

THE RECAP

FEBRUARY 2025

The RECAP is SitusAMC's monthly Real Estate Commentary, Analytics and Perspectives on the commercial real estate market.

Our team of experts aggregates the latest trends and perspectives across commercial real estate (CRE) finance to help you stay up to date on market developments and make more informed decisions. Here are key developments to watch in February 2025.

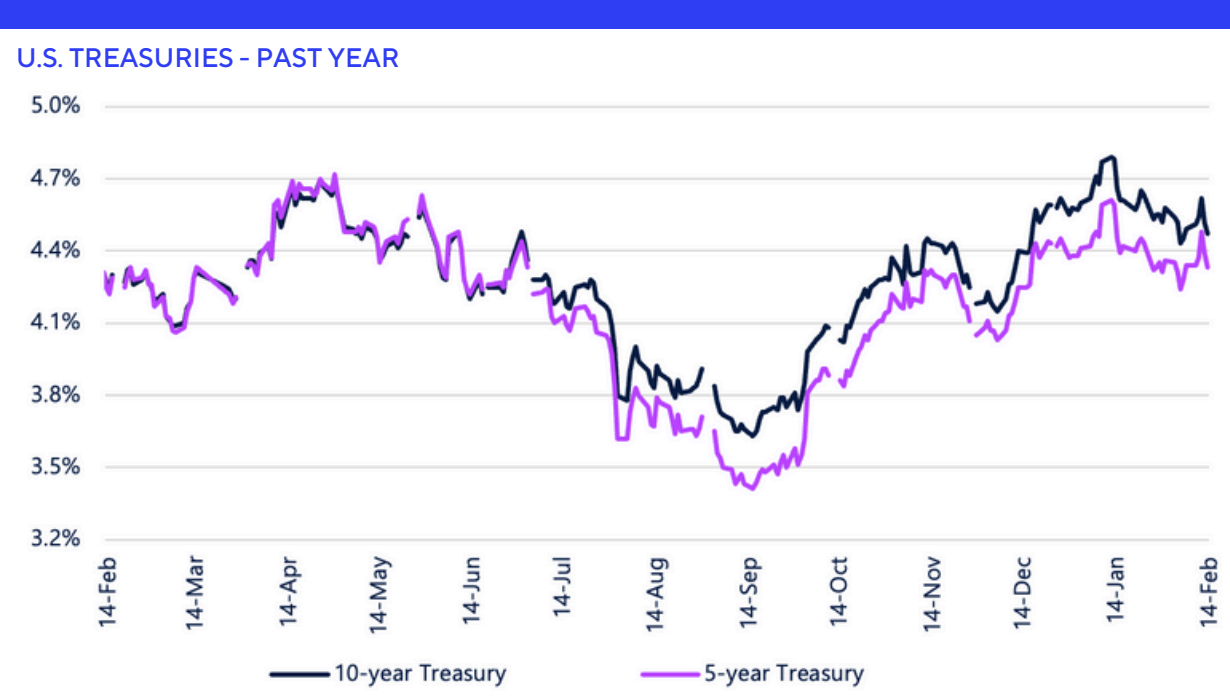
WHAT YOU NEED TO KNOW

Treasuries continue to seesaw on mixed economic data. CRE deal volume recently spiked 58.5% to the highest level in two years. Cap rates appear to be stabilizing, but remain near 2011 levels. Industrial prices jumped more than 5% in December 2024 to a record high. Property insurance premiums have soared over the last five years, up 138% for multifamily.

OUR ANALYSIS

SitusAMC's analysis in THE RECAP leverages current data, our bespoke research and exclusive surveys of leading institutional and regional commercial real estate executives.

TREASURIES CONTINUE TO SEESAW ON MIXED ECONOMIC DATA



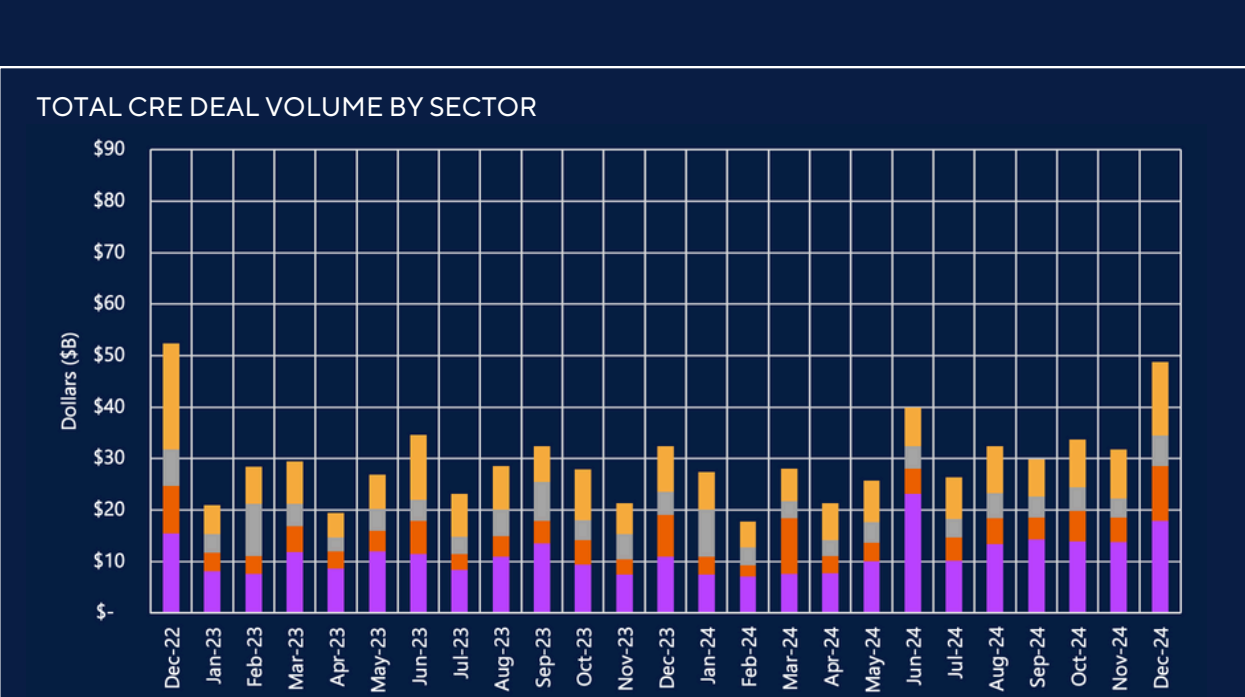
The rate on the 10-year Treasury has been seesawing, from a three-month high of 4.8% on January 13 to 4.5% on February 14. While a spike in the yield followed January's employment and consumer price index (CPI) reports, increases were short-lived. The CPI report showed hotter-than-expected inflation, but other economic reports showed slowing wholesale producer prices and a slump in retail sales, leading to the expectation of softer personal consumption expenditures (PCE) inflation--the Fed's preferred measure.

Currently, the markets are not expecting any rate cuts until the second half of the year.

PETER MUOIO, PHD
Head of SitusAMC Insights

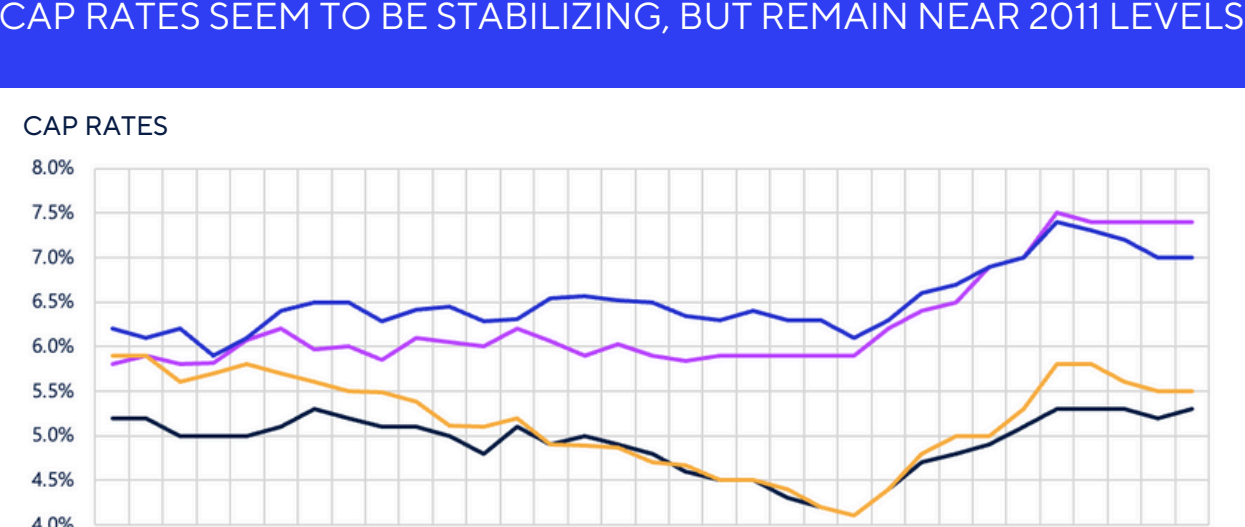
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10-YEAR TREASURY - FEBRUARY 14TH

CRE DEAL VOLUME SPIKED TO THE HIGHEST LEVEL IN TWO YEARS



At \$55.7 billion in December, overall CRE deal volume was up 58.5% over the month to the highest level since December 2022. This is likely the effect of the typical year-end rush to get deals done. All major property types experienced an increase in December, particularly office, in which activity more than doubled over the month. Volume was also up year over year for all segments.

CAP RATES SEEM TO BE STABILIZING, BUT REMAIN NEAR 2011 LEVELS



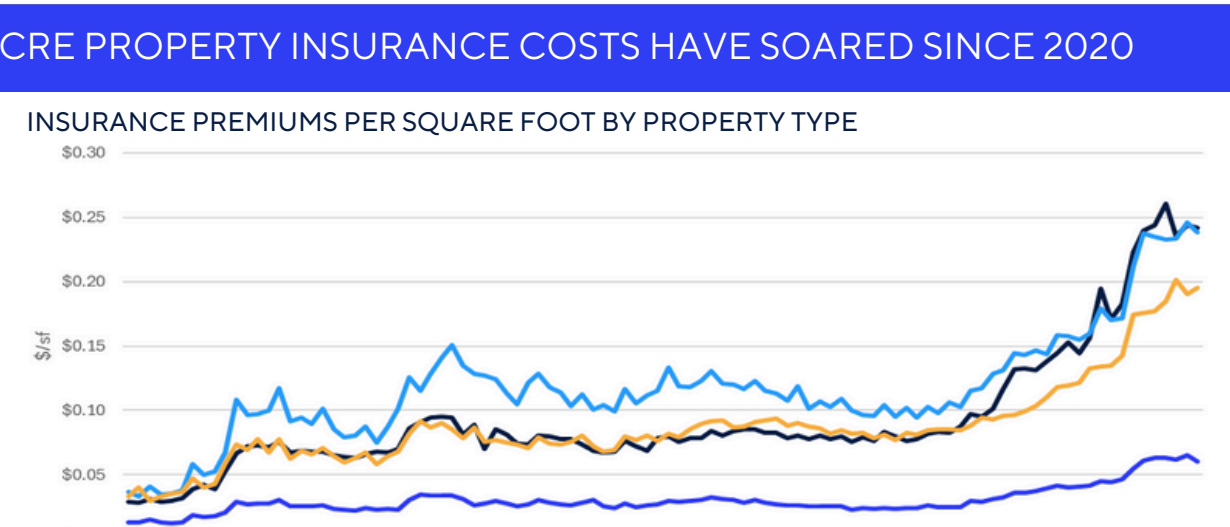
Cap rates appear to be stabilizing, with all but apartment unchanged over the fourth quarter, according to our RERC cap rate data, released in mid-January. Apartment cap rates rose just 10 bps. Cap rates are generally below their most recent peaks in 4Q 2023 and 1Q 2024, but remain elevated, near the levels seen in 2011 as the CRE market was emerging from the Global Financial Crisis (GFC). Cap spreads are generally stable too.

INDUSTRIAL PRICES JUMPED TO A RECORD HIGH IN DECEMBER



Industrial prices jumped more than 5% in December 2024 to a record high, according to MSCI Real Assets data. Multifamily saw a more measured increase of 0.4% over the month, reaching the highest levels in two years. Retail prices dipped 1.5% to the lowest levels since August. Office prices continued to fall, down 5.7% over the month, also to the lowest level since August.

CRE PROPERTY INSURANCE COSTS HAVE SOARED SINCE 2020



Insurance premiums have soared from pre-pandemic levels for most property types. Since 1Q 2020, insurance premiums are up 138% (multifamily), 93% (industrial), 85% (office) and 110% (retail), according to NCREIF data. Hawaii, Florida, Texas and North Carolina top the list of states with the highest amount of property damage due to natural disasters in 2023 and 2024. The insurers of last resort, including California's FAIR Plan and Citizens in Florida, are facing increasing risk that they will not be able to cover policies in the event of catastrophic natural disasters, as storms have become more frequent and damaging.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of commercial real estate finance. THE RECAP is our monthly snapshot that aggregates the latest trends and perspectives across commercial real estate finance in an easy-to-digest format.

situsamc.com/CRErecap

