THE RECAP

SEPTEMBER 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 finance to help you stay up to date on market developments and make more informed decisions. Here are the key developments in September 2025.

WHAT YOU NEED TO KNOW

Multifamily remains the most competitive sector among investors. More borrowers failed to pay off their loans after the Covid-19 pandemic, especially on office assets. The hospitality sector has been hit by falling tourism. Office conversions and demolitions have accelerated, with a record-breaking number of projects completed last year. Treasuries slid on news of a weak labor market, though August inflation came in hotter than expected.

ABOUT SITUSAMC INSIGHTS

SitusAMC is the leading provider of data, research and analytical tools supporting the lifecycle of real estate finance. Leveraging proprietary and third-party data, our tools and research support smarter investment and portfolio decisions with expert-driven insights. LEARN MORE ⟶

TRACKING MOST COMPETITIVE CRE SECTORS

GLOBAL BID INTENSITY INDEX - BY PROPERTY SECTOR

Sources: JLL, SitusAMC Insights

Where is the competition hottest among CRE sectors? JLL's Global Bid Intensity Index, which measures direct investment market competitiveness, peaked in late summer 2024 on Fed rate cut hopes. Then it declined through 2025 due to bond market volatility and trade policy uncertainty. It began stabilizing in July. A level below 100 indicates less-competitive bidding dynamics. Living/multi-housing remains the most competitive. Industrial holds second place, though bidding has cooled amid supply chain and trade concerns and now sits in the "less competitive" space. Office is improving with renewed lender and investor interest, but still ranks last among the four major property types.

The weak August employment report, along with big downward revisions in May and June, has raised fears of economic slowdown.

PETER MUIOI, PHD
Head of SitusAMC Insights

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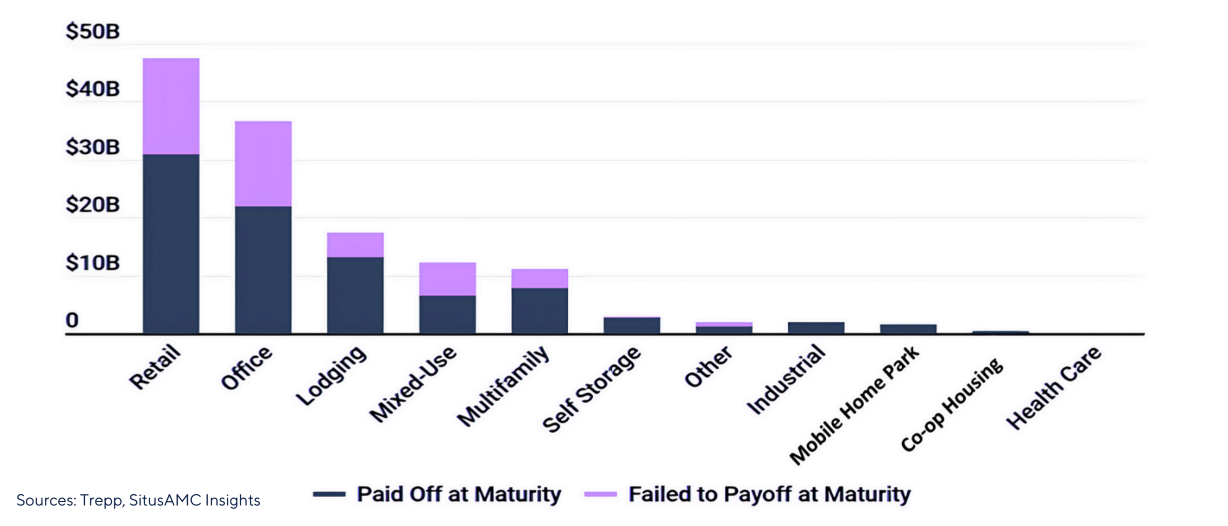
10-YEAR TREASURY SEPTEMBER 10TH

FAILED PAYOFFS ROSE AFTER PANDEMIC

FIGURE 1: FIXED-RATE PRIVATE LABEL CMBS LOANS SCHEDULED TO MATURE BETWEEN JANUARY 2020 & APRIL 2025



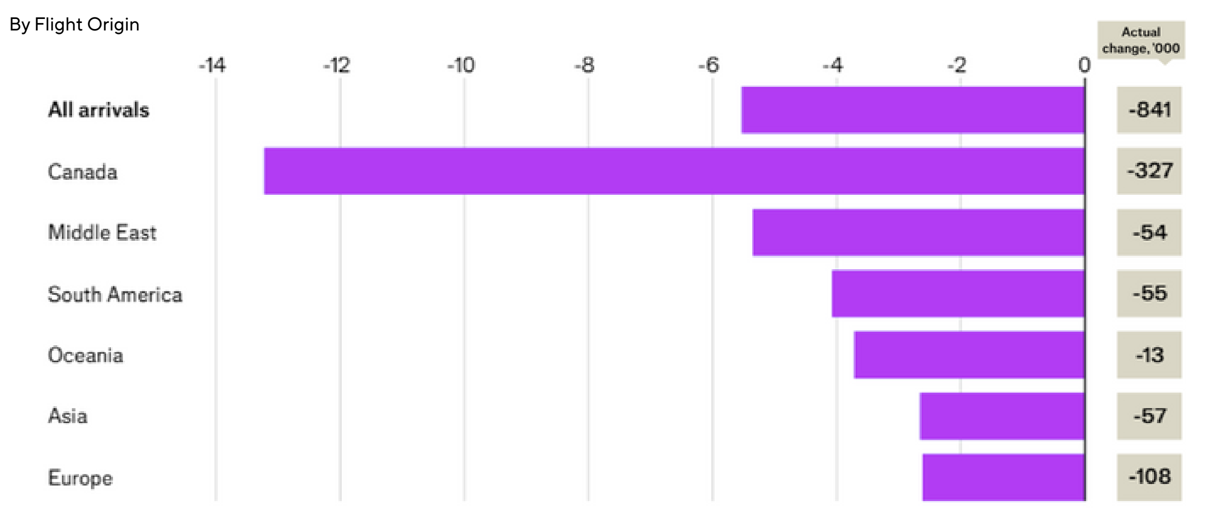
Sources: Trepp, SitusAMC Insights

A new analysis shows borrowers increasing unable to pay off their loans. Trepp analyzed $133 billion worth of fixed-rate, private-label CMBS loans with maturities spanning January 2020 to April 2025, with no available extensions and no delinquencies 12 months prior the maturity date. The study found that one-third of borrowers failed to pay off these loans at or prior to maturity, a significant increase from the 20% failed payoffs pre-pandemic. Unsurprisingly, office leads the pack in failed payoffs among major asset classes, with 40% of maturing debt missing its payoff date. Industrial performed best out of the main property types with a 95% payoff rate due to strong rent growth and investor demand.

HOSPITALITY HIT BY FALLING TOURISM

UNITED STATES, FOREIGN AIR PASSENGER ARRIVALS, MAY-JULY 2025,% DECREASE ON A YEAR EARLIER

By Flight Origin

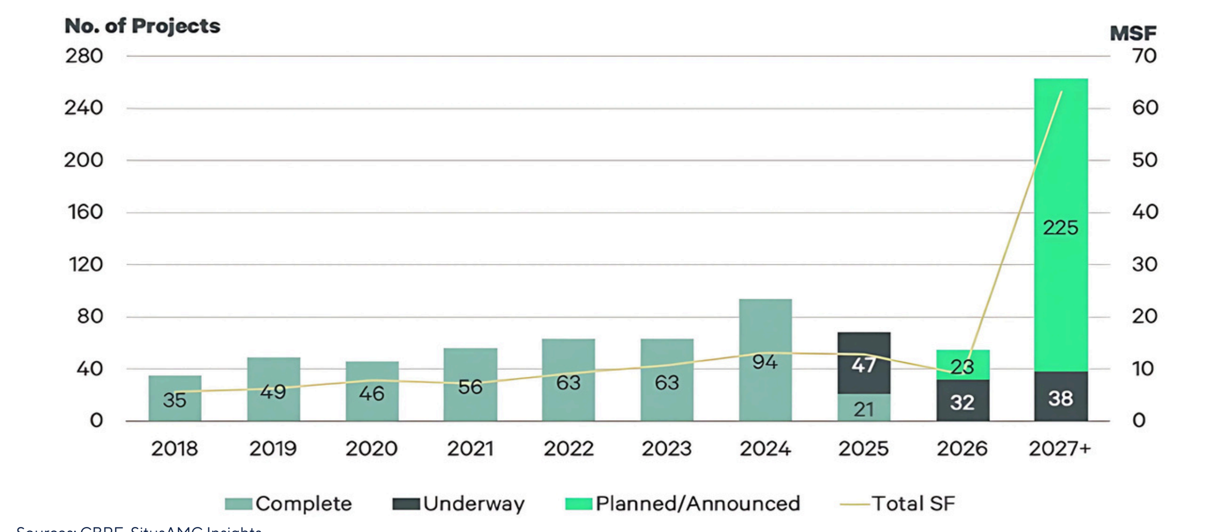


Sources: Economist, US Internal Trade Administration, SitusAMC Insights

Despite the global trend of tourism returning to pre-Covid levels, summer international passenger arrivals to the U.S. dropped 5.5% between May and July, according to an analysis by The Economist, underscoring woes for the hospitality industry. Canada led the decline, down 13.2% over the summer. In addition, June car crossings were one-third lower than last year, likely retaliation to President Trump's tariffs on Canadian exports and rhetoric surrounding the annexation of the country. Still, hotel operators report that increased spending by affluent domestic travelers helped offset the drop.

OFFICE CONVERSIONS SOAR

OFFICE CONVERSIONS BY CONSTRUCTION STATUS & ESTIMATED YEAR OF COMPLETION

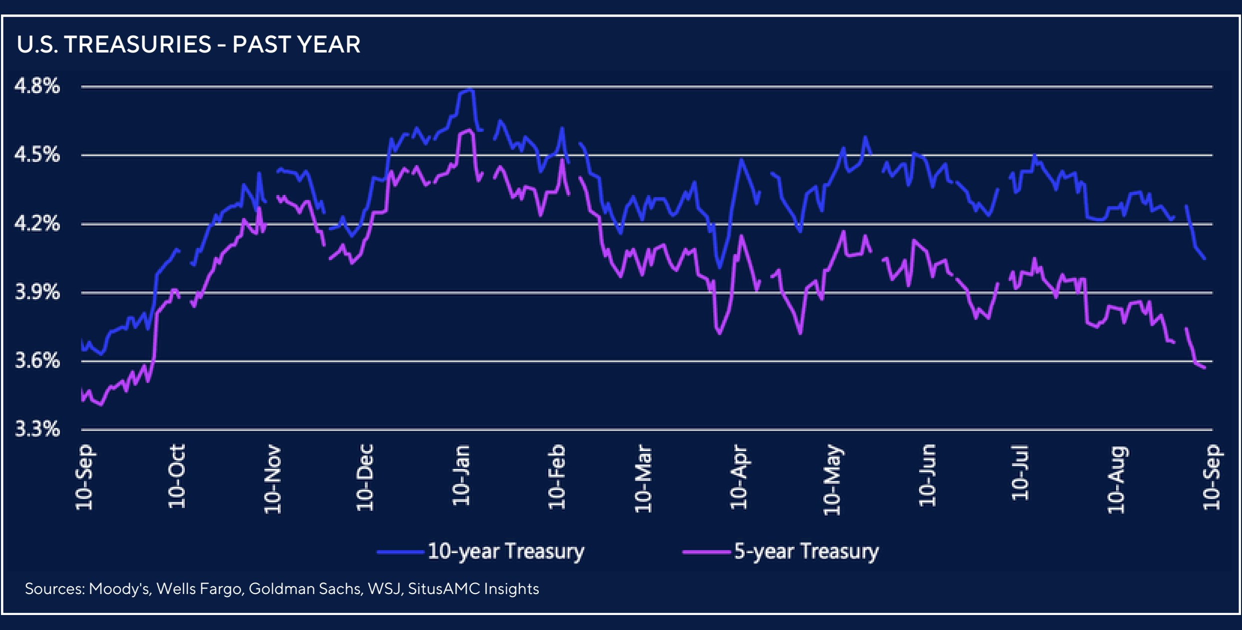


Sources: CBRE, SitusAMC Insights

The trend of office conversions and demolitions has accelerated over the past decade. The U.S. averaged 58 office conversion projects annually between 2018 and 2024. But last year, a record-breaking 94 projects were completed, totaling 13.1 million square feet (MSF). For 2025, approximately 68 conversions are anticipated, representing 12.8 MSF. Over 70% of the planned and active projects by square footage are dedicated to multifamily. Since 2018, office-to-multifamily conversions have resulted in an additional 28,500 housing units with another 43,500 in the planning stage. By 2027, conversions in the 15 most active markets would reduce the U.S. office vacancy rate by 50 bps, with the greatest impact in Cleveland, which would see vacancies 265 bps lower (though still extremely high at 21.2%). New York would see vacancies of 12.7% versus 14.7% without conversions. (The data incorporates the impact of announced conversions on vacancies and rents.)

TREASURIES SLIDE ON WEAK LABOR MARKET

U.S. TREASURIES - PAST YEAR



Sources: Moody's, Wells Fargo, Goldman Sachs, WSJ, SitusAMC Insights

Treasury yields dropped to around 4% -- near the levels seen last October — on the September 9 news that the economy added 911,000 fewer jobs than originally thought for the year ending in March. That's the largest annual revision on record. While August inflation came in hotter than expected at 2.9% (CPI) and 3.1% (Core CPI), producer prices fell in the month. Fears of stagflation have resurfaced. The Federal Reserve will announce its decision on a potential interest rate cut on September 17.

ABOUT SITUSAMC

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