LIGHTBOX

CRE MARKET SNAPSHOT Q1 2025

FOCUS ON PHASE I ENVIRONMENTAL SITE ASSESSMENT TRENDS
(January 1-March 31, 2025)

LIGHTBOX PHASE I ESA ACTIVITY INDEX RALLIES 14% IN Q1 DESPITE VOLATILITY

Steady Monthly Increases in Q1 Phase I ESA Volume Amid Growing Uncertainty

Editor's Note

This report, an installment of the LightBox CRE Market Snapshot Q1 2025 series, highlights trends in the environmental due diligence market, including the latest industry benchmarks on volume, the Lightbox25 Index, 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.

Following a pronounced slowdown in late 2024, driven by interest rate volatility and financial market instability, the commercial real estate (CRE) Phase I environmental site assessment (ESA) sector entered 2025 with renewed momentum. Environmental consultants reported a resurgence in lending activity from their bank clients for the first time in several quarters, fueled by increased borrower demand for refinancing and acquisition capital after an extended period of price recalibrations and restrained investment activity.

This recovery is evident in the LightBox Phase I ESA Index, which climbed to 86.3 in Q1, representing a 9% gain over Q4 2024 and a 14% increase year-over-year. Momentum strengthened steadily through Q1, with each month outperforming the last and March volumes ending 3% higher than March 2024 despite persistent volatility across the S&P 500 and sharp fluctuations in the 10-year Treasury yield. The Federal Reserve's decision to hold rates steady at 4.5% during both its January and March meetings further solidified a "higher-for-longer" rate environment, offering the market a degree of clarity even amid tighter credit conditions.

KEY Q1 2025 DEVELOPMENTS

- The LightBox Phase I ESA Activity Index increased to 86.3 in Q1, a 14% uptick from the same time last year and 9% higher than the prior quarter.
- After three cuts totaling 100 bps in late 2024, the Federal Reserve adopted a neutral stance at both its January and March 2025 meetings.
- Total U.S. Phase I ESA volume increased to 62,035, a 12% year-over-year improvement from the starting quarter of 2024.
- New York City took the top spot for metros with the strongest growth in Phase I ESA volume in Q1 2025 with a 37% year-over-year surge in demand followed by Atlanta (27%), and Philadelphia (26%).
- Members of the LightBox Market Advisory Council scored the health of the Phase I ESA market as a 70 out of 100— little changed from the prior quarter as concerns about market volatility throw the forecast into question.

The [LightBox CRE Activity Index](#)—an aggregate measure encompassing lenders' appraisal volume, Phase I ESA demand, and property listing trends—rose to 104.4 in March, the highest reading since mid-2022 and only the second triple-digit performance in nearly three years, signaling improving liquidity and lender engagement.

While the Q1 rally in Phase I ESA activity points to growing confidence in CRE markets, the durability of this momentum will be tested in Q2 as broader macroeconomic uncertainties intensify.

WORD ON THE STREET

"In our industry, the market was gaining significant momentum in Q1. Optimism was in the air! Recent market impacts stemming from tariffs have softened optimism and it will be interesting to see where these policies settle out in Q2. The effects could be huge, good or bad, and could also impact interest rate adjustment forecasts."

– Ben Bremer, President, LCS

PHASE I ESA MARKET CONDITIONS HOLD FAST AT SCORE OF 70 IN Q1 2025S

The LightBox Environmental Due Diligence Market Advisory Council—comprising senior leaders from firms such as AEI, Partner Engineering & Science, Terracon, and others across all U.S. regions—reported moderate-to-stable Phase I ESA market conditions in Q1 2025. On a scale of 1 (worsening) to 100 (improving), the Council assigned an average market score of 70, a modest uptick from 69 in Q4 2024, though slightly below the 73 recorded in Q3 2024. Individual responses showed limited dispersion, with a range spanning from a low of 40 to a high of 90, indicating a consensus around steady conditions with some regional variation. The Council's results suggest that while confidence has stabilized, underlying caution remains. As greater clarity emerges on federal trade policies, inflation, and the Federal Reserve's rate trajectory, the score in Q2 will be an interesting sign of whether Phase I ESA activity continues to rally as investors look to place capital in U.S. CRE and lenders address a growing wall of loan maturities.

State of Q1 2025 Phase I ESA Market

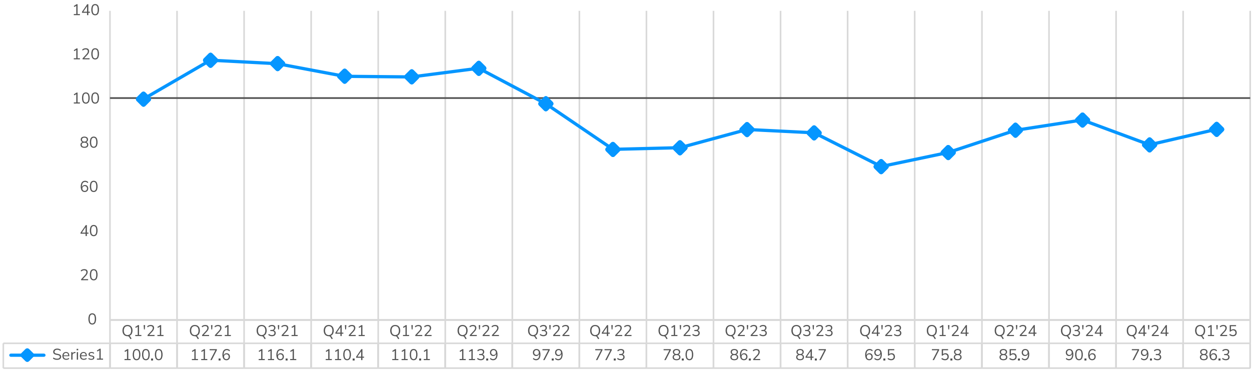
(1=worsening to 100=improving)

SOURCE: Q1 2025 responses from LightBox Market Advisory Council (early April 2025)

LIGHTBOX PHASE I ESA INDEX LANDS AT 86.3, RALLYING FROM A 79.3 LOW IN Q4

After falling to 79.3 at the end of 2024, the LightBox Phase I ESA Activity Index rebounded sharply in Q1 2025, rising 10 points to 86.3—just shy of Q3 2024's post-rate-cut high. While debt capital is flowing more freely than in late 2024, underwriting remains cautious, and spreads have widened slightly. These factors could temper activity in the coming months. While Q1's momentum is encouraging, the market is facing mounting headwinds in the second quarter that could thwart the typical Q1-to-Q2 seasonal upswing, particularly given that uncertainty has already begun to weigh on lender and investor sentiment.

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

LightBox Q1 2025 Phase I ESA Metrics Snapshot

	Q1 2025	Q4 2024	Change (QOQ)	Q1 2024	Change (YOY)
LightBox Phase I ESA Index	86.3	79.3	9%	75.8	14%
U.S. Phase I ESA Volume	62,035	54,286	14%	55,365	12%
Volume in: LightBox25 Index	22,946	21,341	8%	23,167	-1%
Primary Metros	35,353	29,992	18%	30,613	15%
Secondary Metros	6,636	5,969	11%	6,036	10%

DEALMAKING AND LENDING MEET NEW HEADWINDS IN Q1

U.S. CRE investment entered 2025 on strong footing, with deal volume expanding and property prices inching upward after nearly two years of decline. Phase I ESA consultants began seeing higher demand, especially from institutional investors who were actively pursuing new opportunities in growing markets. As banks re-engaged their CRE lending activity, particularly large institutions that spent much of 2024 cleaning their balance sheets of nonperforming loans and extending loan maturities in the hopes of lower rates down the road, demand for Phase Is in support of refinances and new originations increased in Q1. Updated Phase I ESAs 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 Phase I ESA work for lenders for years to come, given that it can take a long time for maturities to work their way through the market.

The recent tariff upheaval has yet to fully impact CRE activity, given the longer closing timelines typical in the sector, and concerns are rising that continued trade tensions could pressure market liquidity. While LightBox's Q1 data shows no immediate signs of stress, the investment and lending climate is shifting. After enduring a prolonged rate-driven slowdown, the Phase I ESA industry faces fresh uncertainty that could test future quarters' performance.

Adding to the cautious forecast, big banks are starting to post their Q1 2025 earnings, and although the early reports—JPMorgan Chase and Wells Fargo—both exceeded or came close to financial expectations, the real story was in what top bank executives said about the forecast. 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 Phase I ESA Index points to CRE's resilience despite the broader market turmoil of the past several months and weeks, and the volume of properties listed for sale in LightBox's broker/investor platforms showed a strong, steady rise throughout Q1 with listings 48% above where they were in Q1 2024. This is a strong sign that today's investor clients have more investment opportunities than one year ago, with many armed with their own capital that they are eager to deploy.

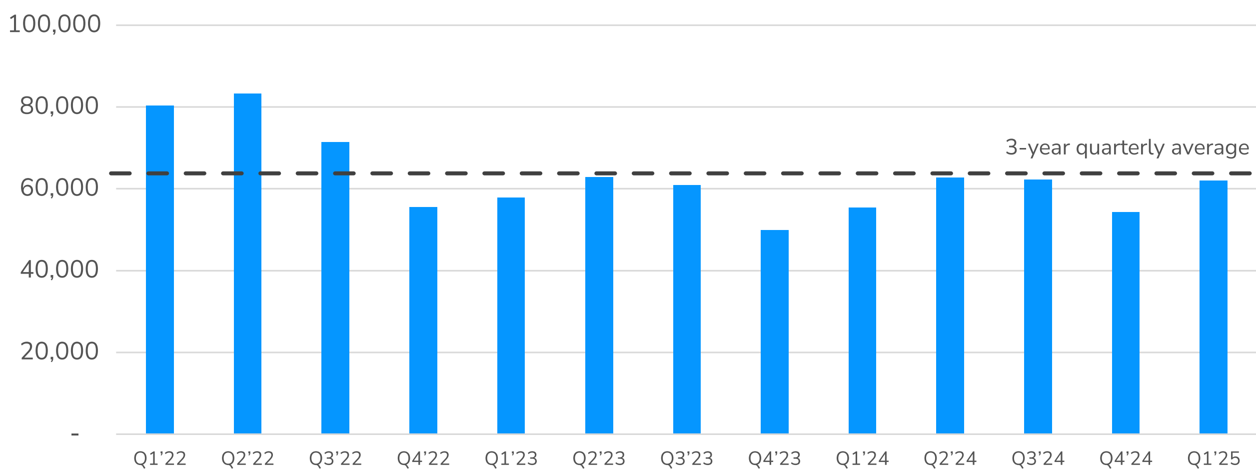
Investor clients are showing a clear preference for income-producing, low-volatility assets in growth metros. CRE professionals should look for continued strength in multifamily and industrial—and monitor lender appetite as refinancing risk looms in today's high-rate, high-volatility environment. Two critical caveats could undermine CRE's safe haven status and are worth noting: 1) Landlords could struggle to refinance as lenders pull back the reins on debt capital; and 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.

TOTAL U.S. PHASE I ESA VOLUME UP 14%, APPROACHING THREE-YEAR QUARTERLY AVERAGE

First-quarter 2025 Phase I ESA volume reached 62,035, a 14% increase over Q4 2024's total of 54,286, and just 8% below the three-year quarterly average of 62,984. This rebound reflects a market regaining traction after the typical year-end slowdown and heightened uncertainty in late 2024, when the Federal Reserve shifted to a neutral stance on future rate cuts. Compared to Q1 2024, Phase I ESA demand rose 9%, signaling renewed lender and investor activity following three rate cuts in the final months of last year.

Importantly, 2024 marked the first year of annual Phase I ESA volume growth since 2021, posting a modest 2% gain. If current trends continue—driven by a resurgence in property transactions, refinancing activity, M&A momentum, and brownfield redevelopment initiatives—2025 could deliver a second consecutive year of growth, potentially at an accelerated pace but only if the late Q1 volatility stabilizes and clarity on the future path of rates and tariffs emerges.

Quarterly U.S. Phase I ESA Volume, Q1 2022-Present



SOURCE: LightBox EDR ScoreKeeper model

WORD ON THE STREET

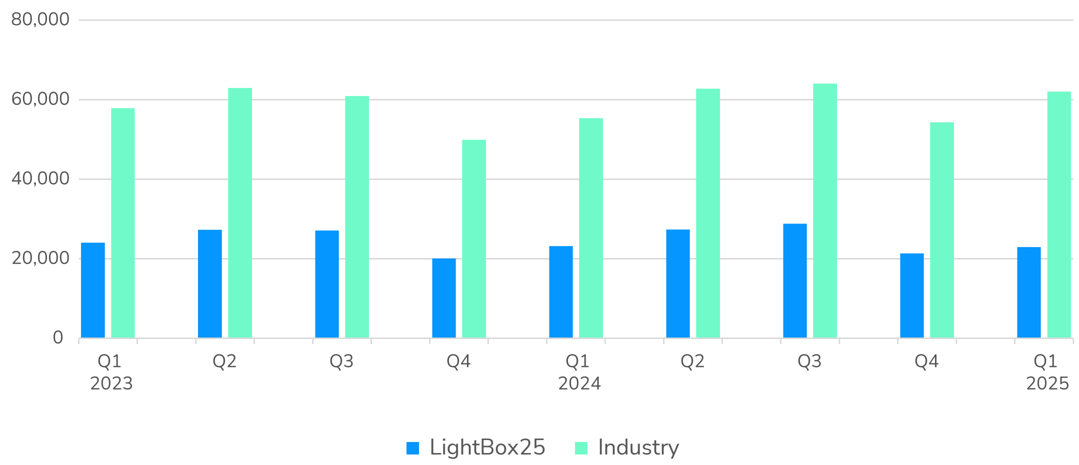
"With the amount of uncertainty that exists due to federal policy shifts, we were surprised that transactional volume remained fairly consistent in Q1."

– **Brad Wolf**, Executive Director of Environmental Services Principal, BL Companies

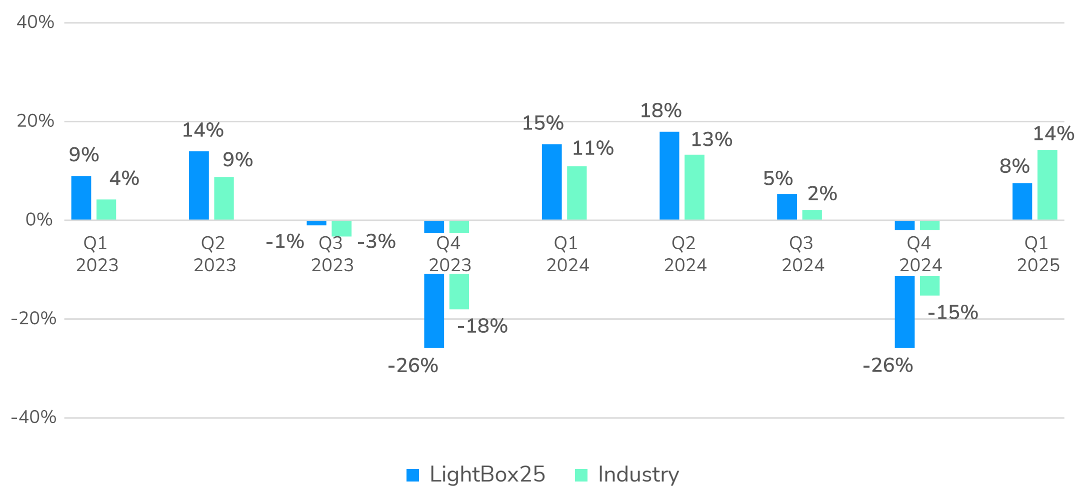
Q1 RETURNS LIGHTBOX25 INDEX AND INDUSTRY BENCHMARK BACK INTO GROWTH TERRITORY

The first quarter of 2025 delivered a traditional Q1 rebound, with the LightBox 25 Index—a measure of activity at the largest firms in the industry—rising 8% over Q4 and the broader industry benchmark climbing 14%. Individual firm performance will continue to vary based on client mix, geographic exposure, and reliance on public versus private sector work. Firms anchored to government-driven markets may remain more insulated from broader CRE volatility although federally funded projects are facing increasing pressure.

Phase I ESA Quarterly Volume: LightBox25 Index vs. Industry Benchmarks, Q1 2023-Q1 2025



Percentage Change vs. Prior Year



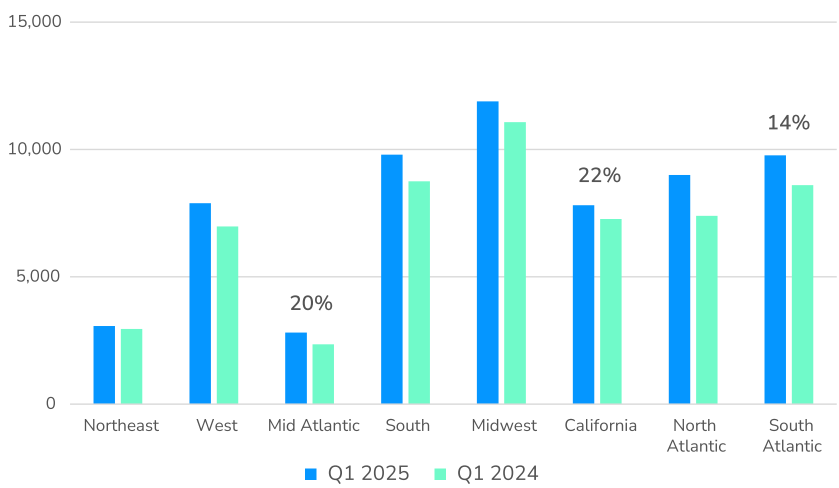
SOURCE: LightBox EDR ScoreKeeper model

NYC, ATLANTA, AND PHILLY LEAD FASTEST-GROWING METROS AS INVESTORS CHASE ROI

The LightBox ScoreKeeper model tracks trends in the volume of Phase I ESAs across the U.S., and the results reflect the varied paces at which different regions and metros are recovering from the market downturn of the past two years. Given that environmental due diligence is an early indicator of CRE transactions, geographic trends can signal where investment and lending activity is building steam. Against the backdrop of the 12% year-over-year increase in U.S. Phase I ESA volume, the regions outperforming that average were California (22%), the smaller mid-Atlantic region (20%), and South Atlantic (14%).

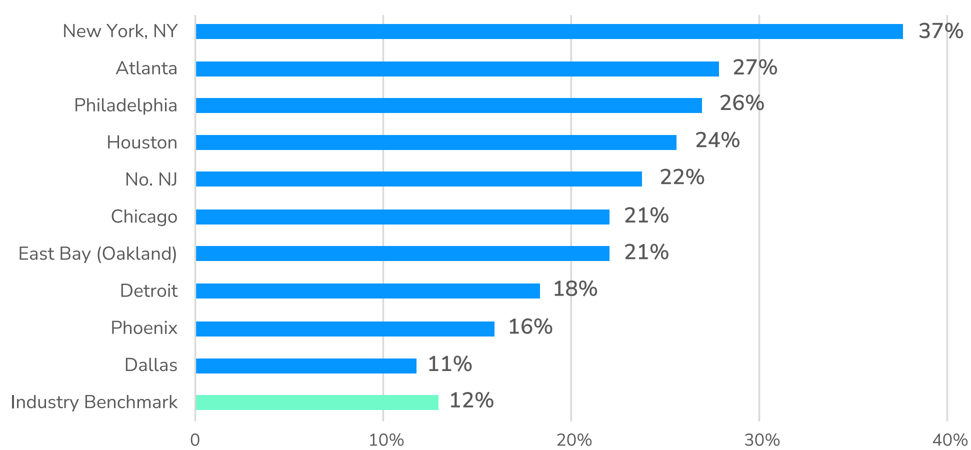
On a metro level, primary metros in the ScoreKeeper model grew by an average 15% year over year, but New York City, Atlanta, and Philadelphia all outperformed with growth of 37%, 27%, and 26%, respectively in Q1. It's worth noting that New York City is also the largest Phase I ESA market in the U.S., followed by Los Angeles (11% year-over-year Q1 growth) and Chicago (22% growth). ScoreKeeper data on the fastest growing markets continues to reflect investors' preference for the Sun Belt region of southern/southeastern U.S. with metros like Atlanta, Houston, Dallas, and Phoenix continuing to make the list.

Phase I ESA Volume by Region (Q1 2025 vs. Q1 2024)



SOURCE: LightBox EDR ScoreKeeper model

Top 10 Major Markets Ranked by Phase I ESA Growth (Q1 2025 vs. Q1 2024)



SOURCE: LightBox EDR ScoreKeeper model

Q1 DEMAND DRIVERS LED BY SELECTIVE INVESTMENT

LightBox Market Advisory Council members report healthy demand from private equity clients and large institutional investors. Although the tariff headlines kept the market guessing in Q1, the CRE deals tracked by LightBox reflected strong activity in nine-digit transactions, a sign that major CRE players are still comfortable making bold moves but with a more targeted, cautious approach. Investors are demanding Phase I ESAs on assets that are positioned to weather economic uncertainty, whether it's an apartment building seeing rent growth, a fully leased office building in a strong market, a strip mall in a growing metro, or a data center. Multifamily continues to dominate the largest recent transactions, as well as retail and industrial. Major buyers of commercial properties that closed in Q1 included Naftali Group, Rockpoint, Morgan Properties, Starwood Capital Group, and Regency Centers Corp. Consultants report seeing more work on projects that had previously been on hold, as well as an encouraging uptick in proposal volume across various client sectors, including green energy and state government work.

In addition to core CRE investment clients, Phase I ESA consulting work also continues to get a boost from demand in the solar farm sector, land deals with developer clients, and non-traditional lenders that are competing with banks for refinance and origination business. Government sector work also continues to be a reliable source of revenue, although some federally funded projects with clients in agencies like HUD and EPA are vulnerable to funding cut decisions under the Trump Administration.

WORD ON THE STREET

"We saw an uptick in CRE transactions from Q4 2024 from both our lender clients and our equity investor clients with a particular focus on industrial properties. We were also surprised to see increased activity in the office sector in Q1 2025."

– **Kathryn Peacock**, Strategic Director, Environmental Services Partner Engineering & Science, Inc.

LEADING DRIVERS FOR PHASE I ESA DEMAND, Q1 2025

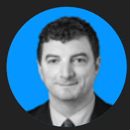
- Solar farms
- Land deals
- Data center projects
- Multifamily strong in growth metros
- Industrial investment and portfolio work
- Opportunistic investors in secondary markets
- Retail projects for new development
- Non-traditional lenders

MARKET ADVISORY COUNCIL: CAUTION IS THE NAME OF THE GAME FOR Q2

As tariff-related campaign pledges transition into formal trade policies, industry sentiment has begun to shift. Insights from the leaders on the LightBox Environmental Due Diligence Market Advisory Council expressed cautious optimism for Q2, tempered by concerns over higher prices, supply chain disruptions, and the risk of an economic slowdown. Members expressed cautious optimism with most (55%) expecting stable Phase I ESA volume in Q2 compared to Q1. Several members noted challenges with timing on environmental due diligence tied to compressed deal timelines. While momentum was strong in Q1, recent tariff developments have softened sentiment heading into Q2. Interestingly, the latest results are improved from the Q4 survey when 22% of members were expecting lower Phase I ESA volume in the coming quarter versus only 15% in this quarter's results.

Several council members also noted that 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 demand from investor and lender clients, but if recessionary conditions take hold, this demand could retreat to the sidelines.

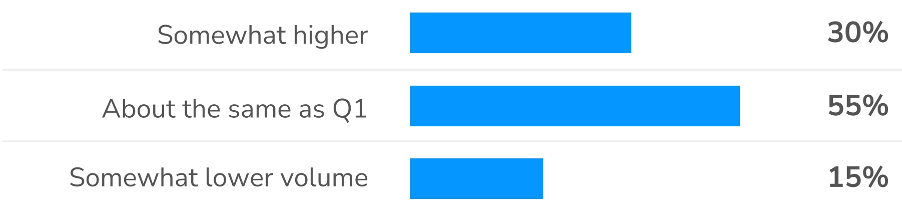


WORD ON THE STREET

"Q1 was very surprising for us. We saw a significant uptick in proposal volume across a couple sectors, most notably commercial and residential, but also saw projects that had been on hold start up. Prospects are good for continued growth in Q2!"

– Adam Meurer, Senior VP, Director of Environmental Services, ECS Mid-Atlantic, LLC

FORECAST: Expectations for Phase I ESA Demand in Q2 2025



SOURCE: Q1 survey of LightBox Market Advisory Council members, early April 2025

WORD ON THE STREET

"We continue to see growth in the demand for solar farm and data center projects. I also anticipate that companies with capital will be looking to acquire smaller companies as a side effect of it being expensive to borrow capital."

– Jennifer Ewing, Senior Project Manager Civil & Environmental Consultants, Inc.

OUTLOOK: LIGHTBOX PHASE I ESA INDEX FORECAST HINGEST ON TARIFFS AND RATES

Although market metrics are not yet pointing definitively to a slowdown, 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, after a series of tit-for-tat escalations, raised the tariffs on Chinese imports to 145% at publication time. 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.

For Phase I ESA consultants, 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, following the flurry of market volatility in April, the prevailing consensus among economists and financial markets is that the Fed will implement two to three interest rate cuts by the end of the year. The Fed continues to emphasize a cautious approach, and the exact timing and magnitude will depend on the trajectory of inflation, labor market conditions, and the broader economic impact of trade policies. 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.

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 Phase I ESA projects that support 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 if rates come down this year. 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 Phase I ESA demand could see a welcome boost in the second half of 2025.

MODERATE NEAR-TERM GROWTH IN THE PHASE I ESA INDEX, PENDING MORE POLICY CLARITY

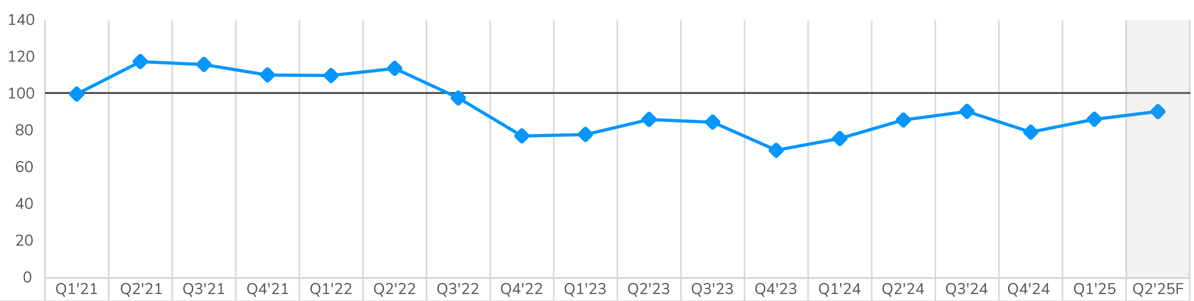
Barring an unexpected market upset, the forecast for Q2 is for a moderate growth path for investment and lending as the market continues to see more opportunities than in 2024. For individual consulting firms, the forecast will largely be determined by the mix of client sectors served and strategic shifts necessitated by changes in the strength of individual markets. The diversity across Phase I ESA client sectors is more pronounced today than it has been in years, highlighting the need for consulting firms to stay flexible and shift activity from sectors with waning demand to those less vulnerable to recent market swings. The extent of market impacts related to policy decisions on trade, immigration, and federal spending will become clearer as greater clarity emerges in the coming months, and that will shape how the rest of 2025 plays out.

Taking the growing uncertainty into account, the forecast for the LightBox Phase I ESA Index is for a reading around 90 in Q2, which would be a modest uptick over Q1's 86.3 and in line with the seasonal Q1-to-Q2 increase of the spring quarter.

Although the Q1 LightBox Phase I ESA Index was strong both year-over-year and quarter-over-quarter, consultants report that some lender and investor clients are cautious about making decisions given the growing uncertainty. If this sentiment becomes more widespread, the near-term forecast will need to be adjusted downward.

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 as a wait-and-see stance takes hold. Alternatively, 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 Phase I ESA Activity Index (base Q1 2021=100): Near-Term Forecast



	Q1'21	Q2'21	Q3'21	Q4'21	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	Q2'25F
INDEX	100.0	117.6	116.1	110.4	110.1	113.9	97.9	77.3	78.0	86.2	84.7	69.5	75.8	85.9	90.6	79.3	86.3	90.5

ABOUT THE LIGHTBOX ENVIRONMENTAL DUE DILIGENCE MARKET ADVISORY COUNCIL

LightBox is grateful to the members of the inaugural Environmental Due Diligence Market Advisory Council for sharing their invaluable perspectives and insights on the state of the market at the close of each quarter. This outreach ensures that these quarterly 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. are ending their one-year term.

LightBox 2024-2025 Environmental Due Diligence Market Advisory Council

Chuck Merritt
President/LEED AP
Merritt Environmental Consulting Corp

Steven McNeil
Chief Strategy Officer
Blew & Associates Inc.

Kathryn Peacock
Principal
Partner Engineering & Science, Inc.

Brad Wolf
Executive Director of Environmental Services
Principal, BL Companies

Ben Bremer
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Dana J. Wagner
Vice President/National Director | Due Diligence Services, Terracon

Adam Bennett
Senior Vice President
AEI Consultants

Brian Wilson
Managing Principal
August Mack

Adam M. Meurer
Senior VP, Director of Environmental Services, ECS Mid-Atlantic, LLC

Jennifer Ewing
Senior Project Manager
Civil & Environmental Consultants, Inc.

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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