

THE RECAP

APRIL 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 April 2025.

WHAT YOU NEED TO KNOW

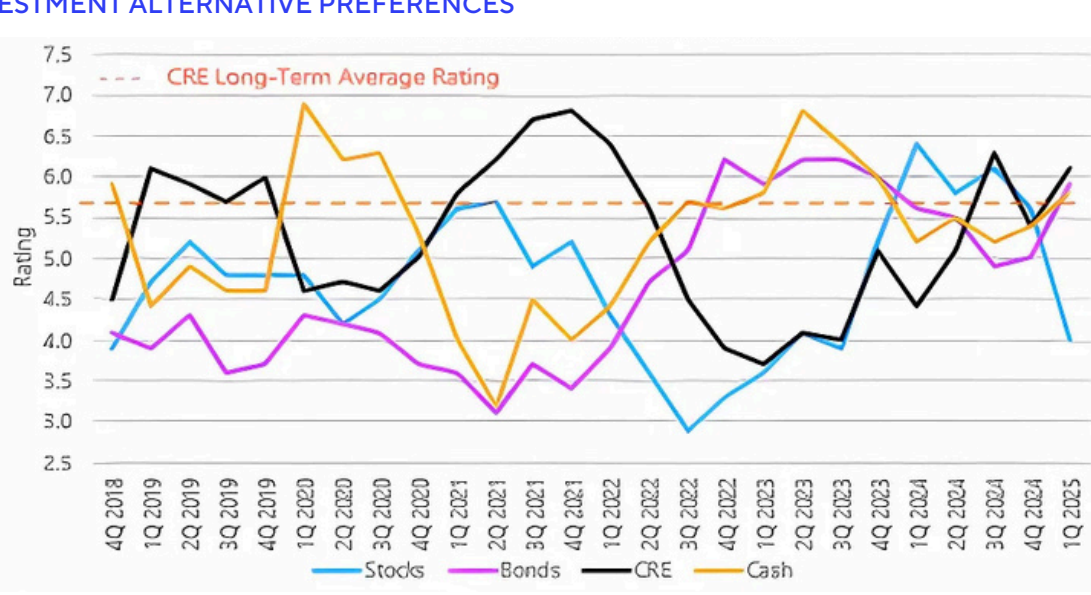
CRE market dynamics are evolving, with shifting investor sentiments, fluctuating mortgage rates, and changing deal volumes impacting various property types. Notable trends include increased maturity volumes, dominance of banks in CRE debt holdings, and the growth of insurance companies as key players. Understanding these changes is crucial for navigating the dynamic landscape of the CRE sector.

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.

INVESTOR OPTIMISM FOR COMMERCIAL REAL ESTATE RISES WITH MARKET VOLATILITY

INVESTMENT ALTERNATIVE PREFERENCES



The latest 1Q 2025 RERC investor sentiment data reveals a notable increase in optimism towards commercial real estate (CRE) amid ongoing political and economic uncertainties. Despite a capital markets downturn since mid-2022, investors have shown a positive shift in attitudes towards CRE, particularly following the emergence of lower interest rates. The data from SitusAMC Insights for the first quarter highlights heightened investor interest in CRE as a relative safe haven, with a significant positive shift in favorability compared to other asset classes.

Improved capital flows to real estate are expected to have beneficial impacts on investment, lending, and deal flow.

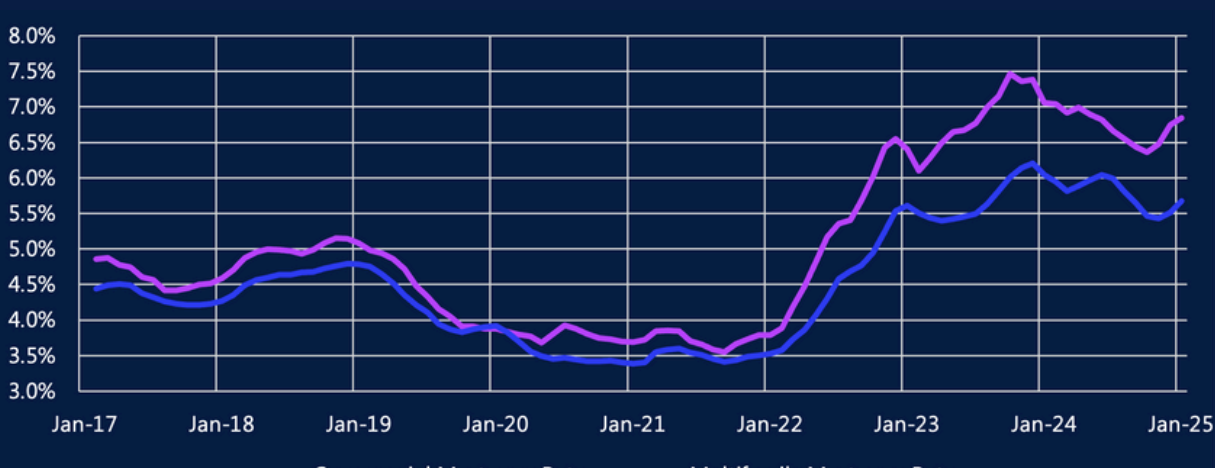
PETER MUOIO, PHD
Head of SitusAMC Insights

4.30

10-YEAR TREASURY
APRIL 8TH

CRE MORTGAGE RATES INCREASE AMID VOLATILE TREASURY YIELDS

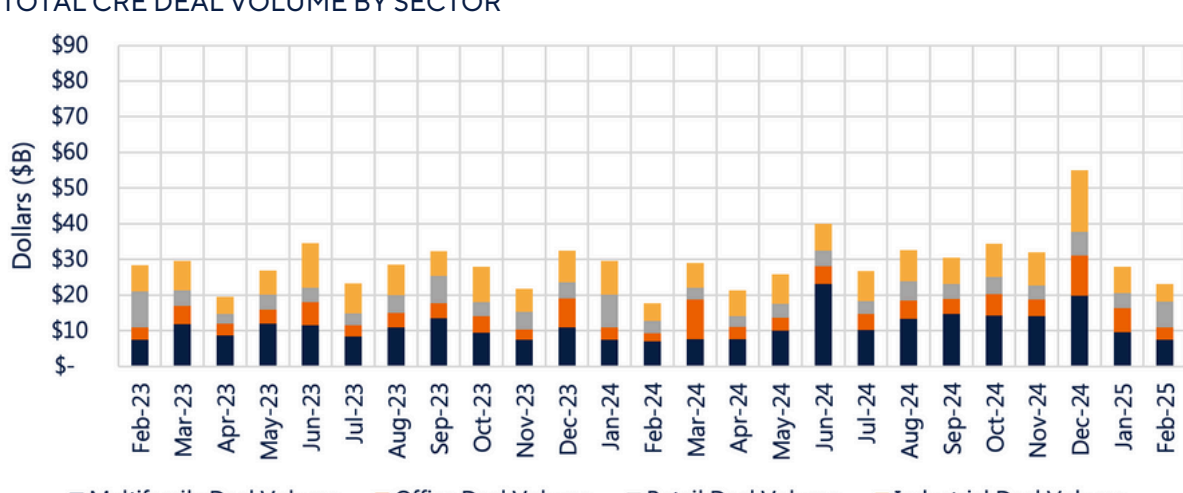
COMMERCIAL MORTGAGE RATES



In January 2025, despite turbulent movements in Treasury yields, CRE mortgage rates saw a notable uptick. Commercial mortgage rates rose by 10 basis points to 6.8%, while multifamily rates increased by 17 basis points to 5.7%, reaching the highest levels seen since June and August, respectively. Following shifts in White House policy, commercial rate ranges were between 6.4% to 7.9%, and multifamily mortgage rate ranges were between 5.9% to 7.2%, indicating a potential rise in mortgage rate data for the upcoming month. Mortgage rate spreads over 10-year Treasury yields widened by 10 basis points in January, remaining approximately 20 basis points below the historical average.

CRE DEAL VOLUME DROPS IN FEBRUARY, RETAIL SECTOR SHOWS RESILIENCE

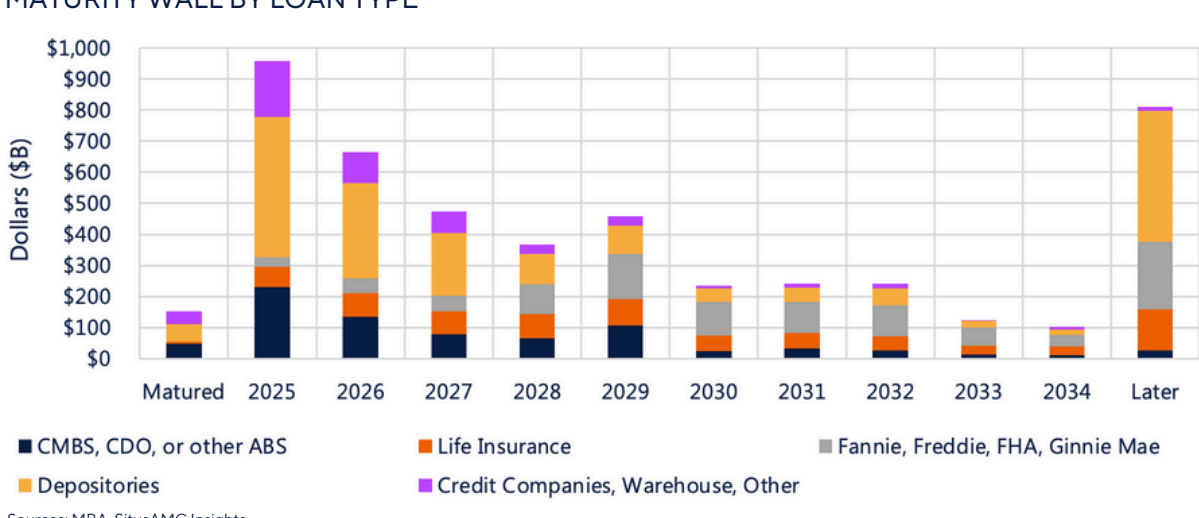
TOTAL CRE DEAL VOLUME BY SECTOR



In February, the overall CRE deal volume amounted to \$26 billion, marking a 20.3% decrease from the previous month. Major property types, except for retail, experienced declines in deal volume, with office transactions plummeting by 48.2%. Retail emerged as the only segment with positive month-over-month activity, witnessing a 70.9% increase to \$7.1 billion. Multifamily transactions were robust at \$7.5 billion, while pricing increased across all segments except for industrial. Despite a slight dip in industrial prices in February, they remain historically high, contrasting the significant price hikes observed in office and retail segments.

MATURITY WALL DATA REVEALS SHIFT IN REFINANCINGS AND EXTENSIONS

MATURITY WALL BY LOAN TYPE

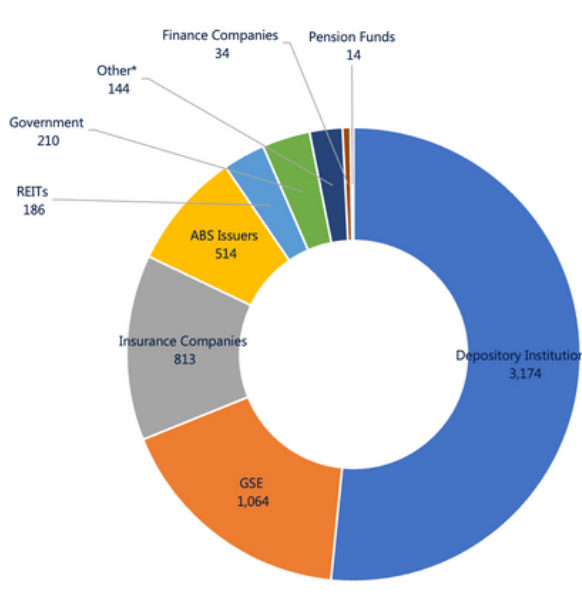


Recent data on the maturity wall in CRE indicates a notable increase in maturities for 2026 and 2029 compared to the previous year, with extensions and refinancings leading to postponed maturity dates. An estimated \$958 billion is projected to mature in 2025, primarily originating from depositories. Multifamily loans remain predominant among the property types comprising the majority of maturing loans. This trend highlights the evolving landscape of CRE financing, as extensions and refinancings play a significant role in reshaping the maturity profile and distribution of debt obligations within the sector.

BANKS DOMINATE COMMERCIAL REAL ESTATE DEBT LANDSCAPE, INSURANCE COMPANIES SEE SIGNIFICANT GROWTH

In the fourth quarter, banks maintained their position as the largest holders of CRE debt, with a volume of \$3.2 trillion representing a share of 51.6% of outstanding debt. Government-sponsored enterprises (GSEs), insurance companies, and asset-backed securities (ABS) issuers all saw increases in both volume and share of CRE debt compared to the previous year. Notably, insurance companies experienced an 8.8% surge in CRE debt holdings, reaching \$813 billion. Conversely, real estate investment trusts (REITs) witnessed an 8.2% decline in CRE debt volume, amounting to \$186 billion in the fourth quarter. This data underscores the diverse landscape of CRE debt holders and their shifting positions within the market.

OUTSTANDING CRE/MULTIFAMILY DEBT BY ENTITY (\$BILLIONS)



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