

May 2025 LightBox CRE Activity Index

Tariff Turbulence and Investor Caution Weigh on CRE Deal Momentum

LightBox CRE Activity Index Still Over 100, But Declines for First Time This Year

The LightBox CRE Activity Index declined slightly in May to 105.5, down from 109 in April, the first monthly drop in 2025 and a clear signal that the commercial real estate market's strong early-year momentum may be losing steam. While the Index remains historically elevated—still 22% higher than one year ago—the retreat from April's reading marks a gradual deceleration.

May's modest pullback follows several months of strong activity and may represent the first tangible impact of newly announced tariffs, which are injecting a fresh wave of uncertainty into CRE dealmaking. While brokers continue to bring assets to market, the pace of new listings is flattening after four consecutive months of growth, suggesting that sellers are beginning to recalibrate expectations. Environmental due diligence activity remained stable, reflecting continued investor engagement and underwriting discipline. However, the most telling shift came from the lender-driven appraisal segment, where volume fell back to levels last seen in January. This decline marks a notable pullback by lenders, who appear to be adopting a more cautious stance amid heightened economic uncertainty.

It is an early but significant indicator that the market's risk calculus is changing, with capital providers becoming more selective as volatility persists. This divergence among the three components of the Index—listings, environmental reviews, and appraisals—underscores the uneven pace of CRE activity as participants adjust to a higher-volatility environment.

April's Index increase of just 1% had already hinted at a deceleration, compared to 8% and 15% gains in March and February, respectively. Now, May's decline confirms that momentum is not only flattening—it is beginning to reverse. Though the Index remains 22% higher year-over-year, the narrative is shifting from rapid recovery to one of heightened caution and selective engagement. The key question now is whether May's modest pullback marks the start of a broader downward trend or merely a temporary pause in an otherwise resilient recovery. June's Index reading will be an important sign of whether the CRE market is entering a sustained phase of caution-driven moderation or simply tapping of the brakes after a strong start to the year.

The Tariff Effect: A Market Adjusting to Volatility

With the early-April tariff shock in the rearview mirror, the CRE market is recalibrating to elevated economic and policy uncertainty that is taking a toll on sentiment. The market is bracing for the inflationary impacts of tariffs without knowing how severe or how extensive they may be. Early evidence of this unease is reflected in the LightBox CRE Activity Index, which shows the first measurable signs of trade policy and tariff uncertainty weighing on dealmaking. While CRE investment is still high, particularly compared to the past two years, the acceleration that characterized Q1 has leveled off. The market is adjusting to today's more uncertain market conditions and growth forecasts for the second half of 2025 are being rewritten as concerns about rising inflation and the cloudy interest rate outlook escalate. While the dramatic shift in market conditions isn't causing widespread panic, CRE lending is slower and more cautious, and the investment climate is becoming more strategic and calculated.

May's Three-Pronged Look at CRE Dealmaking

The CRE Activity Index is based on May's average daily volume in each of the three functions that support CRE lending and investment:



The average daily flow of commercial property listings increased 1% compared to April but a more significant 47% from last May when sellers were reluctant to bring commercial properties to the selling block until prices stabilized.



The volume of Phase I environmental site assessments, an early indicator of CRE lending and investment volume, was flat in May for the second consecutive month but 7% higher than last May.



Lender-driven commercial appraisal awards fell by a significant 19% below April levels—the first month-on-month decline since December and 12% below one year ago, reflective of lenders pulling back from the strong momentum of the first four months of the year.

LightBox CRE Activity Index (January 2023 - Present)

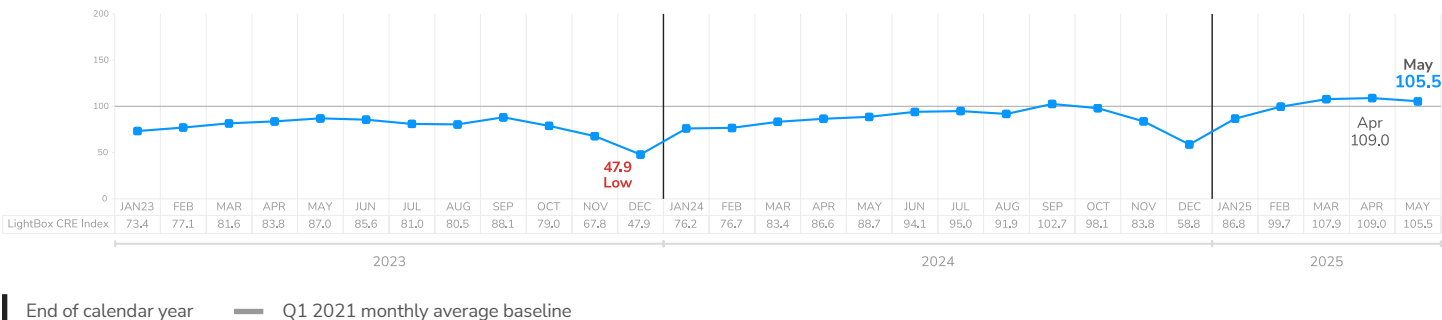


Figure 1

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. Beginning in March 2025, the CRE Activity Index expanded the universe of LightBox's property listings to include Revere CRE's monthly volume of property listings. The historical CRE Activity Index has been normalized to consistently include historical and current listings across LightBox platforms.

May 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	105.5	109.0	88.7	94.4	47.9 (Dec. '23)	149.4 (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.

Sentiment in Flux as Market Adjusts to Extreme Volatility

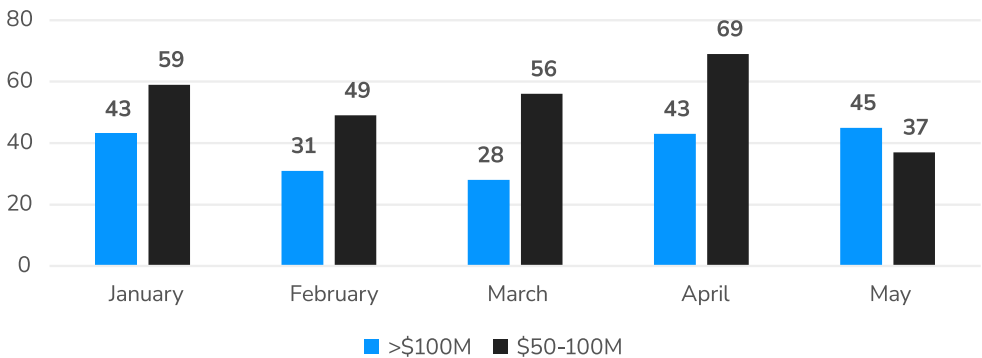
Compared to April’s market volatility following the sweeping tariff announcement of April 2nd, May was more sedate. The stock market rebounded from April’s wild swings. Although the 10-year Treasury is more stable, it remains at elevated levels. In the face of upcoming tariffs, the expectation of rising inflation, and escalating budget negotiations, the CRE market is recalibrating.

Despite growing concerns, May’s economic barometers delivered some comfort. Among them, the Fed’s preferred inflation measure—PCE—came in below expectations, and core CPI and PPI did not raise red flags. These data points tempered fears of runaway inflation and gave credence to the notion that tariff effects might be more gradual than immediate.

Deals Are Closing But At a Slower Pace

While the pace of CRE transactions has moderated, the elevated number of new property listings in May underscores the ongoing availability of opportunities for well-capitalized investors. New equity is entering the market, particularly from private capital sources targeting high-quality assets in major urban markets, and if the pullback by lenders is prolonged, buyers with capital will have the upper hand. Nine-digit deals tracked by the LightBox Transactions Tracker (see Fig. 3) increased only modestly in May but are still above pre-tariff levels. Even the office leasing market, long a laggard, saw a few encouraging headlines. However, whether this is a sustainable trend in the face of growing uncertainty remains to be seen. CRE stakeholders report that deals are taking longer to close as lenders and investors closely consider assumptions and manage their risk in this period of extreme uncertainty.

Major Monthly CRE Transactions (YTD 2025)



SOURCE: LightBox Transactions Tracker

Figure 3

Structural Headwinds: Distress, Debt, and Risk

While deal flow continues at a steady clip, the market faces a number of headwinds. Chief among them is the growing volume of distressed assets, led by office properties. The market also faces the challenging prospects of unraveling the \$625 billion in commercial mortgages coming due this year on top of the \$520 billion that have already been extended. In the face of these challenges, bank lending remains tight. Although some institutions have cautiously returned to the market, Federal Reserve data shows only a modest recovery in CRE loan originations as banks remain focused on managing their risk exposure.

FORECAST: Was May an Emerging Trend or a Short-Lived Pause?

While still in the triple digits, the LightBox CRE Activity Index's modest month-over-month dip reveals how tariff-driven uncertainty is beginning to weigh on dealmaking. Encouragingly, May saw a steady influx of new listings and continued interest from a diverse pool of buyers pursuing solid investment opportunities across asset types and regions. Underwriting activity remains steady, though market feedback points to more conservative strategies amid mounting macroeconomic risks. The market is still advancing, just not at the brisk pace seen earlier this year.

As midyear approaches, the trajectory of the Index will depend on how investors and lenders respond to a widening field of unknowns. June's performance will indicate whether May's slowdown signals a broader trend or a temporary pause. In the meantime, underwriting assumptions must grapple with persistent uncertainty around interest rates, construction costs, asset pricing, tenant demand, and operating expenses.

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

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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