

CRE MARKET SNAPSHOT Q2 2025

FOCUS ON LENDER-DRIVEN APPRAISAL TRENDS

(April 1-June 30, 2025)

LIGHTBOX APPRAISAL INDEX RISES TO 63.9 AS CRE LENDERS REMAIN CAUTIOUSLY ACTIVE

Editor's Note

This report, an installment of the LightBox CRE Market Snapshot Q2 2025 series, highlights trends in lender-driven appraisals and the latest industry benchmarks on fees, turnaround time and metro-level performance. Other reports in the series include the Phase I ESA Market Snapshot, which takes a deep dive into similar trends in the environmental due diligence sector, and the Capital Markets and Investment Snapshot, highlighting trends in capital markets and emerging opportunities for brokers and investors.

At the midpoint of 2025, the commercial real estate appraisal sector is holding steady despite persistent policy uncertainty and market volatility. [The LightBox Appraisal Index rose to 63.9 in Q2, its highest level in nearly three years and its second consecutive quarterly gain.](#)

The most disruptive development of Q2 was the start of the trade war in April, which triggered a brief market pause and renewed fears around inflation, higher borrowing costs, and a potential recession. Stress signals emerged: consumer spending softened, housing starts fell 9.8% in May, and homebuilder sentiment dropped to its third-lowest level in a decade. Business confidence also declined as economic uncertainty deepened. Appraisal volume was strongest in April, before tapering slightly in May and June, a trend that will make Q3 performance worth watching for signs of renewed momentum.

Still, lenders have not retreated. Banks, CMBS lenders, debt funds, and insurers remain active, though more selective. Deals are taking longer to close, underwriting is tighter, and both lenders and investors are running more detailed scenario models before committing capital. CRE loan balances continue to grow, but at a moderating pace, a sign that capital remains available, but lenders are more cautious and selective in how it's deployed.

KEY Q2 2025 DEVELOPMENTS

- **Appraisal award volume increased for the second consecutive quarter**, reaching \$62.2 million in Q2, a 6% increase from Q1 and a 14% gain year-over-year, fueled by modest growth in new CRE loan originations and refinancing of maturing loans.
- **The appraisal fee per lender project climbed for the third straight quarter** to \$3,437 in Q2, up only 1% from Q1 and 7% year-over-year.
- **Turnaround time for lender appraisals improved to 14.1 business days**, slightly faster than 14.4 in Q1 and well below the 18-day average from the higher-volume days of early 2022.
- **Retail and industrial assets led appraisal activity**, making up 42% of total volume in Q2, with office following at 16%.
- Preliminary results from the LightBox Mid-2025 CRE Market Sentiment Survey show that **39% of appraisers are "somewhat more optimistic"** about the outlook than at the start of the year, and 29% are "slightly more pessimistic."

Although the macro backdrop remains relatively stable, buoyed by a strong labor market and momentum in multifamily, office, and retail sectors, concerns over stagflation, tariffs, and rate policy are influencing capital decisions. For appraisers, this means valuations now require closer scrutiny of rent growth, expenses, and cap rate assumptions as market dynamics shift.

With the Fed holding interest rates steady through its first four meetings of the year, attention has turned to the possibility of one or two cuts in the second half. According to preliminary results from the **LightBox Mid-2025 Sentiment Survey**, interest rate cuts are top of mind for appraisers.

Asked to name the factor expected to have the greatest impact on CRE dealmaking in H2 2025, 46% of appraisers selected “whether interest rates decrease,” followed by “market confidence” (22%), and “availability of debt capital” (20%).

SOURCE: Preliminary results, Mid-2025 CRE Market Sentiment Survey.

Against the backdrop of heightened policy uncertainty, particularly around tariffs and interest rates, Q2 results demonstrate that lender-driven appraisal volume has not stalled, nor has the broader CRE market. The LightBox CRE Activity Index, an aggregate measure of lenders' appraisal volume, demand for Phase I environmental site assessments (ESA), and property listings, rose to 113.9 in June, [the highest reading since May 2022](#), setting the stage for a strong second half. Longer-term, 2026 could well be shaping up into a stronger economic rebound if interest rate cuts materialize and trade tensions ease along with potential tailwinds from tax reform and deregulation. Appraisers remain central to this evolving landscape, helping lenders meet demand for refinancing and new originations as the sector moves cautiously but steadily toward recovery.

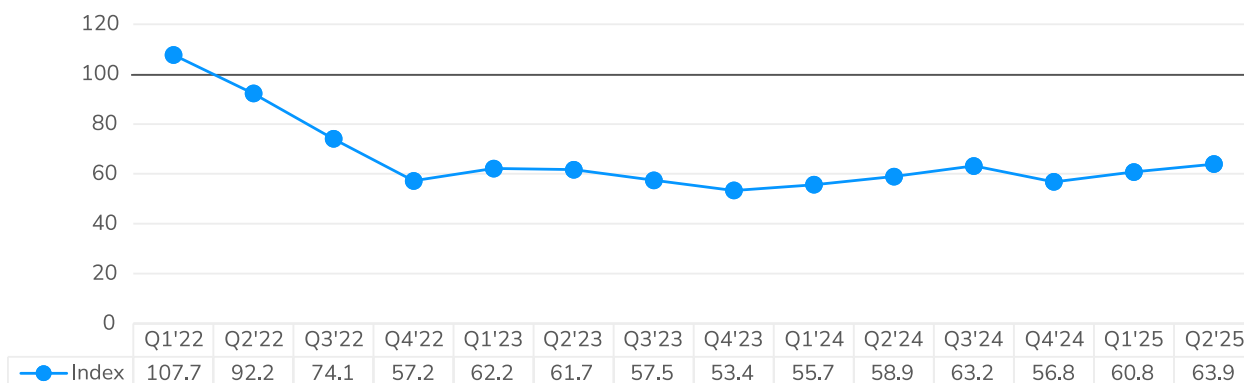


APPRAISAL AWARDS CONTINUE THREE-QUARTER GROWTH STREAK, INCREASING BY 6% IN Q2

In Q2, CRE lenders put 18,114 appraisal awards totaling \$62.2 million out to bid on LightBox's Collateral360® and RIMS® platforms. While this marked a 6% increase from Q1 and a 14% gain year-over-year, the monthly pace remained uneven, a clear reflection of lenders' growing caution amid heightened market volatility and policy uncertainty. April appraisal volume surged 11% over March, but that momentum faded in May (down 3%) and June (down another 12%) as the escalating trade war, softening business sentiment, and swings in the 10-year Treasury yield led to a more risk-averse stance across the lending landscape.

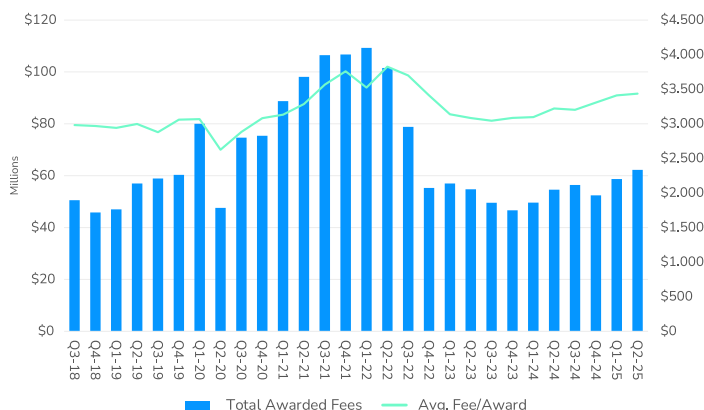
The LightBox Appraisal Index rose to 63.9 in Q2, its highest since Q3 2022, supported by refinancing activity and modest new loan originations. However, appraisal activity, often the first window into lender sentiment, suggests increasing hesitation. The sharp contrast between April's strength and the cooling seen in May and June underscores how quickly caution can take hold, especially with high interest rates continuing to weigh on borrowing and deal volume. The coming months will be telling. The back half of 2025 will show whether this slowdown is simply a short-term reaction to near-term uncertainty or a signal of a more prolonged adjustment in underwriting and capital deployment strategies.

LightBox Appraisals Index (Base Q1 2021=100)



NOTE: The LightBox Appraisals activity index is derived from data in the LightBox Collateral 360/RIMS platforms used by financial institutions and credit unions across the U.S. 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). The quarterly Appraisal Activity Index is routinely updated as additional information on the total volume of appraisal awards becomes available. As a result, the data shown for any given quarter may reflect updates to numbers published in previous Snapshot reports.

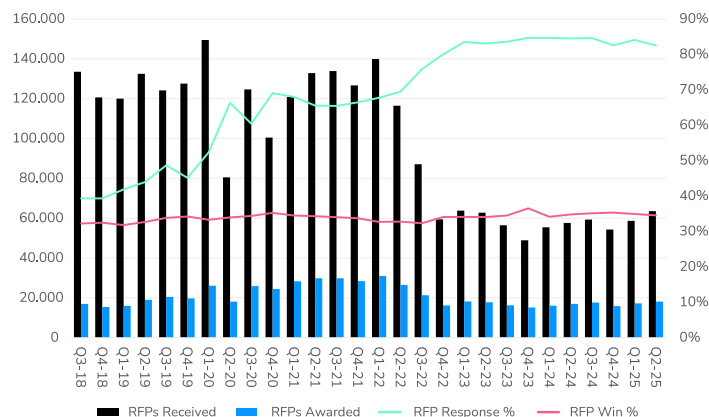
Avg. Fee/Award & Total Awarded Fees Through Q2 2025



SOURCE: LightBox Collateral360/RIMS platforms

In Q2 2025, total awarded fees (shown by the blue bars) extended their three-quarter growth streak, reaching \$62.2 million, a 6% increase from Q1 and 14% higher than Q2 2024. However, behind this steady quarterly gain lies a more uneven monthly pattern, reflecting how quickly appraisal volume responds to rising market volatility and policy uncertainty. The average appraisal fee per lender project also rose for the third consecutive quarter, reaching \$3,437 in Q2, a modest 1% increase from Q1 and 7% higher year-over-year.

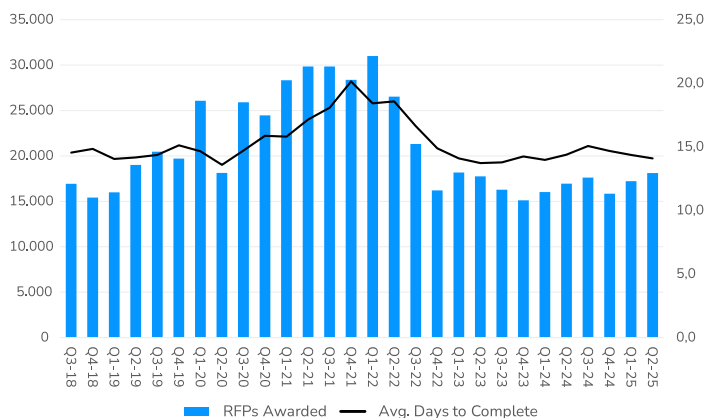
RFP Response & Win Rates Through Q2 2025



SOURCE: LightBox Collateral360/RIMS platforms

Total RFP volume awarded in Q2 rose 5% quarter-over-quarter and 7% year-over-year. On a monthly basis, April and May exceeded 2025's monthly average of 5,889 RFPs, but June fell short. The average RFP response rate dipped slightly to 83% in Q2, down from 85% in both Q1 and the same period last year.

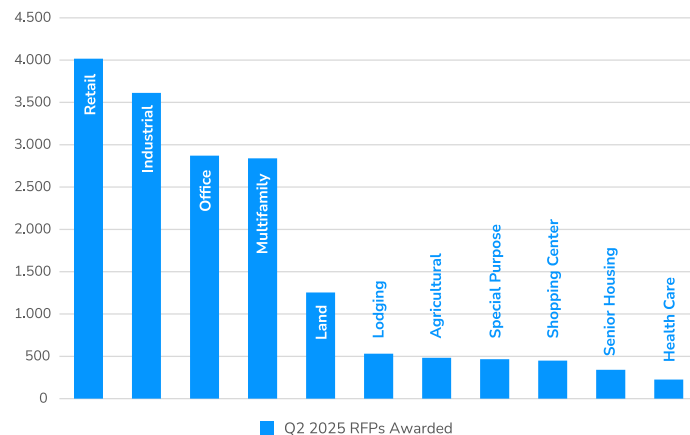
RFP Awards & Avg. Days to Complete Through Q2 2025



SOURCE: LightBox Collateral360/RIMS platforms

In Q2, the average turnaround time for lender appraisals improved to 14.1 business days, down from 14.4 in Q1 and well below the 18-day average seen during the high-volume period of early 2022. The data continues to show an inverse relationship between RFP volume and turnaround time, as appraisers work to meet tighter deadlines during busier lending cycles.

Appraisal Awards by Property Type, Q2 2025



SOURCE: LightBox Collateral360/RIMS platforms

Retail and industrial projects made up 42.1% of Q2 appraisal volume, reflecting continued strong demand in both sectors. Office (15.8%) ranked third, followed closely by multifamily (15.6%), while land trailed at 6.9% of total projects.

LightBox Q2 2025 Appraisal Metrics Snapshot

	Q2 2025	Q1 2025	Change (QOQ)	Q2 2024	Change (YOY)
Appraisal Activity Index	63.9	60.8	5%	58.9	9%
Appraisal Awards (total fees in millions)	\$62.2	\$58.7	6%	\$54.6	14%
Average Appraisal Fee/Award	\$3,437	\$3,410	1%	\$3,221	7%
Appraisal Awards (total jobs)	18,114	17,222	5%	16,955	7%
RFP Response Rate	83%	84%	-1%	85%	-2%
Avg Turnaround Time (days)	14.1	14.4	0.3 days faster	14.4	0.3 days faster

NOTE: The quarterly appraisal dataset is routinely updated as additional information on the total volume of appraisal awards becomes available. As a result, the data shown for any given quarter may reflect updates to numbers published in previous Snapshot reports.

BANKS' MIDDLE PLACE: MITIGATING LOSSES AND EXTENDING CAPITAL

Commercial lenders are currently navigating a delicate balance of managing their risk exposure from legacy loans while pushing forward with new originations. Some have bundled troubled CRE loans for sale to investors, accepting losses to clear their books, while holding on to performing assets. Institutional and private capital are showing growing interest in these loans, even those considered riskier, as long as they continue to generate cash flow.

In Q2, banks, CMBS, debt funds, and insurers remained active, yet increasingly cautious, with balanced growth in both refinancing and new loan issuance. This was particularly reassuring given fears in April that the debt market might retreat as volatility rose, much as the market saw in other periods of unrest like the early COVID period of 2020 and after the failure of Silicon Valley Bank in 2023.

After the April tariff announcement, there has been nary a hint of a market pull back by [CRE lenders](#). Notably, JPMorgan and Wells Fargo delivered strong Q2 earnings, buoyed by resilient net interest income, growth in trading and investment banking revenues, and reduced credit loss provisions. In their latest earnings reports, bank CEOs highlighted inflation and trade tensions as key risks that continue to temper the appetite for commercial real estate lending.

Lender diversity has also been increasing, with debt funds and CMBS gaining share and banks becoming more active. This means that financing is available, especially for high quality assets with durable income streams. Regional banks, in particular, have begun to re-enter the CRE lending space with renewed vigor. Cleaned-up balance sheets, recovering deposits, maturing loan payoffs, and steady interest income have put smaller banks in a position to offer competitive spreads to larger lenders.

If lending stays strong despite elevated rates and uncertainty, appraisal professionals can expect steady in the second half of the year. If not, volume may remain uneven. Appraisers will continue to respond to demand for both legacy loan reviews and new deal underwriting.




A VIEW OF RISK BY ASSET CLASS

Appraisers are navigating a highly nuanced CRE landscape where property-level fundamentals and valuation drivers can vary widely, with important distinctions across major asset types:



MULTIFAMILY

- Strong occupancy levels are being driven by high mortgage rates and the affordability gap in homeownership.
- Urban cores are regaining population momentum, sustaining valuation volume in gateway markets.
- Rent growth is slowing and operating costs, especially insurance, are rising, the drop in new construction is supporting fundamentals.
- New federal incentives tied to Opportunity Zones may also drive new development in underserved areas, further boosting appraisal demand.



INDUSTRIAL

- Demand is moderating, with fewer new assignments expected in the short term as vacancy rates tick up and net absorption slows.
- Cold storage and AI-driven infrastructure remain bright spots. A backlog of recently delivered space combined with a slowdown in future development suggests a return to more active valuation opportunities by 2026–27.



OFFICE

- Class A and trophy assets are capturing the bulk of leasing and investor activity.
- Lower-tier buildings face elevated vacancy and pricing pressure.
- Appraisers will see selective demand for valuations in stronger metros where return-to-office trends and sublease declines are boosting absorption.



RETAIL

- Major headwinds include tariffs and weakening consumer sentiment, with discretionary retail most exposed.
- Low vacancy rates and limited new supply are helping stabilize values for grocery-anchored and experiential retail centers.
- Appraisal volume is likely to concentrate around portfolio repositioning, refinancing, and redevelopment.

DATA CENTERS

- Data centers are a fast-growing, specialized asset class with institutional capital flowing in and new AI demands accelerating development.
- Appraisers should expect more complex assignments that require technical expertise in power, cooling, and connectivity.
- This sector is quickly becoming a cornerstone of modern CRE valuation practice with BBG the latest firm to launch a dedicated data center valuation practice.

CONSTRUCTION

- Activity is slowing across most sectors, driven by elevated costs, financing challenges, and material price uncertainty.
- Essential-use projects, such as infrastructure, utilities, and data centers, continue to move forward, but the announcement of new tariffs, most recently on imported copper, are raising questions about project viability.

HAS CRE PRICING HIT BOTTOM?

At mid-year 2025, the CRE market remains in a state of price uncertainty, with signs pointing to the possibility of further declines.

In LightBox’s Mid-Year Market Sentiment Survey, preliminary results show that 55% of appraisers disagreed with the statement that CRE prices have bottomed and the bid-ask gap has narrowed.

As noted by one respondent, “Inflation has offset a lot of pricing gaps.” The survey results point to continued skepticism about price stabilization across CRE.

This caution aligns with findings from the Federal Reserve’s April Financial Stability Report, warning that recent flatness in transaction-based pricing may be masking deeper market stress. Many property owners have delayed sales in hopes of better conditions, which is reducing transaction volume and obscuring true asset values.

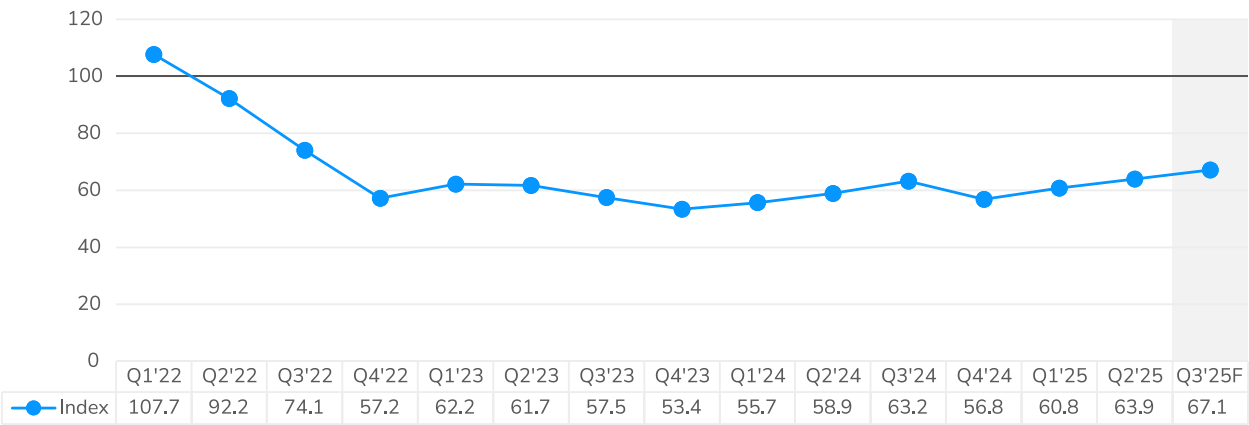
The Fed noted that tight lending standards, reduced valuations, and elevated interest rates compared to when much of today’s debt was originated could be heightening refinancing risk across the sector. With nearly \$1 trillion in CRE debt maturing in 2025, in addition to 2023 and 2024 maturities that have yet to be addressed, many borrowers still face challenges in securing new financing.

The Fed further cautions that forced sales in a thin market could lead to significant price drops, even for properties not in distress. While some fundamentals like rent growth and vacancy rates are stabilizing, the price discovery process is ongoing, and valuations in some sectors, particularly office, still have room to fall.

H2 2025 OUTLOOK: WILL RATES MOVE THE MARKET?

The theme of 2025 is one of unpredictability. As we head into the second half, the CRE environment remains highly uncertain and deeply nuanced by asset class, location, and deal structure. The latest strong reading from the June LightBox CRE Activity Index is supported by data that shows deal-making remains healthy, even as lenders’ underwriting tightens. If the first half is any indication, however, market conditions can shift quickly.

LightBox Appraisals Index (Base Q1=100): Near-Term Forecast



Appraisers are working through a complex mix of macroeconomic volatility, tariff uncertainty, and political risk, all of which are reshaping investor behavior and capital markets activity. Underwriting is taking longer, deal assumptions are under deeper scrutiny, and pricing pressure continues to vary widely by sector. Yet, with strong fundamentals and rising loan balances, the stage is set for continued momentum. If that plays out, the Appraisal Index could continue its 2025 trend and rise modestly to 67.1 in Q3.

The most anticipated market trigger for appraisers is a Fed rate cut, more than tariffs, geopolitics, or capital availability. If the Federal Reserve delivers the expected two 25bps cuts by year-end, as many forecast, it could mirror the market lift seen after the first cut in September 2024. A move lower in rates would likely unlock sidelined capital, reinvigorate financing pipelines, and drive increased valuation demand, particularly for refinancing, recapitalizations, and repositioning strategies.

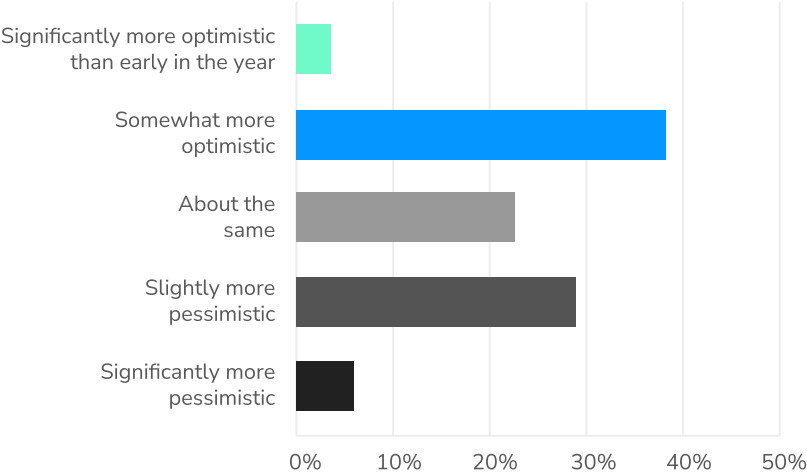
The good news thus far in 2025 is that, despite policy headwinds, CRE activity hasn't stalled. Appraisal volume remains healthy, but uneven. Capital is flowing selectively, with lender focus on stabilized assets and income visibility.

Pricing remains elusive in some cases, as appraisers report that the “price discovery” phase is still ongoing, especially in office, retail, and transitional assets.

Tariffs and rising material costs are weighing on redevelopment and construction deals. Projects are being paused or fast-tracked depending on exposure to supply chain and cost spikes, adding more complexity to valuation timelines and inputs. Meanwhile, new tax provisions in the federal budget bill, including expanded Opportunity Zones and a revamped Low-Income Housing Tax Credit, are likely to spur multifamily development and related appraisal activity in underserved markets.

Asked to characterize their sentiment on the near-term outlook compared to the start of 2025, 38% of appraiser respondents are “somewhat more optimistic” and 29% are “slightly more pessimistic.” The mix reflects just how unpredictable the market forecast is. As noted by one appraiser survey respondent: “It is so hard to act with certainty under conditions of such uncertainty.”

Characterize which of the following best characterizes your near-term market outlook compared to your sentiment at the start of 2025?



SOURCE: Preliminary results from LightBox Mid-Year Market Sentiment Survey, July 2025 (commercial appraiser responses only)



About the LightBox CRE Appraisal Snapshot Report

The data presented in this report are drawn from the activities of several LightBox platforms that support a range of workflow functions for commercial real estate transactions. Appraisal data are collected from more than 1,200 banks and credit unions across the United States and reflects industry benchmarks specific to lender-driven commercial property appraisal activity. The data are derived from LightBox applications Collateral360 and RIMS, which are used by financial institutions to manage and procure appraisals in support of property lending activity. The CRE Activity Index combines appraisal activity with environmental site assessments from LightBox EDR and property listings in LightBox RCM to create a composite of CRE transaction activity.

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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