

# CRE MARKET SNAPSHOT Q4 2024

FOCUS ON LENDER-DRIVEN APPRAISAL TRENDS  
(October 1-December 31, 2024)

## LIGHTBOX APPRAISAL INDEX FALLS TO 53.0 IN Q4 AFTER YEAR-END VOLATILITY

### Editor's Note

*This report, an installment of the LightBox CRE Market Snapshot Q4 2024 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.*

The final quarter of 2024 was punctuated by the end of a divisive election season, volatility in the 10-year Treasury yield, and two more modest interest rate cuts. Although the long-awaited pivot to a rate cutting cycle came as welcome news to the market, the December 25-basis points reduction came with the Federal Reserve shifting to a neutral stance, with a close eye on inflation and labor market data. At the first meeting of 2025, the Fed tapped the brakes on a fourth interest rate cut, with Chairman Powell pointing to the strong economy and solid labor market as reasons to pause until data supports further reductions.

With the election past, the focus shifted to uncertainty about future federal policies on issues like tariffs, immigration, and the deficit. The 10-year Treasury yield continued to be volatile, jumping 40 basis points in December above November, after October was the fourth most volatile month for the 10-year Treasury market since 2010. Current levels are nearly 100 basis points above where they were in mid-September right after the Fed announced the 50-bps rate cut, due to continued concerns about federal budget deficits and uncertainty about policies that could impact the cost of capital.

### KEY Q4 2024 DEVELOPMENTS

- In a promising shift for CRE lending, the Fed lowered interest rates two more times in Q4 after the September 50-basis point cut, bringing the total reductions for the year to 100 bps.
- After two quarters of increases, the Q4 LightBox Appraisal Index fell three points to 53.0 in Q4—nearly level with Q2 2024.
- Appraisal award volume (on a dollar basis) spiked 17% in October to set a new high-water mark for the year on the heels of the Fed's first interest rate cut in mid-September, followed by declines in November and December to end the year 2% above 2023.
- The average appraisal fee per lender project increased slightly to \$3,308 in Q4 compared to Q3's \$3,203 as volumes declined late in the year.
- Retail, industrial, office, and multifamily dominated 75% of all RFPs awarded in Q4, up from 73% in the prior quarter. Appraisal projects on land ranked in fifth place, accounting for another 8%.

In one promising Q4 development, big banks are meaningfully invigorating commercial real estate (CRE) lending activity. After a long period of cleaning up their balance sheets and selling off nonperforming loans, positive Q4 earnings position larger institutions to increase originations despite concerns about risk exposure in the office sector.

The modest decline in rates in late 2024 gave some early relief to borrowers, especially those facing cash-in refinancing challenges, and drove a 17% monthly spike in appraisal volume, setting a new high point for 2024.

### AFTER Q3 INCREASE, APPRAISAL INDEX DECLINES TO 53.0 IN Q4

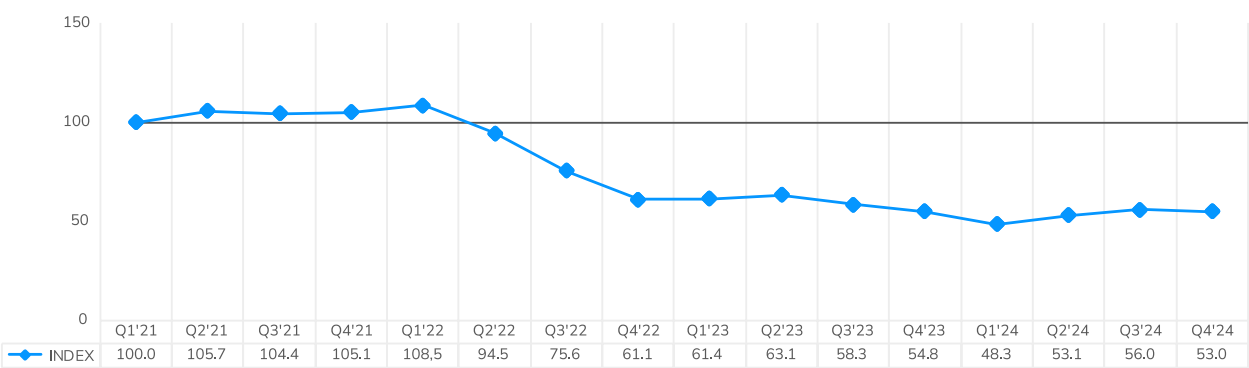
After a robust 17% month-over-month increase in October from September, likely the impact of the Fed's 50-basis point rate cut, lender-driven appraisal volume declined by 22% in November and another 20% in December. The accompanying LightBox Appraisal Index registered at 53.0, a slight decline of three points quarter over quarter and a less significant 1.8-point drop year over year.

During the past six quarters, the Index has hovered consistently around the mid-50s reflective of a steady pace of demand for appraisal projects, but well below the market's high point of 108 in Q1'22 just before aggressive rate hikes by the Fed.

It wasn't enough to have a measurable impact on appraisal award volume at year-end, however. After increasing in Q2 and Q3, appraisal award volume in the LightBox Collateral360®/ RIMS® platforms decreased by 7% in Q4 after policy uncertainty and volatility in the 10-year Treasury yield led to a slower November and December to end the year with annual volume 2% above 2023.

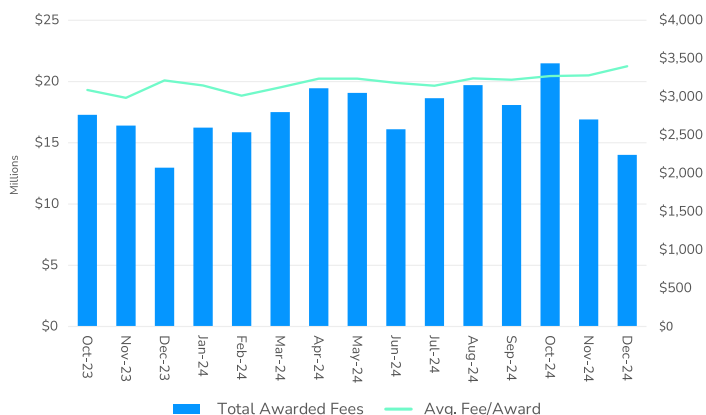
This year's market will likely be characterized by slow increases in appraisal demand related to banks' return to lending as well as continued support of refinance activity as a growing swell of loans reach their maturity dates. With property prices stabilizing in many asset classes and geographies, borrower demand for loans to support new investment opportunities is likely to gain momentum.

LightBox Appraisal Index (Base Q1 2021=100)



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). This index is one of three indexes that feed into the LightBox CRE Activity 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.

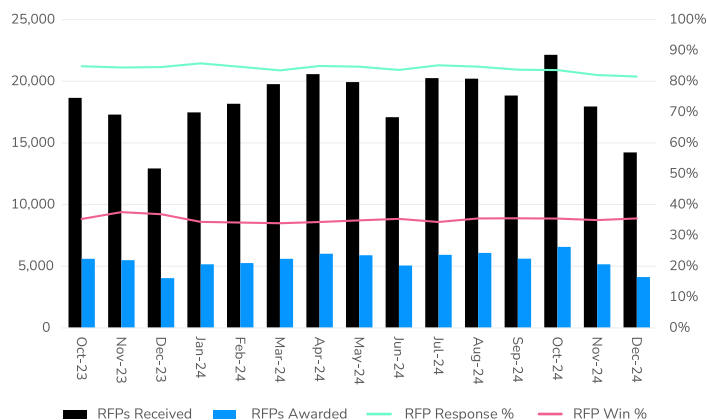
## Avg. Fee/Award & Total Awarded Fees Through Q4 2024



SOURCE: LightBox Collateral360/RIMS platforms

The robust 19% monthly spike in October set a new high-water mark for the year on the heels of the Fed's first interest rate cut in mid-September, followed by monthly declines of 21% and 17% in November and December, respectively. Q4 ended 7% below the prior quarter, but 12% above one year ago. Annual appraisal awards were \$213.1 million, just 2% above 2023's \$208 million. The average fee per award averaged \$3,308 for Q4 up from \$3,202 in Q3 after a slight year-end jump to \$3,339 in the face of slowing volume.

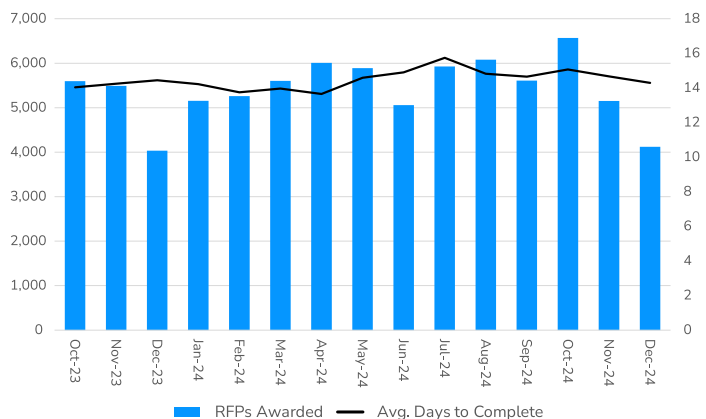
## RFP Response & Win Rates Through Q4 2024



SOURCE: LightBox Collateral360/RIMS platforms

RFPs received by banks fluctuated significantly in Q4, totaling 54,339, 8% lower than 59,317 in the prior quarter but 11% above 48,887 one year prior. The average RFP response rate continued to hover around Q3's 35%, just below 37% in Q4 2023.

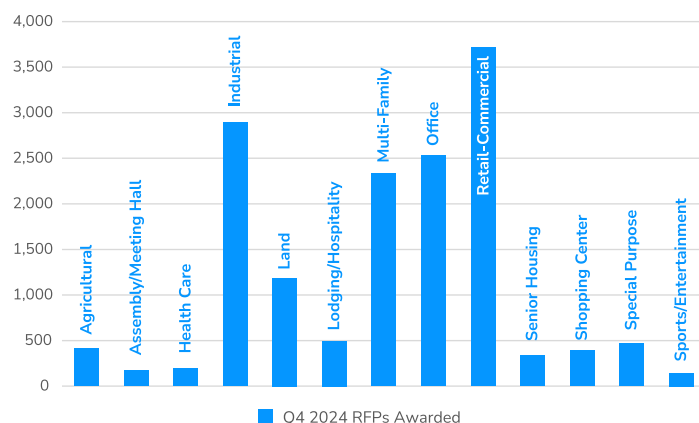
## RFP Awards & Avg. Days to Complete Through Q4 2024



SOURCE: LightBox Collateral360/RIMS platforms

In Q4, the average turnaround time tightened to 14.7 days, slightly faster than 15.1 days in Q3 when the number of jobs was 7% higher. Compared to Q4 2023's 14.2 days, Q4's turnaround was 0.5 days slower.

## Appraisal Awards by Property Type, Q4 2024



SOURCE: LightBox Collateral360/RIMS platforms

The four major 'food groups'—led by retail—accounted for a solid 75% of all appraisal RFP awards in Q4. Outside of the top four, land accounted for another 8% of the total, likely driven by high interest by developers looking to acquire land for new construction in growing areas like data centers, housing, and manufacturing.

## LightBox Q4 2024 Appraisal Metrics Snapshot

	Q4 2024	Q3 2024	Change (QOQ)	Q4 2023	Change (YOY)
Appraisal Activity Index	53.0	56.0	-3 points	54.8	-1.8 points
Appraisal Awards (total fees in millions)	\$52.4	\$56.4	-7.1%	\$46.7	12.2%
Average Appraisal Fee/Award	\$3,308	\$3,203	3.3%	\$3,086	7.2%
Appraisal Awards (total jobs)	15,843	17,618	-10.1%	15,121	4.8%
RFP Response Rate	83%	85%	-2.4%	85%	-2.4%
Avg Turnaround Time (days)	14.7	15.1	0.4 days faster	14.2	0.5 days slower

## 2024 VOLATILITY DROVE UNEVEN PACE OF APPRAISAL DEMAND

Looking back, 2024 was a volatile year for the functions that support CRE lending with monthly peaks and pull-backs in demand. Until the fourth quarter, the overall trend was one of gradual improvement as lenders selectively returned to extending debt capital and addressed the maturity of loans, many of which were originated during peak market conditions. As more loans reach their maturity dates this year and refinancing can no longer be delayed, appraisers will be responding to an increase in appraisal requests, particularly from borrowers seeking updated valuations to secure refinancing under more favorable terms than the past years.



## NUANCED CRE MARKET BRINGS APPRAISALS CENTER STAGE

The headlines on the latest trends in major asset classes often generalize about the “doom and gloom” in office or how e-commerce is killing retail, but CRE assets are heterogenous and differences across asset classes and even sub-asset classes are pronounced. Each property has a unique investment potential and risk profile based on myriad factors like property type, market, vintage, rent roll, occupancy, energy efficiency, climate risk, amenities, business plan, and so on.

These distinctions at the property level are more defined now than during any previous market cycle and decisions about investment and lending will need to be nuanced and rely on the details that separate one office building from another, and one shopping center from another across town. In the wake of major hurricanes like those that hit the Southeastern U.S. last fall and the wildfires in Los Angeles in January 2025, climate risk considerations and building resiliency are also becoming more common considerations in lending and investment decisions. (For LightBox’s latest assessment of major asset classes, refer to our [2025 Predictions Report](#))

## BIG BANKS SELECTIVELY RE-INVIGORATE PROPERTY LENDING

After a slow first half of 2024 as many banks stayed largely on the sidelines, CRE lending volumes increased by a significant 44% in Q3 over Q2, according to the latest data from the Mortgage Bankers Association (MBA). By year-end, big banks were back in the game. Members of the LightBox Capital Market Advisory Council are predicting that 2025 CRE lending volume will increase by an average of 25% over last year, a forecast that’s in line with the MBA’s latest forecast of 23% growth this year. Growth in lending will be driven by several factors including the draw of slightly lower rates triggering more interest from borrowers seeking debt capital as the pricing reset happens.

The stage is also set for a peak year of refinancing given the \$570 billion in CRE loans that will mature this year with banks holding approximately 38% of the inventory of outstanding debt. Maturing loans tied to distressed assets that are now worth less than their debt could be problematic and lead to losses for the banking sector, but the pace and extent of impacts will depend on how quickly and through what avenues these maturities are addressed.

Banks are coming off several years of restructuring, modifications, and the sale of non-performing loans to improve their balance sheets, and [Q4 earnings reports paint a healthier financial picture](#) for large banks. The latest financial commentary from big banks pointed to demand for selective CRE lending picking up later this year, as a lagging rather than leading indicator of optimism. However, much will depend on the direction of Washington policy. Higher interest rates, or at least fewer cuts than once expected, could discourage some borrowers while others, sensing prices hitting bottom, will be shopping for investment opportunities. The reports were also not without a tone of caution about losses in the office sector with Wells Fargo noting the expectation that office losses will be “lumpy as we continue to actively work with our clients.”



## OUTLOOK: A NEW CHAPTER FOR CRE TAKES SHAPE

For appraisers, 2025 opens a new chapter in the market cycle. The two main obstacles to recovery in the past two years—high interest rates and price uncertainty—are slowly improving. As more investment deals close, the willingness of other CRE investors and lenders to explore new opportunities will only increase.

On the positive side of the ledger are factors like the strong economy, access to willing capital sources, price stabilization, and the narrowing bid-ask gap. These factors are setting the playing field for a rebound in investment and lending this year. The forecast, however, is for a moderate pace of recovery given the significant risks and uncertainty. As this new growth cycle for CRE gets underway, the strongest point in favor of future CRE transactions growth is the sheer volume of capital raised to take advantage of opportunistic investments. Eventually this capital will be deployed, and as interest rates come down, the math behind deals will work out better than it has in the past few years.

## DEBT CAPITAL ON THE RISE TO SERVICE REFINANCING AND DISTRESS

In their latest financial statements, CEOs of big banks were optimistic about an increase in borrowing demand, which could lead to an uptick in lending activity. Loans are also continuing to mature and will need to transact. The MBA projects that \$570 billion of CRE loans will mature in 2025, with banks holding about 38% of the overall inventory of outstanding debt. Lenders have also been foreclosing on distressed assets in greater numbers in 2024, and that pace should increase in 2025 largely in the office and multifamily sectors, as a new wave of loans mature, and owners and lenders are forced to come to terms with challenging financial realities they've been able to avoid thus far.

As interest rates decline, albeit slower than expected, borrowers facing 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.

Debt capital will be more abundant, but the lender mix will change as banks get more active, yet remain cautious due to their exposure to losses from prior CRE lending. While smaller regional banks may remain less active this year, especially over the near-term, large banks are expected to increase their activity with a preference for loans on properties perceived as lower-risk including multifamily, self-storage, industrial, and grocery-anchored retail. With more abundant debt capital available this year, the lending market will be a competitive one as banks compete with other sources of debt capital like insurance companies, private equity, and continued strength from CMBS lenders.



## APPRAISALS IN THE SPOTLIGHT

Appraisers will support an important function in a recovering market. Valuations under new market conditions will set pricing benchmarks and be an important sign of price stabilization as more properties are brought to market than in the past two years. The elevated 10-year Treasury yield will likely continue to create uncertainty and fuel market caution, making it challenging to assess the impact of rate cuts on property values. Lower borrowing costs help alleviate at least some financial pressure on property owners, but appraisers will need to exercise professional judgment in accounting for other factors, like inflationary pressure and long-term income potential, when determining reasonable property values.

In a CRE Weekly Digest podcast in November, [Eric Enloe](#), senior managing director at Partner Valuation Advisors observed that *“While there is movement toward more transactions, appraisers must go beyond the numbers, leveraging listings, broker insights, and market sentiment to deliver valuations that truly reflect current conditions.”*

Updated valuations will be critical barometers relied upon by lenders considering refinancing requests, demand from borrowers seeking debt capital for new investment, and property portfolio risk assessments.

## SLOW START TO 2025, BUSIER SECOND HALF EXPECTED

In the coming quarters, the market will have more specifics on the direction of federal policies and where interest rates are generally heading. As more pricing clarity comes into focus due to the work of appraisers, the market will see greater access to capital—especially by big banks with goals to increase lending activity for the first time in two years—more transactions, and a new cycle of redevelopment as CRE assets are repositioned for new uses.

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.





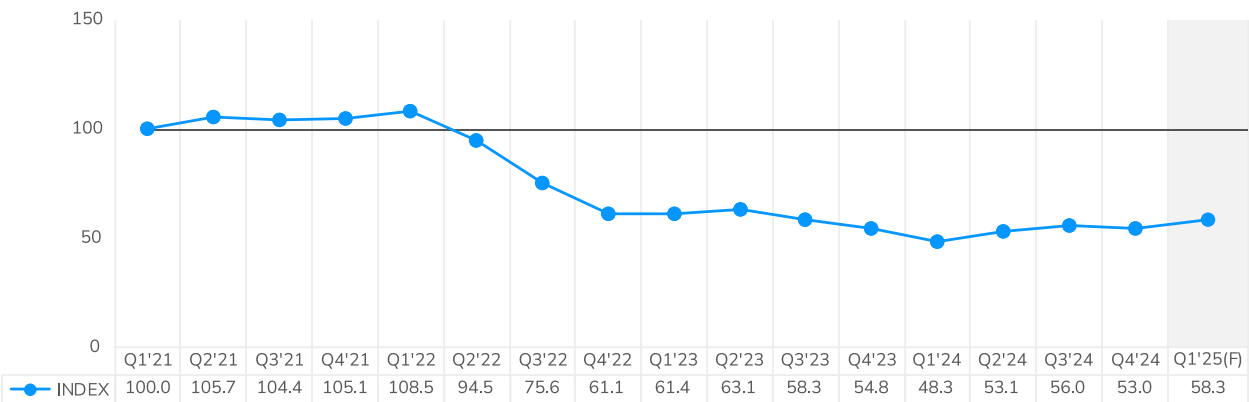
For appraisers, these dynamics will necessitate close monitoring of shifting capitalization rates, evolving lender underwriting standards, and market sector bifurcation. Bank consolidation may also shift the client mix and increase reliance on national lenders with differing risk tolerances. Property valuations in 2025 will reflect the wide geographic and sector-specific differentiation and will require a nuanced approach to risk assessment and forecasting.

Anticipated policy changes related to taxation, trade, immigration, and federal spending will impact certain segments of CRE with greater clarity emerging by Q2, and that will shape how the rest of 2025 plays out. Considering both the traditionally slow start to a new year, as well as the policy and market unknowns unique to 2025, the forecast for the LightBox Appraisal Index is for a moderate increase to 58.3 in Q1 compared to 53.0 in Q4 2024.

The three interest rate cuts totaling 100 basis points unleashed market momentum that was largely absent for much of early 2024. The willingness of big banks to lend again is another market boost. While two or three rate cuts seem likely this year, the Fed's decisions will depend on future trends in inflation and the labor market. Inflation will be very top-of-mind given the potential for tariffs or tax cuts to trigger inflationary pressure.

Despite ongoing challenges and rate uncertainty, the growing CRE market momentum, an expected moderate easing of interest rates, and a wave of loan maturities are anticipated to fuel greater borrowing demand and loan originations, particularly in the second half of 2025. However, lenders are expected to maintain a highly selective and cautious approach to underwriting given the significant market uncertainty. Appraisals will continue to play a critical role in an uncertain market given that asset appreciation is no longer guaranteed.

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



## 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](http://www.LightBoxRE.com)

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