CRE MARKET SNAPSHOT Q1 2025

FOCUS ON LENDER-DRIVEN APPRAISAL TRENDS
(January 1-March 31, 2025)

LIGHTBOX APPRAISAL INDEX REBOUNDS TO 59.8 IN Q1 2025 DESPITE INTENSE VOLATILITY

Editor's Note

This report, an installment of the LightBox CRE Market Snapshot Q1 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, which highlights trends in capital markets and emerging opportunities for brokers and investors.

After a late-2024 slowdown driven by interest rate uncertainty and financial market volatility, the commercial real estate (CRE) appraisal sector entered 2025 with renewed momentum. Big banks reinvigorated lending for the first time in several quarters as borrower demand for refinancing and acquisition capital grew, following the extended period of price corrections and limited investment opportunities. This positive shift is reflected in the LightBox Appraisal Index, **which advanced to 59.8 in Q1—a 5% increase from the 56.9 reading in Q4 and 6% higher than the 56.4 level one year ago.** The increase signals growing confidence in the CRE space despite persistent headwinds.

In January, appraisal award volume rose for the first time in three months, driven in part by a surge in refinancing activity tied to the 2025 wave of loan maturities. The "extend-and-pretend" strategies of the past two years are fading, as lenders respond to more urgent requests for capital. By the end of the first quarter, commercial appraisal awards volume in the LightBox Collateral360® and RIMS® platforms rebounded by 10% from the Q4 level despite the steady stream of federal policy developments that triggered wild swings in the S&P 500 and extreme volatility in the 10-year Treasury.

KEY Q1 2025 DEVELOPMENTS

- The LightBox Appraisal Index advanced to 59.8 in Q1 2025, representing a 5% quarter-over-quarter increase and a 6% gain year-over-year as lender demand strengthened.
- Total appraisal award volume, measured in dollar terms, was $56.8 million in Q1, a 15% year-over-year and 10% quarter-over-quarter jump.
- The average appraisal fee per lender project reached $3,402 in Q1, marking a 10% increase from the prior year and a 3% uptick from Q4 2024.
- Amid heightened market competition, the average lender appraisal turnaround time shortened to 13.5 business days—2 days faster than the previous quarter.
- Retail took the top spot in appraisal projects by asset class, accounting for 22% of all activity in Q1, with industrial and multifamily rounding out the top three.

The Federal Reserve paused on a fourth rate cut at both its January and March meetings, maintaining the benchmark rate at 4.5%, leaving the market to adjust to a "higher-for-longer" rate environment. Despite continued tight lending conditions and cautious underwriting, the flow of debt capital into CRE is steadily gaining traction—driven in large part by CMBS, insurance companies, and private equity lenders.

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 104.4 in March, the highest reading since June 2022 and only the second triple-digit mark in nearly three years. This performance signals a market that, while still navigating uncertainty, is regaining its footing.

As tariff-related campaign pledges turn into enacted policies, growing concerns around disrupted supply chains, rising production costs, and the risk of an economic slowdown are beginning to impact market sentiment. While uncertainty is weighing on the market early in the second quarter, the Q1 rebound in appraisal momentum offers a positive signal that capital is moving again, lenders are engaged, and the CRE market is showing resilience in a challenging market environment.

As noted by a member of the LightBox Capital Markets Advisory Council, *"Q1 brought steady improvement in capital markets and an increasing appetite by investors to transact again, but that momentum will be tested as we head into Q2."*

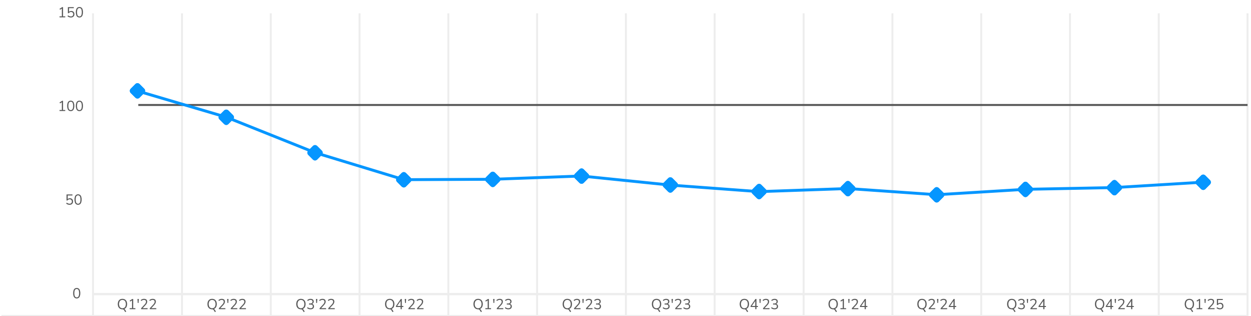
Q1 APPRAISAL INDEX RISES TO 59.8, A RETURN TO LEVELS NOT SEEN SINCE Q2'23

In Q1, 16,693 appraisal awards valued at $56.8 million were put out to bid by CRE lenders in the LightBox Collateral360 and RIMS platforms, but the monthly growth was uneven. January's appraisal awards surged 33% over a slower-than-usual December, due to a combination of typical seasonal slowness as well as market volatility, followed by more modest—but still strong—13% growth in February over January.

The rise reflects renewed CRE lending activity, particularly among large institutions that spent much of 2024 cleaning their balance sheets of nonperforming loans and extending loan maturities in anticipation of lower interest rates down the road. It's worth noting that Q1's uptick in overall appraisal awards brought the Index closer to levels last seen in Q2 2023, when it peaked at 63.1—just before elevated interest rates and a cooling CRE market led to subdued lending activity.

The winds of March ushered in new tariff policies and historic swings in the equities market and 10-year Treasury yields and a 12% decline in month-over-month appraisal awards. Despite a 7% quarter-over-quarter increase in appraisal awards and a 4% year-over-year gain, March's figures suggest a potential deceleration in growth momentum. While activity continues to rise, the pace of that growth has moderated month-over-month, which may indicate emerging caution in the market following a robust start to 2025.

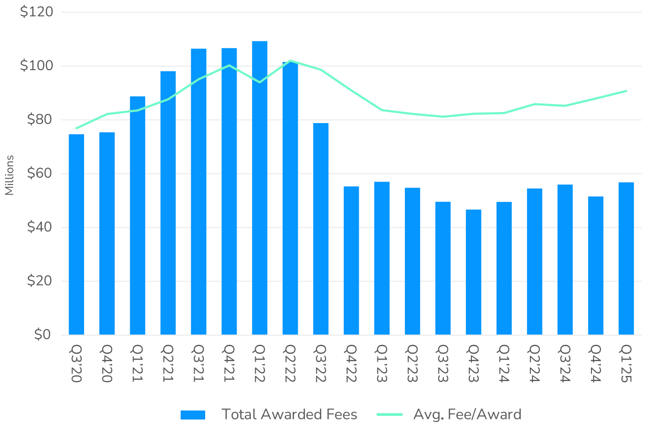
LightBox Appraisal Index (Base Q1 2021=100)



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
INDEX	108.5	94.5	75.6	61.1	61.4	63.1	58.3	54.8	56.4	53.1	56.0	56.9	59.8

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.

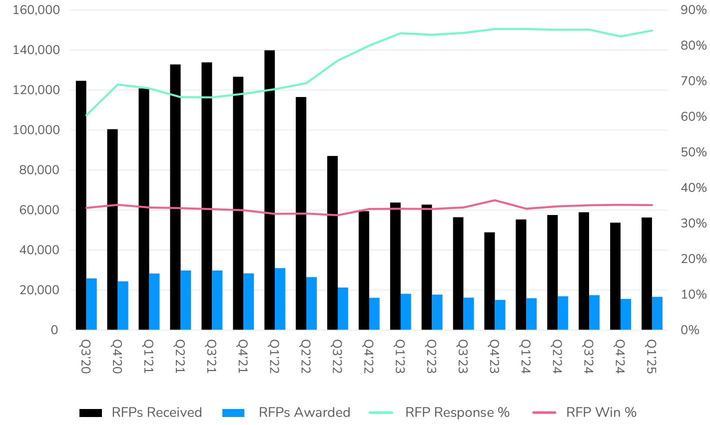
Total Awarded Fees & Avg Fee Award Through Q1 2025



SOURCE: LightBox Collateral360/RIMS platforms

In Q1 2025, total awarded fees (denoted by the blue bars) rebounded to $56.8 million, a 10% increase from Q4's $51.6 million and a 15% gain compared to $49.5 million in Q1 2024. Q1's recovery signals renewed market momentum, although March declined after a strong January and February, in what may be an early sign of decelerating momentum. The average appraisal fee of $3,402 in Q1 was up by a slight 3% from Q4's $3,298 and a stronger 10% higher than $3,096 one year ago.

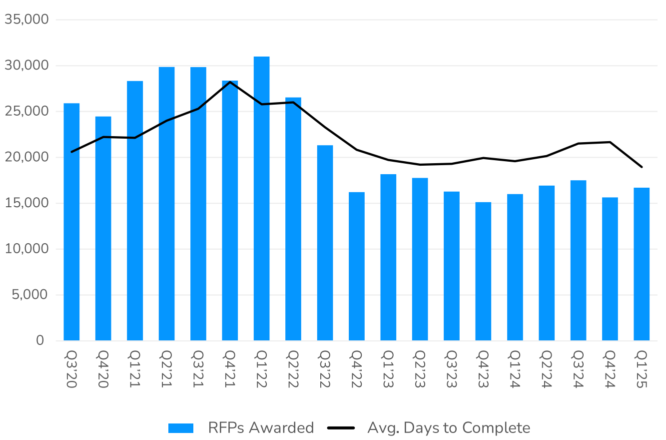
RFP Response & Win Rates Through Q1 2025



SOURCE: LightBox Collateral360/RIMS platforms

Despite the overall Q1 increase in RFPs awarded, monthly growth was not uniform. After month-over-month increases of 33% in January following a slow December, and 13% growth in February, lender-driven appraisals fell by 12% in March, ending the quarter with appraisal awards up 7% for the quarter compared with Q4. The average RFP response rate has been hovering around 85% for much of the past two years, averaging 84% in Q1 just above 83% in Q4 and slightly below 85% in Q1'24.

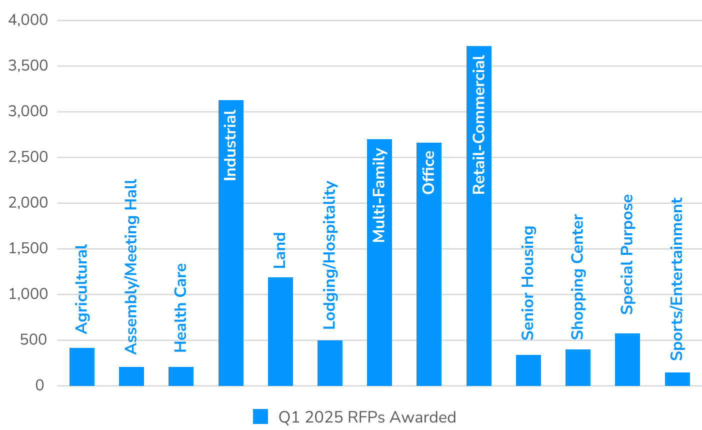
RFP Awards & Avg. Days to Complete Through Q1 2025



SOURCE: LightBox Collateral360/RIMS platforms

The average turnaround time for a lender appraisal project in Q1 was 13.5 days, two days faster than 15.5 days in Q4 and 0.5 days faster than one year ago, even as the volume of projects increased. The latest benchmarks are evidence that commercial appraisers continue to face intense pressure to deliver their reports quickly.

Appraisal Awards by Property Type, Q1 2025



SOURCE: LightBox Collateral360/RIMS platforms

Retail, industrial, multifamily, and office continue to dominate demand for appraisals, accounting for 74% of total projects—even with 75% in Q4. Land was in a distant fifth place with 7% of total projects.

LightBox Q1 2025 Appraisal Metrics Snapshot

	Q1 2025	Q4 2024	Change (QOQ)	Q1 2024	Change (YOY)
Appraisal Activity Index	59.8	56.9	5%	56.4	6%
Appraisal Awards (total fees in millions)	$56.8	$51.6	10%	$49.5	15%
Average Appraisal Fee/Award	$3,402	$3,298	3%	$3,096	10%
Appraisal Awards (total jobs)	16,693	15,633	7%	15,977	4%
RFP Response Rate	84%	83%	1%	85%	-1%
Avg Turnaround Time (days)	13.5	15.5	2 days faster	14.0	0.5 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.

MORE VOLATILITY AHEAD AS LENDERS NAVIGATE WAVE OF LOAN MATURITIES

As Q2 begins, the only certainty in the CRE landscape is continued uncertainty. The first quarter of 2025 underscored the volatility that is becoming a defining feature of this stage of the market. Fluctuations like the dramatic swings in the 10-year Treasury yield—spurred by inflation concerns, fiscal policy developments, and geopolitical tensions—are contributing to a jittery lending environment.

Despite the uncertainty and instability, CRE lenders are responding to stronger demand for borrowed capital and the strong need for the refinancing of loans for which delays are no longer a viable option. Demand for updated valuations on the approximately $364.7 billion in maturing CRE loans held by banks will continue to increase in coming quarters as borrowers seek to refinance under more favorable terms than in recent years. This marks a 3% increase from the volume that matured in 2024, largely due to extensions of loans that were originally scheduled to mature last year, according to the Mortgage Bankers Association (MBA). Dealing with the high volume of maturities will be a driver of appraisals for years to come, given that it can take a long time for maturities to work their way through the market, and some loans have multiple lenders in the capital stack. As long as interest rates stay elevated, refinancing will remain challenging with significant differences across property types and geographic markets.

SPOTLIGHT: Unlocking Appraisal Data with Digital Tools

Many lenders are sitting on a wealth of appraisal data locked away in PDF files, making it difficult to extract insights or respond quickly to market shifts. LightBox is preparing to launch an enhanced AI-powered Excel add-in that will help institutions access and analyze this “dark data” with greater speed and precision. Whether through customizable templates or flexible, on-demand queries, this upcoming tool will support a more agile, data-driven approach to valuation workflows. Keep an eye out as this feature becomes available in the months ahead.

BIG BANKS JUMP BACK IN AS REGIONALS DIAL BACK, CAPITAL INCREASINGLY CAUTIOUS

Two of the most significant trends in the CRE lending space in Q1 were: 1) The return of large banks who are jumping back into originations as regional banks pull back on the reins. 2) Debt capital is still flowing, although it is increasingly cautious and concentrated on deals with strong fundamentals in growing markets.

After a slow 2024 as banks stayed largely on the sidelines, the MBA reported that originations in Q4 were 30% higher than in Q3, a spike largely attributed to the brief dip in interest rates in September. The MBA is forecasting a more modest 16% increase in originations for 2025, projecting volumes to reach $583 billion, up from an estimated $503 billion in 2024. Multifamily lending alone is expected to grow by 16%, reaching $361 billion.

Members of the LightBox Capital Markets Advisory Council, however, are less sanguine above the near-term forecast given recent volatility. Two-thirds of members expect Q2's CRE lending activity to remain about the same as Q1, with the caveat that the increasing uncertainty around trade policy, inflation, and economic growth makes forecasting extremely challenging.

If the Fed is forced to cut interest rates, it could drive more lending activity, but if recessionary conditions take hold, lenders could retreat to the sidelines.

Adding to the cautious outlook, big banks have begun reporting their Q1 2025 earnings. While early results from JPMorgan Chase and Wells Fargo met or exceeded expectations, the more telling insight came from executive commentary, which signaled continued uncertainty ahead. JPMorgan's CEO Jamie Dimon warned of "considerable turbulence," pointing to the likelihood that tariffs would drive up inflation and slow economic growth. Wells Fargo's Charlie Scharf flagged escalating trade risks and uncertain policy direction as critical threats. After years of balance sheet clean-up and asset sales, banks are approaching CRE lending with renewed discipline. Lenders will likely strike an increasingly cautious stance, at least until there is more clarity out of Washington, particularly on tariffs and the future path of interest rates.

IS CRE EMERGING AS A SAFE HAVEN IN A VOLATILE MARKET?

It's worth exploring whether one outcome of the tariff wars and intense market volatility is that CRE plays the role as a safe haven for investors seeking stability. Unlike retail sectors like apparel, electronics, and furniture that rely heavily on global supply chains, stabilized CRE assets like multifamily housing, industrial, and senior living are less exposed to tariff-related cost shocks. The recent strength of the LightBox Appraisal Index points to CRE's resilience despite the broader market turmoil of the past several months and weeks.

Investors are showing a clear preference for income-producing, low-volatility assets in growth metros. CRE professionals should look for continued strength in multifamily and industrial—and monitor lender appetite as refinancing risk looms in today's high-rate, high-volatility environment.

Two critical caveats could undermine CRE's safe haven status and are worth noting:
1) Owners could struggle to refinance as lenders rein in debt capital deployment.
2) If tariffs persist for an extended period, it could lead to a deep recession and more widespread economic impacts with implications for CRE fundamentals.

NEAR-TERM OUTLOOK HINGES ON TARIFFS AND INTEREST RATES

Although market metrics are not yet pointing definitively to a recession and the economy is still creating jobs, growing signs of weakness are emerging and the economy is looking more vulnerable than it was at the end of 2024. The future path depends heavily on how DOGE-driven efforts, immigration, and tariffs evolve over time.

The second quarter began dramatically with the April 2nd "liberation day" tariff announcement, followed by President Trump's 90-day pause on most global tariffs, dropping the default rate to 10% but raising tariffs on Chinese imports to 125%. The size and scope of the tariffs and the rapid-fire pace of the tariff wars caught the market off-guard in March and early April. In response, forecasters are beginning to review their economic outlooks downwards, including CEOs of JPMorgan Chase and Wells Fargo in their just-released first quarter earnings reports. The odds of a mild recession are rising, and a slower growth scenario is becoming the new consensus.

Much remains unclear, including the timing of interest rate cuts and the length that tariffs will be in effect. In the market's favor, commercial real estate is a hard asset with myriad inflation-hedging properties, meaning certain asset classes may present safe-harbor lending and investing opportunities in the likely volatility of the coming quarters.

Federal Policy at Center Stage

For appraisers, the forecast for the rest of 2025 is highly uncertain after a strong start to the year. While the two main obstacles to recovery in the past two years—high interest rates and price uncertainty—were slowly improving, federal policy has now taken center stage. In early 2025, analysts were forecasting only one or two late-year cuts in interest rates and now, early in Q2, market participants, responding to recent economic developments, are increasingly pricing in the possibility of three or four cuts totaling 75 to 100 bps with the first coming as early as the June Fed meeting.

As fears of stagflation increase—a combination of slowing economic growth and resurgent inflation—a combination of slowing economic growth and resurgent inflation– the Fed will be challenged to strike a balance between managing persistent inflationary pressures—exacerbated by recent tariff implementations—and addressing signs of slowing economic growth. March's just-released softer CPI and PPI data could strengthen the case for more Fed rate cuts later this year, but central bankers remain concerned that newly imposed tariffs—especially the 245% duty on some Chinese goods—could reignite inflation and strain supply chains. Since most of the new tariffs only took effect in early April, any inflationary impact hasn't hit the CPI yet. All eyes will be on the Federal Reserve for the next interest rate decision as the May meeting approaches.

Interest Rates and Lending Velocity

If interest rates come down faster than expected, borrowers that face large "cash in" refinancings will be able to access new capital on slightly less onerous terms which will be a boost to demand for the appraisal activity that supports refinancing. Borrowers who took out floating rate loans at the market peak —many of whom are struggling with lower debt service coverage ratios as property values decline— will begin to see at least some moderate relief as rates start to come down. The three interest rate cuts totaling 100 basis points of late 2024 unleashed market momentum that was largely absent for much of last year so if that happens this year, lender-driven appraisal demand could see a welcome boost in the second half of 2025.

Speaking after the Trump rollback of some tariffs Chair Jerome Powell said the Fed would wait for more data before making a move on rates. The next FOMC meeting in May is expected to result in no rate change but any economic fallout from the tariff wars or weakening of the labor market or a spike in inflation could change that expectation.

MODERATE NEAR-TERM GROWTH, PENDING MORE POLICY CLARITY

Barring an unexpected market upset, the expectation for 2025 is for a moderate growth path for investment and lending as the market sees more opportunities than in 2024. The speed with which those with access to debt or equity capital reinvigorate investment activity will play a significant role in how quickly dealmaking ramps up in coming quarters, but it seems unlikely that the market will bounce back as quickly as it did post-COVID.

For appraisers, these dynamics will necessitate close monitoring of shifting capitalization rates, evolving lender underwriting standards, and market sector bifurcation. Property valuations in 2025 will reflect the wide geographic and sector-specific differentiation and will require a nuanced approach to risk assessment and forecasting.

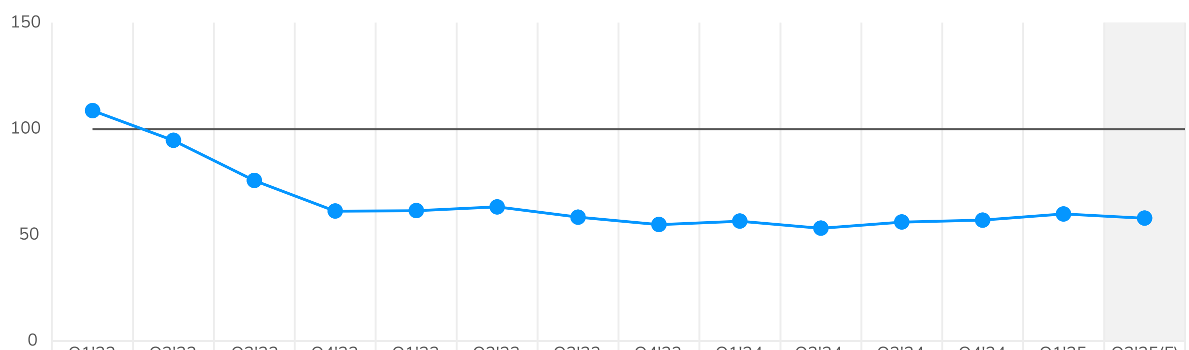
Although the Q1 LightBox Appraisal Index was strong both year-over-year and quarter-over-quarter, several LightBox Market Advisory Council members noted that even though liquidity has been improving this year and transactions flow recovering, in the first few weeks of Q2, some lenders and investors have started to pull back from making decisions given so much uncertainty on the federal policy front, particularly with tariffs.

Greater policy clarity is likely to emerge by the second quarter, providing a more defined framework that will influence investment strategies and market dynamics through the remainder of the year

Considering the historic policy and market unknowns unique to 2025, the forecast for the LightBox Appraisal Index is for a reading around 58 in Q2, a slight moderation after Q1's strong 59.8 but well above 56.9 in Q4 2024. The bad news is that the rapid pace of developments on the trade, inflation, and labor fronts will likely sustain elevated volatility in the coming months, but longer term, the good news is that CRE could emerge as an attractive, relatively safer haven for investors.

There are countless scenarios for how the next few quarters could play out. If market sentiment continues to erode or metrics like the PCE, job creation, or GDP dampen investor confidence in economic growth, it could stall transaction volume and force a widespread lender retreat at a wait-and-see stance takes hold. Or mounting economic headwinds could increase pressure on the Federal Reserve to begin lowering interest rates sooner rather than later. If that happens, it would be a tailwind for CRE lending and investment. With so many variables in play, the forecast is challenging to say the least. As an early indicator of CRE momentum, the April CRE Activity Index will offer important insight into how investors and lenders are responding to an extremely dynamic and unprecedented market environment.

LightBox Appraisal Index (Base Q1 2021=100): Near-Term Forecast



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INDEX	108.5	94.5	75.6	61.1	61.4	63.1	58.3	54.8	56.4	53.1	56.0	56.9	59.8	57.8

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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