

MARCH 2026

2025 State of the Commercial Real Estate Market

CRE SENTIMENT SURVEY FINDS CAUTIOUS OPTIMISM

FOR THE NEAR-TERM OUTLOOK AS FIRMS CONTINUE TO NAVIGATE

A MIX OF CHALLENGES AND OPPORTUNITIES AHEAD

THE REAL DEAL
BRAND STUDIO

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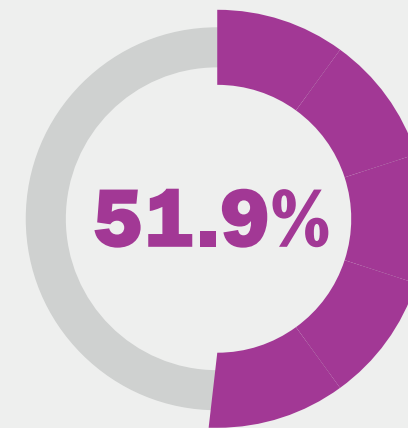
Anchin
ACCOUNTANTS & ADVISORS

Executive Summary

KEY HIGHLIGHTS

- **Cautious optimism prevails:** Despite a turbulent year, 52% of CRE executives are optimistic about the market's outlook for the next 12–24 months.
- **Economic risks remain top concerns:** The majority of respondents (70%) see an economic slowdown or recession as the biggest risk to their portfolios, followed by political and regulatory uncertainty (56%).
- **Buy-hold-sell:** Preserving capital/cash flow is the leading strategic priority among 59%, however 44% are also focused on seeking new acquisition opportunities.
- **Tax law changes create opportunities:** The One Big Beautiful Bill Act (OBBBA) reinstates 100% bonus depreciation and makes Opportunity Zones permanent, offering significant tax benefits and flexibility for CRE investors.
- **Interest rates & insurance costs are challenging:** A majority of respondents cite interest rates (60%) and insurance costs (53%) as the biggest financial challenges, with property taxes and declining values also notable concerns.

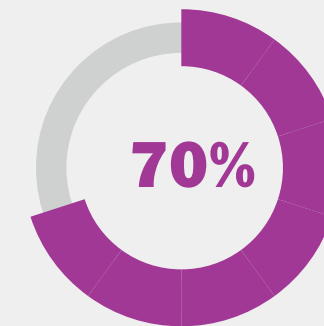
How do you feel about the market outlook over the next 12–24 months?



VERY/SOMEWHAT OPTIMISTIC

While 2025 proposed a new set of challenges for commercial real estate, market participants seem confident that momentum is shifting in a more positive direction, as indicated in the results from the 2025 Real Estate Market Study conducted by *The Real Deal* and Anchin, Accounting and Advisors. In fact, optimists outweigh pessimists by two to one, with 52% of survey respondents who said they were “somewhat” or “very optimistic” about the market outlook over the next 12 to 24 months. And the more regions in which their firms operate, the more optimistic they are. Among those operating in three or more regions, 70% are optimistic about the outlook compared to 44% for those operating in only one.

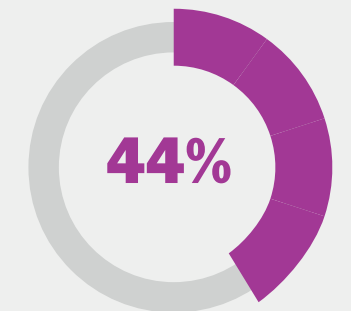
Survey respondents may be shaking off negative news headlines and relying



VERY OPTIMISTIC: THREE+ REGIONS

on what the fundamentals are saying. Despite some softening in rent growth, occupancies across property types are holding up well. Even the hard-hit office sector is showing signs of recovery with improvement in occupancies across many metros, especially in Manhattan. There, leasing activity reached roughly 41.9 million square feet in 2025, the highest yearly total since 2019, availability tightened to 13.9% and quarterly net absorption was positive 3.96 million square feet, according to Colliers Q4 NYC/Manhattan Office Market Report.

Although they expect market growth over the next 24 months, a majority of the CRE executives surveyed (70%) believe that the biggest risk to their firm's respective portfolios is an economic slowdown or recession. Their second-biggest concern,



VERY OPTIMISTIC: ONE REGION ONLY

cern, chosen by 56% of respondents, is political and regulatory uncertainty.

Concerns are not surprising given the mixed signals coming from the economy. On the positive side are factors such as record-high values in the stock market, a healthy unemployment rate hovering at 4.4% and positive GDP growth. In addition, favorable provisions in the OBBBA will provide tax benefits for real estate owners and investors, allowing the sector to continue benefiting from these incentives.

However, there are potential headwinds that warrant monitoring, such as weakening job growth, the strain of housing affordability, and, for commercial real estate, a still sizable wall of maturing loans that need to be refinanced at higher interest rates.



“In today’s uncertain environment, conserving cash flow is critical for real estate owners and developers. With rising costs and unpredictable market conditions, planning becomes increasingly difficult. Maintaining liquidity provides the flexibility to navigate unforeseen challenges, protect investments and seize opportunities when they arise.”

— ROBERT GILMAN, PARTNER & LEADER, ANCHIN'S REAL ESTATE GROUP

The OBBBA created favorable changes for CRE, including enhancing opportunity zones and reinstating 100% bonus depreciation.



Strategic priorities Buy-hold-sell

Looking ahead, strategic priorities are leaning in a conservative direction. For a majority of respondents (59%), the number one priority is preserving capital and cash flow. Beyond capital and cash-flow preservation, buy-hold-sell strategies are more in favor of buying. Seeking new acquisition opportunities ranked second among the possible priorities, at 44%.

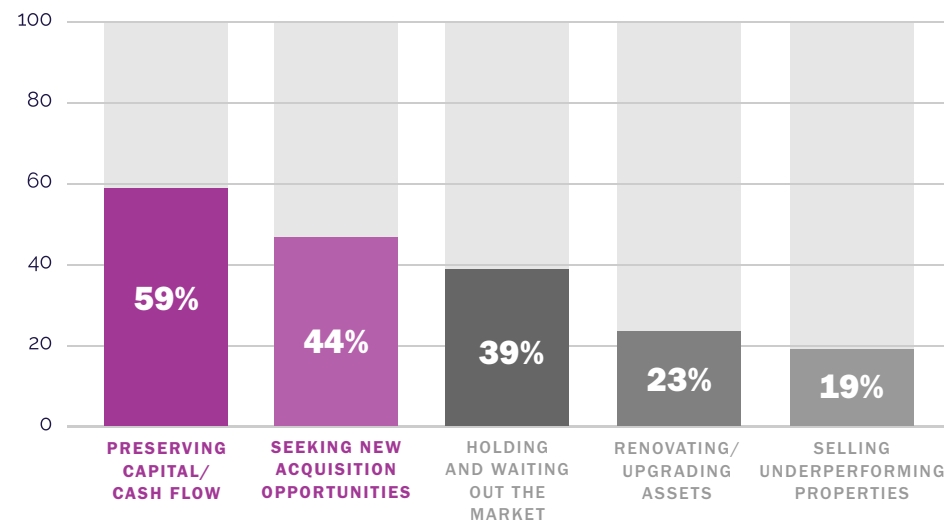
Survey results also reveal some nuances at the property sector level. Owners/managers of industrial/flex spaces are more bullish on new investment op-

portunities, with 62% who said seeking new acquisition opportunities was their number one priority, while preserving capital/cash flow ranked second (with 49%). Among all respondents, the third-highest strategic priority was “holding and waiting out the market” at 39%.

Sellers with cash-flowing assets don’t feel the need to sell at discounted prices, while “extend and pretend” and other loan modifications have allowed owners to hold onto properties rather than forcing sales.

However, sales activity is slowly turning in a positive direction. After nearly two years of annual declines in sales volumes, transaction volume marked its sixth consecutive quarter of rising volume. **According to MSCI, US CRE transaction volume, domestically, through the first three quarters of 2025 totaled \$374.3 billion — up 17% on a year-over-year basis.** The two most active sectors were apartments and industrial, at \$11.2 billion and \$76.6 billion, respectively.

What are your firm’s current strategic priorities?



Opportunities ahead One Big Beautiful Bill Act

In any CRE market cycle, there are both opportunities and challenges. On the opportunity side, the OBBBA created favorable changes for CRE, including enhancing opportunity zones and reinstating 100% bonus depreciation. The new tax law also fits with the two top strategic priorities held by most survey respondents: to preserve cash flow and acquire assets at a favorable basis.

The OBBBA restores 100% bonus depreciation that had been slowly winding down, with depreciation deductions that had dropped to 80% in 2023 and 60% in

2024. Prior to the new legislation, depreciation was scheduled to decline to 40% in 2025 and phase out completely in 2027. Now, for qualified property placed in service after January 19, 2025, the taxpayer is eligible for an immediate benefit of a 100% depreciation tax deduction in year one — a significant positive impact to cash flow.

The OBBBA also eliminated the looming sunset date for the Opportunity Zone program, making Opportunity Zones a permanent part of the federal tax code. In addition, the fixed deferral date of

December 31, 2026, is replaced with a rolling five-year deferral period for capital gains invested after that date, offering more flexibility for ongoing investment.

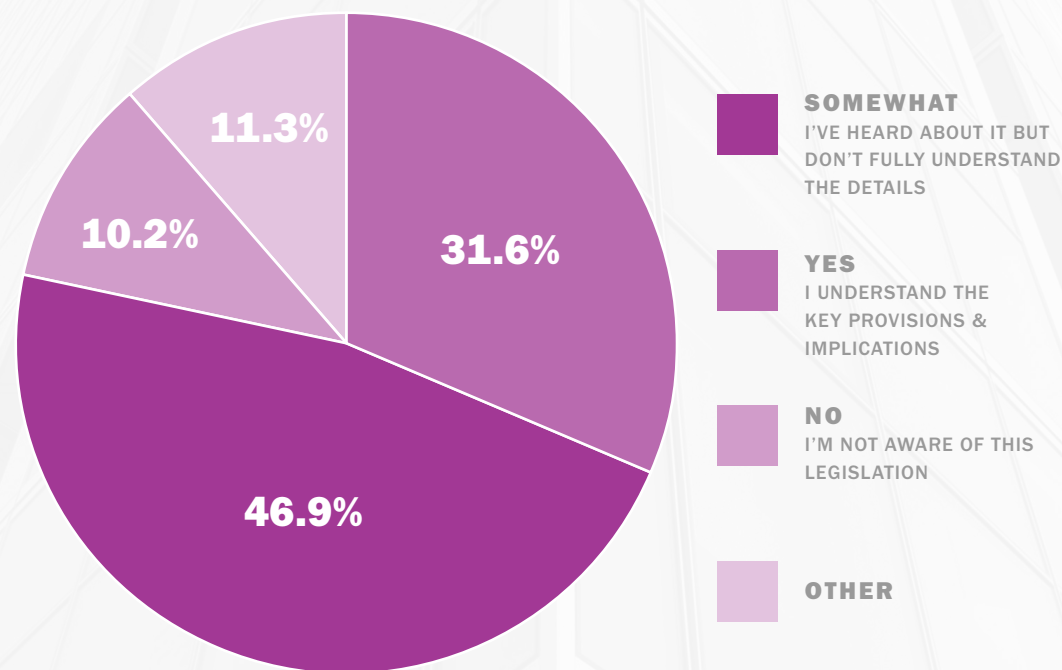
More than three quarters of respondents (79%) said they were at least “somewhat” familiar with the OBBBA, but most (47%) said they don’t fully understand the details.

Although the OBBBA creates tax savings opportunities, there are nuances and complexities to the law in terms of eligibility, which is why it is always important to consult with a tax advisor.

79%
ARE “SOMEWHAT” FAMILIAR WITH THE OBBBA

47%
DON'T FULLY UNDERSTAND THE DETAILS OF THE OBBBA

Are you or your firm familiar with the proposed or recently passed “Big Beautiful Bill” and how it may impact your firm’s real estate holdings or operations?



“When considering bonus depreciation and the federal QOZ provisions in the OBBBA, real estate businesses need to assess the state implications. Many states do not conform to federal bonus depreciation and modify income to disallow the accelerated depreciation. Similarly, some states decoupled from the federal QOZ rules in later years, meaning that certain taxpayers may have already paid state tax on their deferred gains. In some cases, the same qualified fund investment may have been tax-deferred at the state level in one year but fully taxable in another.”

— KEVIN MCHALE, TAX PARTNER, ANCHIN'S REAL ESTATE GROUP

Biggest challenges

When asked specifically about the top financial challenges CRE firms are facing, the two biggest concerns are interest rates (60%) and insurance costs (53%). Property taxes ranked third at 43%, followed by declining property values/lower LTV provided by lenders at 30% and decreased demand/vacancies at 18%. On the positive side, only 10% of respondents reported debt access as a top challenge and an equally low number said that rent collection was a top concern. Although insurance costs show some signs of stabilizing, premiums for commercial property have increased significantly over the past five years, driven by factors such as increased weather-related damages, rising replacement costs, and reinsurance availability. “In the last seven years, insurance costs have tripled,” wrote one respondent. Another wrote, “my Builders Risk policy has doubled twice in the last three years, and I am being told it will continue to climb, and all my subs are having the same issue.”

Even with the December Fed rate cut, property owners are still adapting to a higher-rate environment where every quarter point matters to the bottom line.

The 10-year treasury at the current rate of 4.15 as of mid-December has improved about 40 bps since the start of the year but is still 150 bps higher than it was in January 2019.

When asked how higher interest rates have impacted their portfolio strategy, the most common effect has been pausing acquisitions, reported by 44%. The impact was even higher among owners/managers of Southwest properties, where 59% said they had paused acquisitions due to higher interest rates. Among all respondents, the second- and third-most common impacts on portfolio strategy related to selling assets (25%) and pausing renovations/improvements (24%). These two approaches were pursued by roughly equal numbers of owners/managers in every sector except mixed use, where pausing renovations/improvements was more common than selling assets (32% vs. 20%).

Debt modification, restructuring and extension remain prevalent themes given the lingering wall of maturities. According to S&P Global Market Intelligence, \$936 billion in CRE loans are scheduled to mature in 2026.

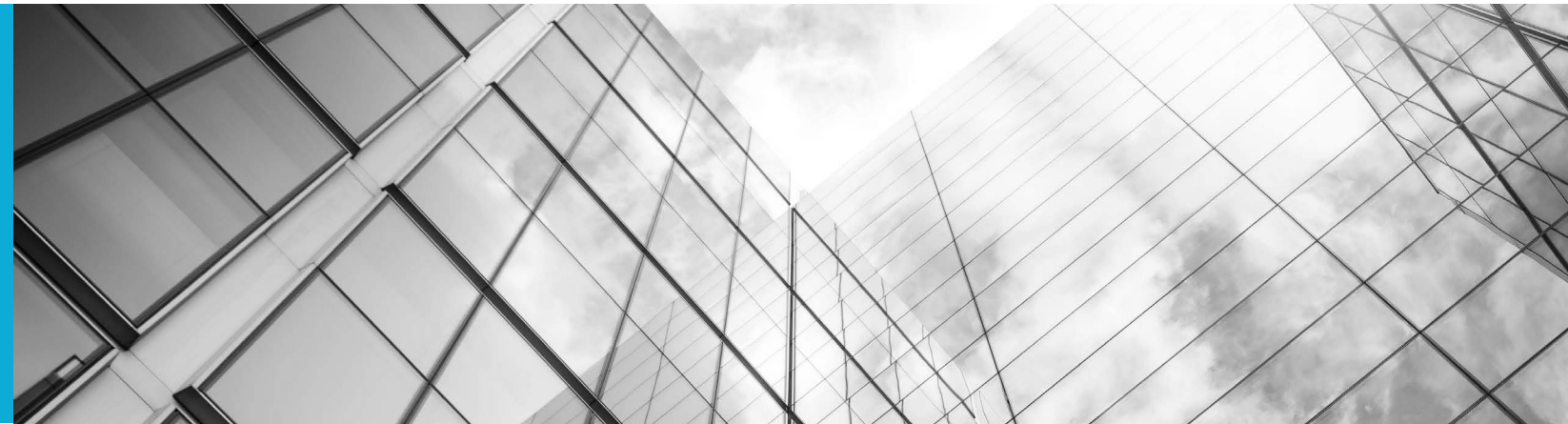
“The ability to refinance and extract capital remains critical for many real estate owners. While refinancing activity remains well below peak levels, it is encouraging that roughly half of owners who pursued refinancing achieved the terms they expected. There are many attractive opportunities as owners and managers pursue new acquisitions. Success hinges on selecting the right asset class, appropriately priced, in the right location. 2026 will be a year to watch as investors adjust to higher interest rates and niche sectors like data centers gain increased attention over traditional property types,” said Aleksander Dziedzic, Tax Partner of Anchin's Real Estate Group.

One third of respondents said their firms had tried to refinance properties in the prior 12 months, 29% said they had no need to refinance and 19% said they need to refinance soon. Among those that had tried to refinance, half said they were successful at terms they expected and the other half could not refinance in the amount that was existing to the original debt.

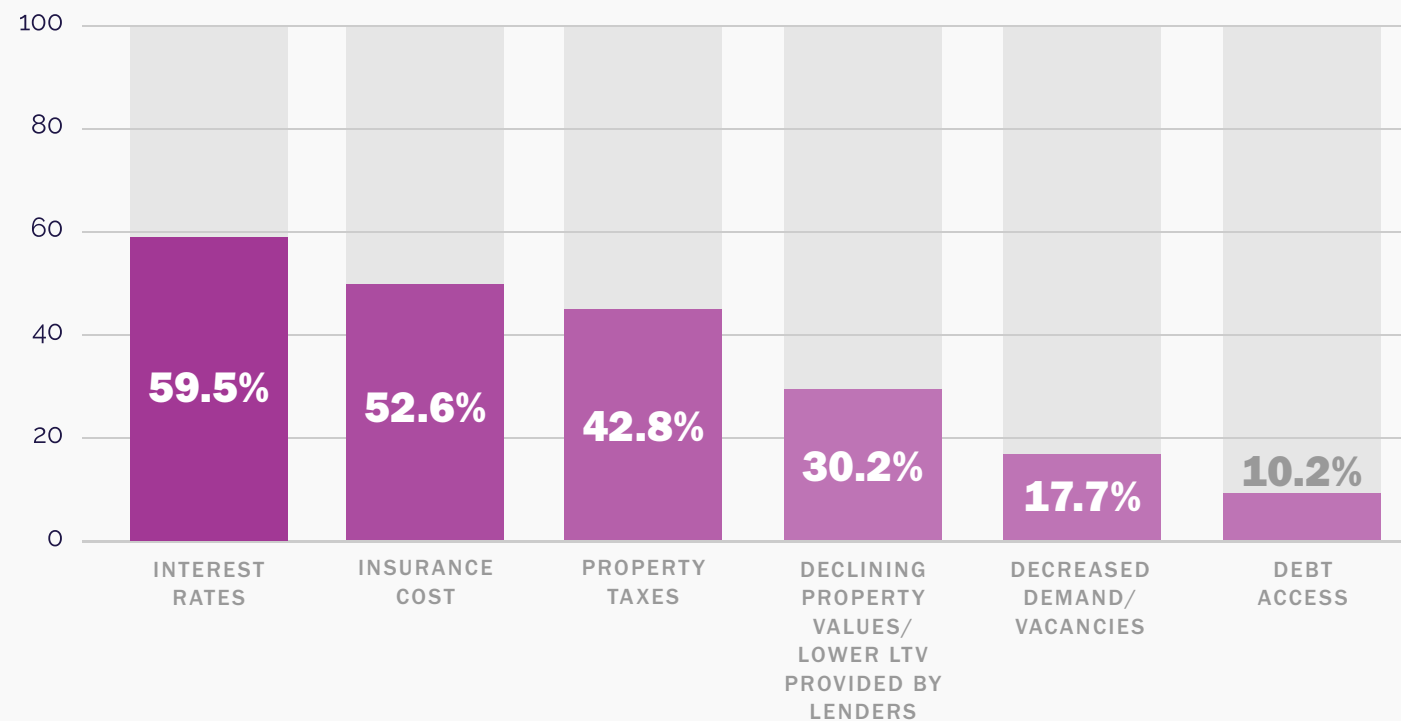


“The United States commercial real estate is well supported by a favorable macroeconomic backdrop, with projected moderate rent growth, declining interest rates and continued domestic institutional and foreign investment, with domestic institutional investors maintaining or increasing allocation to real estate.”

— ZURAB MOSHASHVILI, AUDIT PARTNER, ANCHIN'S REAL ESTATE GROUP



What are your firm's top financial challenges today?



Pressing issues

Respondents had mixed views on issues they considered to be most pressing. Leasing / occupancy challenges rated highest among one-third (34%) of respondents. Four of the remaining six operational issues asked about in the survey which were considered relatively pressing were property maintenance (24%), regulatory compliance (22%), tenant turnover / non-renewals (21%) and rent delinquencies (21%).

“The United States commercial real estate is well supported by a favorable macroeconomic backdrop, with projected moderate rent growth, declining interest rates and continued domestic institutional and foreign investment, with domestic institutional investors maintaining or increasing allocation to real estate,” said Zurab Moshashvili, Audit Partner, Anchin's Real Estate Group. “Market leaders indicate that dry powder remains elevated and poised to absorb potential supply resulting from limited partner fund redemptions; a promising sign of elevated deal activity in 2026.”

One of the pressing issues that emerged from the survey was how de-

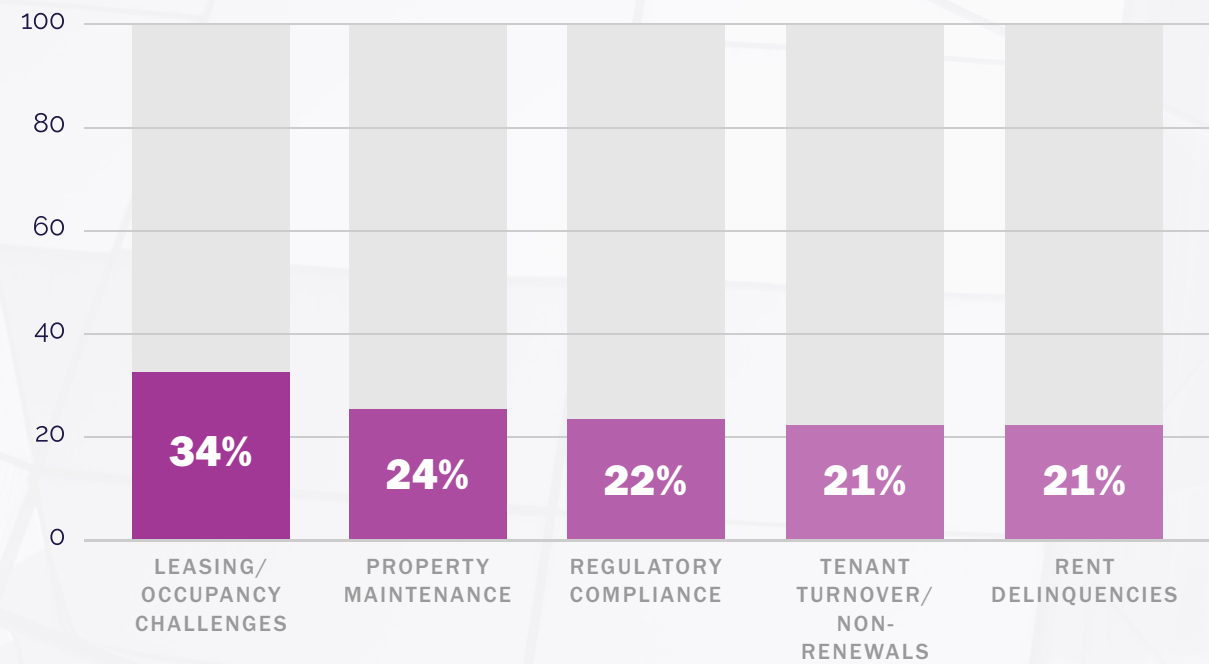
mographic shifts are putting succession planning more at the forefront. The aging baby boomer population has been a big focus for years, and by 2030 the entire group – more than 73 million Americans – will be 65 or older.

The survey captured sentiment around succession planning, as a significant portion of respondents work at companies with multigenerational ownership structures. Thirty-eight percent of firms represented have multigenerational ownership structures, including 13% that are partially multigenerational.

Survey results show that a majority of multigenerational firms (69%) are actively planning or transitioning a generational wealth transfer (43%), or in early discussions about it (26%). Nearly half of this segment of respondents (47%) said that succession planning is their biggest challenge in managing legacy-owned portfolios. Other top challenges included tax planning / estate concerns (42%), family alignment / conflict (35%) and family alignment around reinvestment strategy (33%).

The aging baby boomer population has been a big focus for years, and by 2030 the entire group — more than 73 million Americans — will be 65 or older.

What are the biggest challenges in managing a legacy-owned portfolio?



The survey captured sentiment around succession planning as a significant portion of respondents work at companies with multigenerational ownership structures.

69%

ARE ACTIVELY PLANNING OR TRANSITIONING A GENERATIONAL WEALTH TRANSFER

47%

SAY SUCCESSION PLANNING IS THE BIGGEST CHALLENGE IN MANAGING LEGACY-OWNED PORTFOLIOS

**Thirty-eight percent of firms represented have multigenerational ownership structures, including 13% that are partially multigenerational.*



“Taxes, government involvement and the cost of everything is through the roof.”

— SURVEY RESPONDENT

Looking at the rest of 2026, there are signs that transaction activity is gaining momentum, which could be further strengthened by the favorable tax changes in the OBBBA, specifically those related to 100% bonus depreciation and Opportunity Zones.

CRE & multifamily tenant trends

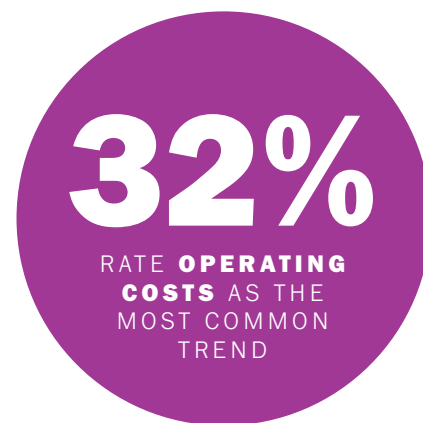
Specific to commercial properties, views were mixed when asked what trends respondents are seeing related to tenants. The most common trend occurring is increased operating costs at 32%. That is not surprising given the increases across the board in everything from insurance premiums to construction and wages for on-site staff. Additionally, tenants are negotiating for more concessions and higher tenant improvement allowances on shorter lease terms.

“Taxes, government involvement and the cost of everything is through the roof,” wrote one respondent. Another said one of the biggest concerns is “rents not keeping up with increasing operating costs, including real estate taxes and new regulatory requirements that cost money.”

Several other trends that are evident fell in a fairly tight band of sentiment (between 26 and 28%), including: renegotiations or rent reduction requests, downsizing or exiting leases, increased demand for flexible/shorter terms and re-

quests for free rent and higher build-out allowances by tenants with new leases. The survey also revealed some regional differences in perceptions, with downsizing or exiting leases ranking first among all commercial-tenant trends for owners/managers of properties in the Southwest and the Northeast outside of the NYC Tri-State area.

When multifamily participants were asked the same question, operating costs also rated as the most common trend, but it resonated with a larger number of respondents at 42%. Again, this is likely due to higher costs across the board, particularly higher insurance premiums, which points to the importance of reviewing coverage with an insurance professional and considering steps to mitigate risks to help reduce costs. Demands for concessions or incentives were the second-most widely perceived trend at 27%, followed by more roommate/household sharing at 22%.



IDENTIFYING OPPORTUNITIES AND MITIGATING RISKS

The survey results reinforce what many in the CRE industry are experiencing firsthand: an underlying sense of optimism in commercial real estate that is tempered by a healthy dose of caution. The optimistic outlook is bolstered by property fundamentals and valuations that are back on a positive trajectory. According to the latest MSCI CPPI, deal volume was up 23% YOY, with office seeing a 26% increase in volume from 2024 to 2025, though prices across the board remained relatively flat.

Looking at the rest of 2026, there are signs that transaction activity is gaining momentum, which could be further strengthened by the favorable tax changes in the OBBBA, specifically those related to 100% bonus depreciation and Opportunity Zones.

At the same time, executives acknowledge that

there are an array of challenges impacting the CRE industry in the near term. When asked in an open-ended question about the biggest challenges the real estate market will face over the next 12 to 18 months, answers ran the gamut from housing affordability to signs of weakness in the labor market. In addition, general uncertainty remains top of mind on everything from valuations and asset reposition to the outlook for consumer spending.

In any industry, commercial real estate included, market conditions can shift quickly. As such, it's important to stay up-to-date on industry trends and regulations that can impact supply and demand, as well as strategic decision-making. Having access to good guidance and market insights can help industry participants navigate challenges and identify opportunities ahead.



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