February 2025 CRE Activity Index

Index Surges in February Despite Dramatic Federal Policy Shifts

Building on January's strong rebound, the LightBox CRE Activity Index climbed to 96.1 in February—up from 80.7 in January and 75.8 one year ago. This sustained momentum reflects strengthening CRE transaction and lending activity, even as uncertainty surrounding the rapid pace of federal policy decisions intensifies.

With interest rate cuts by the Federal Reserve paused, the CRE market recalibrated and is moving forward with a stance of selective investment, keeping one eye on potential headwinds from federal layoffs, budget cuts, and evolving tariff policies. Despite rising economic and political uncertainty, the Index provides evidence that the CRE deal-making environment is gaining momentum as a growing wave of loans and properties moves into play. The Index will be an important barometer in the coming months as the policies taking shape now could impact business confidence, investment decisions, and lending volume.

February Index of 96.1 Approaches 2024's September High Point of 98.2

The 20-point year-over-year increase is a strong indicator of the market's return to a more active lending and investment environment after the lull of the past two years. February's 96.1 was close to September's 2024 high point of 98.2, an uptick triggered by the Fed's long-awaited 50 basis point cut in interest rates. Behind February's 15-point rise over January was the 20% increase in the average daily volume of environmental due diligence, a 17% increase in lenders' demand for commercial appraisals, and a 19% increase in the average number of properties listed on the RCM platform. The two-month 2025 trajectory tracks a strong market rebound after the sharp late-2024 slowdown of post-election market volatility and the typical year-end slowdown.

Strong Growth Behind CRE Momentum

Commercial Property Listings:
After property listings more than doubled in January over December, February brought a still-strong **19% increase in average daily listings** brought to market in the LightBox RCM platform. White the market is highly differentiated both across and within asset classes, stabilization in many markets and a narrowing the bid-ask gap is encouraging more sellers to list properties for sale.

Environmental Due Diligence Activity:
The strong **20% month-over-month rise in Phase I ESA volume** is a sign that the expanded universe of properties listed for sale in the final weeks of December and January are trickling their way down to demand for environmental due diligence as deals on these assets progress.

Valuation Market Activity:
Lenders' demand for commercial property appraisals **increased in February for the first time in three months** as the 2025 wave of loan maturities hit. The days of extend-and-pretend that characterized 2023 and 2024 are over, and lenders are responding to requests for refinancing and debt capital for new originations.

LightBox CRE Activity Index (January 2022 - Present)

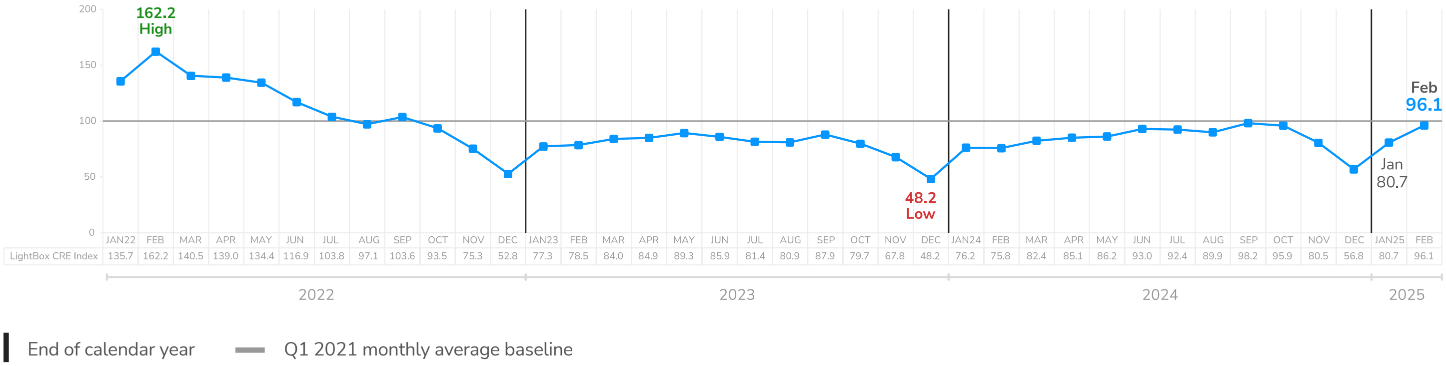


Figure 1

NOTE: The LightBox CRE Activity Index is based on changes in environmental due diligence (measured by Phase I ESA volume), commercial property listings, and valuation market activity indexed to a baseline (Q1 2021 monthly average =100) to give market watchers a pre-slowdown basis of comparison. The index is normalized to account for variations in the number of business days per month.

February 2025: Current Month vs. Historical Benchmarks

	Current Month	Previous Month	Corresponding Month of Prior Year	12-Month Moving Average	Historic Low*	Historic High*
Overall Index	96.1	80.7	75.8	86.4	48.2 (Dec. '23)	162.2 (Feb. '22)

Figure 2

NOTE: The historic low and historic high are based on the timeframe from Q1 2021's monthly average, which serves as the baseline for the index.

February's CRE Market Signals: Selective Capital Deployment Under Specter of Uncertainty

February's strong reading reflects an active CRE market despite mixed economic barometers and a steady stream of policy developments coming out of Washington, D.C. The Conference Board's Consumer Confidence Index fell sharply by seven points to 98.3 in February, reflecting weakening optimism about jobs, income, and business conditions. Jobless claims rose by 22,000 to 242,000, suggesting labor market softening. And although the latest BLS data showed that February extended the long-standing job growth trend with another 151,000 jobs added, momentum is starting to progress at a slightly slower pace. One positive metric in February was the PCE Index, the Fed's preferred inflation gauge, which moderated to 2.5% annually and slowed to its lowest level in seven months. This release came as welcome news to a jittery market after the hotter-than-expected CPI data earlier in February.

On the federal policy front, tariff concerns intensified with new duties announced on Mexico, Canada, and the EU, raising fears of inflationary pressures. Among the most significant developments in February was the announcement of federal lease terminations, potentially affecting at least 748 sites across 23 states. This move could have major implications for office markets with a high concentration of government tenants, particularly in Washington, D.C., where federal occupancy plays a crucial role in market stability and overall demand.

Interest Rates:
After predicting no rate cuts this year just a few weeks ago, markets reverted to fully pricing in two Fed rate cuts this year—one in June and the other in December—amid growing worries of an economic slowdown.

Selective Capital Deployment:
Investors are increasingly wading into the waters of the office sector as more distressed loans and assets change hands, as well as more traditional transactions on performing properties. Industrial, multifamily, and retail also continue to attract attention with significant differentiation by market and sub-asset class.

Investment Climate:
Institutional investors and private equity firms are actively shopping for opportunities as the volume of properties on the selling block expands opportunities for ROI across asset classes and markets. Any pullback in sellers' willingness could intensify competition among buyers for attractive properties.

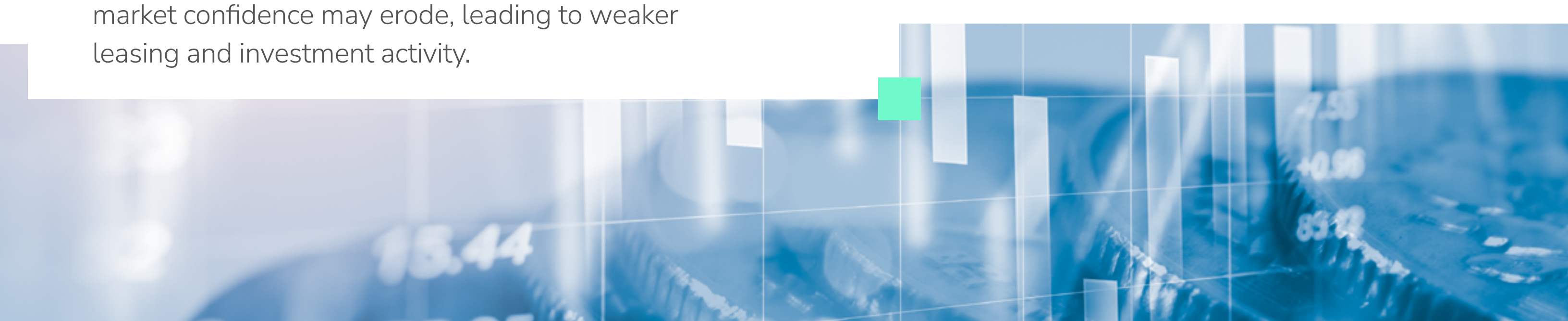
In response to increasing uncertainty and concerns about a potentially slowing economy, the 10-year Treasury yield fell from 4.40% at the beginning of February to a new 2025 low of 4.28% by month-end.

Amid the rapid pace of economic and political news, the CRE lending and transactions market soldiered on. Recent deals reflect that capital is still flowing to well-located, desirable assets like high-quality office, data centers, shopping centers, and multifamily in growth markets. The U.S. office market continues to stabilize with sales activity rising 20% in early 2025, according to CBRE. Major markets like New York, San Francisco, Los Angeles, and Chicago have seen leasing growth approach 30%, while Dallas, Seattle, and Atlanta are posting even stronger gains. Return-to-office mandates, led by firms like JPMorgan Chase, are fueling demand, indicating that office occupiers are growing more confident in making long-term commitments. Transactions in the apartment sector also remained strong in February as capital continued to flow into assets in strong markets with rent growth potential.

Will Early 2025 Momentum Be Derailed as Economic Red Flags Start to Wave?

While the strength of February's CRE Activity Index underscores momentum in the functions that support CRE lending and investment, sentiment is growing increasingly cautious. Mounting economic uncertainty is creating headwinds, as the market braces for the fallout from government job cuts and the volatility of tariff policies. The coming months will be very telling. If job growth slows sharply or unemployment spikes, market confidence may erode, leading to weaker leasing and investment activity.

The Federal Reserve faces a delicate balancing act—if labor market deterioration becomes a priority, rate cuts may accelerate, providing relief to CRE. However, persistent inflation could keep rates elevated, prolonging financing challenges. March's Index could reflect a growing caution in the market if uncertainty delays strategic commitments and forces investors and lenders to resume a more guarded stance.



ABOUT THE MONTHLY LIGHTBOX CRE ACTIVITY INDEX

The LightBox Monthly CRE Activity Index is an aggregate 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. To receive LightBox reports, **subscribe to Insights.**

ABOUT LIGHTBOX

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