

Mid-Year 2025 CRE Market Sentiment Survey Results



Guarded Optimism as the Market Eyes a Busier Second Half

After an uneven first half of 2025, marked by debt capital constraints, pricing challenges, higher-for-longer interest rates, and market volatility, commercial real estate professionals are cautiously optimistic about the outlook for the second half. According to the LightBox Mid-Year 2025 CRE Market Sentiment Survey, conducted in the second and third weeks of July, the industry is preparing for a somewhat busier second half with uncertainty around interest rates and tariff policy weighing heavily on decision-making. The survey gathered insights from 237 CRE professionals spanning brokerage, investment, lending, appraisal, and environmental due diligence. Respondents reflected on market dynamics during the first half of the year and shared expectations for the remainder of 2025, along with their sentiment on debt capital availability, property pricing, interest rates, and tariffs.

Despite ongoing volatility, the results reveal a common thread of guarded optimism. Many professionals are anticipating long-awaited interest rate relief, growing opportunities in the distressed asset space, and improved pricing clarity, all of which could stimulate deal activity. The majority of respondents expect deal volume to remain steady or increase over the next two quarters, a sign that the market is poised to soldier on through lingering economic headwinds.

Top Signals from the Survey

Muddling in the Middle

1

CRE professionals aren't betting on dramatic shifts. The majority (76% of respondents) expect deal activity to either increase (42%) or hold steady (34%), with only 24% forecasting a slowdown. The market is holding its ground, but uncertainty remains the defining backdrop.

Distress is Simmering Not Surging

2

Distress is not yet widespread, but signs are emerging. 40% of respondents are starting to see localized increases, particularly in urban office. Loan extensions have delayed a reset, but pricing pressure and loan maturities could bring sharper adjustments before year-end.

Pricing Feels Close to the Floor

3

While 40% believe pricing has hit bottom, 60% think there's still room to fall. The good news? Bid-ask spreads are narrowing, and valuation uncertainty, though still a top-five concern, is beginning to ease, especially in high-transaction sectors like multifamily and industrial.

Interest Rate Inactivity is Holding Up the Market

4

Respondents point to the lack of interest rate declines for holding up activity this year, more than tariffs. And high rates are slowing down improvement in CRE pricing clarity. Any hope hinges on rates coming down.



Volatile First Half

CRE professionals reported an unpredictable start to 2025. Only 27% said their activity followed a “moderate, consistent pace,” while 25% described the first half as “extremely volatile and difficult to predict.” New federal policy shifts and the onset of tariff conflicts contributed to sharp fluctuations in the 10-year Treasury, dampening market confidence and injecting hesitation into early 2025 bullishness.

Survey respondents rated current CRE sentiment at 48 on a scale of 1 (worsening) to 100 (improving). While about one-third feel “more optimistic” than they did at the start of the year, 35% say they are now “more pessimistic,” highlighting an industry divided and cautious at the start of the second half.

Adjusting to Higher-for-Longer Interest Rates

The Federal Reserve’s monetary policy had the most significant impact on dealmaking in the first half, followed closely by general economic uncertainty, according to the survey. Despite earlier expectations, the much-anticipated interest rate cuts have yet to arrive.

When asked about debt capital availability in the first half, only 35% said debt was very or somewhat accessible compared to late 2024. Looking ahead, inflation pressures and tariff implementation are clouding the rate outlook. Still, most respondents expect modest rate declines and pricing stabilization in the second half, conditions that could spur increased lending, appraisal, due diligence, and investment activity. Expectations for future debt capital availability are clustered between “slight easing” and “holding steady” compared to the first half of the year.

The Quest for ROI: Where Capital Is Headed

More than 70% of broker and investor respondents say they are “very likely” or “somewhat likely” to pursue new transactions in the second half of 2025, provided current market conditions hold. Industrial, multifamily, and retail are viewed by respondents as the strongest investment opportunities among major asset classes.

Industrial continues to top investor wish lists, buoyed by the [ongoing reshoring of manufacturing](#). While tariffs introduce risks like supply chain disruptions and higher production costs, the sector’s fundamentals remain strong. Multifamily remains in high demand due to the persistent housing shortage and unaffordable homeownership. According to the [LightBox Transactions Tracker](#), multifamily deals are moving briskly in 2025, though rising construction and insurance costs may challenge new development. Retail is holding investor attention thanks to low vacancies and limited new supply. However, growing tariff uncertainty is starting to impact retailer expansion and could dampen consumer spending as import costs rise. Office is seeing a measured rebound, led by demand for trophy and Class A space in key CBDs. By contrast, Class B/C properties continue to struggle, needing upgrades to remain competitive. Return-to-office policies are supporting improved leasing activity in major metros. Data centers are also driving interest as CRE’s fastest-growing sector, fueled by [large-scale AI infrastructure investments](#) from tech firms looking to expand digital capacity across the U.S.

“Despite ongoing challenges around rates and tariffs, our survey shows a CRE market that’s adapting to uncertainty and gearing up for a more active second half.”

– Dianne Crocker, Research Director at LightBox

The Slow Unraveling of Distress

While distress was expected to be a major market force in 2025, the strength of distressed asset opportunities as a driver for key CRE functions fell short of expectations this year. So far, 78% report that distress remains limited to specific markets and asset types, particularly urban office. However, while not widespread, 40% of respondents are seeing distress start to expand.

Loan extensions have masked distress and delayed a true pricing reset. As pricing stabilizes and the market adjusts to higher-for-longer rates, targeted opportunities are expected to emerge, particularly for investors with dry powder ready to deploy. For now, the “extend and pretend” strategy among lenders is holding off a broader wave of distressed sales, but sentiment suggests the backlog of maturing loans will bring sharper adjustments before year-end.

CRE Pricing Nears Bottom

Whether CRE pricing has reached its bottom is a pivotal factor shaping investor confidence and deal activity. After years of muted transaction volume and a persistent bid-ask gap, 40% of respondents believe pricing has now stabilized across most sectors, while 60% think there’s still room for values to fall. Valuation uncertainty ranked as the fourth most significant factor affecting deal flow in the first half of 2025, trailing only interest rates, the broader economy, and tenant demand.

The data reflects a growing belief that pricing is finding a floor, though sector-level variation remains. In office, for example, more transactions are expected to help sharpen pricing and further narrow the bid-ask spread. For now, sentiment points to a flattening pricing trend with a downward bias, especially as tightening credit conditions could add renewed pressure later this year. As pricing clarity improves, more investors are viewing this point in the cycle as a window for reentering the market with greater conviction.

Cautious Confidence Amid Continued Volatility

After a volatile first half of the year, CRE professionals are cautiously optimistic about what lies ahead over the near-term, although that optimism is balanced by growing concerns about interest rates, tariffs, and rising costs. While most expect deal volume to either increase slightly (39%) or remain steady (34%), survey respondents acknowledge that elevated uncertainty is here to stay. A large majority anticipate either the same level of uncertainty or greater volatility in the coming months.

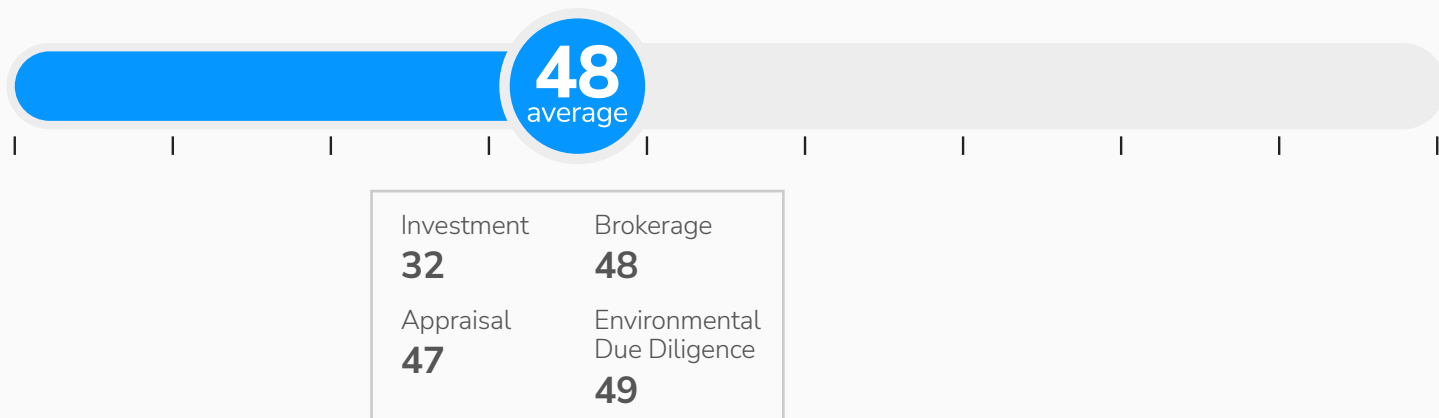
Interest rates remain the top concern, with 34% of respondents citing the path of rates as the most important factor influencing second-half deal flow. Still, many believe the industry can function in a “higher for longer” environment, provided pricing stabilizes and debt availability holds firm. However, tariff uncertainty is emerging as a growing risk, raising fears of inflationary pressure and slower economic growth as new trade policies take effect.

Despite these headwinds, 69% of respondents believe the CRE market will “soldier on” through the second half so long as deals remain financially viable. Uncertainty clearly defines the current outlook, but the resilience demonstrated in the first half has set the stage for cautious but determined progress.



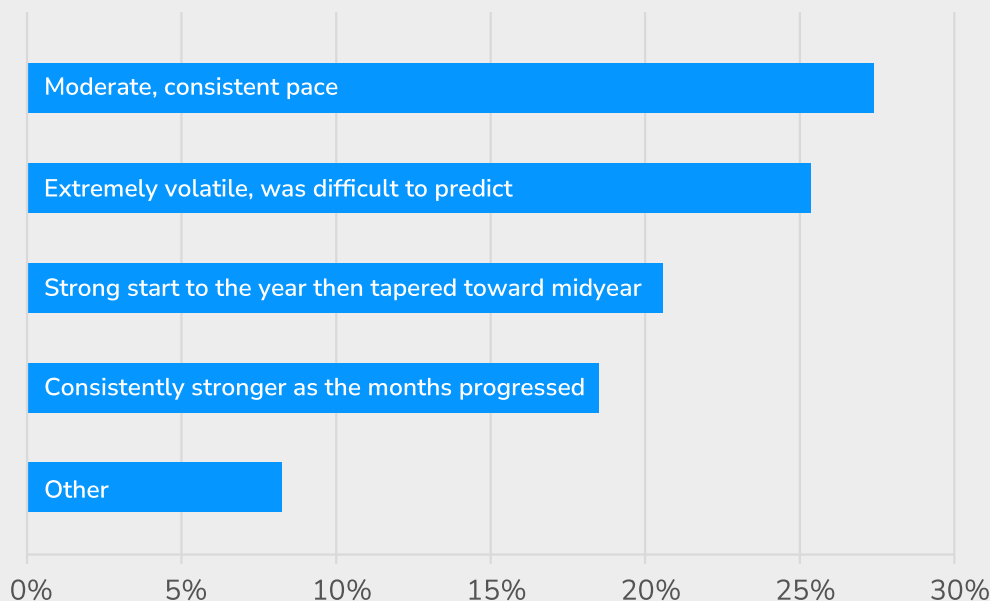
SECTION 1: Reflections on H1 2025

Q1: On a scale from 1 (worsening) to 100 (improving), how would you rate your current overall market sentiment?



The LightBox CRE Market Sentiment Index is at 48 out of 100, indicating a stable commercial real estate market with a slightly weaker reading from the investment segment (32).

Q2: How would you characterize the pace of your firm's CRE-related activity in H1 2025 compared to H1 2024?



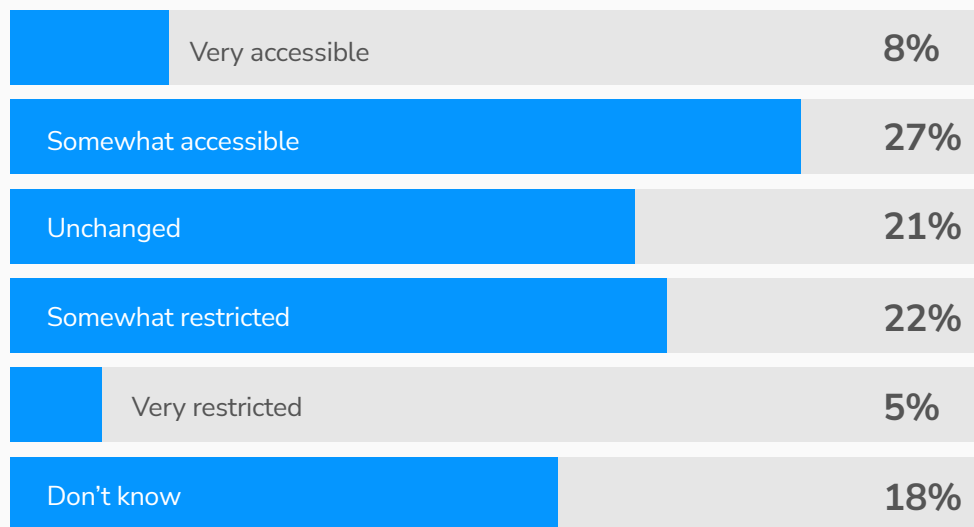
NOTE: Other included responses like "slow and painful," "very slow," and "lackluster."

Q3: For each factor below, indicate the degree of impact that each had on CRE dealmaking in H1 2025 (1=low impact to 3=high impact):

Segment	Interest Rates, Fed Monetary Policy	Concerns about the Economy / GDP Growth	Tenant Demand / Leasing Activity	Property Valuation	Tariff Wars	Capital Availability	Distress / Loan Workout
Investment	2.73	2.63	2.55	2.55	2.36	2.27	2.27
Brokerage	2.65	2.32	2.26	2.23	2.03	2.03	1.65
Appraisal	2.57	2.24	2.12	2.00	1.92	1.84	1.53
Environmental Due Diligence	2.33	2.24	2.15	2.00	1.97	1.94	1.58
Average	2.52	2.18	2.09	2.08	2.06	2.04	1.62

Q4:

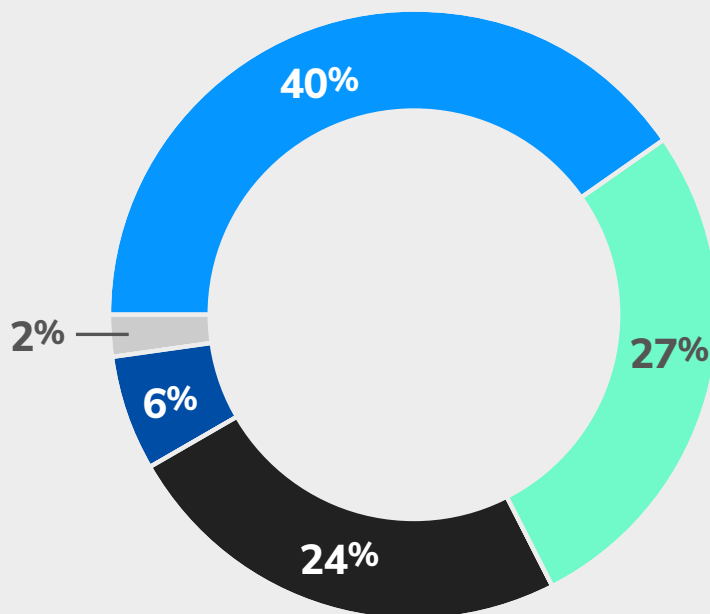
How would you describe the availability of debt capital from lenders in the market this year compared to year-end 2024?



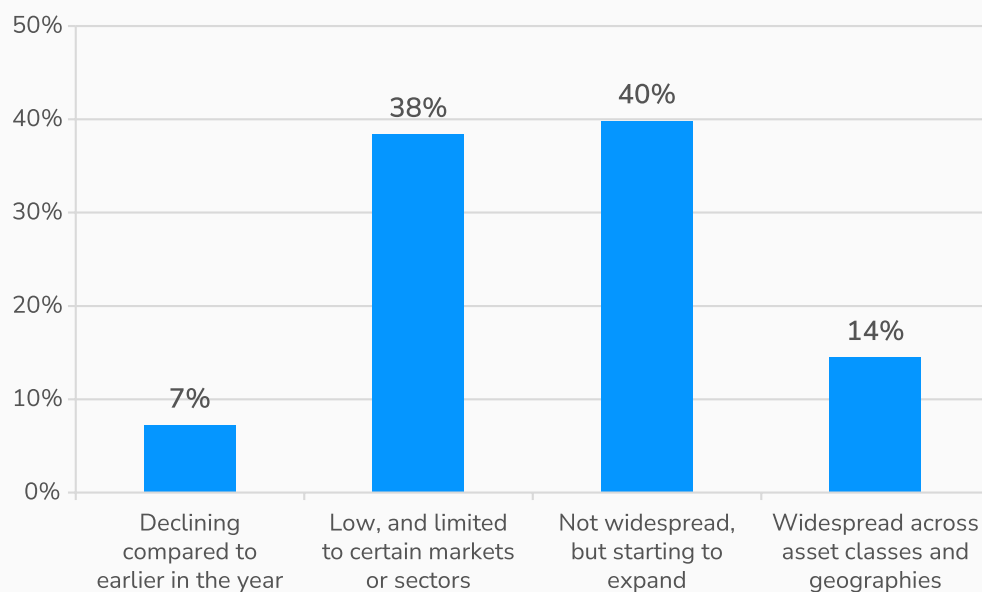
Q5:

Did you pursue or support distressed asset opportunities (e.g. discounted assets, loan sales, workouts) in H1 2025?

- Not interested/involved in distress
- Not at all but monitoring
- Occasionally
- Yes, actively
- Other



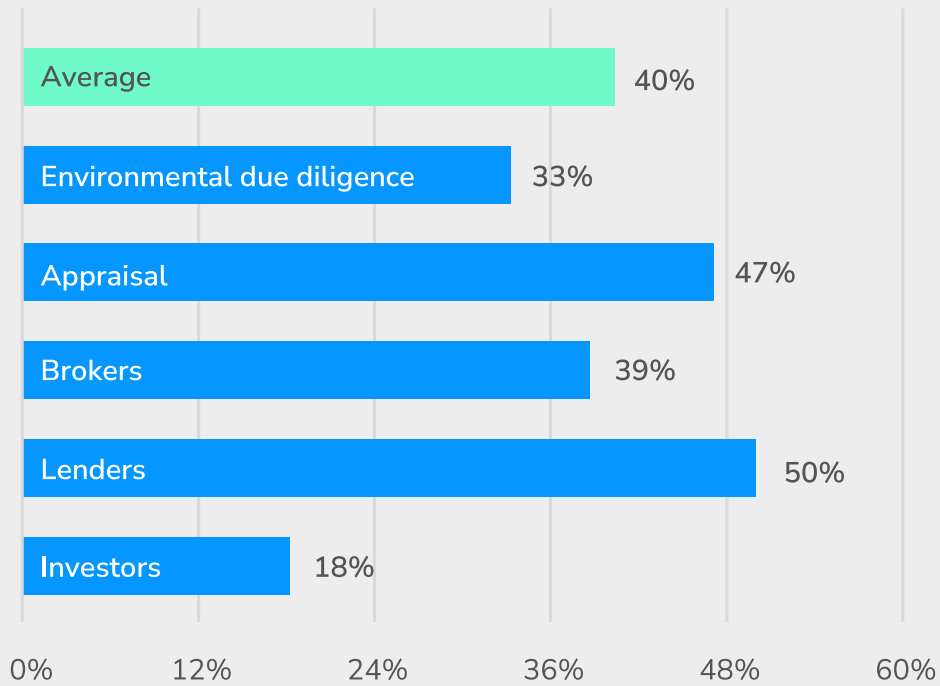
Q6: How would you describe the current level of distress in the market?



Q7:

True or False: I believe that CRE pricing has hit bottom in most sectors and the bid-ask gap between buyers and sellers has narrowed.

% of "True" Responses by Segment



Featured Respondent Quotes

“

Pricing has to reset for the market to return to normalized transaction volumes.

”

“

Many institutional owners and occupiers of space project another 12-18 months before we hit bottom.

”

“

There's still confusion in the market, forcing pricing issues.

”

“

We still have some room to fall until at least the end of the year.

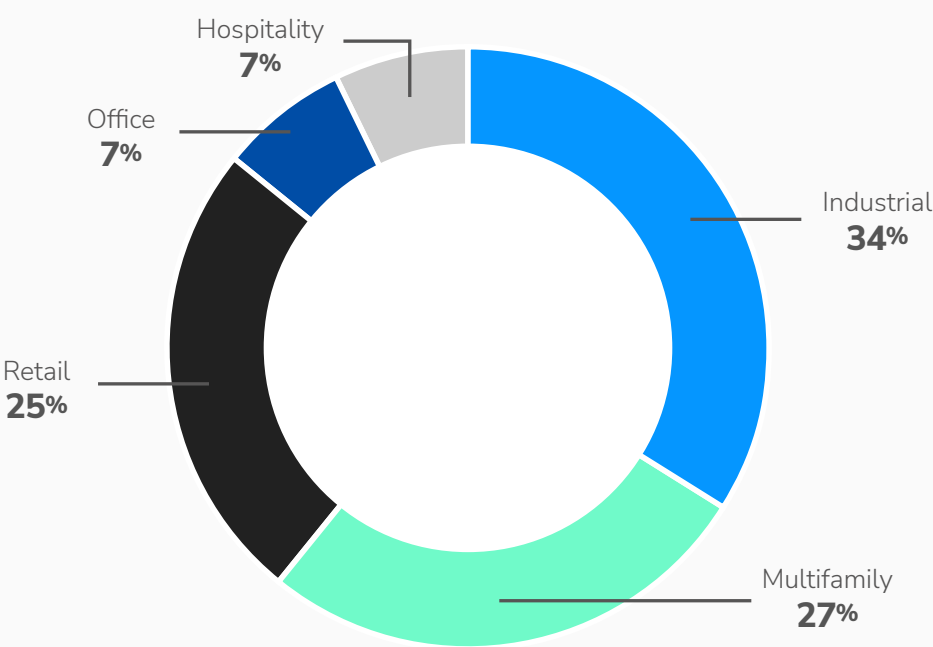
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Spotlight On Brokers and Investors

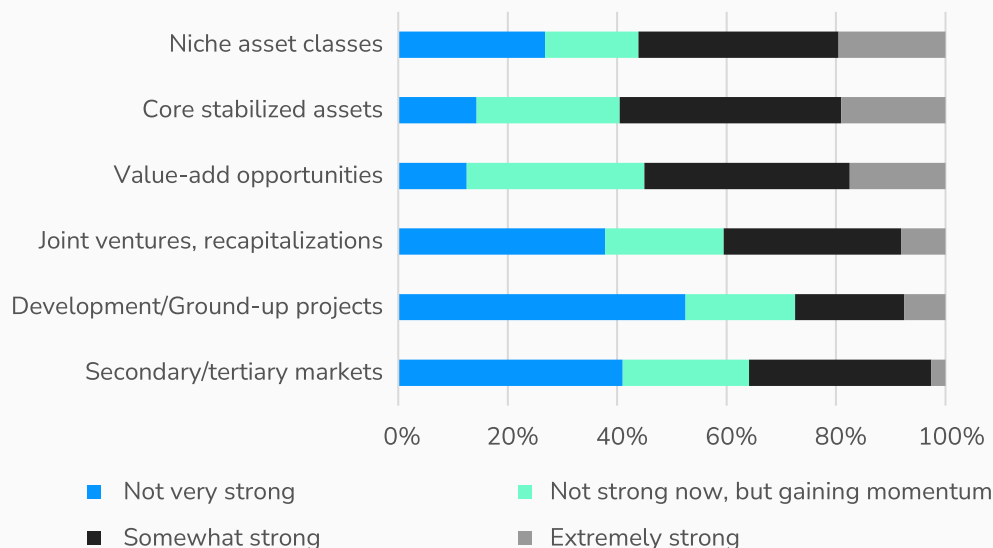
Questions 8, 9, and 10 were only posed to survey respondents in the brokerage or investment segments of CRE.

Q8: Which of these major asset classes are driving the strongest CRE investment potential?



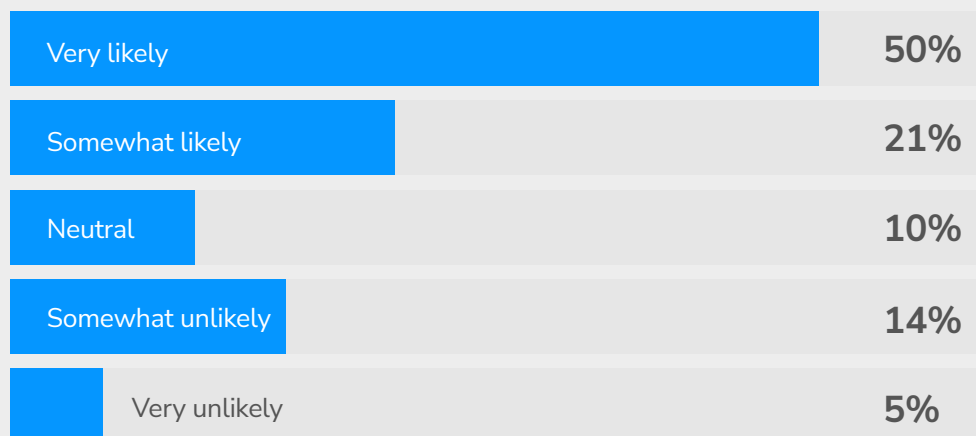
Q9:

Outside of the major CRE asset classes, indicate how strongly you view investment opportunities in each of the following:



Q10:

Indicate how likely you are to pursue new transactions in the second half of 2025, assuming that current market conditions continue:

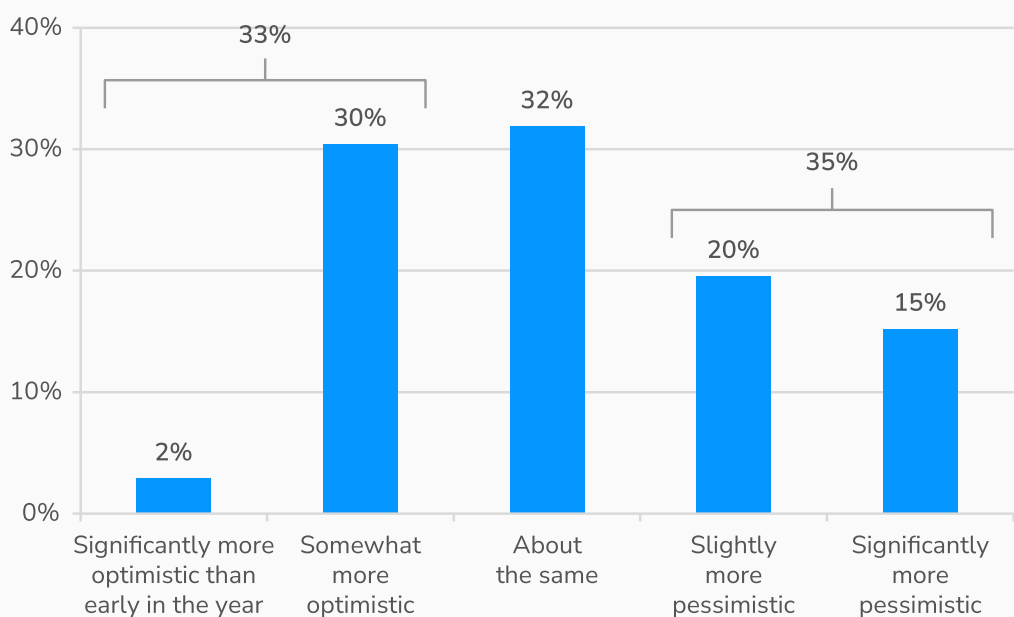




SECTION 2: Outlook for H2 2025

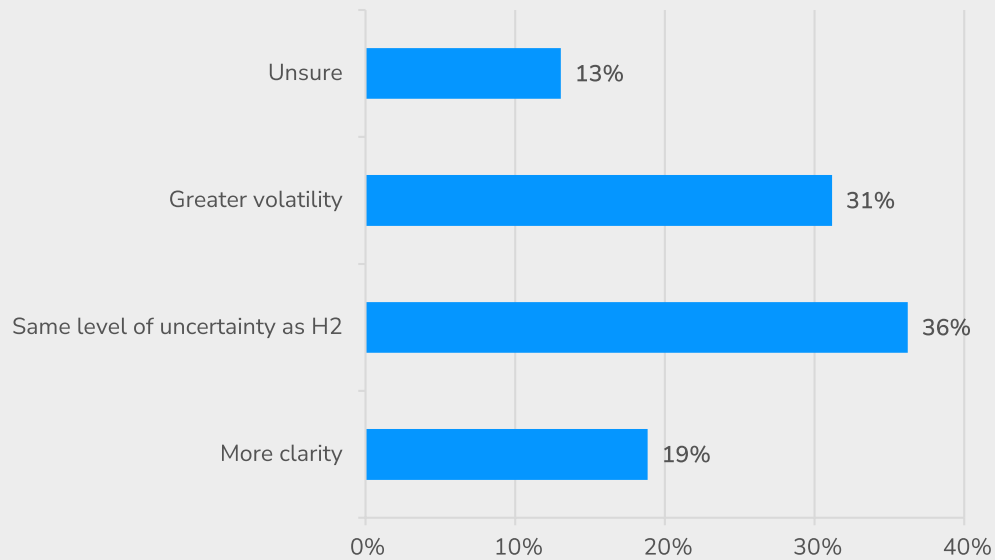
Q11:

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



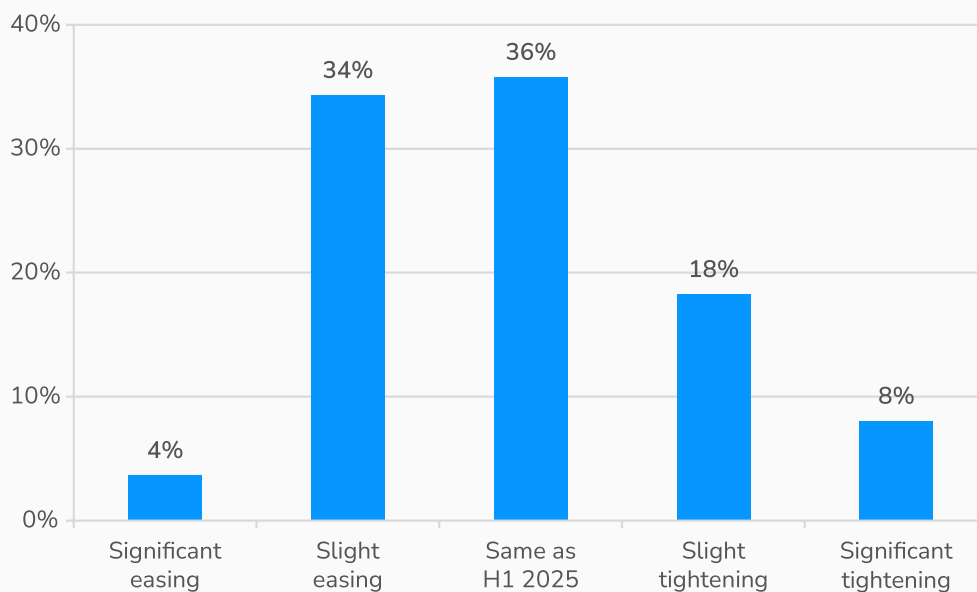
Q12:

Do you expect the CRE market to experience more clarity or greater volatility in H1 2025?



Q13:

What changes, if any, do you expect in capital availability or lending standards for the rest of the year?



"Lower interest rates should help valuations and free up capital waiting on the sidelines spurring on increased market activity."

Survey Respondent

Bank

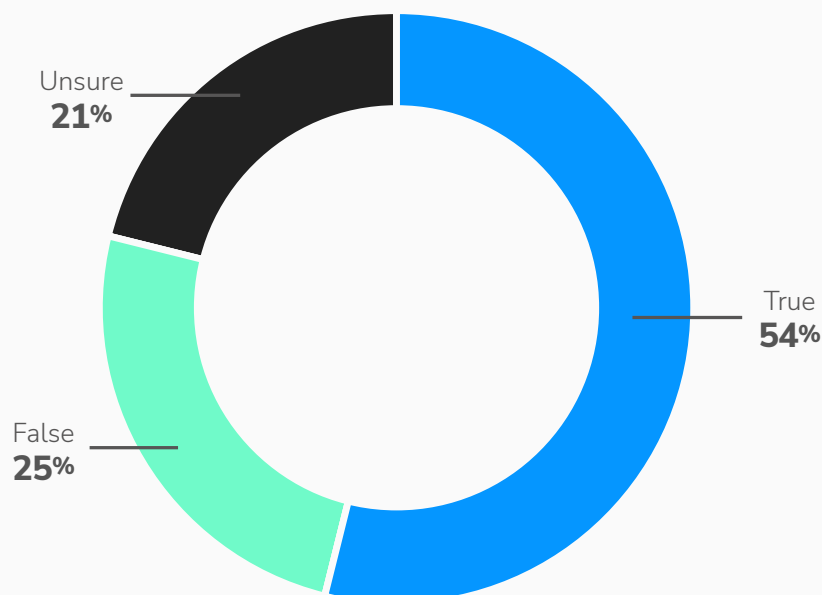
Q14:

Which of the following do you think will have the greatest impact on CRE dealmaking in H2 2025?

Whether interest rates decrease	34%
The extent/impact of tariffs on the U.S. economy	17%
Market confidence	16%
The ability to obtain debt capital	12%
Geopolitical unrest	9%
Volume of properties listed for sale	6%
CRE pricing clarity	6%

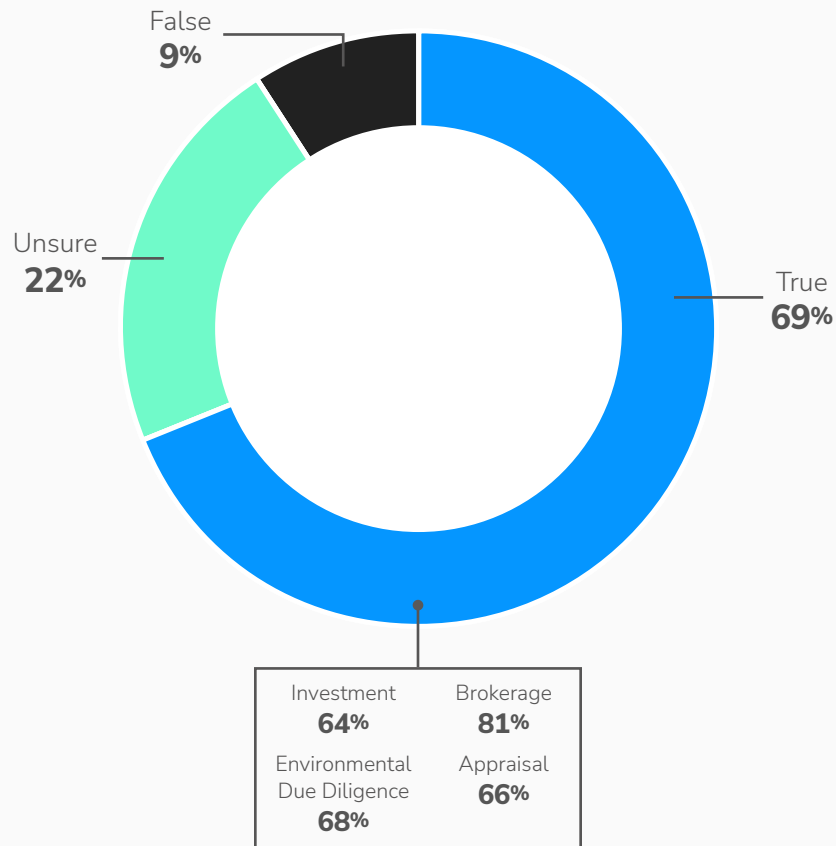
Q15:

True/False: Tariffs and related policy uncertainty will result in slower growth and inflationary pressures in H2 2025.



Q16:

True/False: The CRE market will continue to soldier on in H2 2025 despite market volatility and tariff uncertainty as long as the numbers pencil out.

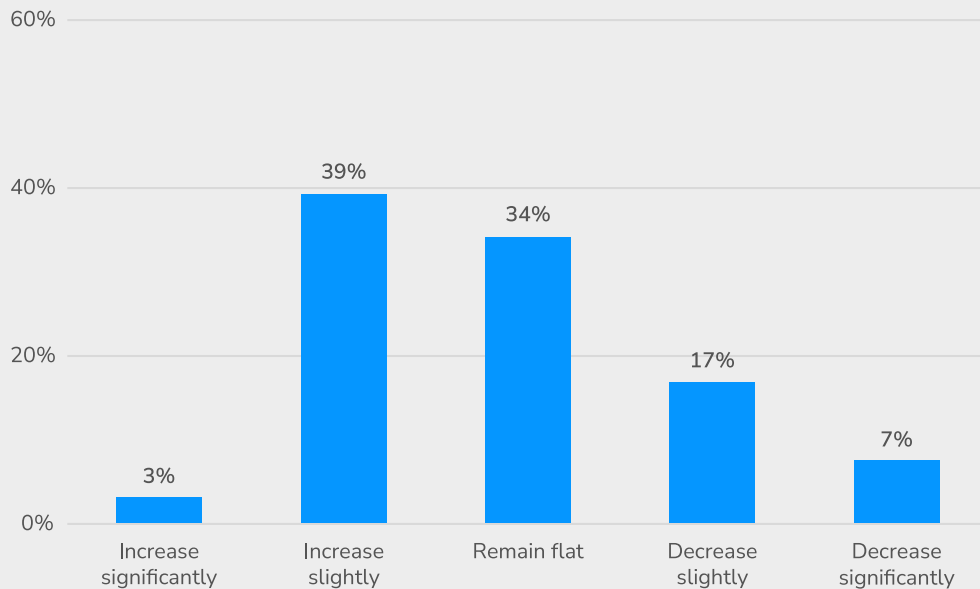


"The fact that nearly 70% of respondents believe the CRE market will keep moving in the second half of 2025, even with volatility and tariffs in play, says a lot. As long as deals can be underwritten with confidence, activity will push through the noise. This is a market driven by math, not mood."

– Manus Clancy, Head of Data Strategy at LightBox

Q17:

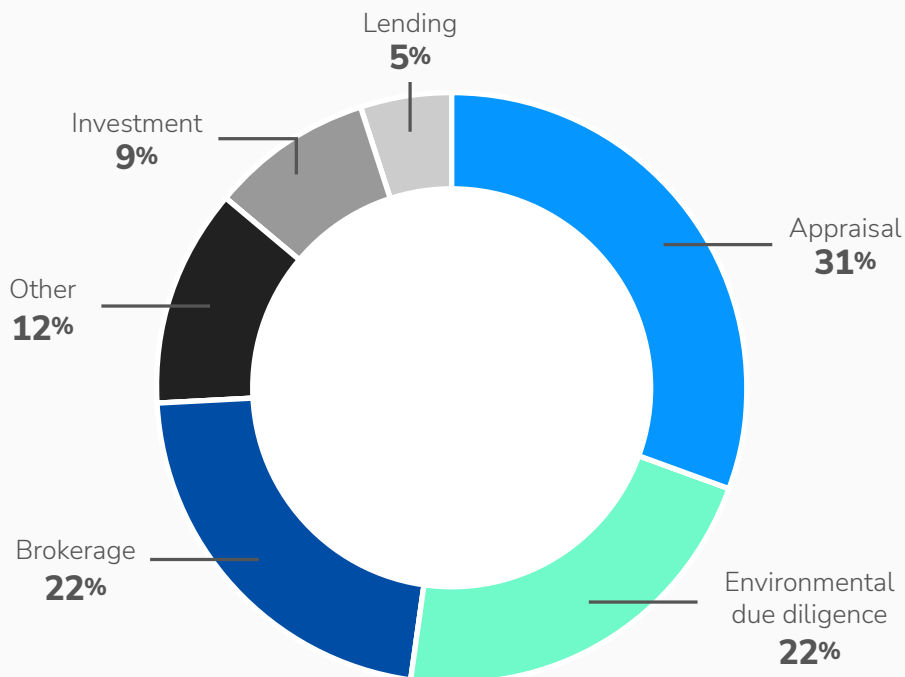
What are your expectations for deal activity in H2 compared to H1 2025?



	Increase significantly	Increase slightly
Investment	9%	18%
Brokerage	0%	48%
Appraisal	0%	43%
Environmental due diligence	9%	29%

Survey Methodology

In early July 2025, LightBox surveyed a broad range of investors, brokers, appraisers, lenders, environmental due diligence consultants, developers and other CRE professionals via email to collect data on how the first half of 2025 played out, top concerns, and expectations for the second half of the year. The survey sample includes 237 CRE professionals from across the U.S. Due to rounding, percentages used may not equal 100.



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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