



2025 MARKET ANALYSIS

U.S. CRE OUTLOOK

High Hopes, Now Tempered

Insights By

Tripp Lyons

Managing Director





TALENT MARKET ANALYSIS

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U.S. CRE OUTLOOK, 2025

In 2025, the U.S. commercial real estate (CRE) market is caught between a tentative recovery and persistent challenges. After pandemic-era disruption and aggressive rate hikes through 2023, some relief finally arrived in the form of modest interest rate cuts. But that reprieve hasn't been enough to fully stabilize a market contending with sector-specific volatility, a massive wall of debt maturities, and investor uncertainty. This analysis explores three critical forces shaping the market: the Fed's evolving policy stance, a bifurcated leasing environment, and continued strain in the capital markets.

FEDERAL RESERVE & INTEREST RATE ENVIRONMENT

The Federal Reserve's response to post-pandemic inflation fundamentally reshaped CRE's financing landscape. After more than a year of aggressive tightening, rate cuts arrived in late 2024 - 50 basis points in September and another 25 in November - bringing the federal funds rate to a still-high 4.50%–4.75%. These cuts helped spark a modest 5% recovery in property values after a sharp 21% drop from peak 2022 levels, according to Green Street.

Despite this, the capital environment remains unforgiving. Office and retail owners face particularly steep refinancing risks, with debt service costs rising by 75%–100%. A staggering \$1.2 trillion in CRE debt is set to mature between 2025 and 2026, and many borrowers remain exposed to costly rollovers unless rates drop further. Analysts anticipate additional cuts bringing the benchmark rate closer to

3.50%–3.75% by year-end, but economic uncertainty and inflationary pressures continue to cast a long shadow over lender confidence and borrower strategy.

LEASING FUNDAMENTALS: INDUSTRIAL, OFFICE, AND RETAIL

Sector performance remains deeply uneven across CRE. Industrial and retail leasing metrics reflect continued strength, while office space struggles with systemic demand decline.

Industrial properties, though grappling with elevated supply and a 6.4% vacancy rate, continue to benefit from logistics demand and e-commerce tailwinds. Year-over-year rent growth stands at a solid 4.7%, and a slowdown in new construction is expected to restore balance to fundamentals later in the year.

Office assets are facing their most difficult period in recent memory. Vacancy rates have hit a record-high 21%, and rents remain flat across most markets. Property values are down 34% from 2021, reflecting the structural nature of hybrid work. Even high-growth markets like Miami show only limited signs of stabilization.

Retail remains a quiet outperformer. With a sector-low 5.4% vacancy rate and modest 2.5% YoY rent growth, demand is being driven by suburban migration patterns and restricted supply pipelines. While not immune to macro headwinds, retail continues to offer relative stability.

Multifamily also continues to show strength, bolstered by high mortgage rates that have sidelined many would-be buyers.



CAPITAL MARKETS & TRANSACTION ENVIRONMENT

Transaction activity briefly surged in Q4 2024, with a 5.8% year-over-year increase signaling early momentum. JPMorgan projected a 25%–30% rise in volume in 2025, driven by anticipated rate declines and available capital. However, early 2025 has not delivered on that optimism: Q1 volumes fell 8% year-over-year as borrowing costs stayed elevated and investor sentiment weakened.

A looming \$950 billion–\$1.2 trillion in debt maturities, combined with a 10.6% CMBS delinquency rate for office loans, is compounding risk. While institutional players like Blackstone remain active - with \$22 billion deployed in 2024 - the broader market remains cautious. Significant dry powder (\$300–\$600 billion) exists on the sidelines, ready to be deployed if the Fed accelerates rate cuts in the back half of the year. Until then, many sponsors are focused on debt workouts, asset triage, and preserving liquidity.

LEADERSHIP IN A TIME OF DISEQUILIBRIUM

As 2025 unfolds, many CRE firms are finding that yesterday's solutions don't match today's realities. Market complexity, uneven sector performance, and capital strain have created a need for sharper, more adaptive leadership.

What's needed most is experienced leaders - executives who can navigate complex refinancing challenges, capitalize on sector strengths, and prepare for future dislocations. In a climate where traditional playbooks no longer apply, real estate operators need talent that can think strategically, act quickly, and build investor trust. That's where firms like Jackson Lucas come in - helping



identify the next generation of leaders to guide CRE firms through this transition and into the next cycle.

CHALLENGES INTO OPPORTUNITIES

The CRE sector in 2025 is at a pivotal moment. Economic indicators offer mixed signals, and performance varies dramatically by asset class. The industrial and retail sectors remain resilient, while the office market is undergoing a structural transformation. Meanwhile, capital markets remain tight, despite pent-up capital waiting for a more favorable rate environment.

The challenge for investors and operators lies in navigating this complexity with precision: balancing debt obligations, identifying stable sectors, and uncovering value in distressed assets. At the same time, opportunity is growing for firms that can act decisively - whether through strategic acquisitions, operational efficiencies, or forward-thinking leadership.

Success in this environment will require not only capital, but talent. Real estate firms need leaders who can think holistically, manage risk, and adapt to market shifts. Our team at Jackson Lucas are able to help identify and place the talent best equipped to guide firms through today's challenges and into tomorrow's recovery.



ABOUT TRIPP LYONS AND JACKSON LUCAS

Tripp Lyons joins **Jackson Lucas** with extensive experience in CRE transactional roles from firms such as Iron Hound Management, Ackman-Ziff, and Eastern Consolidated. He has closed approximately \$250 million in debt and equity assignments across capital markets, financing, leasing, and investment sales. At Jackson Lucas, Tripp contributes to business development and the management of search and organizational consulting projects. He holds a BA in History from Gettysburg College and is committed to delivering exceptional client service and strategic insights in real estate.

Jackson Lucas is a global organizational consulting firm providing specialized expertise in executive search, compensation consulting, leadership and board advisory, succession planning, and interim executive solutions. Established in 2017 as a spin-off of a 50-year-old talent search firm, JL leverages decades of combined experience and a powerful global network, operating from major business hubs throughout the Americas, Australia and Asia Pacific. Our deep understanding of talent dynamics across the world enables us to connect leading organizations with world-class talent, strategically building the leadership teams that shape a brighter future.

