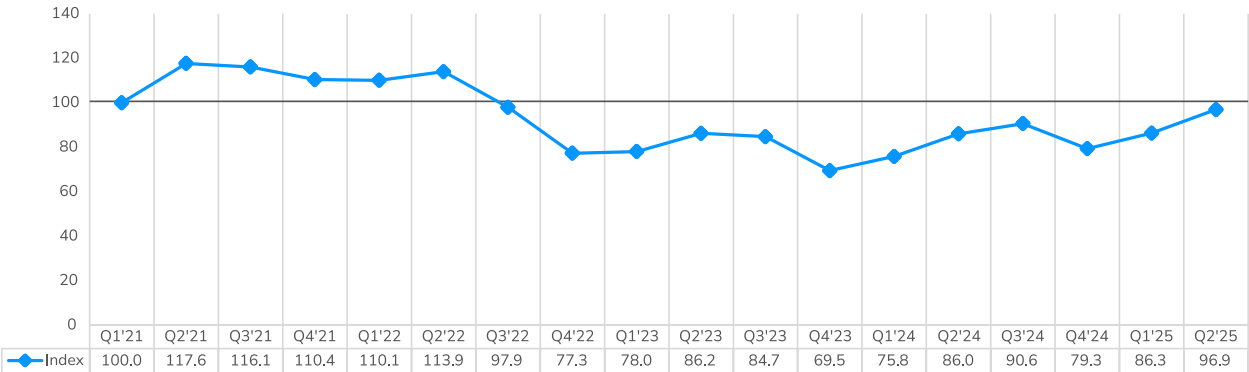


SOURCE: Q2 2025 responses from LightBox Market Advisory Council (early July 2025)

# LIGHTBOX PHASE I ESA INDEX STRENGTHENS IN Q2 TO 96.9 DESPITE RISING UNCERTAINTY

The LightBox Phase I ESA Activity Index rose to 96.9 in Q2 2025, up from 86.3 in Q1, marking a solid rebound even as market volatility and policy uncertainty intensify. The 10-point gain puts the Index at its highest level since Q3 2022, signaling that despite persistent headwinds, demand for environmental due diligence is accelerating. While debt capital is more accessible than late last year, lenders and investors remain cautious, with underwriting standards tight and spreads still elevated. Tariff pressures and stalled interest rate movement continue to inject uncertainty into the CRE environment. Yet, Phase I ESA activity continues to climb, driven by investors eager to place capital, a growing demand for the refinancing of maturing loans, M&A activity, and brownfields redevelopment. Whether this growth continues into Q3 will depend on clearer signals from the Fed, capital markets, and trade policy, but for now, the Phase I ESA market continued its second consecutive quarter of growth.

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.

LightBox Q2 2025 Phase I ESA Metrics Snapshot

	Q2 2025	Q1 2025	Change (QOQ)	Q2 2024	Change (YOY)
LightBox Phase I ESA Index	96.9	86.3	12%	87.3	13%
U.S. Phase I ESA Volume	69,631	62,035	12%	62,767	11%
Volume in: LightBox25 Index	26,705	22,989	16%	27,348	-2%
Primary Metros	39,748	35,353	12%	34,852	14%
Secondary Metros	7,552	6,636	14%	6,966	8%



## LENDERS' MIDDLE GROUND: BALANCING RISK EXPOSURE AND GROWING LOAN PORTFOLIOS

Lender-driven Phase I ESA volume gained momentum in Q2 2025, with banks, CMBS issuers, debt funds, and insurers maintaining active origination pipelines across both refinance and acquisition activity. Despite early-quarter volatility stemming from new tariff measures, there was no material pullback in lending, which is a positive sign for due diligence professionals reliant on transaction-driven demand.

Lenders continue to manage a dual mandate: reducing exposure to legacy CRE loans, which include selective portfolio sales as well as institutional and private capital, while simultaneously seeking strategic deployment of capital into new loan originations. Notably, JPMorgan and Wells Fargo's Q2 earnings showed strong net interest income and [reduced credit loss provisioning](#), reinforcing the relative strength of top-tier lenders. Meanwhile, regional banks have re-entered the market, supported by improved deposit bases and loan runoff, and are offering competitive spreads on low-risk, income-generating assets.

That said, lending remains somewhat constrained by the Federal Reserve's "higher-for-longer" rate environment. At the Fed's fifth meeting of the year, interest rates remained unchanged, maintaining downward pressure on borrowing activity. However, the possibility of a rate cut in Q3 or Q4 could serve as a catalyst for increased lending volumes, potentially unlocking a new wave of Phase I ESA demand tied to refinancing and new loan issuance.

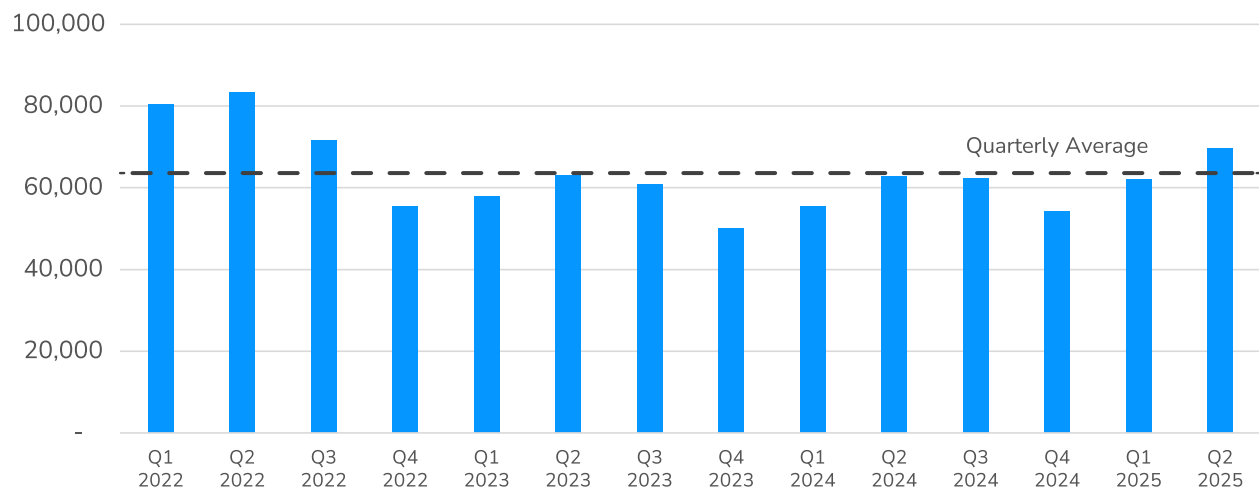




## Q2 PHASE I ESA VOLUME CLIMBS TO HIGHEST LEVEL SINCE Q3 2022

Phase I ESA volume rose to 69,631 in Q2 2025, up 12% from Q1’s total of 62,035 and nearly 11% higher than Q2 2024’s figure of 62,767. This marks the highest quarterly volume since Q3 2022 and signals renewed momentum in the environmental due diligence market. The strong second-quarter showing builds on the rebound that began in Q1, which had already reversed the year-end slowdown seen in Q4 2024. The sustained increase suggests growing confidence among CRE investors, lenders, and developers, despite ongoing macroeconomic uncertainty and mixed signals on interest rate policy. Importantly, Q2 volume exceeded the three-year quarterly average of 62,984 for the first time in over a year, a promising sign that 2025 could deliver the second consecutive year of annual growth in Phase I ESA demand. If the Fed lowers interest rates, it will likely drive a Q3 surge in CRE lending and investment, much like Q3 2024 after the 50 bps rate cut.

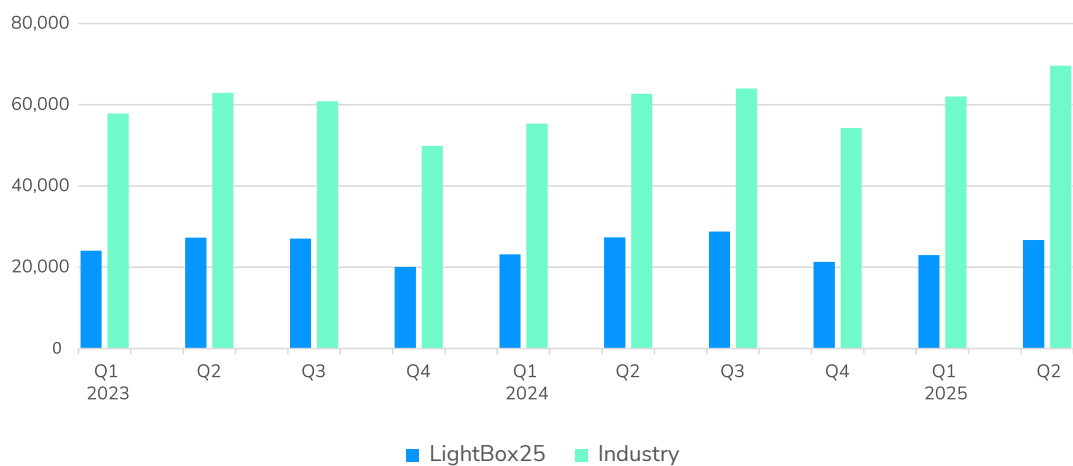
Quarterly U.S. Phase I ESA Volume, Q1 2022-Present



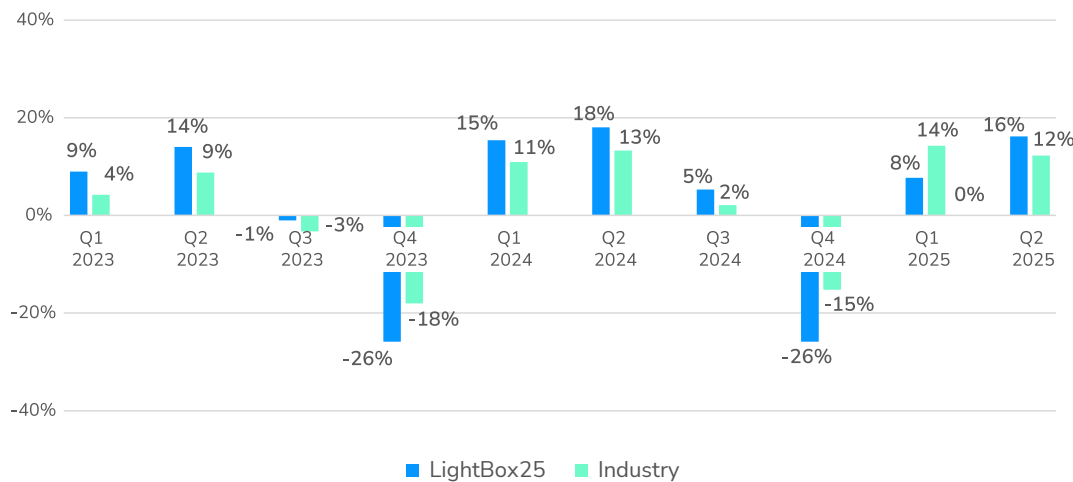
# LIGHTBOX25 INDEX POSTS SECOND STRAIGHT QUARTER OF GROWTH, OUTPACING INDUSTRY BENCHMARK

The LightBox25 Index, an aggregate measure of activity at the industry’s largest environmental due diligence firms, rose 16% in Q2 2025, outperforming the broader industry benchmark, which climbed 12%. This marks the second consecutive quarter of growth following an 8% increase in Q1, reinforcing signs that market momentum is building after a slower 2024. While overall industry conditions remain mixed, sustained gains at the top end of the market suggest improving deal flow and stronger project pipelines for larger firms. Performance, however, remains highly dependent on client mix, regional exposure, and sector focus. Firms with a heavier concentration in government-funded projects continue to benefit from insulation against broader CRE volatility, though even those markets are starting to feel pressure as federal budgets tighten. As private-sector deal activity picks up in key metros and rate clarity improves, larger firms may be well-positioned to extend this momentum into the second half, though regional and sector-specific dynamics will continue to shape performance.

Phase I ESA Quarterly Volume:  
LightBox25 Index vs. Industry Benchmarks, Q1 2023-Q2 2025



Percentage Change vs. Prior Year



SOURCE: LightBox EDR ScoreKeeper model



# Q2 GROWTH IN KEY METROS OFFERS EARLY CLUES ON INVESTORS' STRATEGIC FOCUS

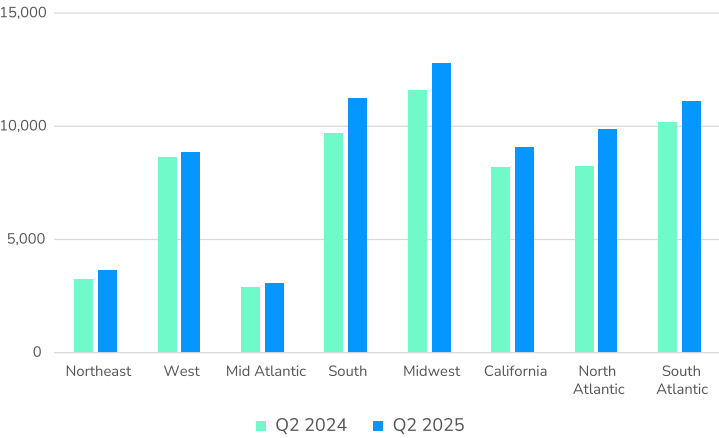
The LightBox ScoreKeeper model, which tracks Phase I ESA volume across the U.S., continues to highlight the uneven nature of the market's recovery. As an early indicator of commercial real estate transactions, environmental due diligence trends by region offer a useful view into where investment and lending activity are gaining traction. In Q2 2025, U.S. Phase I ESA volume increased 11% year-over-year, and three regions outpaced that national average by a significant margin:



These results suggest that CRE activity is building momentum in key population centers and economic hubs, particularly in urban corridors where institutional capital, infrastructure investment, and portfolio sales are driving due diligence demand. The ScoreKeeper data underscores the geographic variation in how markets are recovering from the turbulence of the past two years. The regions showing consistent due diligence gains could be leading indicators for broader deal volume and capital deployment heading into the second half of the year.

Several metro markets significantly outpaced the national 11% year-over-year increase in Phase I ESA volume during the first half of 2025, signaling growing investor confidence and transaction momentum in select regions. Houston led all metros with a 42% jump, followed by Raleigh (38%), Oklahoma City (30%), and New York City (29%), which continues to hold its position as the largest Phase I ESA market in the U.S. Other major growth markets include San Jose (27%), Pittsburgh, Milwaukee, and Northern New Jersey (all at 24%), and Palm Beach County and Chicago (each up 23%). This shift reflects the broadening of growth beyond traditional Sun Belt hubs, with strong showings in northern and Midwest markets, suggesting a rebound in legacy urban cores and second-tier metros where pricing has corrected, and capital is reengaging. These top-performing metros serve as leading indicators of where CRE due diligence, and by extension, deal activity, is accelerating.

Phase I ESA Volume by Region  
(Q2 2025 vs. Q2 2024)



SOURCE: LightBox EDR ScoreKeeper model

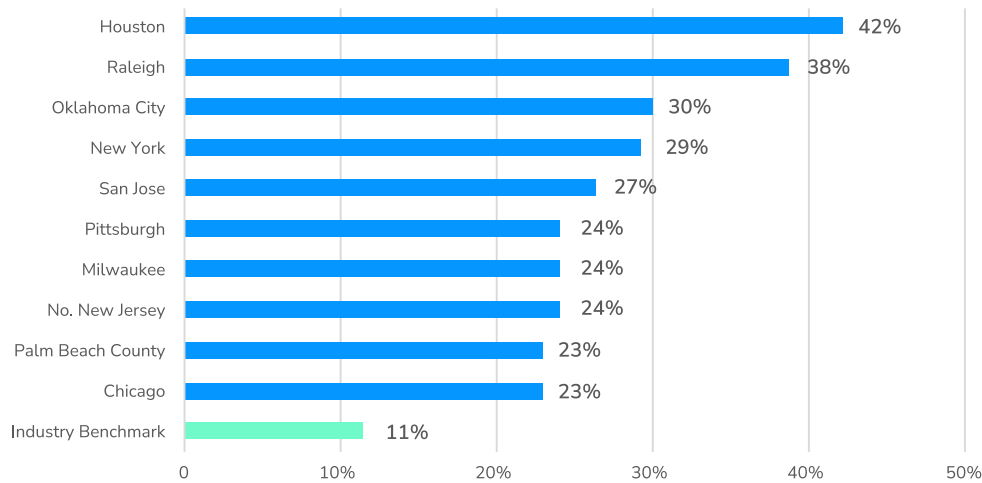


## WORD ON THE STREET

*"The most visible trend I'm seeing is a deeper focus on property resiliency as we see more real-time impacts of severe storms and associated flooding, wildfires, and other natural disasters that are impacting commercial properties and causing insurers to flee certain vulnerable coastal markets. This means that helping clients understand a property's exposure to climate and storm-related risks and insurability of assets will become increasingly important during environmental due diligence."*

– Elizabeth Krol, Associate Vice President, LiRo-Hill

## Top 10 Major Markets Ranked by Phase I ESA Growth (H1 2025 vs. H1 2024)



SOURCE: LightBox EDR ScoreKeeper model

## BROWNFIELDS, M&A, AND HEALTHCARE LEAD IN FRAGMENTED MARKET

While economic headwinds and policy shifts continue to create friction, demand for environmental due diligence remains strong, particularly in several key sectors and property types. Brownfields and adaptive reuse projects are leading the way, according to the Market Advisory Council. Consultants report significant activity tied to the redevelopment of former industrial properties, especially in dense urban cores like New York and Chicago. Many of these projects involve mixed-use, street-level retail, and multifamily components, with a blend of low-income and market-rate housing.

Notably, consultants are also seeing increased interest from private equity and real estate investors focused on sustainable redevelopment, which is also driving complementary demand for hazardous materials assessments, subsurface investigations, and ESG-aligned services. The M&A sector is another area of growth, as small and mid-sized firms face capital access challenges in a high-rate environment. This trend is translating into increased Phase I ESA volume for industrial and logistics assets, and also some activity in data center development, where additional due diligence disciplines, such as water, air, and power infrastructure consulting, are increasingly in demand. Recent severe storms and coastal flooding are also prompting heightened attention to property resilience during traditional environmental due diligence. Other growth pockets include: senior living/skilled nursing facility transactions, and bank branch portfolio sales, where institutions are selling real estate and shifting to long-term leases.



### WORD ON THE STREET

*"The growth in the data center market continues, which leads to the need for additional due diligence services such as water resources consulting, air quality consulting, and power infrastructure engineering."*

— **Ryan Dunning**, Vice President, Civil & Environmental Consultants, Inc.



## MARKET ADVISORY COUNCIL: NAVIGATING MARKET CHALLENGES

The growing market uncertainty, particularly around interest rates and tariffs, are impacting how the leaders on the LightBox Market Advisory Council are navigating the Phase I ESA market going into the second half of 2025. Among the top challenges are:

### Market Uncertainty and Forecasting Difficulties



Many consultants are finding it difficult to predict the volume and geographic distribution of Phase I ESA work, particularly as client timelines shift and large-scale acquisitions experience delays. Continued economic volatility, high interest rates, and uncertainty around trade and environmental policy are complicating both staffing strategies and resource allocation. The refinancing wave of 2021-2022 loans coming due has prompted caution among lenders, adding another variable to future work volume forecasts.

### Regulatory Ambiguity and PFAS Complexity



A major concern remains the lack of regulatory clarity around PFAS. Consultants working with industrial and solid waste clients report that inconsistent state-level standards and delays in federal guidance have created a patchwork of obligations, making it challenging to assess liability and advise clients with confidence.

### Rising Development Costs and Project Disruption



Projects launched under pre-2023 budgets are now facing significant cost overruns, driven by tariffs, inflation, and material price volatility. Uncertainty around construction costs is causing delays and stop-start timelines on large-scale acquisitions, as developers reassess budgets and returns.

### Competitive Pressure and Pricing Constraints



With the overall CRE market still in a slower phase of recovery, the consulting industry is facing excess capacity. This has led to the need for agility in shifting staff away from declining business lines and into others with stronger demand drivers. Competitive and Phase I ESA pricing pressure continues to be intense, forcing firms to compete on price while still meeting clients' demand for tight turnaround times and expanding scopes of work.

### Geopolitical and Administrative Uncertainty



Consultants report that clients are hesitant to make long-term decisions without knowing how trade, tax, and environmental regulation may shift in the coming months. Trade relations, potential inflation, and agency stability, especially surrounding the Fed and the U.S. EPA, are top of mind.

In a challenging and confusing market environment, members of the Council are nonetheless expecting stable-to-moderate growth in Phase I ESA demand in Q3 compared to Q2. With 55% expecting somewhat higher volume, consultants could see increased demand if the Fed makes its first rate cut of the year in Q3. A similar spike followed last September's 50-basis-point reduction.

## FORECAST: Expectations for Phase I ESA Demand in Q3 2025

Somewhat higher	<div></div>	55%
About the same as Q2	<div></div>	45%
Somewhat lower volume		0%

SOURCE: Q2 2025 responses from LightBox Market Advisory Council (early July 2025)



## WORD ON THE STREET

*"The process of closing a transaction or loan on most of our transactional ESA business can be 2-3 months, on average, so not knowing what the economy will look like between the start of the transaction and its closing is causing hesitation for those who are not needing to transact."*

– Jeff Coyne, Senior Vice President, GRS Group/NV5

## PHASE I ESA FORECAST: MEASURED OPTIMISM IN AN UNCERTAIN MARKET

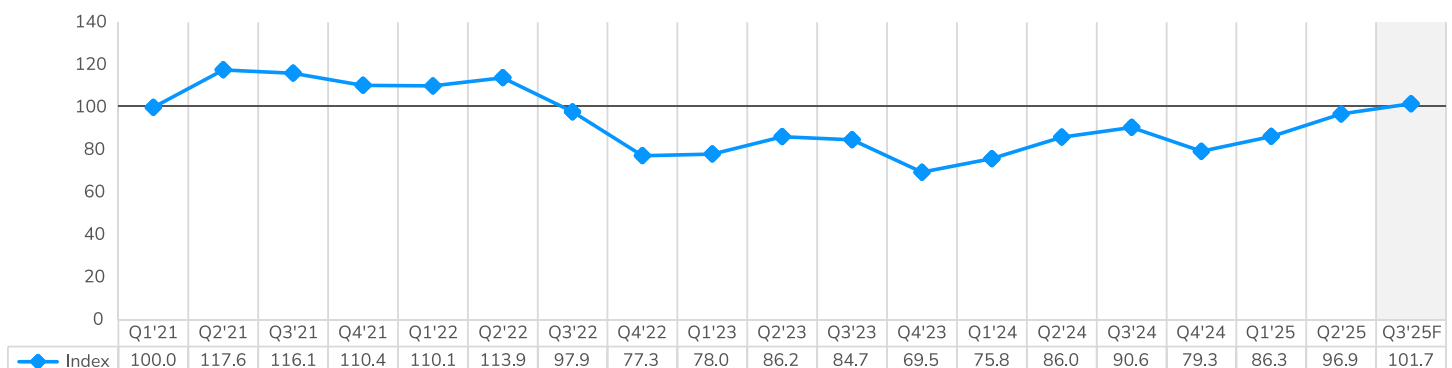
If 2025 has proven anything, it's that uncertainty is the only constant. Concerns about interest rates, tariffs, and economic stability remain front and center. Yet, despite these headwinds, the Phase I ESA market continues to build momentum. The June LightBox CRE Activity Index posted its strongest reading of the year, reflecting consistent deal flow even as underwriting timelines lengthen and project execution becomes more complex. The Phase I ESA Index rose in both Q1 and Q2, and, barring an unexpected shock, Q3 appears poised for further growth.

Environmental consultants report navigating a volatile mix of capital market fluctuations, staffing unpredictability, and inconsistent project pipelines. Still, sentiment remains largely steady-to-optimistic. In LightBox's Mid-Year CRE Sentiment Survey, 82% of respondents expect flat or increasing deal volume in the second half of 2025, a clear sign of a market soldiering on.

Higher-for-longer interest rates are now baseline assumptions. If the Fed signals even modest cuts, it could reignite lending, much like last September's 50 bps cut. Distress is unfolding slowly, as lenders continue to delay forced sales.

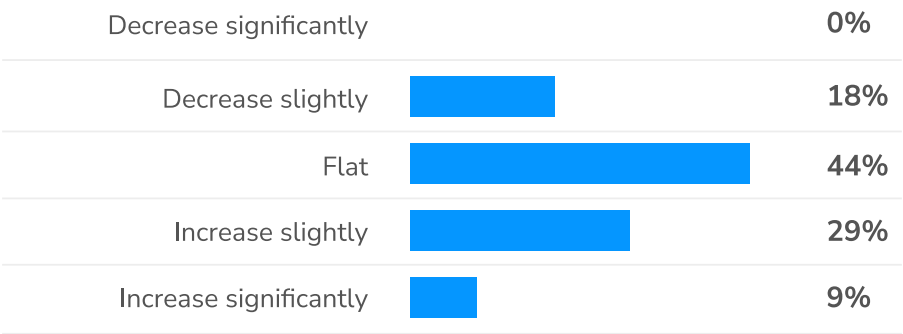
Tariff uncertainty is clouding forecasts. Some projects are being fast-tracked to avoid price shocks; others are paused as developers revise budgets and build in contingencies. A new federal budget and rising material costs, like [copper](#), add further complexity. Still, capital remains active, especially for stabilized assets. Investors are reentering opportunistically, and new tax incentives, including expanded Opportunity Zones and revamped Low-Income Housing Tax Credits, could drive multifamily development and ESA demand in underserved markets.

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



Any number of forecast scenarios could take shape in the second half of 2025. A Fed rate cut could accelerate momentum. A slowdown in key indicators like business confidence, consumer spending or the labor market could prompt a pullback. In this highly-variable environment, the July CRE Activity Index will offer critical insight into whether market resilience continued into the summer and the earliest sign for how Q3 is progressing.

Expectations for CRE Deal Activity in H2 vs. H1 2025



SOURCE: Results from LightBox Mid-Year CRE Market Sentiment Survey (environmental consultant responses only)



WORD ON THE STREET

*“A key challenge regarding the outlook is the uncertainty around trade policy as well as the possibility of more significant inflation which would impact future rate cut decisions.”*

– Sammy Hoskins, Group Manager, Trileaf



## ABOUT THE LIGHTBOX 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



**Jeff Coyne**

Senior Vice President,  
GRS Group/NV5



**Ryan Dunning**

Vice President,  
Civil & Environmental  
Consultants, Inc.



**Angelo Fatiga**

Discipline Leader |  
Environmental,  
Colliers Engineering & Design



**Sammy Hoskins**

Group Manager,  
Trileaf



**Elizabeth Krol**

Associate Vice President,  
LiRo-Hill



**Eric Miller**

President,  
ODIC Environmental &  
Energy



**Mike Miller**

Senior Vice President,  
National Environmental  
Market Leader  
SCS Engineers



**Ruxandra Niculescu**

CEO,  
Geographic Services Inc.



**Heather Ridgway**

President,  
Environmental Professional  
Partners, LLC



**Doug Romer**

CPG, LEED AP, National  
Account Manager,  
TRC Companies, Inc.



**Beth Sexton**

Senior Consultant,  
SME



**Hillary Williams**

National Director,  
Atlas





## 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](mailto:Insights@LightBoxRE.com)

## 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](http://www.LightBoxRE.com)

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