



CRE MARKET SNAPSHOT Q3 2025

FOCUS ON LENDER-DRIVEN APPRAISAL TRENDS
(July 1-September 30, 2025)

LIGHTBOX APPRAISAL INDEX HITS HIGHEST LEVEL IN THREE YEARS

Editor's Note: This report, an installment of the LightBox CRE Market Snapshot Q3 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.

MARKET USHERS IN THE START OF INTEREST RATE EASING CYCLE

Despite persistent policy and market uncertainty, the commercial real estate appraisal sector remained remarkably steady in Q3. The LightBox Appraisal Index rose 3% to 64.6, its highest level in three years and the third consecutive quarterly gain.

Continued momentum in the appraisal sector is attributable to the strength of CRE lending, supported by the Federal Reserve's first rate cut in mid-September (followed by a second in October). While tariff pressures, sticky inflation, and labor-market softness kept investors cautious, lenders showed renewed confidence, marking a fifth straight quarter of growth in originations. Banks increased their share of lending to 31%, up from 18% a year ago, supported by stronger balance sheets, a more confident borrower base, and a surge in refinancing demand. Other major capital sources, like CMBS lenders, debt funds, and insurers, also remain active to keep the CRE market liquid.

Overall, CRE pricing stabilized in Q3, with some appreciation on performing multifamily assets in growth markets, while other sectors held firm or continued to correct. For appraisers, this still-cautious climate calls for tighter scrutiny of rent growth, expense assumptions, and cap rates as valuation spreads widen and risk profiles diverge.

Taken together, Q3 data signals a market that is stable, liquid, and adjusting in real time, even as rate uncertainty, labor headwinds, and shifting business sentiment temper near-term optimism.

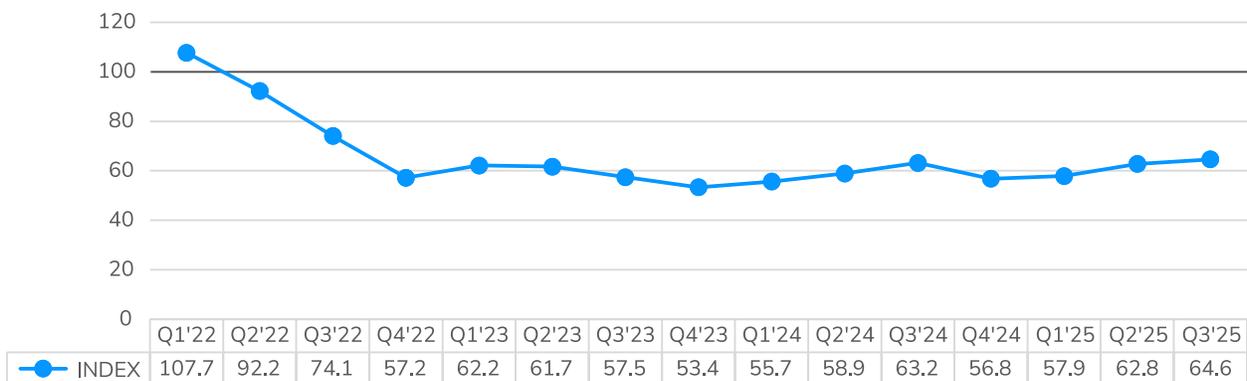




LENDING STRENGTH AND RATE CUTS DRIVE NEW MOMENTUM IN APPRAISAL VOLUME

The LightBox Appraisal Index, which tracks appraisal awards placed by lenders through LightBox’s Collateral360® and RIMS® platforms, rose to 64.6 in Q3, a 2% year-over-year increase and the third consecutive quarterly gain. Momentum was uneven across the quarter, with typical seasonal softness in July and August followed by a sharp rebound in September after the Federal Reserve’s first rate cut of the year. That easing helped restore lender and investor confidence, spurring renewed demand for refinancing and loan re-evaluations.

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.



Q3 CRE LENDING INDEX RISES 18% IN A STILL-CAUTIOUS MARKET

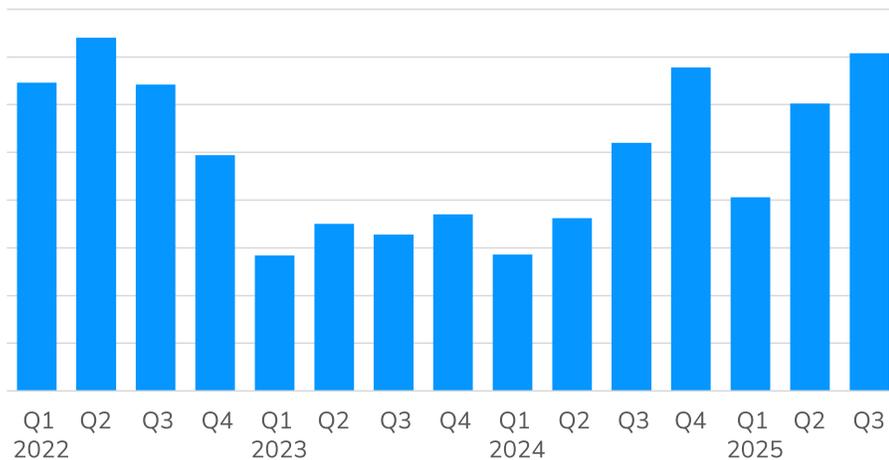
Q3 data from the Mortgage Bankers Association, Federal Reserve, and bank earnings reports paint a picture of a commercial real estate lending market regaining momentum but still operating under disciplined credit conditions.

The MBA's latest Originations Index showed an 18% quarter-over-quarter increase and a 36% annual gain in commercial and multifamily loan activity, the fifth consecutive quarter of growth (Fig. 2). Banks' Q3 earnings echoed this trend, with most institutions reporting stronger credit performance and healthier balance sheets. Refinancing activity picked up as borrowing costs stabilized, spreads tightened, and lenders competed to meet renewed borrower demand.

The Fed's October 2025 Senior Loan Officer Opinion Survey (SLOOS) confirmed this cautious optimism. Banks reported tighter standards for construction and land development (CLD) and non-farm non-residential (NFNR) CRE loans, while multifamily standards held steady. Demand was mixed, flat to weaker for most CRE loan types, but the pace of tightening appears to be slowing, suggesting a market transition from retrenchment to selective engagement.

Banks continue to tighten key loan terms like lower LTVs, higher DSCRs, and shorter interest-only periods, particularly for office and speculative projects. These constraints reflect a disciplined, risk-aware environment rather than a credit freeze. Meanwhile, multifamily remains the most resilient sector, benefiting from steady demand and stable underwriting.

MBA's CRE Mortgage Bankers Originations Index



CRE Lending by Source QoQ:

Banks	+36%
Private Equity	+14%
Life CO's	-22%
GSEs	+37%
CMBS	+31%

Figure 2

+63.45%

+32.69%

ASSET CLASS RISK AND PERFORMANCE PROFILE

Appraisers are operating in a complex CRE environment where sector performance diverges sharply, and valuation risk depends increasingly on asset quality, geography, and tenant fundamentals.

MULTIFAMILY

- **Accounted for 36% of all properties listed** for sale in LightBox's broker/investor platforms and the majority of major CRE deals in the LightBox Transaction Tracker, both strong signs that multifamily remains a favored asset class.
- Appears to have passed peak vacancy for this cycle, though rent growth remains subdued as slower job gains and reduced immigration temper demand.
- Urban cores and select gateway markets still see steady demand, supported by high home-purchase cost, and affordability gaps.
- Rising operating costs, particularly for property insurance, coupled with muted rent growth in many geographies mean valuation premiums may shrink.

INDUSTRIAL

- **Vacancy has moved into the 7% range nationally**, as construction deliveries slow and demand and rent growth moderate accordingly.
- Bright spots include cold-storage, last-mile logistics, and AI-influenced infrastructure, but corridors are more competitive.
- Even as global trade patterns shift under new tariffs and supply chain diversification, most logistics demand with roughly 75% tied to population centers, continues to support steady absorption.
- Pipeline constraints (i.e., costs, permits, power access) are reducing new development; meaning appraisals will increasingly focus on asset repositioning and long-term site optimization.

OFFICE

- **Value is concentrated in Class A/trophy buildings**; lower-tier assets are under pressure from elevated vacancy and refinancing stress.
- The U.S. office market posted its first annual vacancy decline in over five years in Q3, falling 20 bps to 18.8%, an encouraging sign for investors.
- Recovery remains uneven, and appraisers should expect more assignments in transit-accessible core markets where return-to-office gains are visible, but a large tail of lagging buildings persists.
- Adaptive reuse, repositioning and conversion mandates are redefining market dynamics, adding complexity and uncertainty to valuations.



RETAIL

DATA CENTERS

- **Retail remains the tightest of the major property types**, with national vacancy holding just above historic lows due to record-low development and rent growth still healthy, if moderating.
- Traditional retail formats remain vulnerable to the growing risk of tariffs, soft consumer sentiment, and store closures.
- Necessity-based formats (grocery-anchored, experiential) continue to show low vacancy and limited supply, offering more resilience.
- Appraisal work will skew towards portfolio revisions, refinancing and redevelopment opportunities rather than greenfield investment plays with strong demand for restaurants, fitness, and medical uses.

- **Vacancy is at record lows in primary markets**, demand is powerful, and technical complexity is high.
- Institutional capital is flooding in, especially for large MW-scale built-to-suit sites with power/fiber ready.
- Expect highly specialized assignments requiring expertise in power infrastructure, fiber connectivity, and hyperscale metrics.



LAND & CONSTRUCTION

- **Land demand is rising**, particularly for housing, data centers and multifamily, but construction/financing costs, tariffs and labor constraints are slowing development activity.
- Appraisers must model higher cost inputs and longer timelines, reflecting uncertainty in build-out schedules and capital availability.

YEAR-END OUTLOOK: NEAR-TERM CAUTION AMID MIXED MARKET SIGNALS

The CRE market entered the final quarter of 2025 with a blend of optimism and restraint. The encouraging news is that CRE transaction volume and lending activity remain healthy following two rate cuts this fall, but familiar crosscurrents like softening labor trends, tariff uncertainty, and policy volatility are keeping sentiment cautious.

Tailwinds are tangible. As the Q3 MBA data shows, refinancing and origination volumes rose sharply as rate easing by the Fed took hold. Institutional capital remains active, pursuing scale and value-add opportunities across multifamily, retail, and logistics.

Headwinds, however, are equally clear. Corporate layoffs, sluggish job creation, and tariff-driven cost pressures continue to weigh on confidence.

Consumer spending is flattening, small business optimism remains subdued, and office fundamentals are improving only selectively. Recent credit events have reminded lenders of lingering fragility, keeping underwriting tight. Key indicators to watch include labor trends, inflation's response to tariff pressures, and long-end yields, all of which will influence cap rates and financing conditions.

The broader trajectory for CRE remains positive, and Q3 developments have not derailed that progress. Historically, commercial appraisal volume declines by about 13% in Q4 as the market pauses for year-end accounting and positions for new-year activity (Fig. 3). That seasonal slowdown is already visible, with October appraisal volume down 4% from September.

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

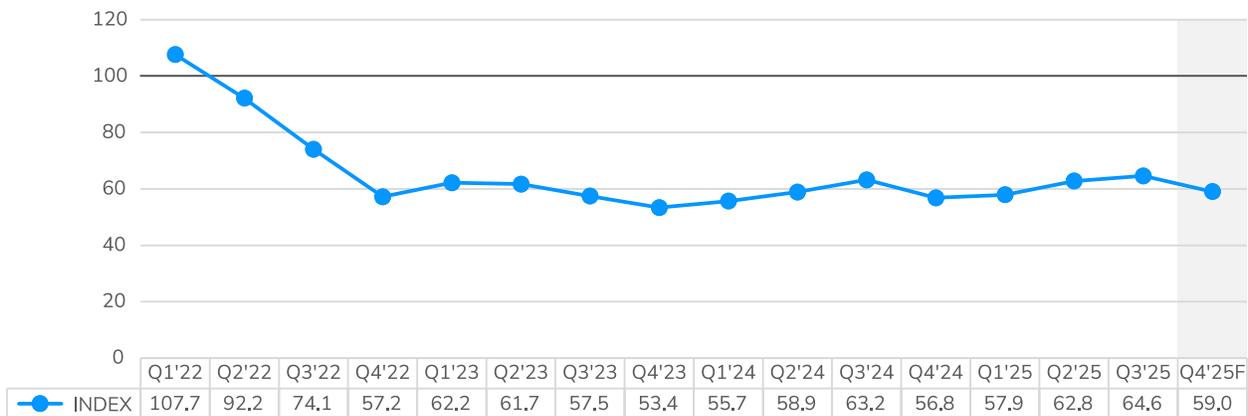


Figure 3

The LightBox CRE Activity Index [fell to 106.2 in October](#), reflecting a cautious market shaped by the prolonged federal shutdown, rate uncertainty, and job market concerns. Still, after nine consecutive months above the 100-point “healthy activity” benchmark, the market’s consistent performance underscores its underlying resilience.

For now, the tone is one of measured optimism, not exuberance. Lenders are re-engaging after several years of defense, and 2025 appears to be setting the foundation for a more decisive recovery in 2026, provided rates, credit conditions, and policy stay aligned.



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.

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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