

CRE MARKET SNAPSHOT Q3 2025

FOCUS ON PHASE I ENVIRONMENTAL SITE ASSESSMENT TRENDS
(July 1-September 30, 2025)

Q3 LightBox Phase I ESA Index Climbs to 98, a Modest but Meaningful Gain from Q2 Steady Phase I ESA Demand, Selective Investment, and Optimism for a Strong Year-End

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

The LightBox Phase I ESA Activity Index climbed to 98.0 in Q3 2025, up modestly from 96.9 in Q2 and 8% above last year, marking its highest level since late 2022, the latest sign of continued momentum across the environmental due diligence sector. On a regional basis, the North Atlantic region's growth (27%) was double the industry average (13%) in Q3, while Houston and New York City each posted 35% year-to-date growth, followed by Long Island at 31%.

The Federal Reserve's two interest rate cuts helped bolster buyer and lender sentiment, particularly for refinancing and portfolio transactions. Demand was also sustained by data center investment, manufacturing projects, affordable housing initiatives, brownfield redevelopment, and multi-site portfolio transactions requiring rapid due diligence turnaround. LightBox Market Advisory Council members report that client sentiment reflects a balance of caution and confidence, with some clients cautiously re-engaging, requesting pricing on pre-planning projects, while others are fast-tracking projects in durable-demand sectors.

The federal government shutdown is now the longest in modern history, and has begun to slow certain SBA- and HUD-backed projects, adding friction to an otherwise stabilizing market.

Looking ahead, Phase I ESA demand is expected to hold steady or rise modestly in Q4, as investors move forward with delayed projects and typical year-end closings. While regional variability and lingering economic uncertainty persist, the sector is positioned for a solid, stable finish to 2025.

KEY Q3 2025 DEVELOPMENTS

- Phase I ESA activity climbed again in Q3, with the LightBox Index rising to 98.0, the strongest reading of 2025.
- Houston, NYC, and Long Island topped metro-level growth YTD, each surging more than 30%, far outpacing the U.S. benchmark of 12%.
- Market sentiment improved with LightBox Market Advisory Council members rating conditions at 71.4, up from 63.4 last quarter, as sentiment intensified for a stronger year-end.
- Private equity and institutional clients remain active, though many deals are still unfolding cautiously due to tariff and rate uncertainty.
- Developing PFAS regulations, staffing gaps, and the federal shutdown emerged as key near-term headwinds in an uncertain yet resilient market.
- Half of Council members anticipate higher Phase I ESA demand in Q4, signaling optimism for a strong finish to 2025.

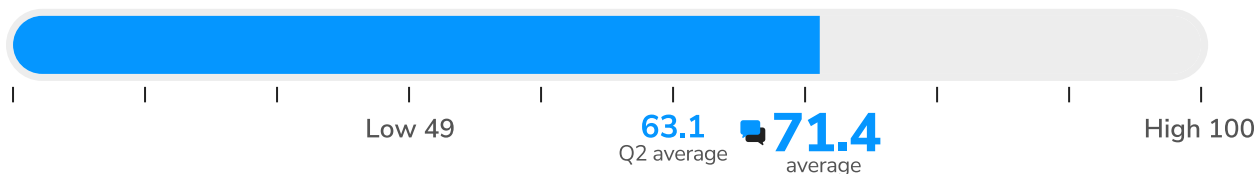
PHASE I ESA SENTIMENT READING IMPROVES 8 POINTS TO 71.4

The LightBox Environmental Due Diligence Market Advisory Council ('Market Advisory Council') members characterized Q3 as a period of measured optimism and selective opportunities, fueled by activity in data center, energy, and manufacturing sectors, as well as continued infrastructure investment and onshoring. This optimism translated into a noticeable uptick in confidence in Q3, assigning the Phase I ESA market an average score of 71.4, up from 63.1 in Q2. Individual responses showed wide dispersion, ranging from a low of 49 to a high of 100, reflecting varying regional and client conditions. Council members described overall market health as moderate to stable, with growth led by infrastructure and energy projects and investors cautiously re-entering select markets.

Uncertainty remains a defining theme, particularly around trade policy and economic direction, yet sentiment improved meaningfully as lenders, developers, and investors signaled greater confidence heading into year-end. While macro headwinds remain, the market's tone has shifted from reactive to strategically forward-looking, marking a significant improvement over early 2025.

State of Q3 2025 Phase I ESA Market

(1=worsening to 100=improving)



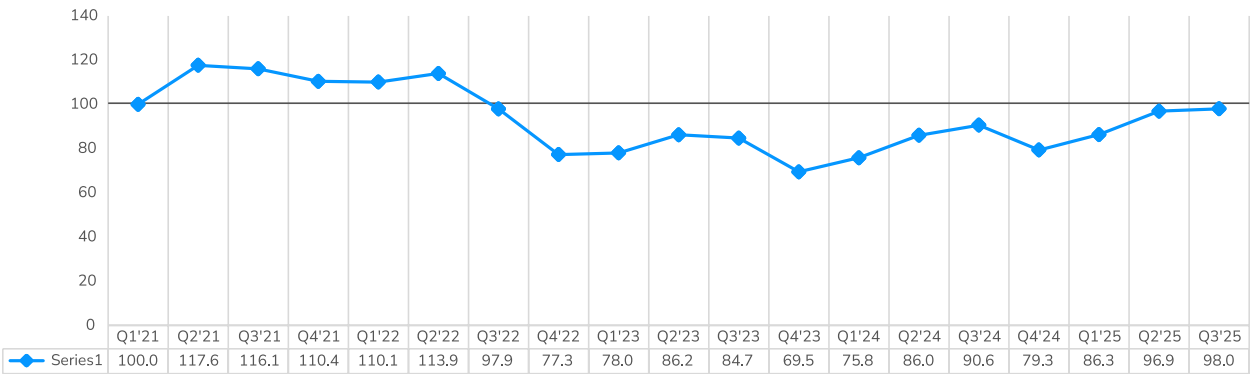
SOURCE: Q3 Market Advisory Survey (mid-to-late October)

LIGHTBOX PHASE I ESA INDEX REACHES HIGHEST LEVEL SINCE 2022

The Phase I ESA market continued its steady trajectory through Q3 2025, with activity edging slightly higher than in Q2. Q3 was the third consecutive quarter of steady growth, underscoring broad-based expansion and improving confidence across key client segments.

Encouragingly, Q3 earnings from major banks were largely positive, suggesting that CRE lending conditions have begun to stabilize. While capital remains selective and underwriting standards tight, debt capital availability has improved, sustaining demand for refinancing, M&A-driven due diligence, and deal activity across multiple asset classes and geographies.

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

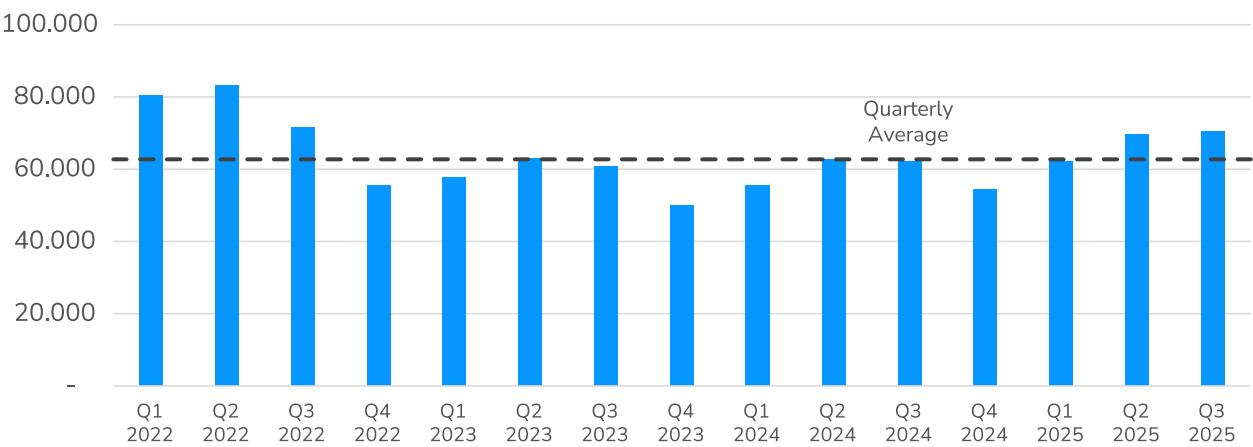


NOTE: The LightBox Phase I ESA Activity Index is derived from the output of the LightBox EDR ScoreKeeper model. Quarterly volumes are normalized to a Q1 2021 base and calculated based on an average volume per business day (adjusted as necessary for changes in client mix to highlight organic market trends).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

U.S. PHASE I ESA ACTIVITY SHOWS STEADY MOMENTUM HEADING INTO Q4

Total Phase I ESA volume reached 70,400 in Q3, up slightly from 69,631 in Q2 and 13% higher year-over-year, marking the strongest quarterly total since Q3 2022. The sustained increase reflects steady market expansion and improving sentiment among investors, lenders, and developers.

However, results vary by client segment. Private-sector activity, particularly among lenders and developers, continues to strengthen as capital flows normalize, while public sector work dependent on federal funding remains constrained by budget uncertainty and the ongoing shutdown. This divergence reinforces the strategic importance of agility and diversification for consultants managing both private and public sector project pipelines.

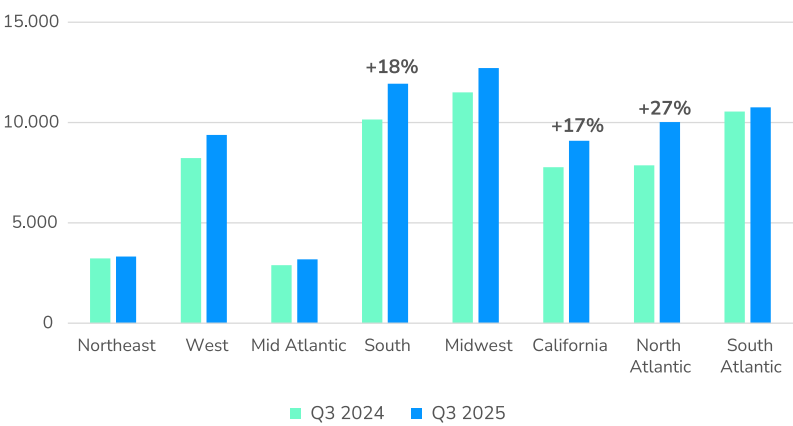


SOURCE: LightBox EDR ScoreKeeper model

TOP MARKETS REVEAL WHERE CRE ACTIVITY IS ACCELERATING

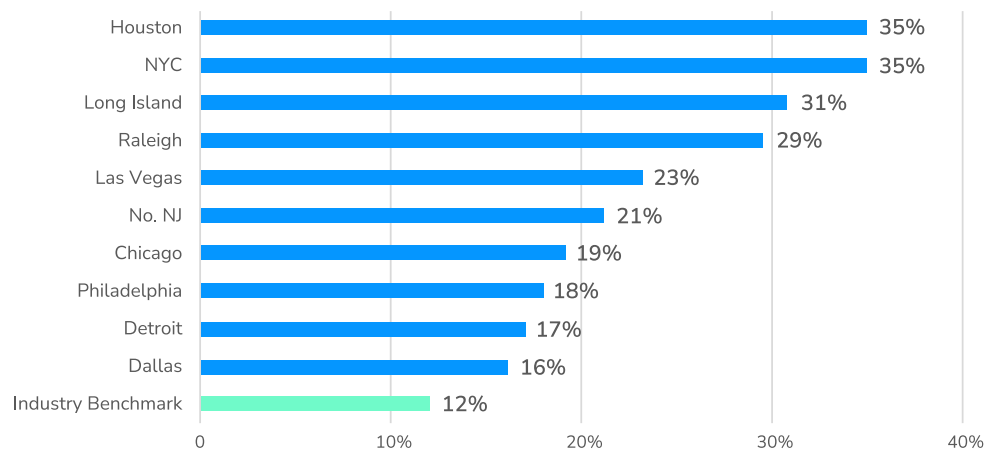
The LightBox ScoreKeeper model, which tracks Phase I ESA volume across the U.S., continues to show an uneven but strengthening market. Regional due diligence trends offer a window into where investment and lending momentum is building.

In Q3 2025, Phase I ESA volume rose 13% year-over-year, with four regions outpacing the national average: North Atlantic (+27.5%), South (+17.6%), California (+16.9%), and West (+14.0%). These regions are emerging as focal points for capital deployment, signaling where deal pipelines may expand first.



At the metro level, Houston (+35%), New York City (+35%), and Long Island (+31%) led growth, followed by Raleigh (+29%) and Las Vegas (+23%). Each market tells a distinct story: Houston's gains stem from strong industrial and energy-related investment; New York City's momentum reflects portfolio refinancing, distressed asset deals, and redevelopment; Long Island continues to benefit from urban-to-suburban migration; Raleigh's growth is tied to technology and life sciences investment; and Las Vegas is rebounding through hospitality and mixed-use development. Collectively, the top-performing metros in the graph are leading indicators of where CRE investment and due diligence demand are accelerating fastest across the U.S. in 2025.

Top 10 Major Markets Ranked by Phase I ESA Growth (YTD Q3 2025 vs. 2024)

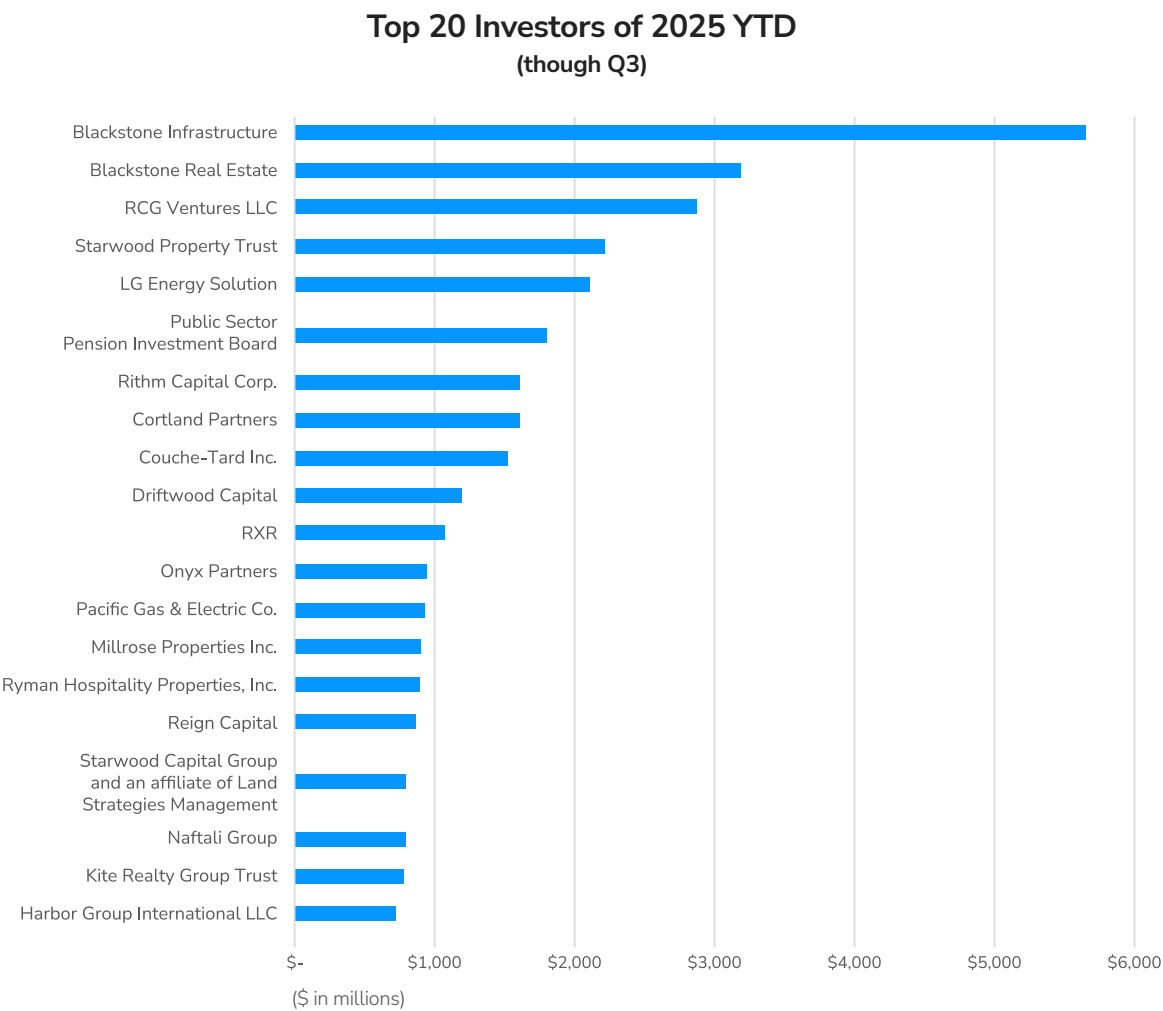


INSTITUTIONAL CAPITAL, DATA CENTERS, INFRASTRUCTURE LEAD Q3 GROWTH

Environmental due diligence demand in Q3 was driven by data center development, utility infrastructure, and manufacturing, alongside steady activity in multifamily and industrial assets. Consultants reported rising workloads in energy and digital infrastructure projects, particularly in Pennsylvania, the Midwest, and the Sunbelt, where onshoring, population growth, and investment are fueling opportunity.

Private equity capital remains a major driver of due diligence demand in the manufacturing sector, as investors seek greater assurance on compliance and operational performance. Brownfield redevelopment and community-focused projects also gained traction, presenting opportunities for integrated environmental, geotechnical, and structural consulting services.

On the investment side, consultants serving institutional and private equity clients such as Blackstone, RCG Ventures, and Starwood Property Trust, the top buyers of 2025 (see accompanying graph), report elevated activity tied to refinancing, redevelopment, and asset management. Public REITs and corporate owners are also active, contributing to robust pipelines across multiple markets.



SOURCE: LightBox Transaction Tracker



WORD ON THE STREET

From the desk of the LightBox
Market Advisory Council



The biggest challenge is a combination of the tactile ("this deal doesn't pencil") plus sentiment ("this feels risky, hard to know if this pricing makes sense"), and therefore, the hesitancy perpetuates."

– **Elizabeth Krol**, Associate VP, Li-Ro Hill



We've observed a notable rise in environmental due diligence activity tied to data center development and utility infrastructure projects. This includes large-scale site assessments, permitting support, and special inspections, particularly in regions like Pennsylvania, where demand for energy and digital infrastructure is accelerating. These projects are often fast-tracked, requiring nimble coordination across environmental, geotechnical, and structural disciplines."

– **Angelo Fatiga**, Discipline Leader/Environmental, Colliers Engineering & Design



We have been seeing a few bigger portfolio deals, the likes of which we haven't seen in some time, which feels very encouraging. I think that the difference today versus pre-COVID is that today's deals are not so hot that one is being asked to review 150 sites in three days. Today it's more common to have a transaction closing in 30-60 days, allowing us to complete the due diligence. Caution seems to be winning over speed, at least for now."

– **Heather Ridgway**, President, Environmental Professional Partners, LLC



Private equity investment in manufacturing remains robust, but there is an uptick in requests for non-ASTM add-ons around compliance and permit review. It's clear that investors want to assure the asset can perform as intended from the outset, likely due to tariffs and the onshoring push for domestic production."

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



The net positive feel comes primarily from the Fed's first 25-basis-point rate cut, giving the market some confidence to move forward on transactions that were tight from an underwriting standpoint. That said, I'm still only slightly optimistic given the confusing economic data."

– **Jeff Coyne**, Senior VP, GRS Group/NV5



We typically see an increase in Phase I ESA project activity during Q4 as clients move to complete deals before year-end. With projections of more Fed rate cuts coming, I expect volumes to come in somewhat higher in Q4 than in Q3."

– **Hillary Williams**, National Director, Atlas



STAFFING STRAINS, REGULATORY COMPLEXITY, AND MARKET UNCERTAINTY REMAIN KEY HEADWINDS

Survey responses from the Market Advisory Council reveal four recurring challenges that are influencing project execution and market performance:



Staffing and Capacity Constraints.

Persistent shortages in specialized disciplines such as PFAS assessment, permitting, and compliance are stretching resources and testing responsiveness as project volume increases.



Regulatory Complexity.

Evolving standards around PFAS, water quality, and air permitting continue to complicate project planning and delivery.



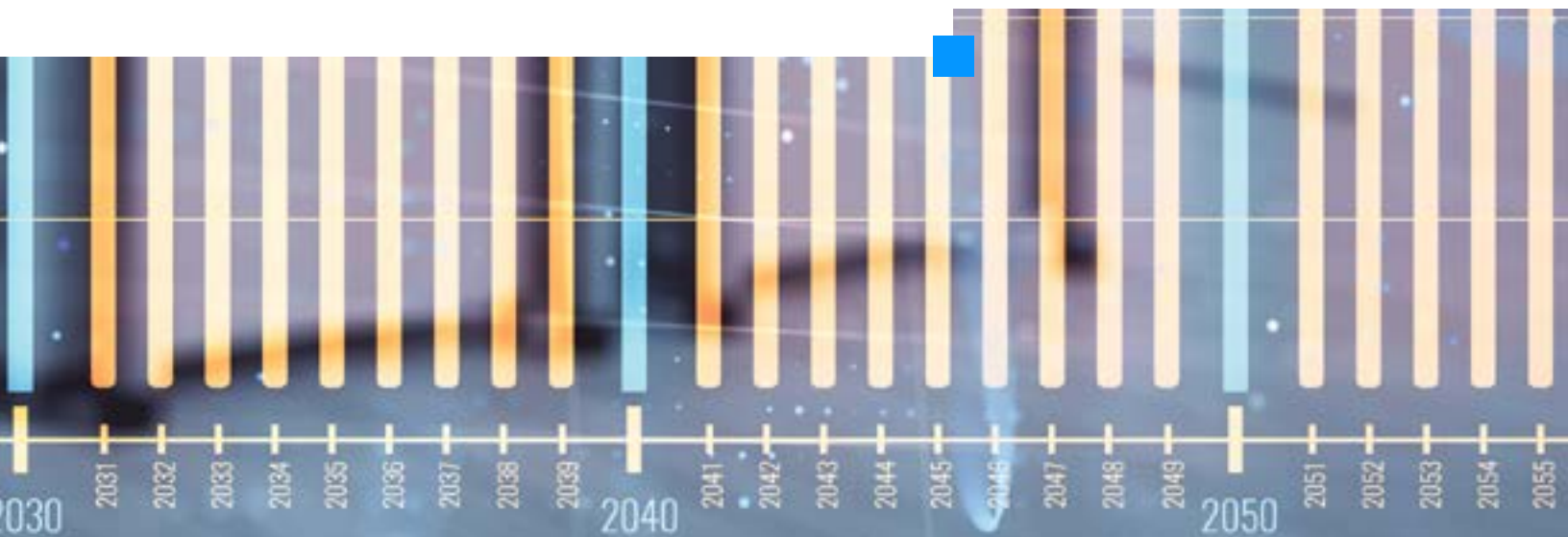
Economic and Market Uncertainty.

Ongoing macro pressures, including rate volatility, trade policy uncertainty, and cost inflation, are delaying some deals and extending underwriting timelines.



Project Pacing and Client Expectations.

Compressed timelines and increased client urgency are forcing consultants to deliver more quickly without compromising quality.



Q3 MOMENTUM CARRIES INTO YEAR-END

Tailwinds Build, But Headwinds Persist

While environmental due diligence activity often moderates from Q3 and Q4, this year’s seasonal slowdown appears likely to be mild. The broad-based [LightBox CRE Activity Index](#) rose to 116.8 in September, the highest reading of 2025 and the eighth consecutive month above the 100-point ‘healthy activity’ benchmark. The rebound followed a late-summer lull and was fueled by a surge in property listings and renewed confidence following the Federal Reserve’s September rate cut. With multiple tailwinds in play, from rate relief to a narrowing bid-ask gap between CRE buyers and sellers, the Phase I ESA market entered Q4 in strong shape despite market uncertainty.

FORECAST: Expectations for Phase I ESA Demand in Q4 2025

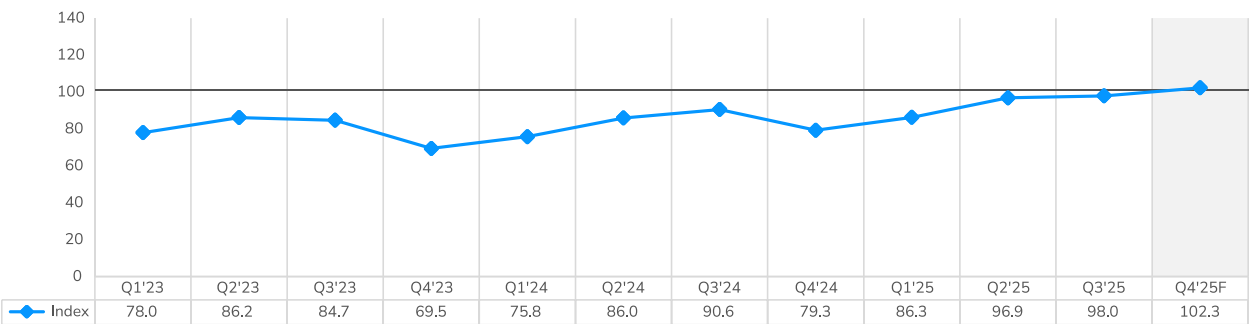
About the same as Q2		50%
Somewhat higher		38%
Significantly higher		12%

SOURCE: Q3 2025 Market Advisory Council Survey

Market Advisory Council members expect a modest uptick in Phase I ESA volume through year-end as clients advance delayed projects and complete typical year-end closings. Recent rate relief has boosted buyer sentiment, while new surveys from Deloitte and CREFC indicate rising investor and borrower confidence, stronger demand for CRE loans, and significant undeployed capital.

Several headwinds, in addition to the ones highlighted on the previous page, temper the near term outlook. A softening labor market, sticky inflation, and the prolonged federal government shutdown are adding friction. Despite the uncertainty, both LightBox market metrics and Council feedback indicate that the market remains well positioned for a stable close to 2025. Investors are focusing on durable-demand asset classes, like industrial, necessity retail, and selective multifamily, while maintaining conservative underwriting. The combination of monetary easing, pent-up capital, and improving liquidity supports an outlook of stable-to-moderate growth in Q4 and a stronger foundation for 2026, provided that policy, rates, and credit conditions continue to align.

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



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,
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Ryan Dunning

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Angelo Fatiga

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Sammy Hoskins

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Senior Consultant,
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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

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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