

5 Commercial Real Estate Sectors Ranked by Investors

3Q 2025

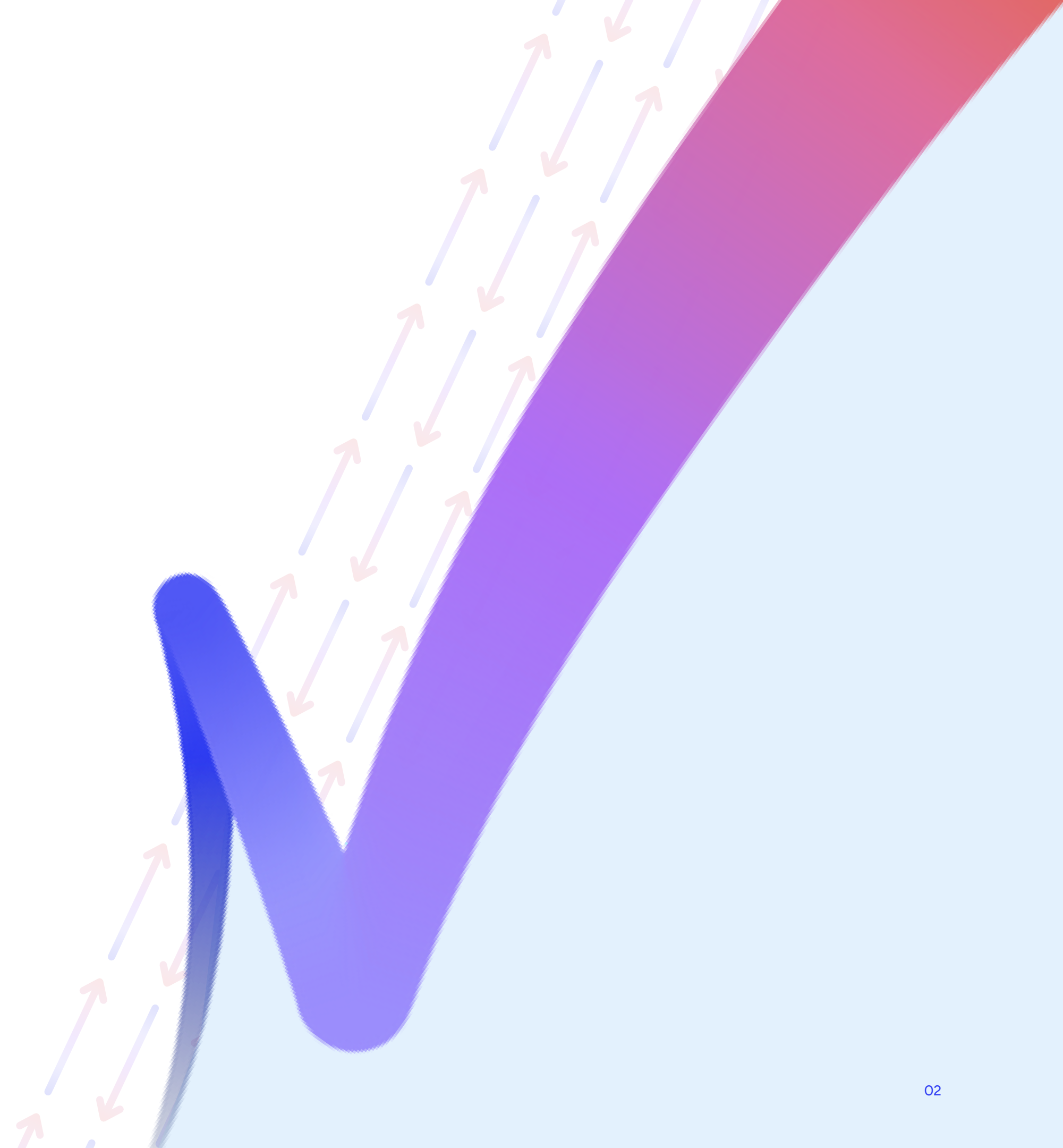
SLIDESHOW



INTRODUCTION

Investor sentiment for apartments improved in the third quarter, amid more stable demand in most markets and a diminishing pipeline of new product. That is according to SitusAMC's quarterly survey, which asks institutional and regional investors what they believe will be the best performing property sectors over the next year, and which should be avoided.

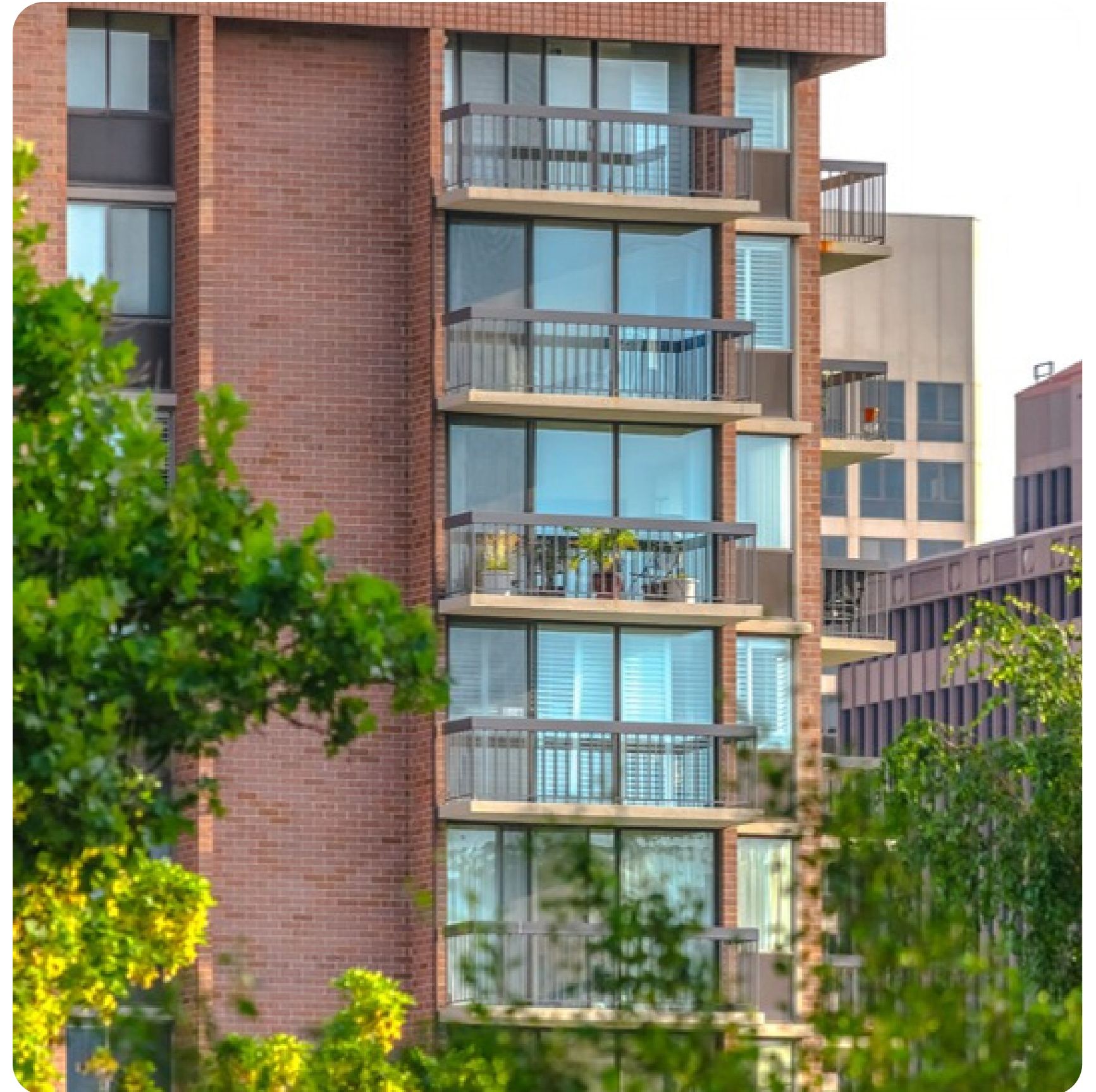
Click through to see the latest expectations for office, apartment, industrial, retail and hotel properties in the year ahead, and trends driving investor interest. All figures refer to third quarter 2025 activity, and comparisons are quarter over quarter (QoQ) unless otherwise noted. To learn more about SitusAMC research and data offerings, [CLICK HERE](#).



#1 APARTMENT

The apartment segment held onto its first place ranking among the property types, as it has for three consecutive quarters. Investors in SitusAMC Insights' quarterly survey became more bullish, with a majority (52%) selecting the segment as having the best outlook for the year ahead. The rating for the segment increased 5 percentage points, the highest rating since the record-breaking percentage in the first quarter. Investors note that despite declining rents, renewals are strong as inventory thins.

Apartment has seen six consecutive quarters of positive returns and, at 1.5%, were the highest in more than three years, according to NCREIF's NPI Classic. Capital returns continued to gain momentum, resulting in the strongest appreciation in more than three years. Income returns decreased slightly. The one-year trailing return was 5.5%, the highest since the end of 2022.



1 A P A R T M E N T

FUNDAMENTALS

- Though completions remain muted, multifamily demand was also weak, leading to a dip in rents. Multifamily completions were the lowest since 2015, per Reis. However, absorption fell substantially over the quarter, though it remained positive. The occupancy rate was unchanged, but near a 15-year low. Multifamily rents declined for the first time since 2023.
- Investor sentiment for multifamily acquisitions strengthened after the Fed’s first rate cut in September, according to CBRE. Core buyers’ positive outlook rose to 64% from 57%, while value-add sentiment jumped to 70% from 62%, though sellers remained cautious. Sunbelt markets like Atlanta, Miami and Nashville saw the biggest gains, driven by strong demographics and job growth. Heading into Q4, lower rates, aggressive bidding and narrowing bid-ask spreads could bring more assets to market. Transaction volumes are expected to rise in late 2025 and early 2026, particularly for well-located properties in high-growth areas.



3Q 2025 APARTMENT STATISTICS

NPI Total Return

+1.5%

(up 10 bps QoQ)

Occupancy Change

0 bps

Effective Rent Growth

-0.1%

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025

2 R E T A I L

Retail was preferred by 26% of the institutional respondents in our survey, soaring from 9% in the previous quarter to its highest rating in a year. Investors note that retail occupancy tends to have better staying power than other segments, though they expressed caution about the effect of accelerating inflation.

Retail was the only segment to experience a quarterly decline in returns, per NCREIF. The 60 bps decline resulted in the weakest return in more than a year. Still, retail returns were about 50 bps stronger than the segment's long-term average (LTA). While income returns have remained relatively stable over the past year, capital returns turned negative following four consecutive quarters of growth. One-year trailing returns fell 60 bps to about 7%, but remained among the strongest since the second quarter of 2022, and the highest among the property types.



2 R E T A I L

FUNDAMENTALS

- With waning supply and rising demand, retail rents grew slightly. Retail completions declined substantially to record lows, according to Reis. Absorption increased into positive territory, but remained below the LTA; occupancies rose. The segment experienced weak rent growth.
- Retailers are increasingly challenged to find prime locations in saturated markets like Manhattan, where chains such as Chipotle already operate dozens of stores, per [GlobeSt](#). Takeout and digital delivery now account for 10% to 50% of food and beverage. Rather than simply filling empty spaces, new sites must be evaluated for overlap and cannibalization risks, so that investments add real value rather than shifting sales among existing stores.



3Q 2025 RETAIL STATISTICS

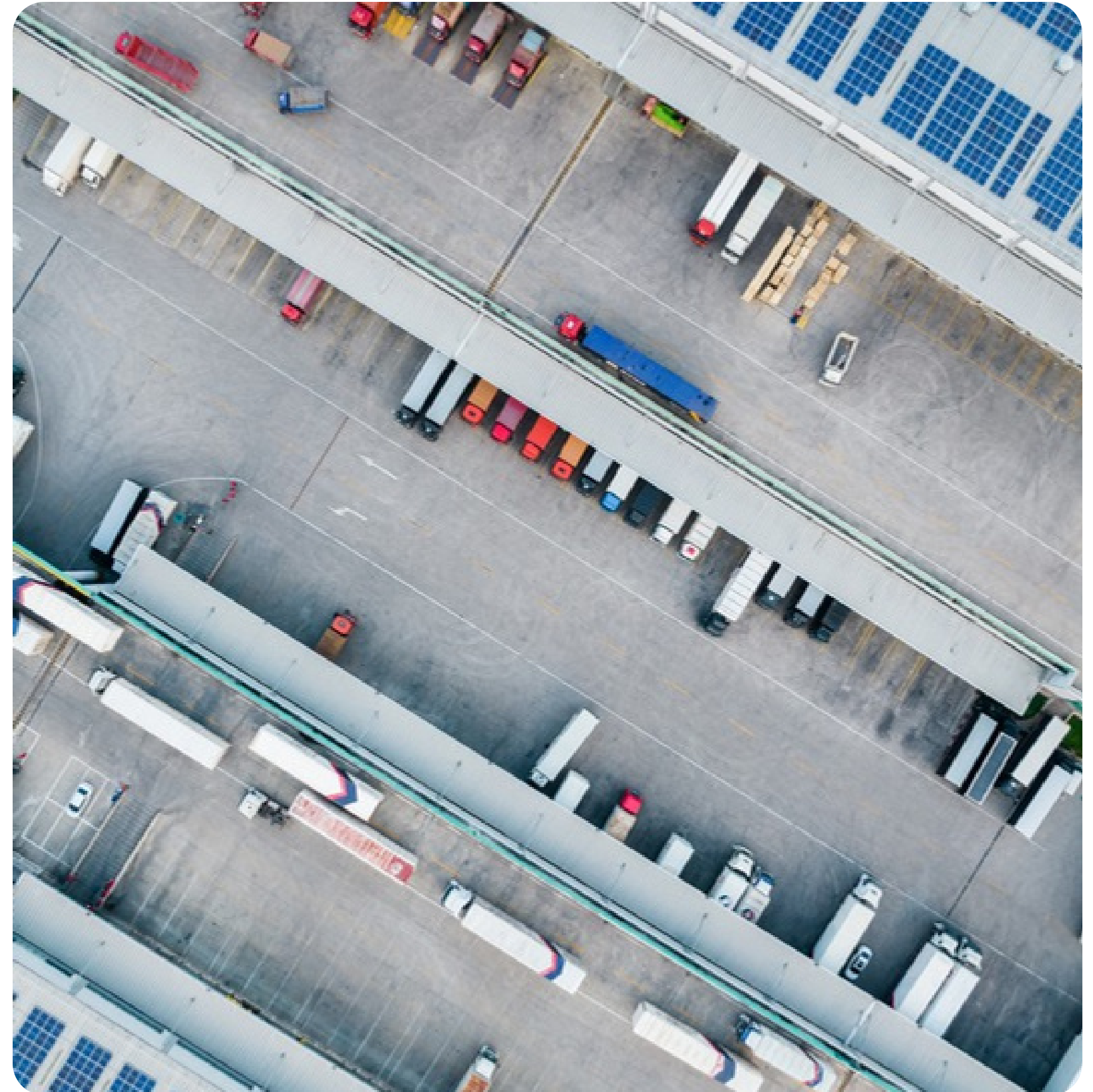
NPI Total Return	Occupancy Change	Effective Rent Growth
+1.3%	+10 bps	+0.3%
(down 60 bps QoQ)		

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025

3 INDUSTRIAL

Investor preference for industrial soured in the quarter, falling from 35% to 18%, and pushing the segment from second to third place in the quarter, according to SitusAMC Insights' survey. Industrial's rating was the weakest since the beginning of the year and about 10 percentage points below its LTA. Though demand for the segment is tapering off, new supply has been limited, with minimal zoning for new development.

Industrial returns inched up by 5 bps, but at 1% are among the lowest over the past year -- and about 200 bps below the LTA, according to NCREIF. Income returns were steady over the quarter. Following last quarter's dip into depreciation, the slight increase in capital returns led the segment into positive territory. One-year trailing returns dipped 10 bps to 4.6%, but that's still the second largest return since the record-high rates achieved in 2022.



3 INDUSTRIAL

FUNDAMENTALS

- Low supply is offsetting weak demand for industrial, keeping rents stable. Industrial absorption turned negative for the first time since 2010, and occupancies fell nearly 20 bps to the lowest in four years, per Reis. However, industrial completions hovered near the lowest levels since 2014. As a result, rents were unchanged over the quarter, though near record highs.
- Data centers have become the top target for property investment, attracting over \$36 billion in acquisitions in 2024. The sector has fueled a construction boom worth an estimated \$550 billion, driven by demand from AI and cloud computing, according to MSCI. However, data centers are highly energy-intensive, creating a dilemma for investors balancing strong returns with net-zero commitments and rising regulatory scrutiny on location-based emissions. Operators can use power purchase agreements (PPAs) or renewable-energy certificates (RECs) to claim renewable energy use and lower reported emissions, but data centers still depend on fossil-fuel grids for continuous operations. To address this, some tech firms are securing long-term contracts for dedicated low-carbon power sources, including restarting Three Mile Island to provide nuclear energy for Microsoft’s AI business.



3Q 2025 RETAIL STATISTICS

NPI Total Return

+1.0%
(up 5 bps QoQ)

Occupancy Change

-20 bps

Effective Rent Growth

0%

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025

4 OFFICE

Preference for office declined 5 percentage points to 4%, according to SitusAMC Insights' quarterly survey. Support for office has been weak during the post-pandemic years, due to stagnant demand and business downsizing.

Office returns were the weakest among the segments at 0.9%, despite a 10-bps quarterly improvement, per NCREIF. Capital returns, though negative and the weakest among the property types, were the highest in more than three years. One-year trailing returns improved by about 200 bps to the highest level in three years, following 11 consecutive quarters of negative returns.



4 OFFICE

FUNDAMENTALS

- Office demand remains weak, though limited supply is allowing for rent growth. Absorption fell substantially, though it remained positive, per Reis. Office occupancies dipped by 10 bps to a record low. Office completions also reached a record low ,and the segment experienced weak rent growth.
- New York City’s office market is experiencing its strongest surge in nearly two decades, with businesses leasing 23.2 million square feet of Manhattan office space in the first nine months of 2025—the highest level in 19 years, as reported in the WSJ. Major deals include Deloitte’s lease of nearly three-quarters of a new Hudson Yards tower, Amazon’s purchase of a Fifth Avenue building and lease of 330,000 square feet and IKEA anchoring a new development near Grand Central Terminal. Developers are moving forward on more than six new projects. Financial services, tech, media and advertising firms are driving demand.



3Q 2025 OFFICE STATISTICS

NPI Total Return

+0.9%
(up 10 bps QoQ)

Occupancy Change

-10 bps

Effective Rent Growth

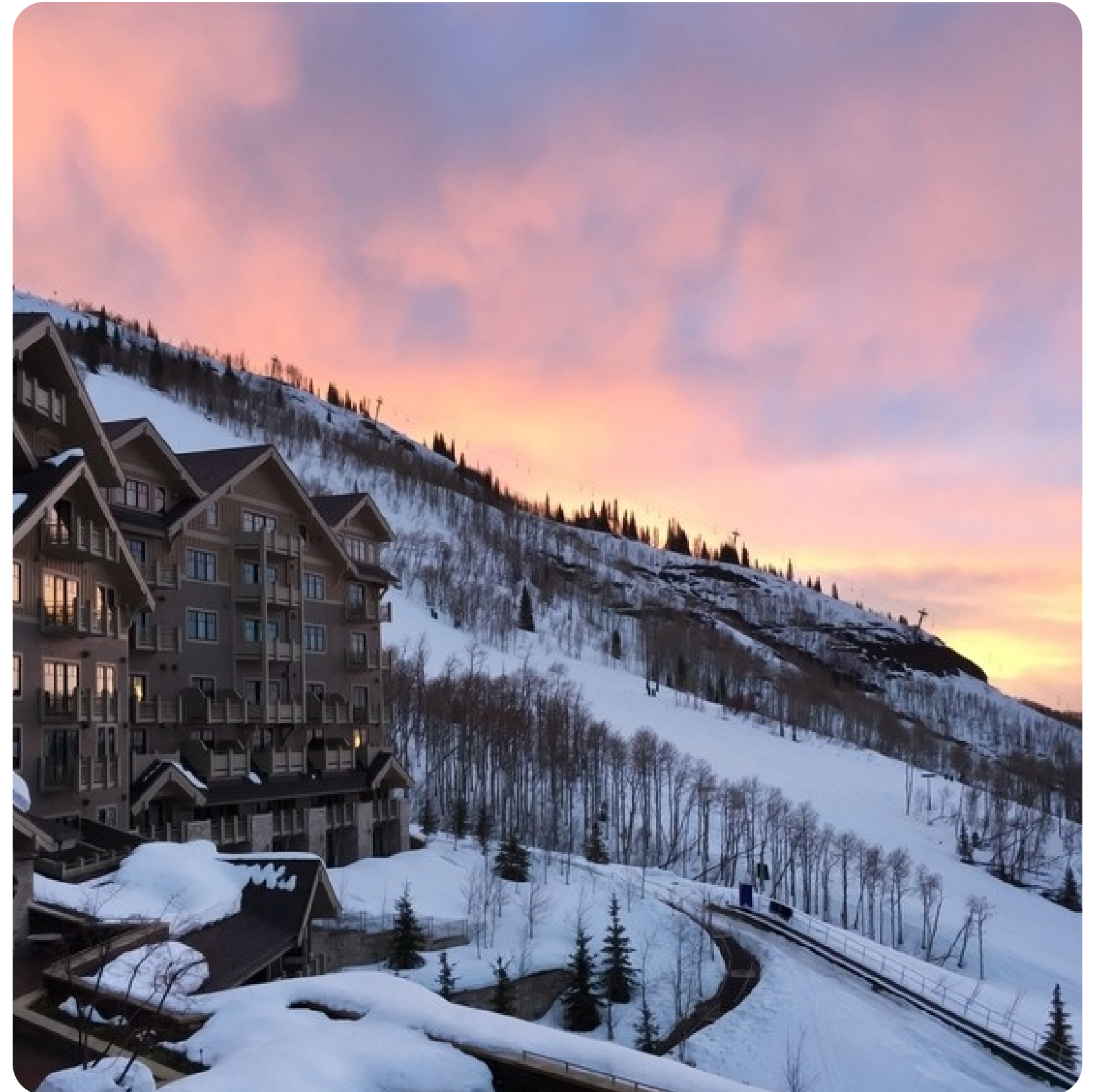
+0.2%

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025

5 H O T E L

Preference for hotels was unchanged over the quarter at 0% favorability among investors in our survey. The segment has garnered a 0% rating in five of the last seven quarters. Investors are skittish about the volatility of the segment, especially as disposable income declines and international travel ebbs.

NPI Classic total returns for the segment surged more than 200 bps to the highest in one year and the strongest growth among the main property types. Income returns increased slightly, but it was the 200 bps increase in capital returns that drove the segment's strong performance. The segment experienced capital appreciation after three consecutive quarters of negative capital returns. One-year trailing returns declined 50 bps to 3.5%, the lowest in four years.



5 HOTEL

FUNDAMENTALS

- Hotel fundamentals confronted another difficult quarter. Occupancies fell 70 bps, the largest decrease among the property types, to the lowest level in more than two years, per Reis. RevPAR and room rates also declined to the lowest level in nearly two years.
- Holiday travel is slowing down, with only 21% of U.S. adults planning to stay in a hotel or fly this season—down from 27% last year, according to Bankrate. Economic pressures such as inflation, high interest rates and reduced savings are driving this decline, especially among younger generations, men and parents with young children.



3Q 2025 HOTEL STATISTICS

NPI Total Return	Occupancy Change	RevPAR Growth
2.1%	-70 bps	-1.3%
(up 210 bps QoQ)		

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025

RANKING RECAP

Sector



#1 APARTMENT



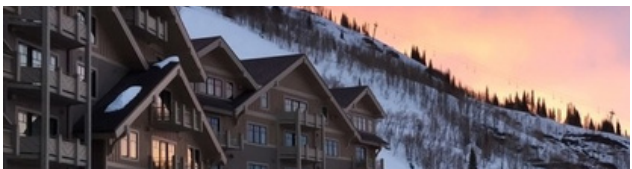
#2 RETAIL



#3 INDUSTRIAL



#4 OFFICE



#5 HOTEL

3Q 2025 STATISTICS

NPI Total Return	Occupancy Change	Rent Growth / RevPAR Change
+1.5%	0 bps	-0.1%
+1.3%	+10 bps	+0.3%
+1.0%	-20 bps	0%
+0.9%	-10 bps	+0.2%
+2.1%	-70 bps	-1.3%

Sources: NCREIF, Reis, SitusAMC Insights, 3Q 2025



To learn more about
SituationAMC's research, data,
and analytic tools, email:



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