

COMMERCIAL REAL ESTATE TRENDS TO WATCH IN 2025

Discover what's moving CRE markets and which US cities and assets you should be watching

The US economy is on an upward trajectory

Monetary policy is slowly loosening, inflation is cooling, and the U.S. economy is bound for a soft landing. Minor inflation worries linger.

2x

Fed rate cuts planned in 2025

2.1%

GDP growth projected by Ernst & Young

Inflation has seen a downtrend

Is commercial real estate set for a new growth cycle in 2025?

Favorable macroeconomics, reduced interest rates, and discounted property prices promise an **influx of capital** –boosting the CRE market.

Property prices, capital, and sentiment point towards growth:

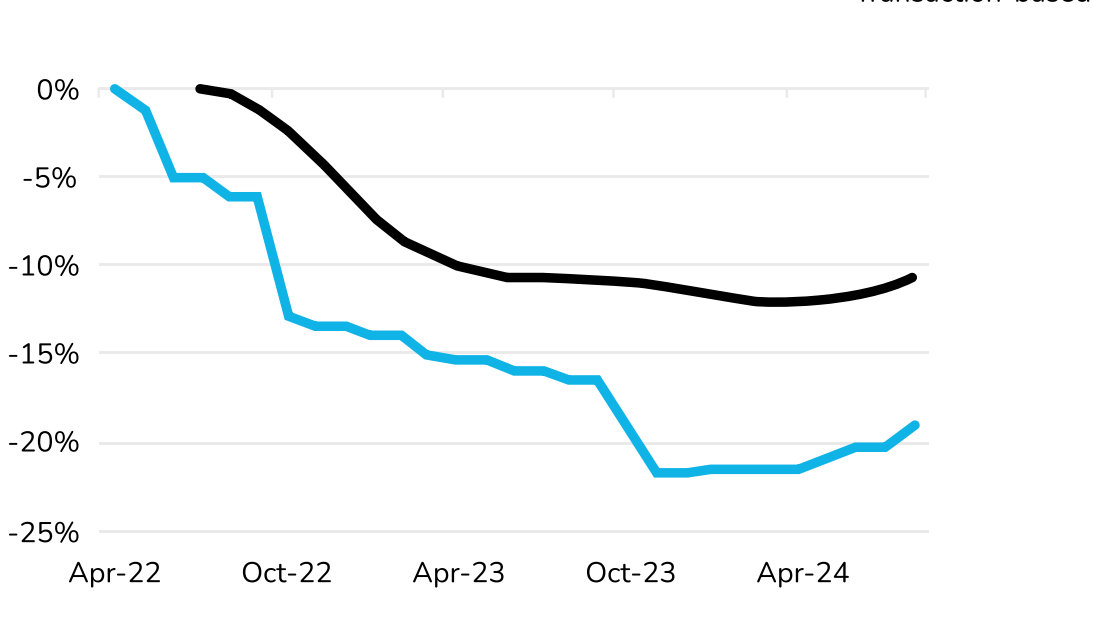
Property valuations have bottomed out

Commercial property price changes:

Properties already saw their lowest valuations in 2024 and are slowly recovering.

Cumulative CRE price change

Since index peak



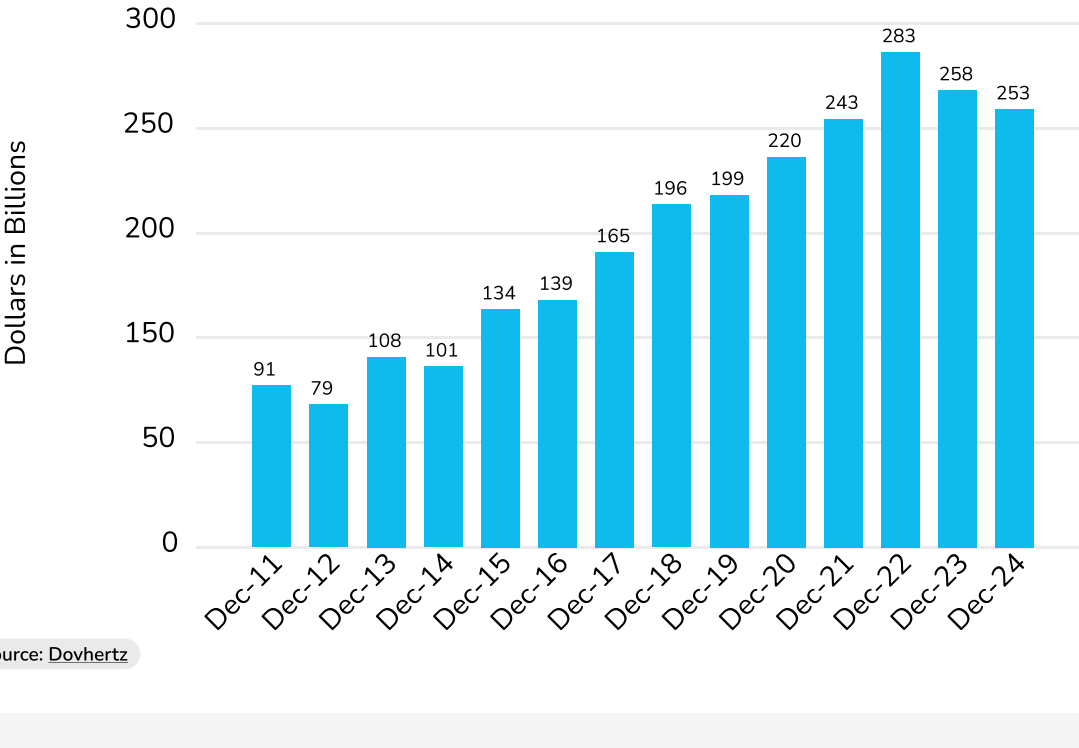
Source: FS Investments

Unused capital is flowing into CRE

Available capital in closed-end CRE funds:

The amount of dry powder, or available capital, earmarked for US real estate has started to drop.

Dry Powder - Closed End Funds

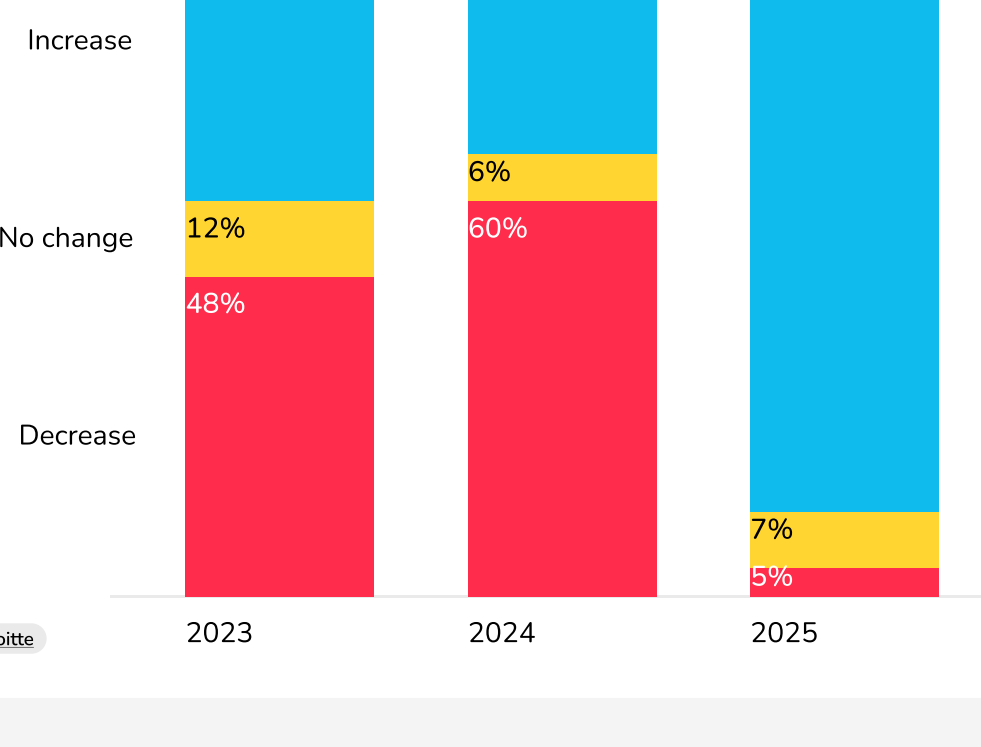


Source: Doherty

Turnaround of revenue expectations

CRE leaders expect revenue increase:

88% of global real estate executives expect revenue growth in 2025, with 60% expecting growth above 5% YoY.



Source: Deloitte

Top CRE performers in 2025

With the economy in an uptrend and the commercial real estate market following suit, you should watch these top trends by asset class.

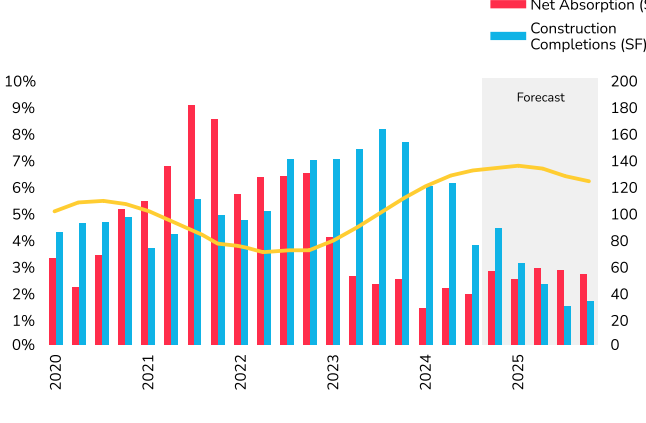
Top asset types to invest in

Industrial

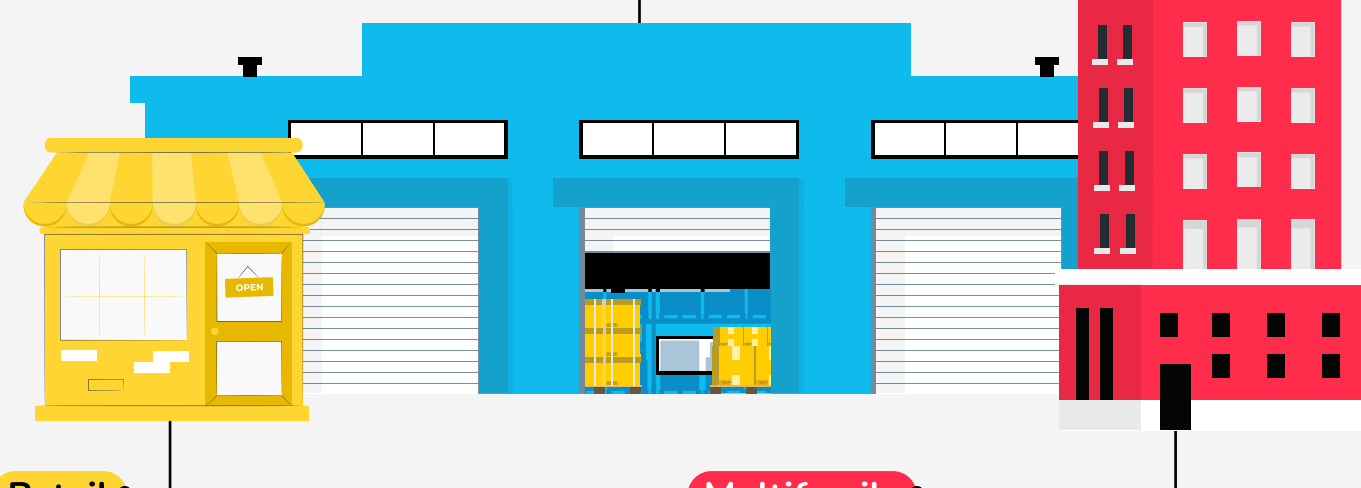
Growth markets expand and industrial real estate continues to evolve with AI and automation. E-commerce drives demand for warehouses.

Industrial vacancy rates are forecasted to peak below 7% before dropping

Absorption, New Supply & Vacancy



Source: Colliers



Retail

Cooling inflation and growing consumer confidence drive retail demand. Opportunities arise for development of scarce retail space.

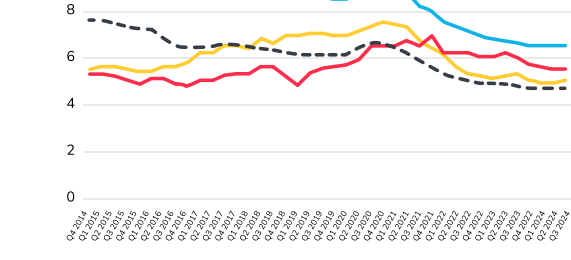
High occupancy rates in retail indicate continued absorption

Multifamily

The housing shortage continues. Expect shrinking construction pipelines, strong renter demand, rising occupancies, and accelerating rent growth.

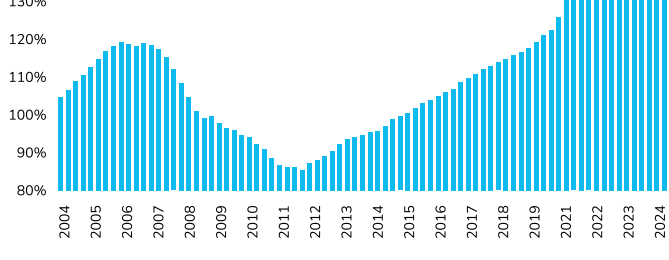
2025 remains a renters' market as home prices increase relative to rent prices

Retail availability rate remains stable



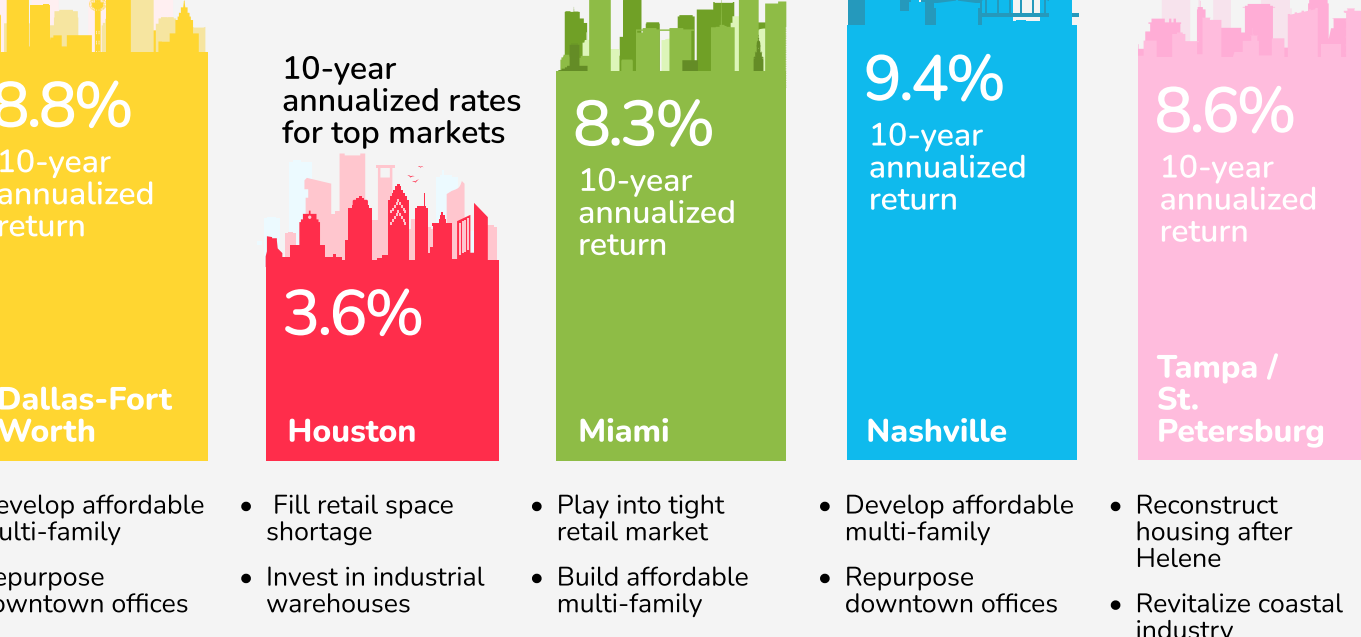
Source: CBRE

Home Price to Rent Ratio, 2004-2024



Source: Grey Capital

Recommended actions to take in the top US markets



3 market challenges to keep in mind

The CRE market is set for a recovery in 2025 –but whether we'll see a new growth cycle will largely depend on how these three challenges develop:



Looming debt maturity wall

\$600 billion in loans maturing annually through 2028, put CRE investors in need of refinancing at risk.



High construction costs

Construction costs remain 40% higher than pre-pandemic levels, affecting profit margins.

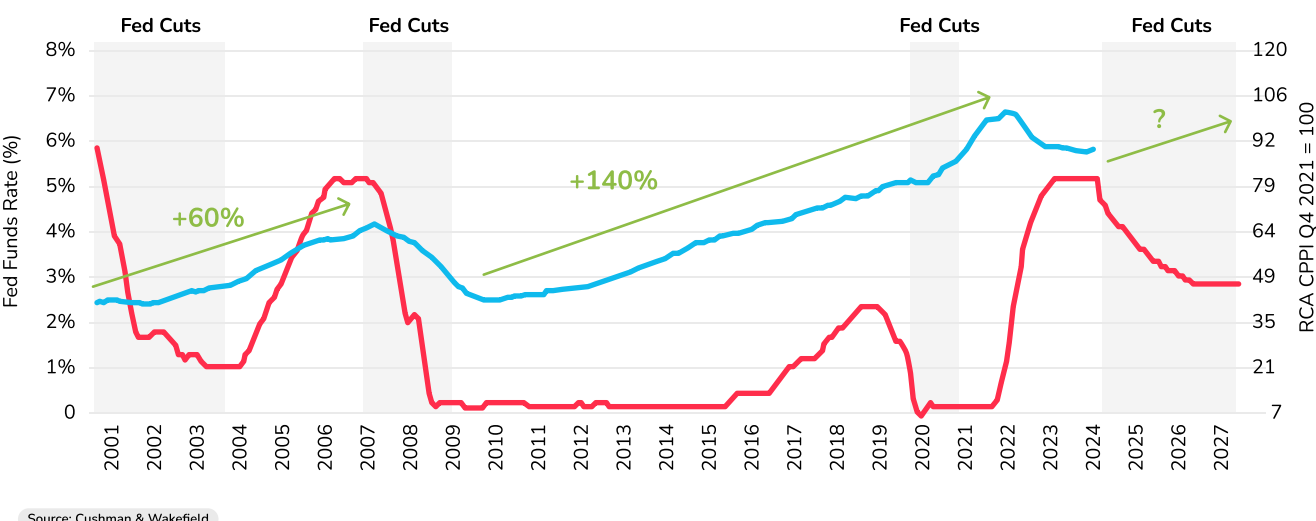


Fed cutting cycle

The question remains whether inflation can be cooled and how far the Fed reduces interest rates.

More cuts will bring traction to CRE capital markets – but can the Fed maintain its downward trajectory?

Fed funds rate vs. commercial property price index



Source: Cushman & Wakefield