LIGHTBOX

CRE MARKET SNAPSHOT Q4 2024

FOCUS ON CAPITAL MARKETS AND INVESTMENT TRENDS
(OCTOBER 1 – DECEMBER 31, 2024)

LIGHTBOX Q4 2024 PROPERTY LISTINGS INDEX UP 17 POINTS YEAR OVER YEAR

Multifamily and retail dominate property listings with office showing promising uptick

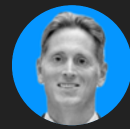
Editor's Note *This report, an installment of the LightBox CRE Market Snapshot Q4 2024 series, highlights trends in capital markets and emerging opportunities for brokers and investors. Other reports in the series include the Phase I ESA Market Snapshot, which takes a deep dive into similar trends in the environmental due diligence sector, and the Appraisal Market Snapshot, which highlights trends in lender-driven appraisals, and the latest industry benchmarks on fees, turnaround time and metro-level performance.*

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, the market is adjusting to the new reality of interest rates staying higher for longer as the Fed tapped the brakes on a fourth interest rate cut at its late January meeting. 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. With that volatile end to 2024, combined with the typical seasonal slowdown, **the LightBox Property Listings Index declined to 86.8 in Q4 after building momentum in Q2 and Q3.** 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.

KEY Q4 2024 DEVELOPMENTS

- The LightBox Commercial Property Listings Index for Q4 rose 17 points higher than the Q4'23 low point to 86.8 but landed 33 points below the prior quarter.
- Market volatility, combined with the typical year-end pause, resulted in a 30% decline in Q4's total volume of property listings compared to Q3, but a 19% uptick versus one year ago.
- On an annual basis, hospitality and industrial property listings experienced the most significant year-over-year increases in 2024, up by 18% and 16%, respectively.
- The volume of LightBox RCM private capital deals (less than $20 million) continued to grow, reaching 68% in Q4 over Q3's 61%, with retail and multifamily accounting for 45% of the total.
- LightBox CRE Advisory Council members give CRE market conditions an average score of 62.8 in Q4 on a scale of 1 (worsening) to 100 (improving), slightly less optimistic than 70 in the prior quarter, likely a reflection of Q4's market volatility, especially in the 10-year Treasury yield.

The majority of commercial property assets brought to market in the LightBox RCM platform in Q4 were for multifamily (44%), followed by retail (16%) and industrial (16%), but office is showing early signs of gaining strength. With every new round of dealmaking, the bid-ask spread that thwarted deals in 2023 continues to narrow. Stabilizing property prices are encouraging new buyers to reinvigorate investment activity for the first time in more than a year. LightBox also continues to track a growing volume of major property sales $100 million that cuts across all asset classes and geographies as institutional investors get more active.



WORD ON THE STREET

"The November presidential election provided a clear outcome which reduced market uncertainty, and there seems to be a greater acceptance that rates will stay 'higher for longer.' "

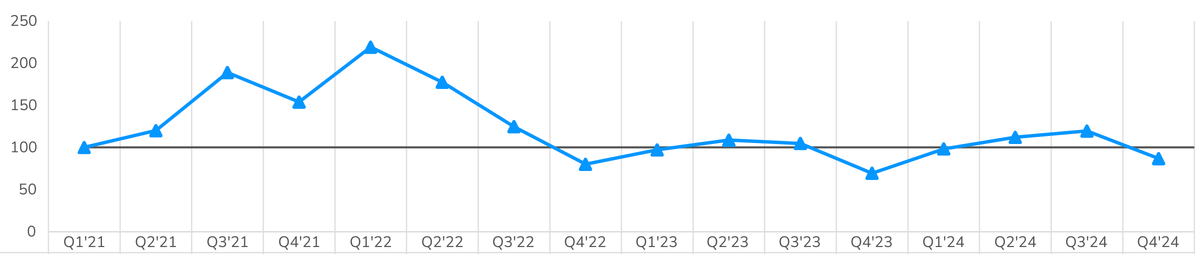
– Jon Winnick, CEO, Clark Street Capital

Given the still-elevated 10-year Treasury yield and the realization that interest rates are likely to stay higher for longer, some of the bullishness from Q3 has waned, but investors are still cautiously optimistic about increasing investment and lending activity in 2025. Members of the LightBox CRE Market Advisory Council forecast that CRE property transactions will rebound by 15-20% this year with greater pricing clarity, more abundant access to debt capital, and increased opportunities related to both distress and more traditional investment. The near-term forecast, however, is not without its risks—the least of which are the uncertainties in future federal policies that could impact this year's lending and investment decisions.

LIGHTBOX COMMERCIAL PROPERTY LISTINGS INDEX SLOWS AT YEAR-END AFTER THREE QUARTERS OF GROWTH

After Q4 2023's three-year low, the first three quarters of 2024 saw steady growth before declining in Q4 to 86.8, reflecting a typical year-end contraction. This was a 33-point decline over the prior quarter and a 17-point increase year-over-year. As show in Figure 1, a Q3-to-Q4 drop is not uncommon. In what may be a sign of growing strength in the new year, the property listings in the last two weeks of the year—typically very slow weeks—not only bucked the quarterly downward trend but **doubled in volume compared to the final weeks of 2023.**

LightBox Property Listings Index (base Q1 2021=100)



	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
INDEX	100.0	119.9	188.9	153.9	219.0	177.3	124.7	80.0	97.1	108.7	104.8	69.3	98.2	112.1	119.5	86.8

Figure 1

NOTE: The LightBox Commercial Property Listings Index is derived from data in the LightBox RCM platform used by brokers/investors. Quarterly volumes are normalized to a Q1 2021 base and calculated based on an average volume per business day (and 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 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 Q4 2024 Brokerage/Investment Metrics Snapshot

	Q4 2024	Q3 2024	Change (QOQ)	Q4 2023	Change (YOY)
LightBox Property Listings Index (base Q1 2021)	86.8	119.5	-32.7 points	69.3	17.4 points
Multifamily (as % of total listings in RCM platform)	28%	35%	-7 points	36%	-8 points
Review of Listings by Price Category					
RCM Listings Priced Below $20 Million (as % of total)	68%	61%	7 points	55%	13 points
RCM Listings Priced Above $50 Million (as % of total)	14%	19%	-5 points	15%	-1 points

Source: LightBox RCM®

Q3 OPTIMISM SHIFTS TO NOTE OF CAUTION AMID VOLATILITY

Based on the results of the Q4 2024 survey of the LightBox CRE Market Advisory Council, which includes leaders from major firms like Cushman & Wakefield, NAI Global, Marcus & Millichap, BGO, Manulife and others, market conditions averaged 62.8 last quarter on a scale from 1 (worsening) to 100 (improving)— a slight decline from Q3's 70. Responses in Q4 ranged from a low of 43 to a high of 82. Market Advisory Council members are observing signs of improvement, but also concerns about inflation and rate uncertainty that could impact dealmaking in 2025.

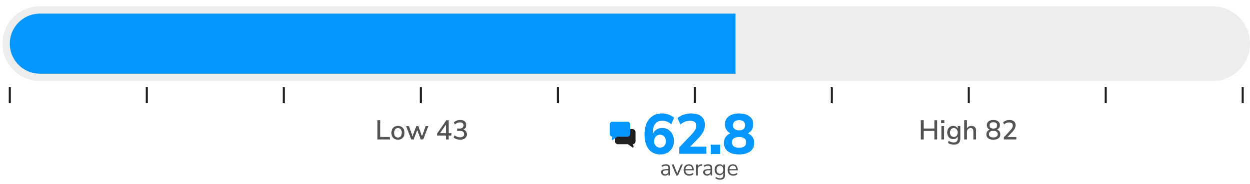
WORD ON THE STREET

"The 10-Year Treasury rate decline in Aug-Sept set a flow of transactions in motion, but then slowed again in Nov-Dec when the 10-year went back up. Nonetheless investment activity should continue at a pace exceeding Q3 and prior over the near term."

– John Chang, National Director of Research, Marcus & Millichap

State of Commercial Real Estate Market (Q4 2024)

(1=worsening to 100=improving)



Source: Q4 Survey Responses from CRE Market Advisory Council

BIG BANKS CAUTIOUSLY BACK IN THE LENDING GAME

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), and by year-end, it was encouraging to see that big banks were back in the game. Market Advisory Council members 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.

LIGHTBOX RCM COMMERCIAL PROPERTY LISTINGS BY ASSET CLASS

Multifamily, Industrial, and Retail Account for 44% of Q4 Listings Volume

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 one across town. In the wake of major hurricanes like those that hit the Southeastern U.S. last fall and the wildfires in Los Angeles earlier this year, 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](#).

While multifamily, industrial, and retail are attracting investor interest, some geographies and subsectors are performing better than others. An analysis of the property assets brought to market in Q4 2024 in the LightBox RCM platform highlights trends unique to this stage of the market recovery:

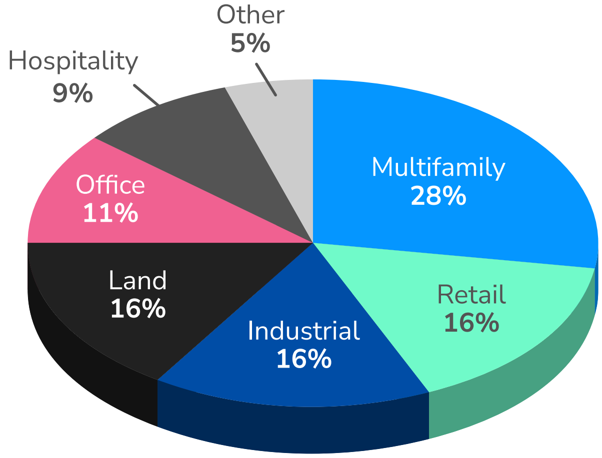
60% of all property assets brought to market in Q4 2024 were in multifamily, industrial, or retail, led by multifamily which accounted for 28% of all properties listed for sale.

After slight declines in rents over the past two years, construction starts are down 40% from peak levels, which will balance out supply and demand, setting the stage for rent growth in metros with strong population growth and housing demand. Investors are showing interest in multifamily properties with stable cash flow potential, particularly in growing Sun Belt metros like Atlanta, Austin, and Charlotte.

Industrial narrowly edged out retail for second place, each accounting for approximately 16% of listings, and with average prices of $32.1 million and $34.3 million, respectively. Industrial continues to be the top-performing asset class in CRE, driven by robust demand for logistics, e-commerce, manufacturing, and technology infrastructure. Retail is gaining more attention from investors due to record-low vacancy rates and limited supply which is driving up rent growth in many markets. Store closings are quickly being filled by demand from expanding retailers or adaptive reuse of older retail centers.

Land accounted for 13% of all property listings in Q4, as homebuilders and other developers seek properties for new construction in growth markets, followed closely by office with 11% of the total (still well below its 2018-2019 benchmark of 20% or more). Office is showing signs of building momentum, both from property listings as well as headlines about major transactions, especially in strong downtown office markets as tenants look for new space to support return to office mandates. If office leasing continues to increase, office could see stronger transaction volume and account for a greater share of property listings in coming quarters.

Breakdown of Property Listings on LightBox RCM by Asset Class (Q4 2024)



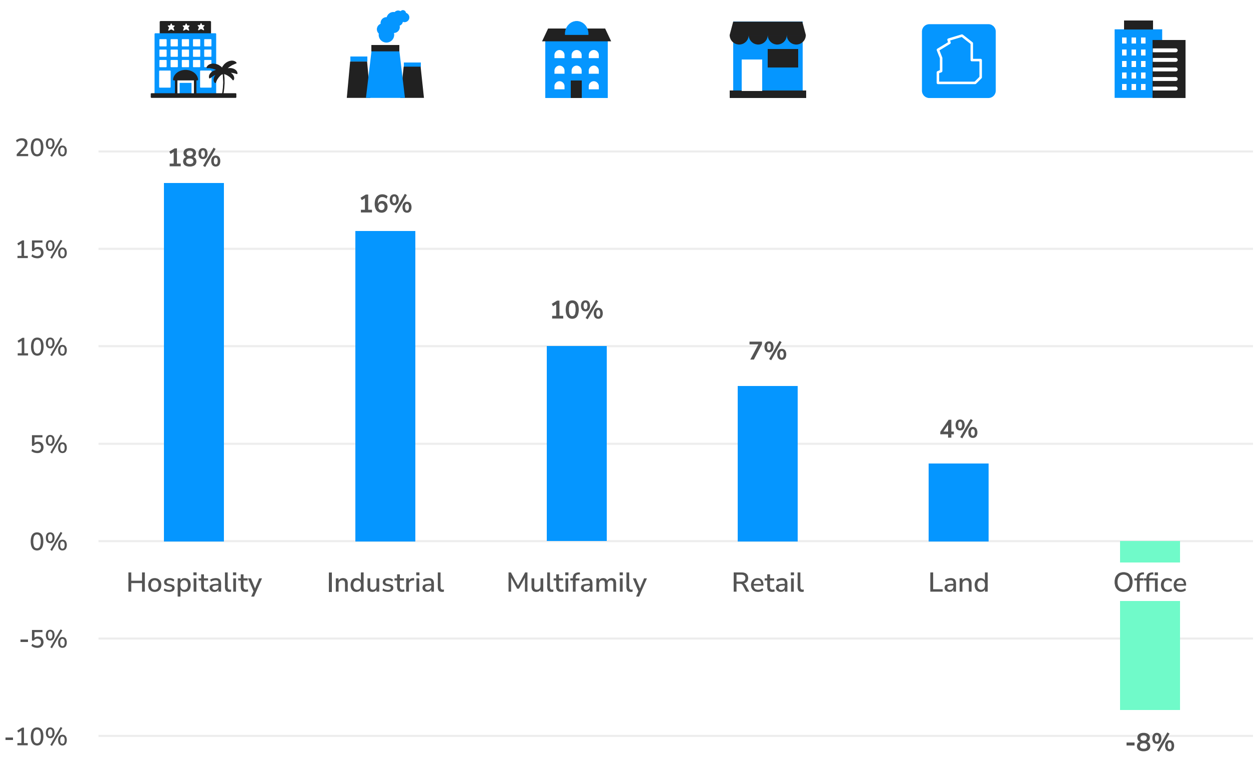
Source: LightBox RCM®

Figure 2

Other includes: data centers, healthcare, and specialty.

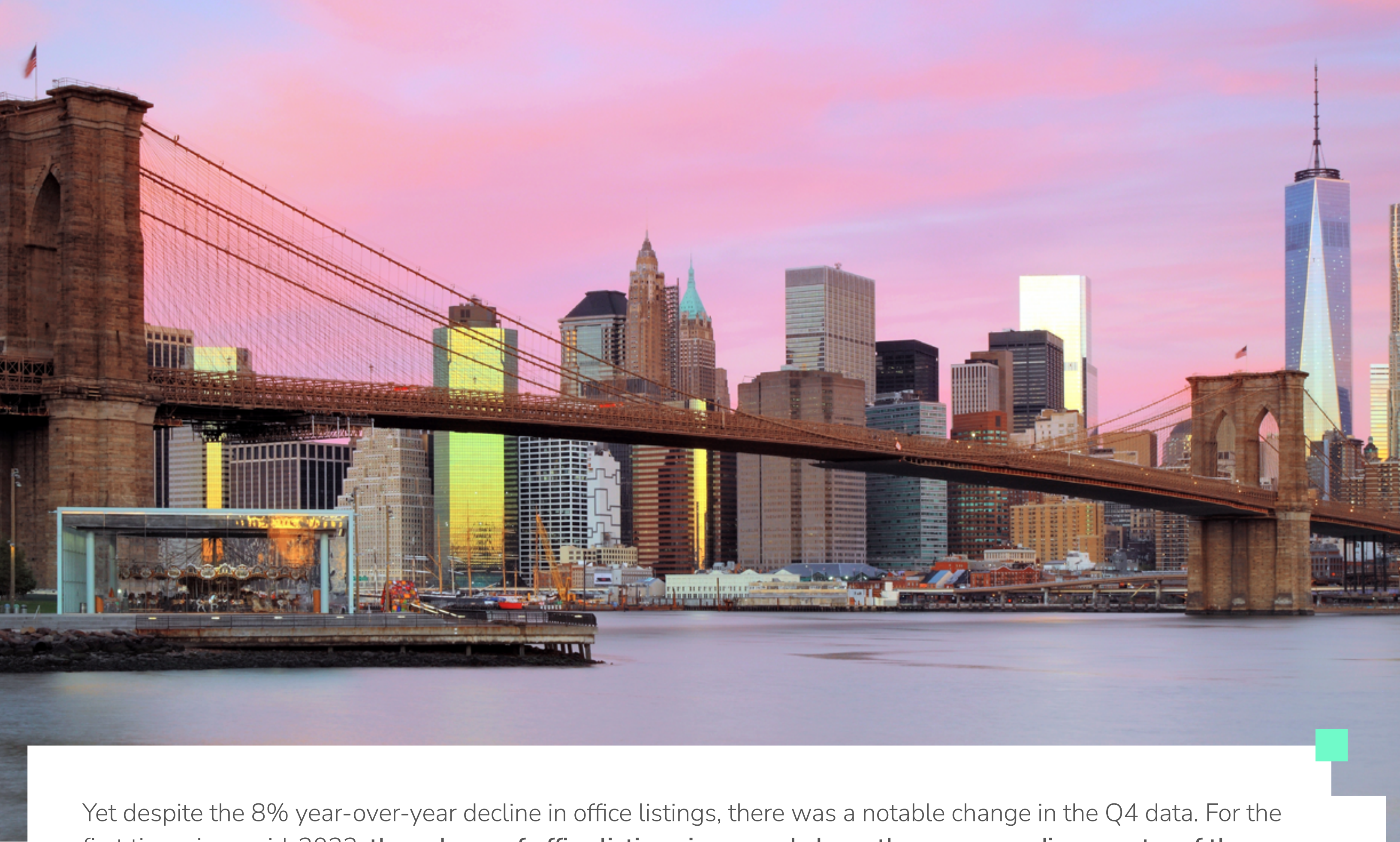
Panning back from the seasonal Q3-to-Q4 decline to look at activity on an annual basis, properties listings increased 8% in 2024 over 2023. Figure 3 highlights year-over-year changes in property listings for the top asset classes in 2024. There were sizable double-digit spikes in hospitality (18%), industrial (16%), and multifamily (10%), with a notable 8% decline in office listings.

Change in LightBox RCM Property Listings by Top Asset Classes (2024 vs. 2023)



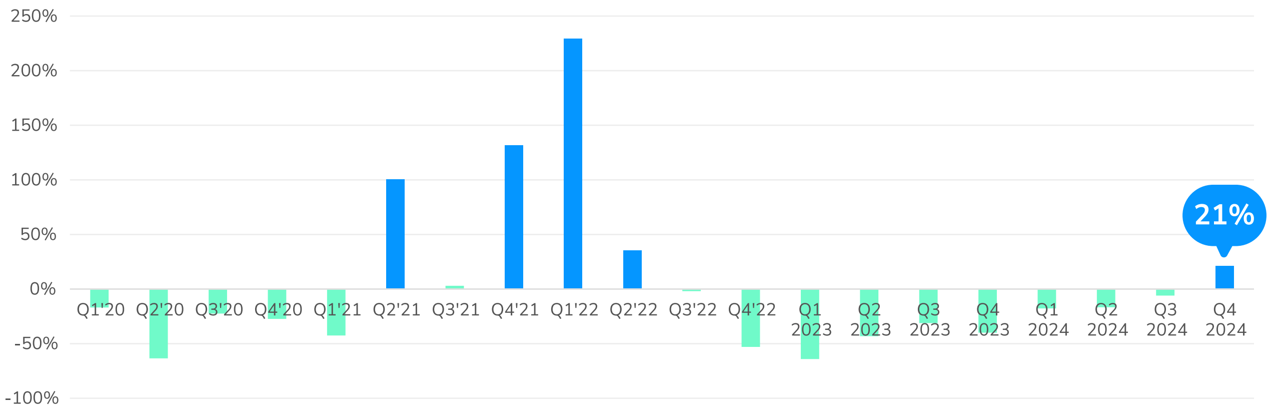
Source: LightBox RCM®

Figure 3



Yet despite the 8% year-over-year decline in office listings, there was a notable change in the Q4 data. For the first time since mid-2022, **the volume of office listings increased above the corresponding quarter of the prior year.** This 21% increase in Q4 suggests the office sector could be turning a corner. Recent transaction data collected by LightBox supports that investors are showing greater interest in office assets as there's a growing sense that the office sector has reached its bottom, particularly for Class A assets in markets with strong demand. Blackstone Inc. is an example of an investor taking notice as it recently closed on a midtown Manhattan tower. In another fresh deal, the Sail Tower in Austin sold for more than $520 million to Cousins Properties and is 100% leased to a Fortune 20 company through 2038. The Wall Street Journal recently described the current increase in office transactions as a "budding buying spree" and the Q4 uptick in LightBox RCM data could be an important early sign of building momentum in the office sector as more assets move into play.

Year-over-Year Change in LightBox RCM Office Property Listings (2020-2024)



Source: LightBox RCM®

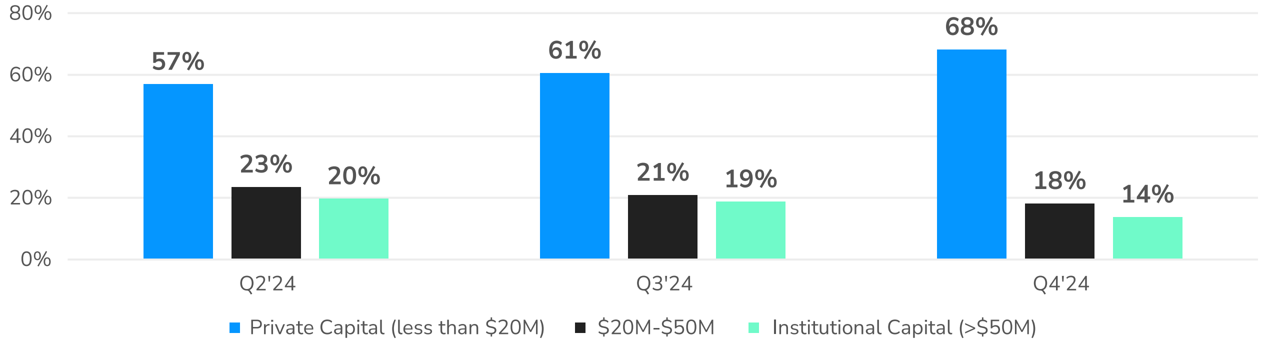
Figure 4

SMALLER ASSETS ACCOUNT FOR GROWING 68% SHARE OF Q4 ACTIVITY

Private Capital Favors Retail and Multifamily Assets

A trend established in the early quarters of 2024 continued to build steam in Q4 as the smallest deals (i.e., less than $20 million), typically attractive to private investors and real estate funds, are increasing as a share of the total market. These smaller deals accounted for 68% of total Q4 activity. This was an increase above 61% in Q3 and 57% in Q2. At the other end of the spectrum, larger institutional capital deals accounted for 14% of the total, less than 19% and 20% in the prior two quarters. LightBox tracked **40 deals more than $100 million by institutional investors in December and another 41 in November**, marking continued strength in large transactions. The top announced sale was the $1.6 billion acquisition of nearly 80 manufactured housing communities by RHP Properties. Other investors active in the late 2024 dealmaking wave included Ares Real Estate, Investcorp, INDUS Realty Trust, and Bridge Investment Group.

Distribution of Deals by Size Category (Q2’24-Q4’24)

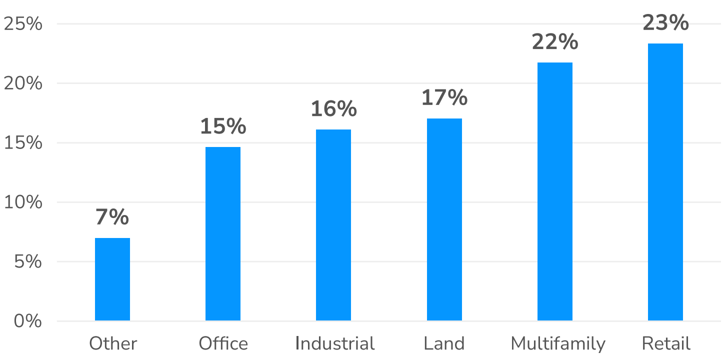


Source: LightBox RCM®

Figure 5

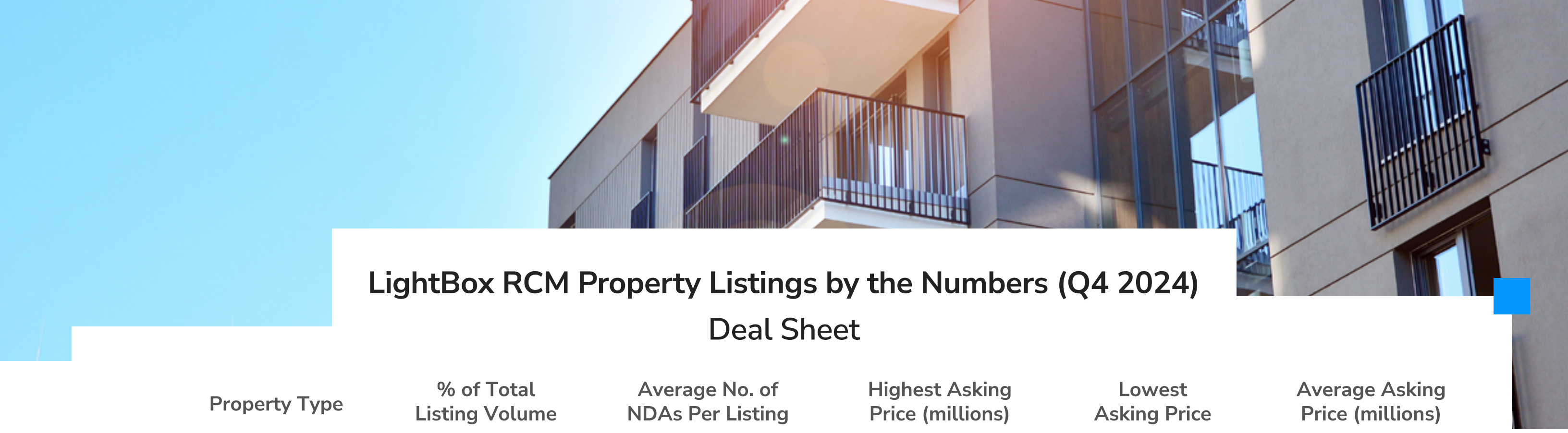
In the less than $20 million price tranche, the retail sector continued to account for the largest share of buying opportunities with 23% of the total, compared to 26% in Q3. Multifamily was right behind with 22% and land with 17% of the total. Private investors are actively seeking opportunities in retail, particularly shopping centers and grocery-anchored retail.

Retail, Multifamily Properties Lead Private Capital Deals (Q4’24)



Source: LightBox RCM®

Figure 6



LightBox RCM Property Listings by the Numbers (Q4 2024)

Deal Sheet

Property Type	% of Total Listing Volume	Average No. of NDAs Per Listing	Highest Asking Price (millions)	Lowest Asking Price	Average Asking Price (millions)
Multifamily	28%	155	$350.0	$400K	$34.3
Retail	16%	120	$136.4	$640K	$10.6
Industrial	16%	98	$482.0	$385K	$32.1
Office	11%	96	$300.0	$385K	$23.8
Land	16%	83	$275.0	$350K	$16.3
Hospitality	9%	77	$1,100	$2.5M	$64.5

Average
115
Signed NDAs Per Listing

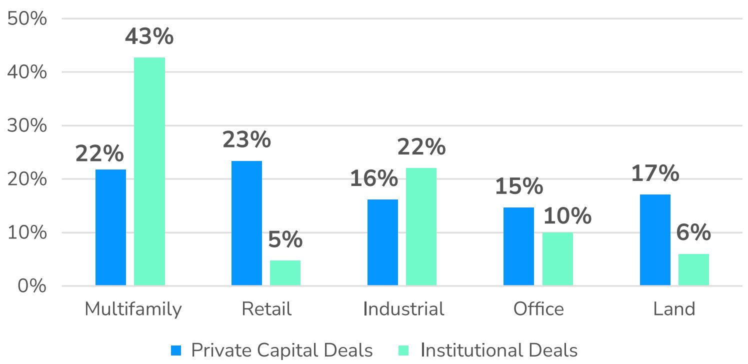
Source: LightBox RCM®

Figure 7

Notes: Highest asking price represents the largest single assets brought to market, as well as portfolio transactions. For listings that included price, the average asking price is calculated based on the price of the asset going to market.

The average price of retail listings was $10.6 million in Q4, compared to multifamily's $34.3 million and industrial's $32.1. In Q4, 23% of retail listings were at the lower end of the pricing spectrum—$20 million or lower compared to only 5% accounted for by listings more than $50 million. Institutional deals account for a much larger share of multifamily (43%) and industrial (22%).

Private Capital vs. Institutional Deals (Share of Total by Major Asset Class, Q4'24)



SOURCE: LightBox RCM®

Figure 8

OUTLOOK: LIGHTBOX CRE MARKET ADVISORY COUNCIL EXPECTS 15-20% INCREASE IN TRANSACTIONS

Fueling the near-term forecast is the fact that as more investment deals close, the willingness of other CRE investors and lenders to explore new opportunities will only increase. Other tailwinds include the strong economy, access to willing capital sources, and the narrowing bid-ask gap. These factors are setting the playing field for a rebound in investment and lending this year.

Market Advisory Council members forecast an average 15-20% increase in CRE property transactions this year. The optimistic forecast is not without its clouds, however. The most pressing issue cited by council members in the latest Q4 outreach is the uncertainty surrounding the new administration's policies—particularly regarding trade, labor, and taxation. Interest rates and inflationary pressures will be top of mind given the potential impact on capital markets and investment decisions. Geopolitical risks and ongoing economic uncertainty could also affect market activity this year, and the slow stream of distressed assets into the market also remains a concern.

WORD ON THE STREET

"Interest rates are the biggest challenge right now. If rates can have a relatively clear path forward, the market should perform better. If other factors, like policy decisions, get in the way, then the environment should prove more challenging."

– Ryan Severino, Chief Economist, BGO

MORE ABUNDANT DEBT CAPITAL DRIVES STRONG LENDING FORECAST

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. The Market Advisory Council predicts that CRE lending will increase by 25% compared to 2024, partly driven by new originations as well as loan maturities. 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.

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. As interest rates decline, however slowly, 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 properties, declining rates will begin to deliver at least some moderate relief.

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.

SLOW START TO 2025, BUSIER SECOND HALF EXPECTED

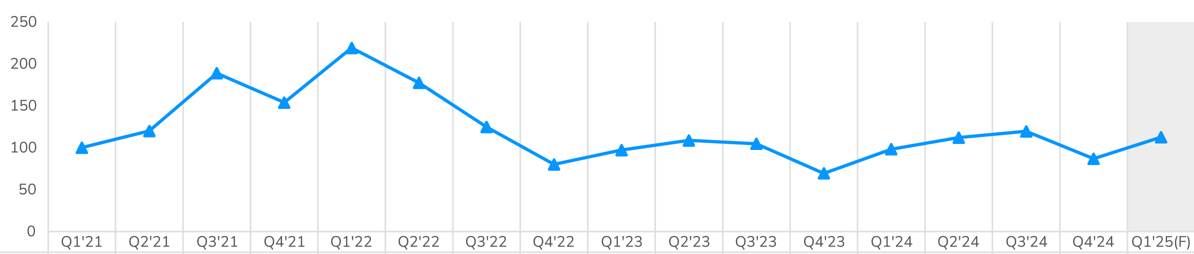
As pricing clarity comes into focus and borrowers look for new opportunities to invest, lenders will see more demand for loans, and a new cycle of transactions and property redevelopment will get underway as some challenged CRE assets are repositioned for new uses. The speed with which those with access 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.

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 the willingness to place capital as a new round of listings surface, as well as the policy and market unknowns unique to 2025, the forecast for the LightBox Property Listings Index is for a healthy increase to 112.5 in Q1 above 86.8 at year-end. The recovery in investment activity will not be uniform with dramatic differences by investor type, asset class, and geography.

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 and investors are expected to maintain a highly selective and cautious approach given the significant market uncertainty and the still-elevated Treasury yield.

LightBox Property Listings 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(F)
INDEX	100.0	119.9	188.9	153.9	219.0	177.3	124.7	80.0	97.1	108.7	104.8	69.3	98.2	112.1	119.5	86.8	112.5

Figure 9

ABOUT THE LIGHTBOX COMMERCIAL REAL ESTATE MARKET ADVISORY COUNCIL

LightBox is grateful to the members of our CRE Market Advisory Council in 2024-2025. These subject-matter experts and industry leaders at CRE firms from across the U.S. have volunteered to share their invaluable perspectives and insights on the state of the market, recent developments, top challenges, emerging opportunities, and the near-term forecast. This outreach, especially in today's rapidly changing market, ensures that LightBox's CRE Market Snapshot reports are in line with trends in the field, and reflect the input from a broad range of professionals across the commercial real estate ecosystem and in every region of the U.S.

LightBox 2024-2025 CRE Market Advisory Council

Victor Calanog
Global Research and
Strategy | Chief Economist
Manulife

Ryan Severino
Chief Economist
BGO

Cindy Cooke
Vice Chair
Multifamily Investments
Colliers

Jon Winick
CEO
Clark Street Capital

Bryan Doyle
Managing Director
Capital Markets
CBRE

John Chang
National Director
of Research
Marcus & Millichap

Lisa Strope
Vice President
Head of Research
TA Realty

Wanda Riley
Managing Principal
Cushman & Wakefield

Matthew Osborne
Executive Vice President
& Chief Credit Officer
Eastern Bank

Arthur Milston
Senior Managing Director
& Head of Capital Markets
NAI Global

Jeff Rinkov
CEO and Chairman
of the Board
Lee & Associates

LIGHTBOX CRE QUARTERLY MARKET SNAPSHOT SERIES

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 Capital Markets and Investments are derived from the activities of the LightBox RCM platform and used to calculate the LightBox Commercial Property Listings Index. LightBox RCM is the industry's leading go-to-market listing platform that powers investment sales, as well as debt and equity deals. As a trusted CRE technology solution, LightBox RCM offers a global marketplace for buying and selling CRE and increases the speed, exposure, and security of deals through one streamlined online platform. Brokers can leverage integrated property marketing tools, transaction management and business intelligence.

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**

Subscribe to LightBox Insights

LIGHTBOX

LOCATE. ANALYZE. ACT.