



1Q25 Fear and Greed Survey (Commercial Real Estate)

 **JOHN BURNS**
RESEARCH & CONSULTING

CRE Daily |

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March 17, 2025

About this report

Conducted jointly by John Burns Research and Consulting and CRE Daily, the Fear and Greed Index examines current commercial real estate investor sentiment and expectations over the next 6 months, as well as changes in access to capital and asset values. The 1Q25 report is based on 1,064 market ratings from members of the commercial real estate community across 4 primary sectors:



Multifamily



Industrial



Retail



Office

The 1Q25 Fear and Greed Index survey ran from February 10 to March 3. Responses, commentary, and sentiment reflect the latest shifts across commercial real estate.

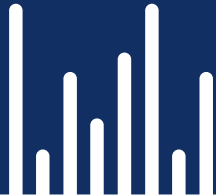
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Fear and Greed Survey



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We are pleased to share the 1Q25 Burns + CRE Daily Fear and Greed Index.



Overview of the Fear and Greed Index

The Fear and Greed Index measures investor sentiment across the US commercial real estate industry. As a composite diffusion index, ratings above 55 indicate industry **expansion (greed)**; ratings below 45 indicate industry **contraction (fear)**. Ratings between 45 and 55 indicate a more balanced market.

The Fear and Greed Index is calculated as a weighted average of 3 sub-indices:



Current Investment Strategy Index

Increasing/holding/decreasing exposure in the **current quarter** vs. the prior quarter



Expected Investment Strategy Index

Expect to increase/hold/decrease exposure over the **next 6 months**



Access to Capital Index

Easier/similar/harder to access capital in the **current quarter** vs. the prior quarter

Fear and Greed Index Rating

56
out of 100

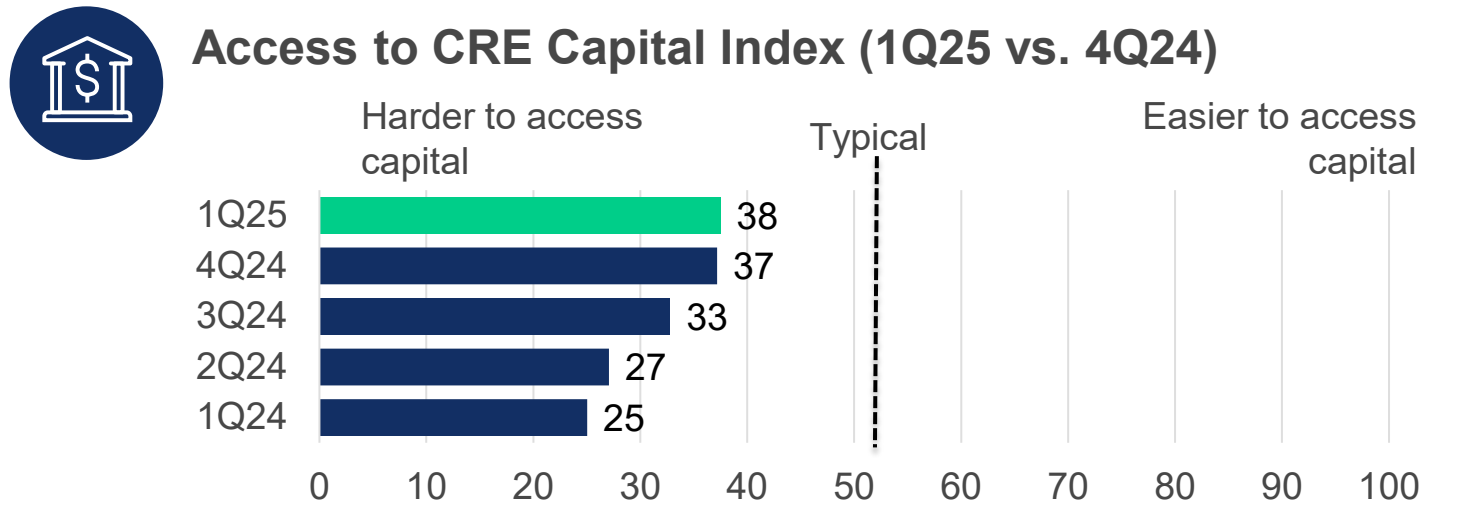
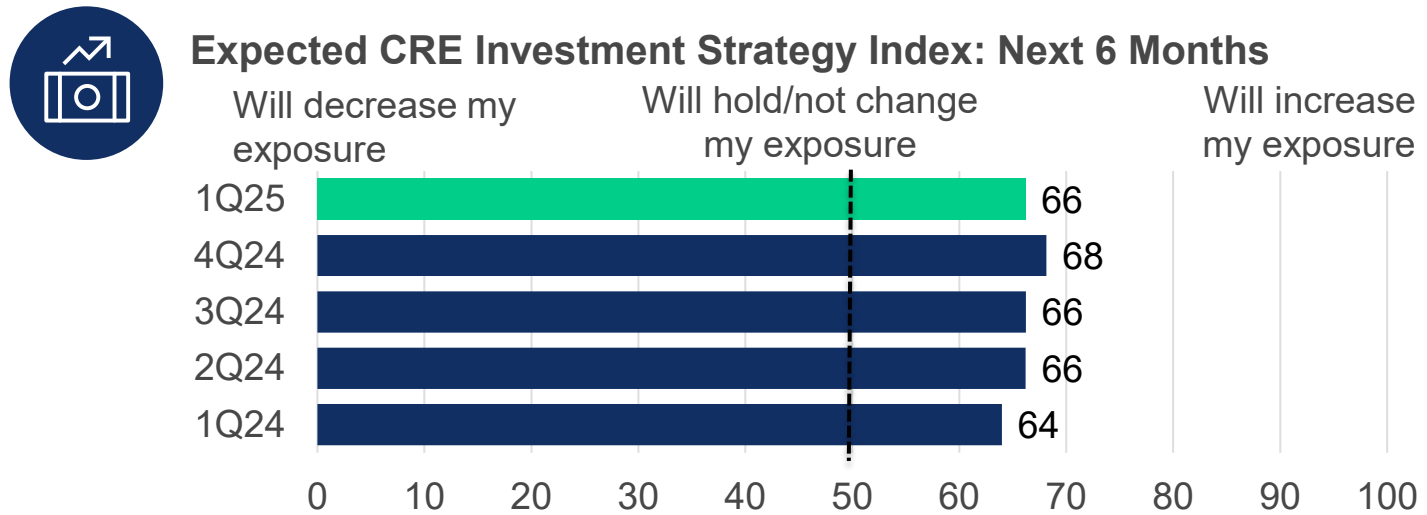
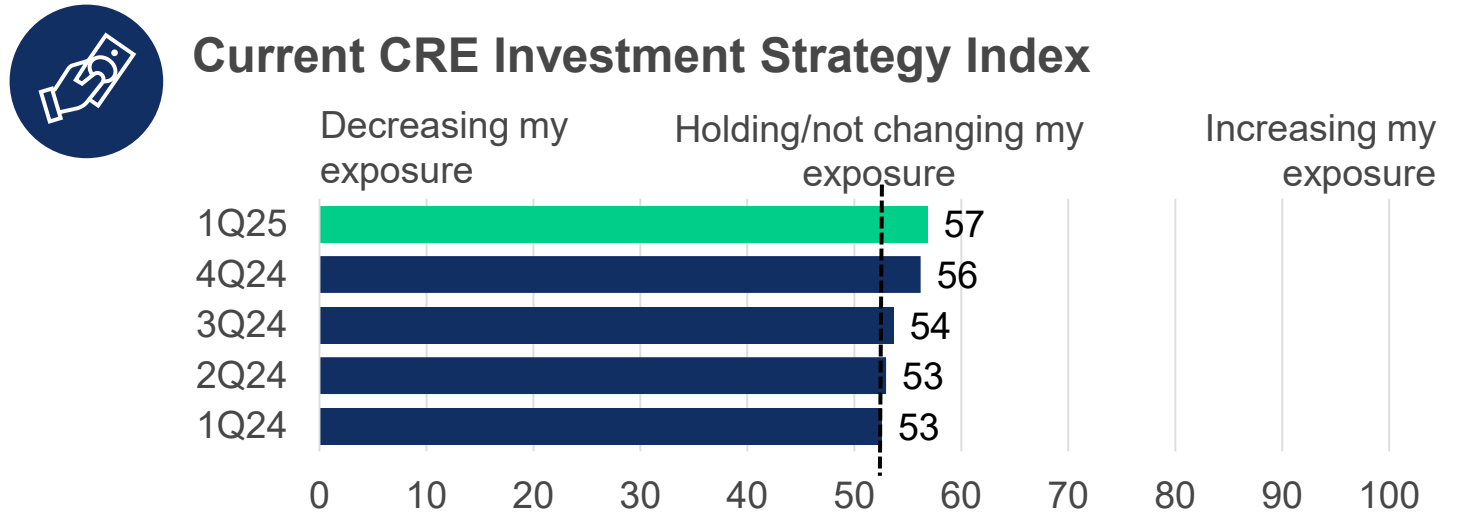
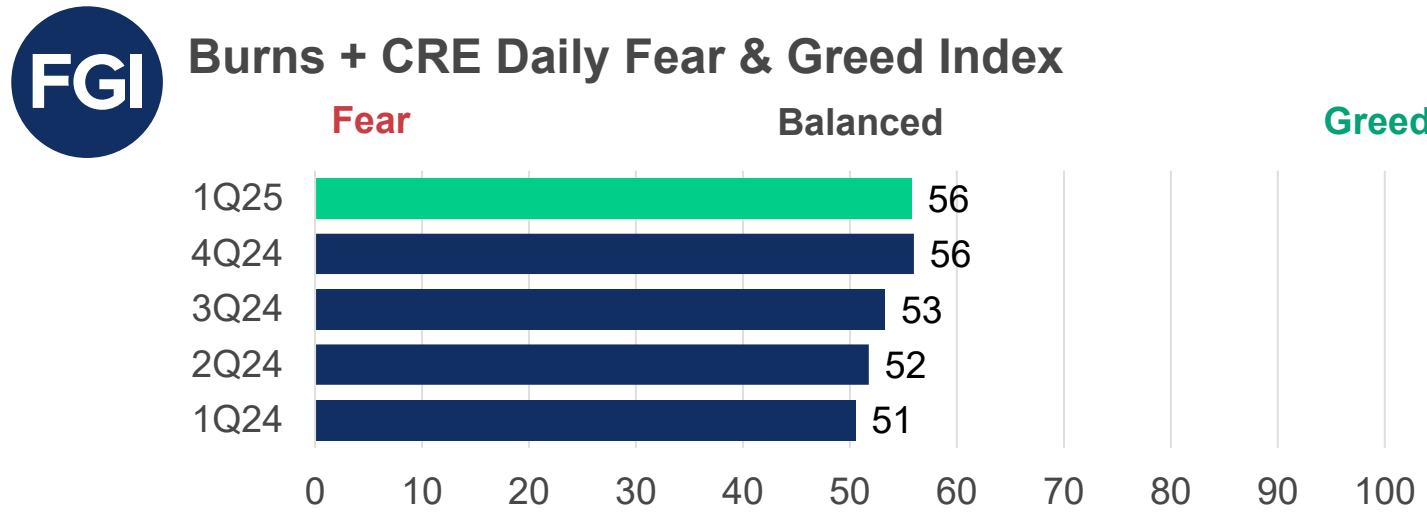
The Fear and Greed Index is at **56** out of 100, indicating an **expanding** commercial real estate market.

 **JOHN BURNS**
RESEARCH & CONSULTING **CRE Daily**

Conducted jointly by John Burns Research and Consulting and CRE Daily, the 1Q25 index reflects findings from 1,064 commercial real estate investors across 4 main sectors: **Multifamily, Industrial, Retail, and Office.**

The Fear and Greed Index remained flat in 1Q25 from 4Q24. Commercial real estate investors lowered their expectations for near-term investment.

On a diffusion index, a value above 55 indicates expansion, while a value below 45 implies contraction.



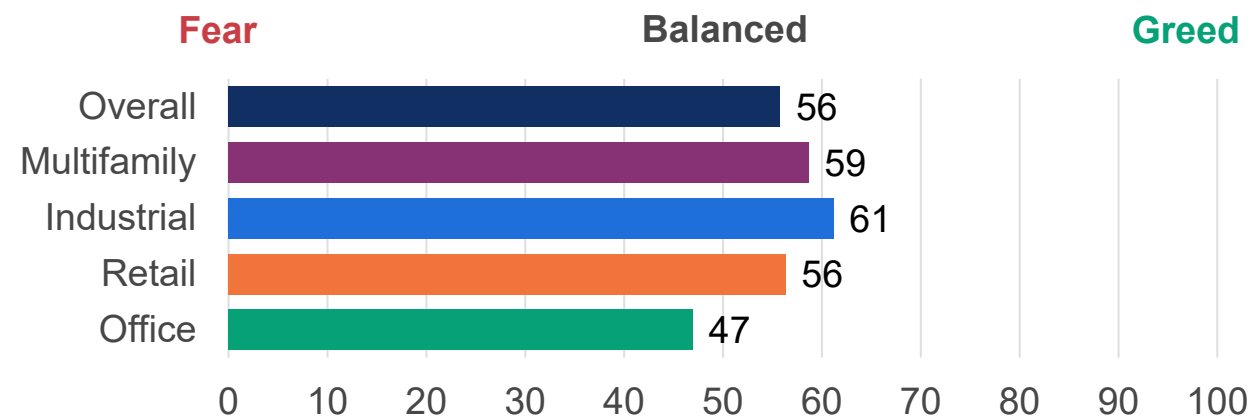
Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

Industrial and Multifamily real estate are the strongest sectors, per our sector-level Fear and Greed Index. Office continues to lag.

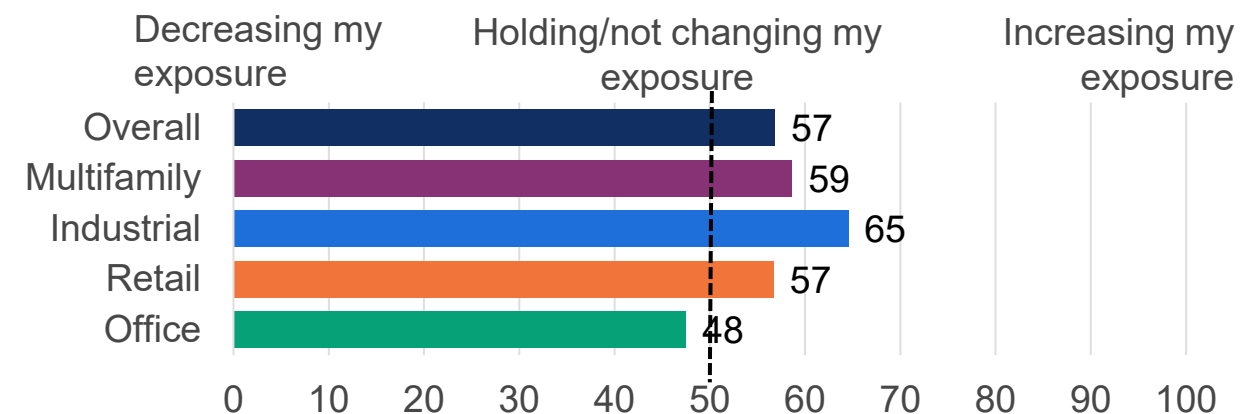
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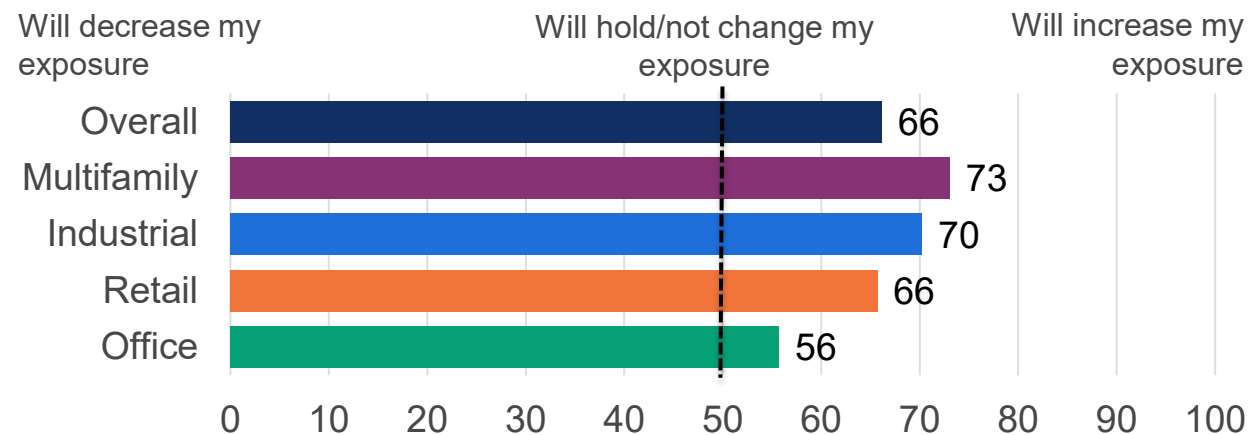
Burns + CRE Daily Fear & Greed Index



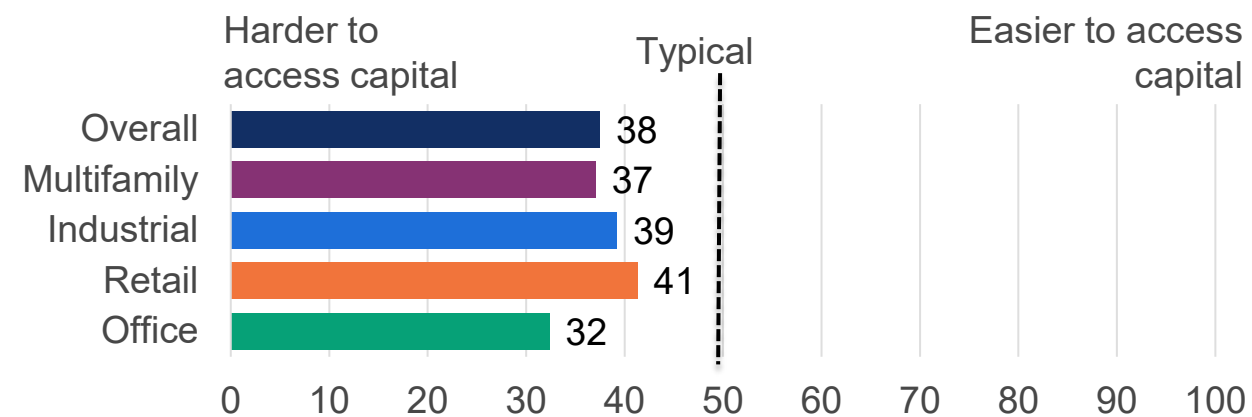
Current CRE Investment Strategy Index



Expected CRE Investment Strategy Index: Next 6 Months



Access to CRE Capital Index (1Q25 vs. 4Q24)

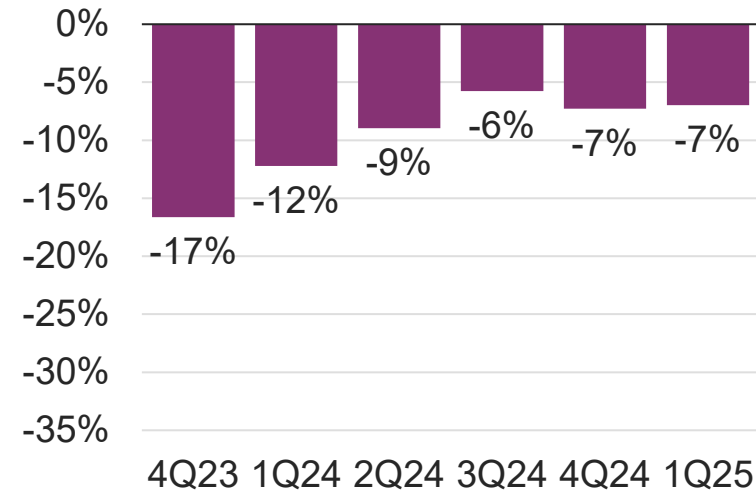


Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

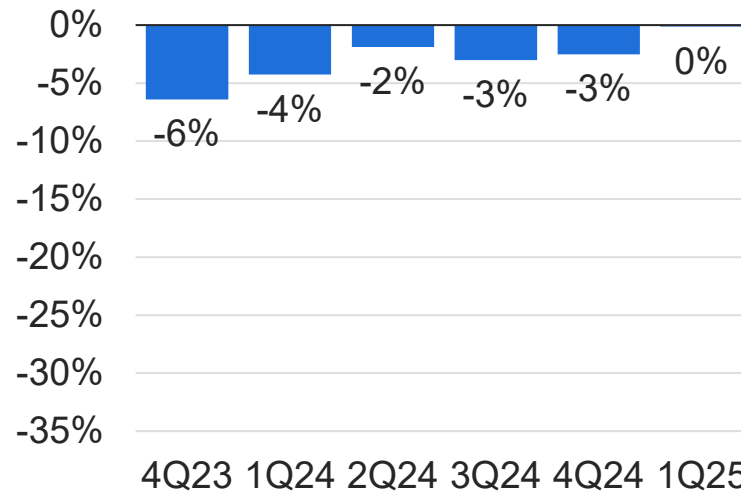
Investors believe that Multifamily and Office asset values fell YOY.

Change in Values by Asset Class (% YOY)

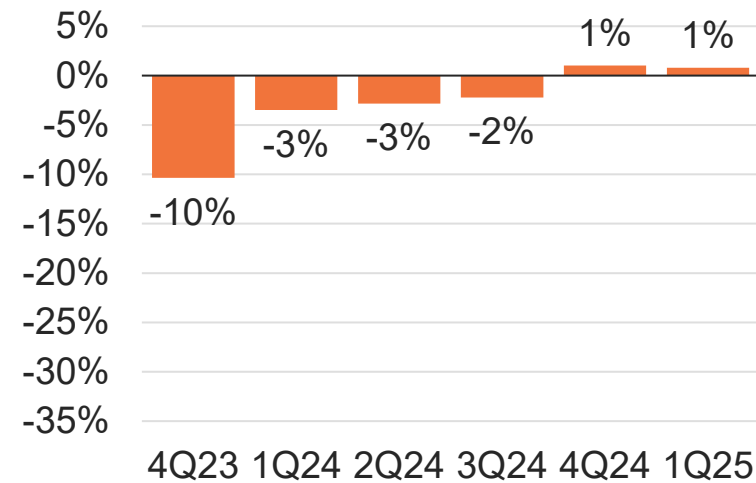
Multifamily



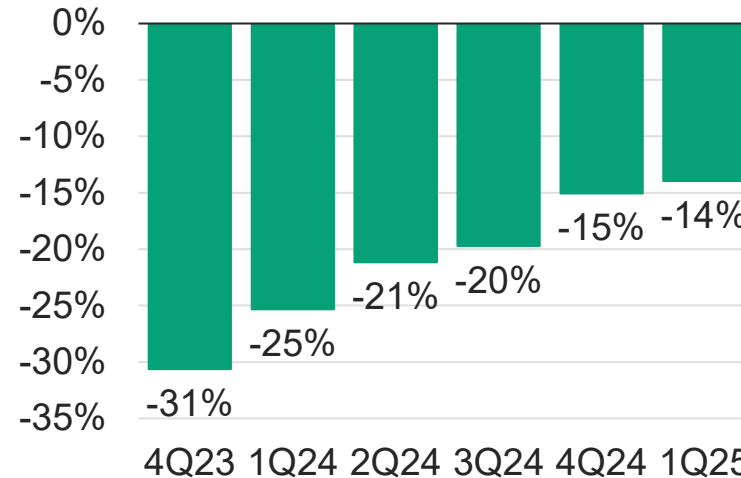
Industrial



Retail



Office



Investors believe **Retail** asset values rose +1% YOY in 1Q25, marking the second consecutive quarter of growth.

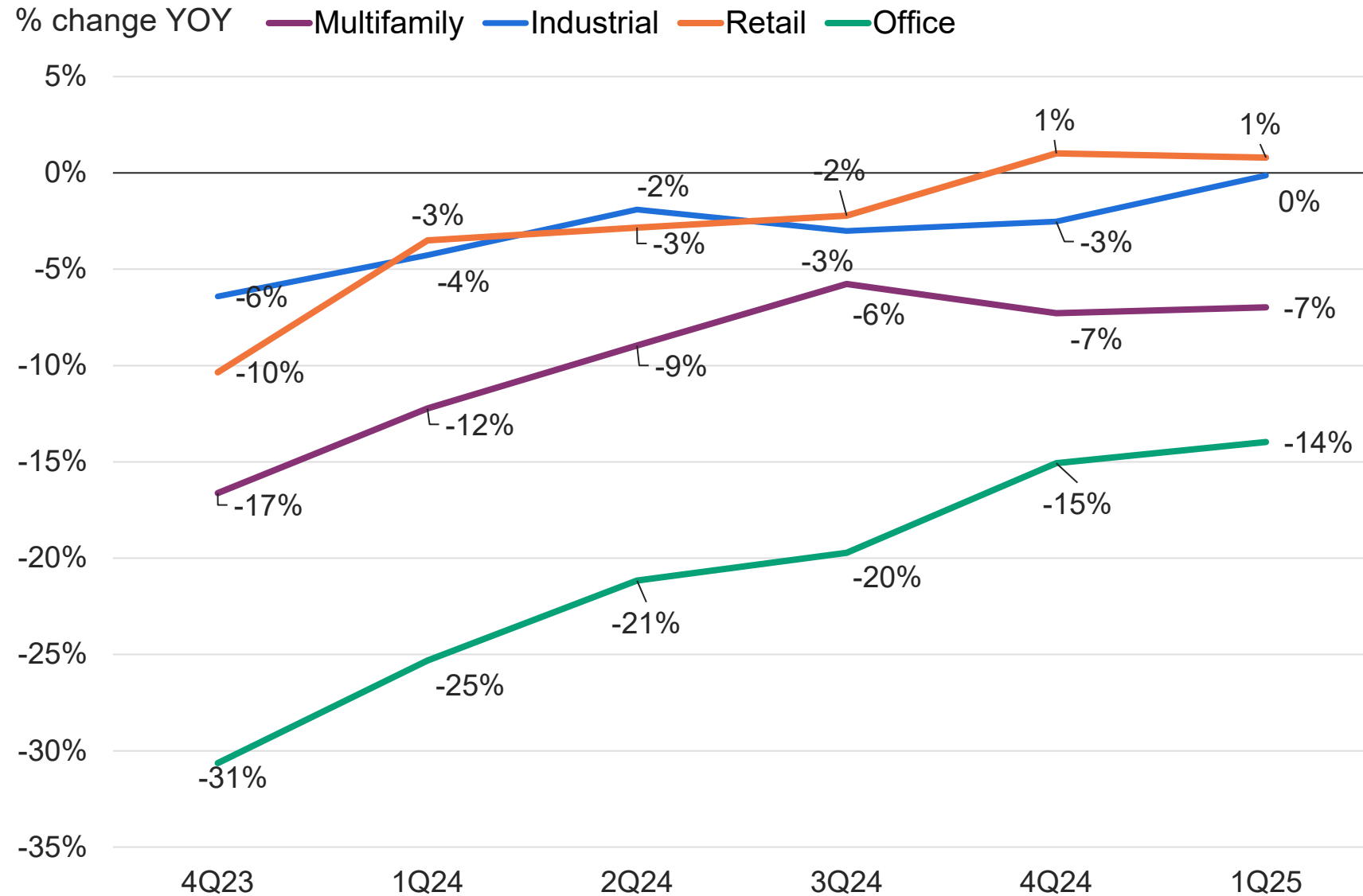
- **Industrial** investors believe asset values remained flat YOY, a notable improvement over last quarter.

Asset values fell most in the **Office** sector (-14% YOY), though this decline is less severe than in prior quarters—a sign of improvement.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

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Change in Values by Asset Class (% YOY)



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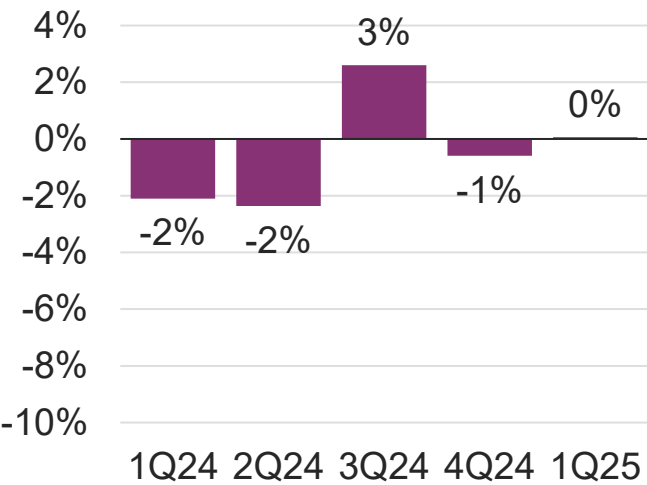
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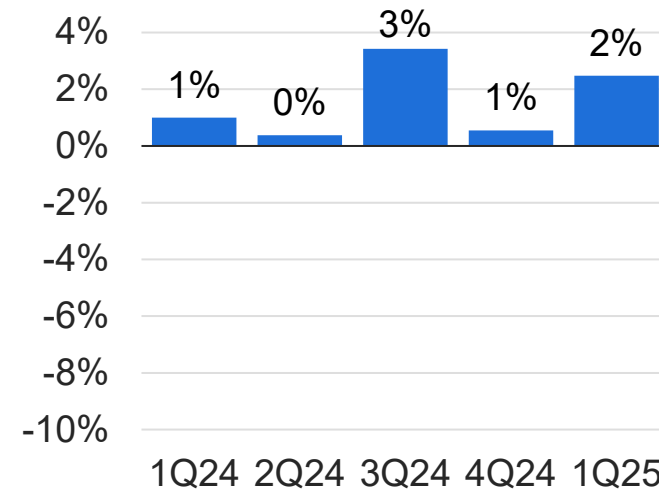
Investors believe that Office asset values will fall further in 2025.

Expected Change in Values by Asset Class (Next 6 Months)

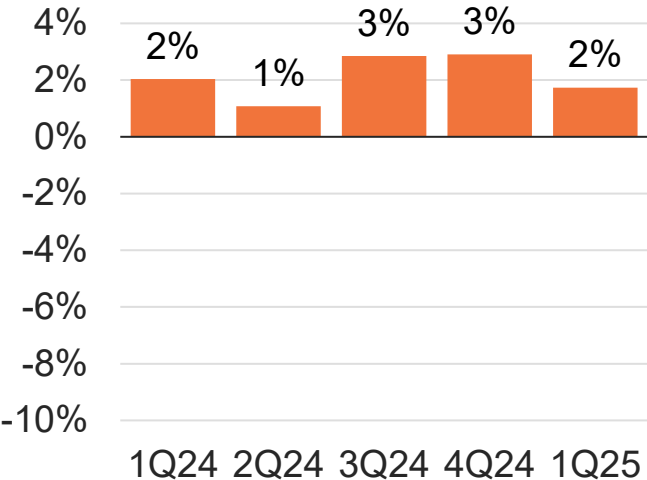
Multifamily



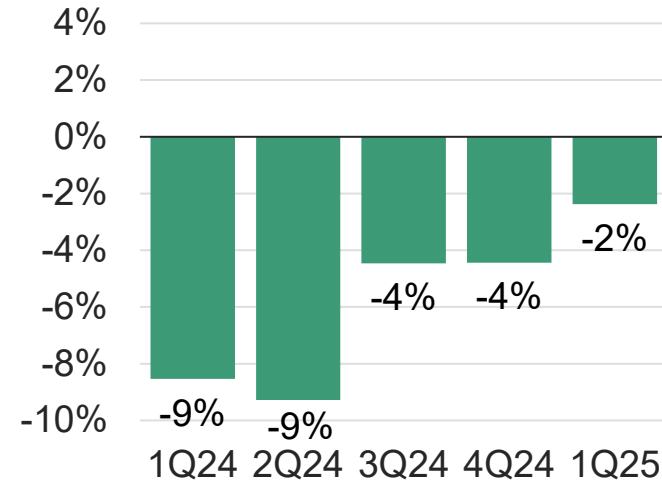
Industrial



Retail



Office



Industrial and **Retail** investors remain optimistic, expecting asset values to continue rising over the next 6 months.

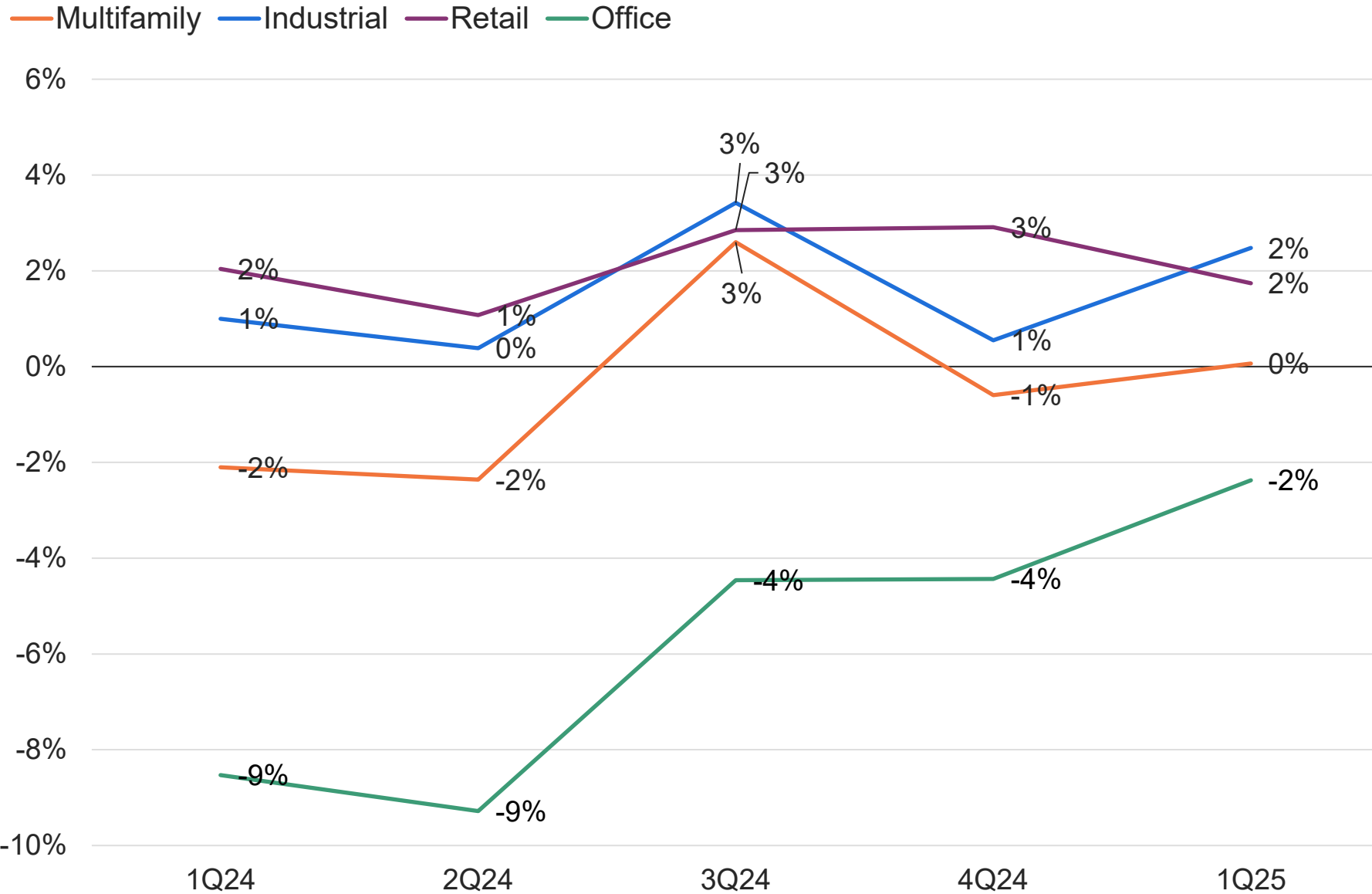
- Office** investors anticipate further declines (-2%), though less severe than in prior quarters, suggesting gradual improvement in sector sentiment.

Multifamily investors expect asset values to remain flat over the next 6 months.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

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Expected Change in Values by Asset Class (Next 6 Months)



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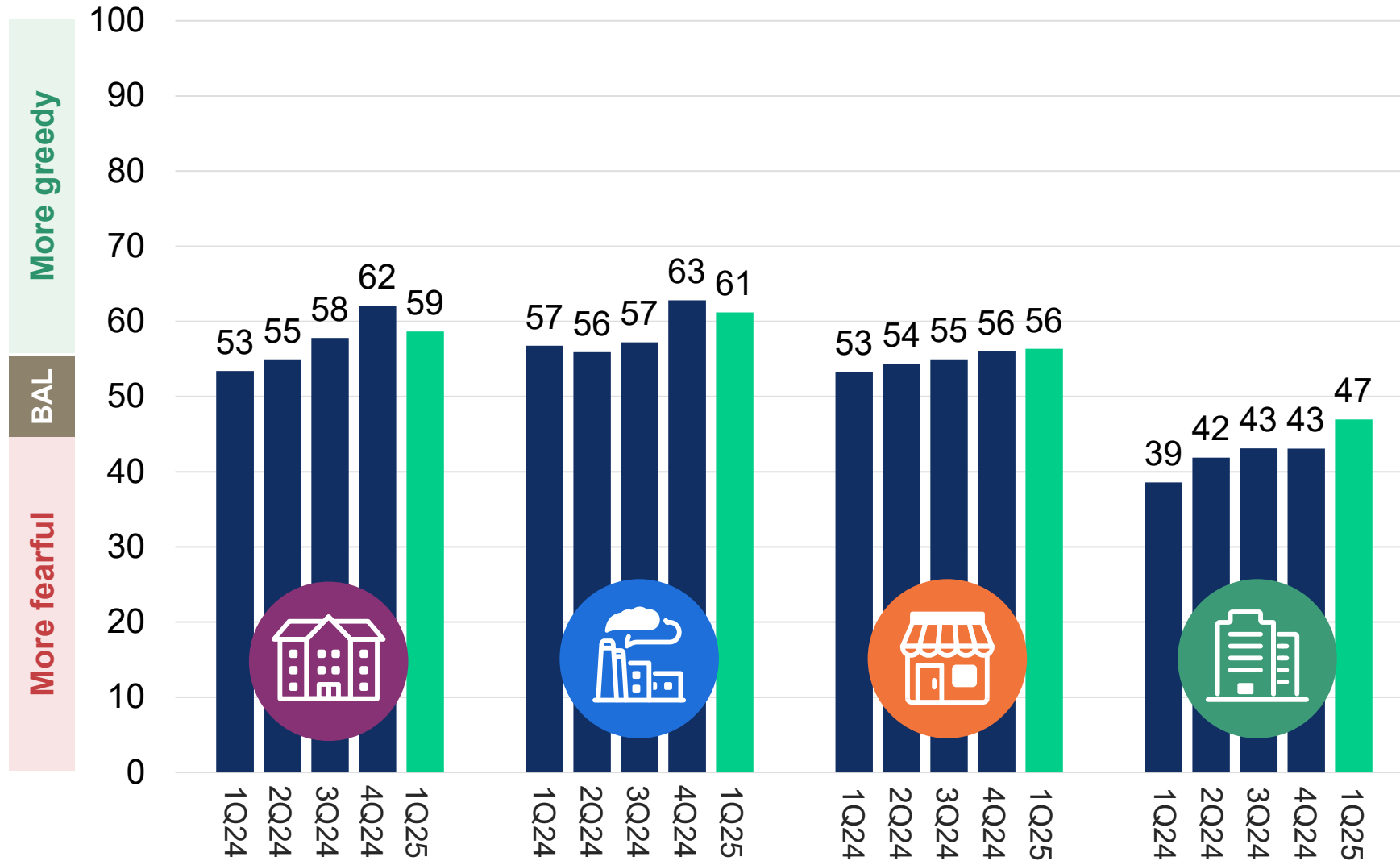
Burns + CRE Daily Fear and Greed Index (1Q25)

Multifamily

Industrial

Retail

Office



The **Multifamily** and **Industrial** indices fell in 1Q25 from 4Q24, driven by the decline in the share of investors who expect to increase their exposure to these sectors over the next 6 months.

Investors remain cautious about **Office** given sector-specific headwinds (working from home), though sentiment improved over the last quarter.

- The improvement is likely driven by opportunistic investors who believe **Office** real estate values have bottomed this cycle and are recovering.

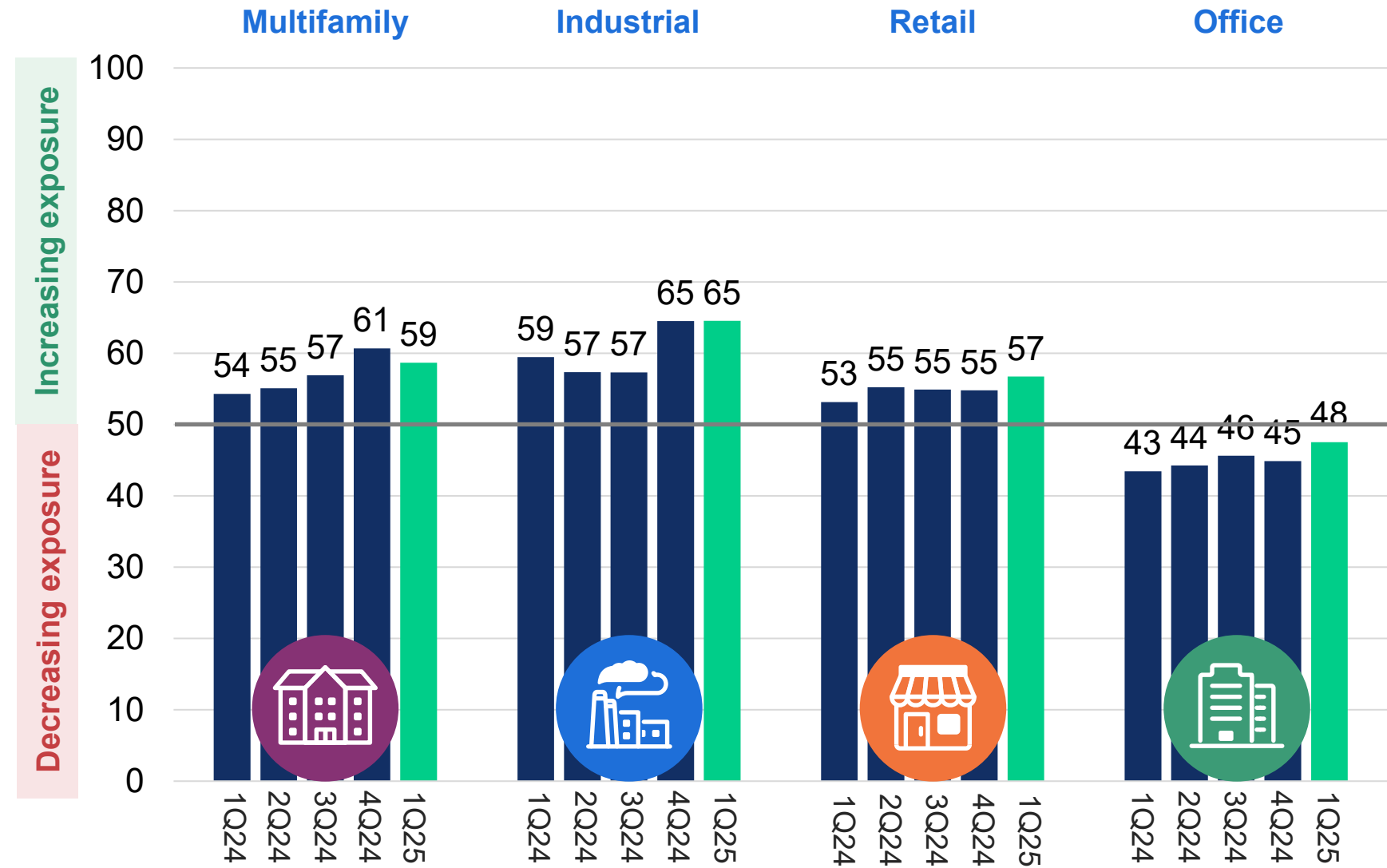
Note: Ratings above 55 indicate more “greed” among commercial real estate investors (expanding CRE market), while ratings below 45 indicate more “fear” among CRE investors (contracting CRE market). A rating between 55 and 45 indicates a balanced market (denoted by BAL in the graph’s y-axis labels).

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)



Current CRE Investment Strategy Index (1Q25)

Measures the share of commercial real estate investors increasing, decreasing, or holding their investment exposure to commercial real estate sectors during the most recent quarter



A greater share of investors are increasing their investment exposure vs. decreasing in most sectors.

- The **Office** sector is the exception, with investors reporting an overall decrease in exposure.

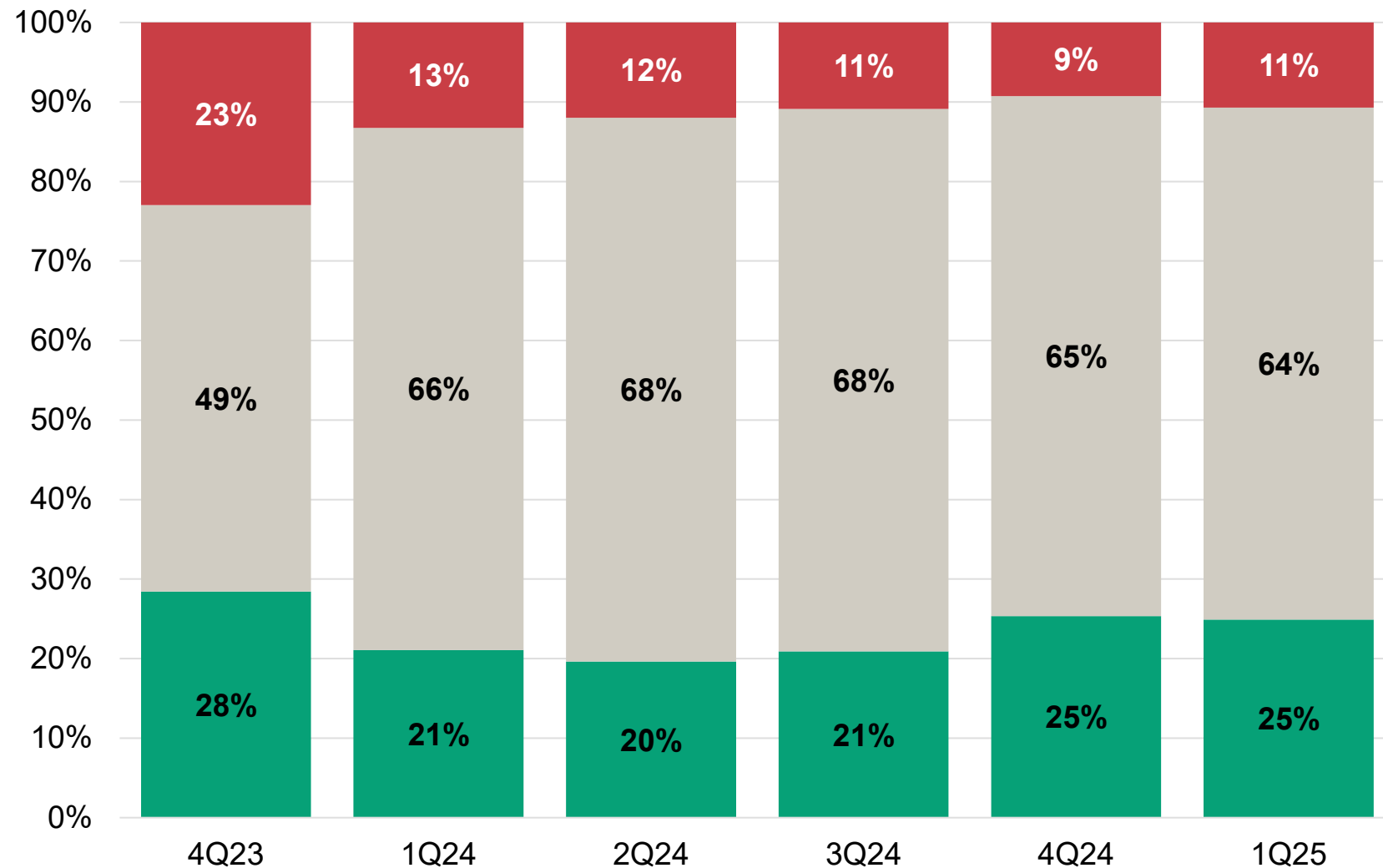
Note: Ratings above 55 indicate that more investors are increasing than decreasing their investment exposure, while ratings below 45 indicate that more investors are decreasing than increasing their investment exposure.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

64% of commercial real estate investors are holding tight in 1Q25, roughly flat from last quarter.

Current Commercial Real Estate Investment Strategy

■ Increasing exposure ■ Holding / not changing exposure ■ Decreasing exposure



Most CRE investors are still in wait-and-see mode due to uncertainty, largely pertaining to rates and policy:

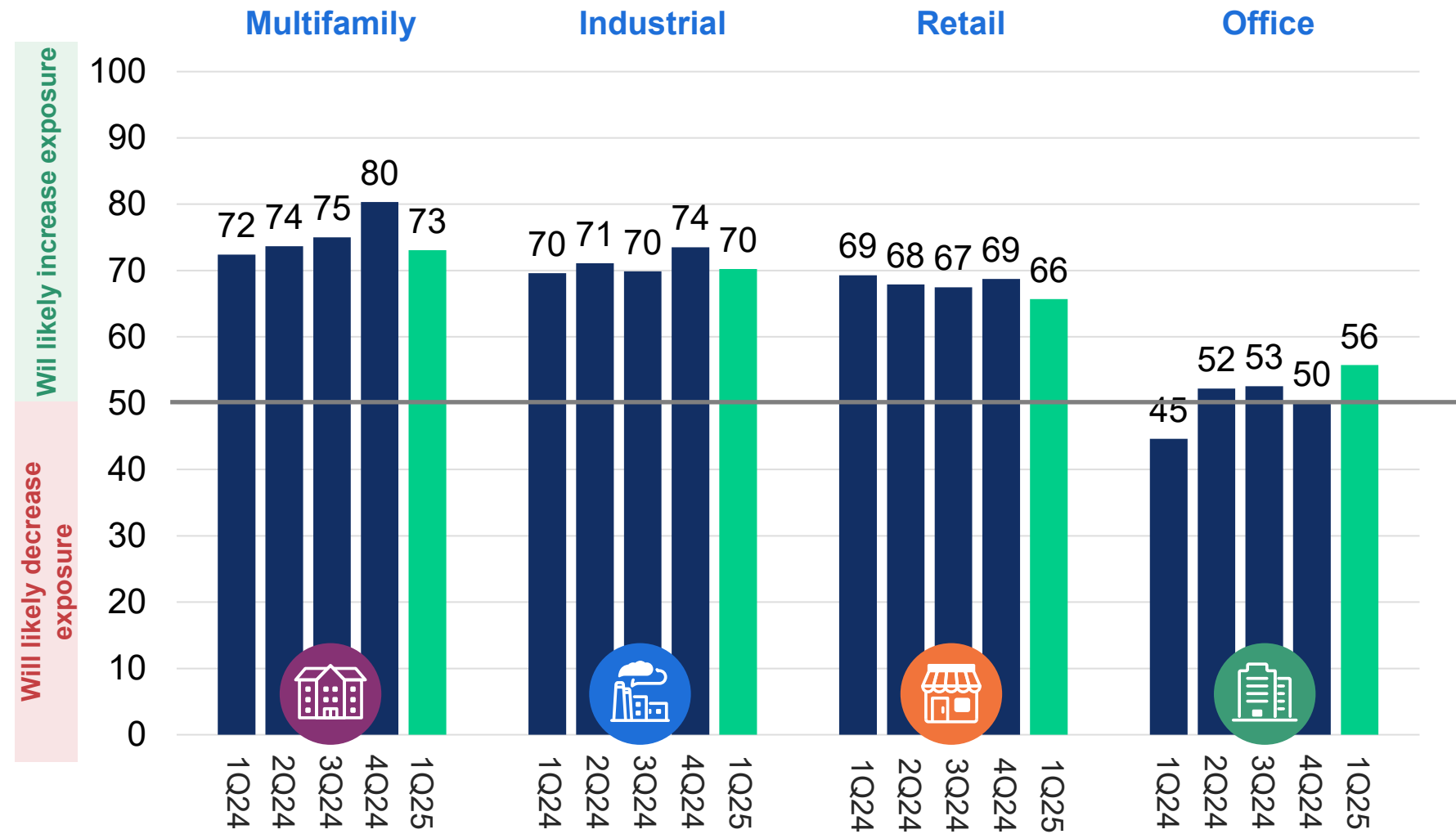
- “Uncertain policy and political action are also weighing on our pipeline. Investors don’t know how to price in the current uncertainty.”
- “Uncertainty about actions at the federal level makes decision-making difficult.”

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)



Expected CRE Investment Strategy Index: Next 6 Months (1Q25)

Measures the share of commercial real estate investors that expect to increase, decrease, or hold their investment exposure to commercial real estate sectors over the next 6 months



Across all sectors, more investors expect to increase than decrease their CRE exposure over the next 6 months.

However, QOQ declines in **Multifamily**, **Industrial**, and **Retail** investor optimism led to a decline in the overall Expected CRE Investment Strategy Index.

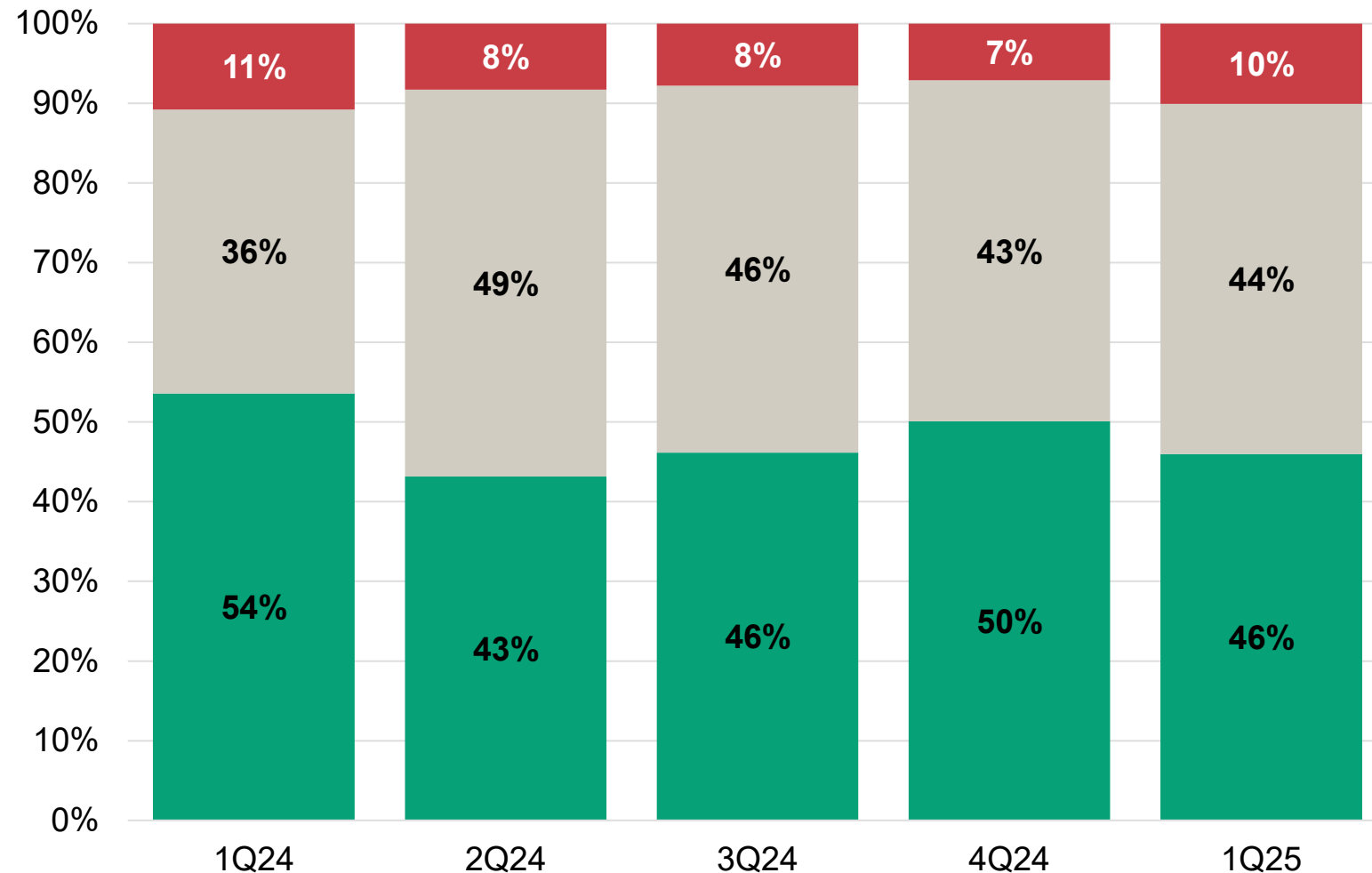
Note: Ratings above 50 indicate that more investors expect to increase than decrease their investment exposure over the next 6 months, while ratings below 50 indicate that more investors expect to increase rather than decrease their investment exposure over the next 6 months.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

10% of CRE investors expect to decrease their investment exposure over the next 6 months.

Expected Commercial Real Estate Investment Strategy (Next 6 Months)

■ I expect to increase my investment exposure ■ I expect to hold / not change my investment exposure
■ I expect to decrease my investment exposure



The share of investors who expect to decrease their CRE investment exposure (10%) reached its highest level since 1Q24, while those expecting to increase exposure (46%) fell QOQ.

Still, most investors expect to maintain or increase their exposure (90%), signaling continued confidence despite headwinds. As investors noted in our survey:

- “We are at the bottom of the cycle and should be looking up over the next couple of years.”
- “Overall, I’m cautiously optimistic that 2025 will be much better than 2024.”

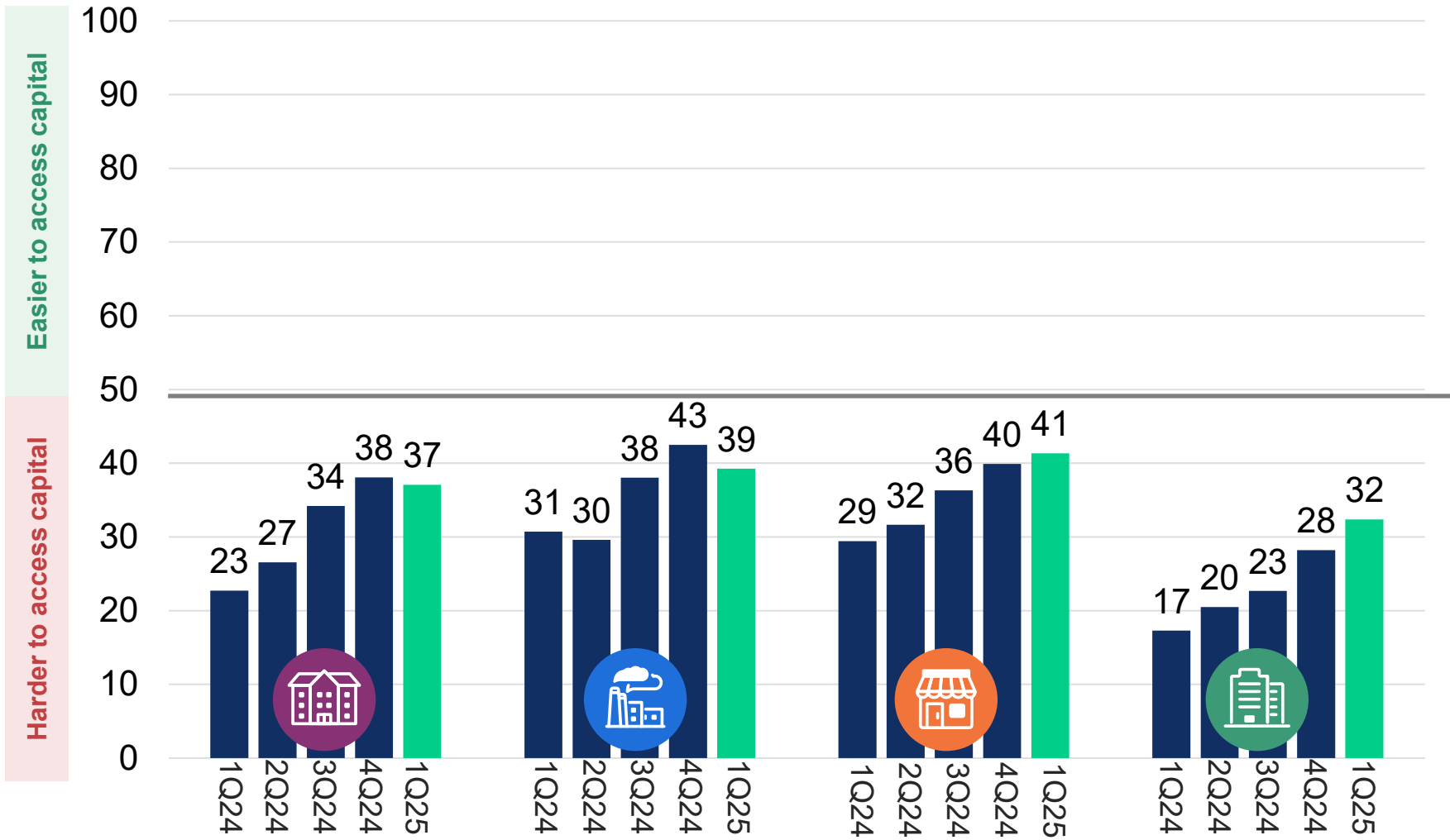
Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)



Access to CRE Capital Index (1Q25)

Measures the share of commercial real estate investors who found it easier, harder, or roughly the same to access capital in the current quarter versus the prior quarter

Multifamily Industrial Retail Office



Credit conditions remain tight across all CRE sectors, though investors across asset classes note significant improvement in their ability to access capital compared to 1 year ago.

Interest rates for short-term CRE debt are typically tied to the Secured Overnight Financing Rate (SOFR).

- SOFR has fallen ~30bps over the last quarter and provided relief for some borrowers, but the flattening forward curve indicates that expectations for future declines are muted.

Long-term CRE debt rates more closely follow the 10-year Treasury yield, which has declined since early 2025 but remains elevated.

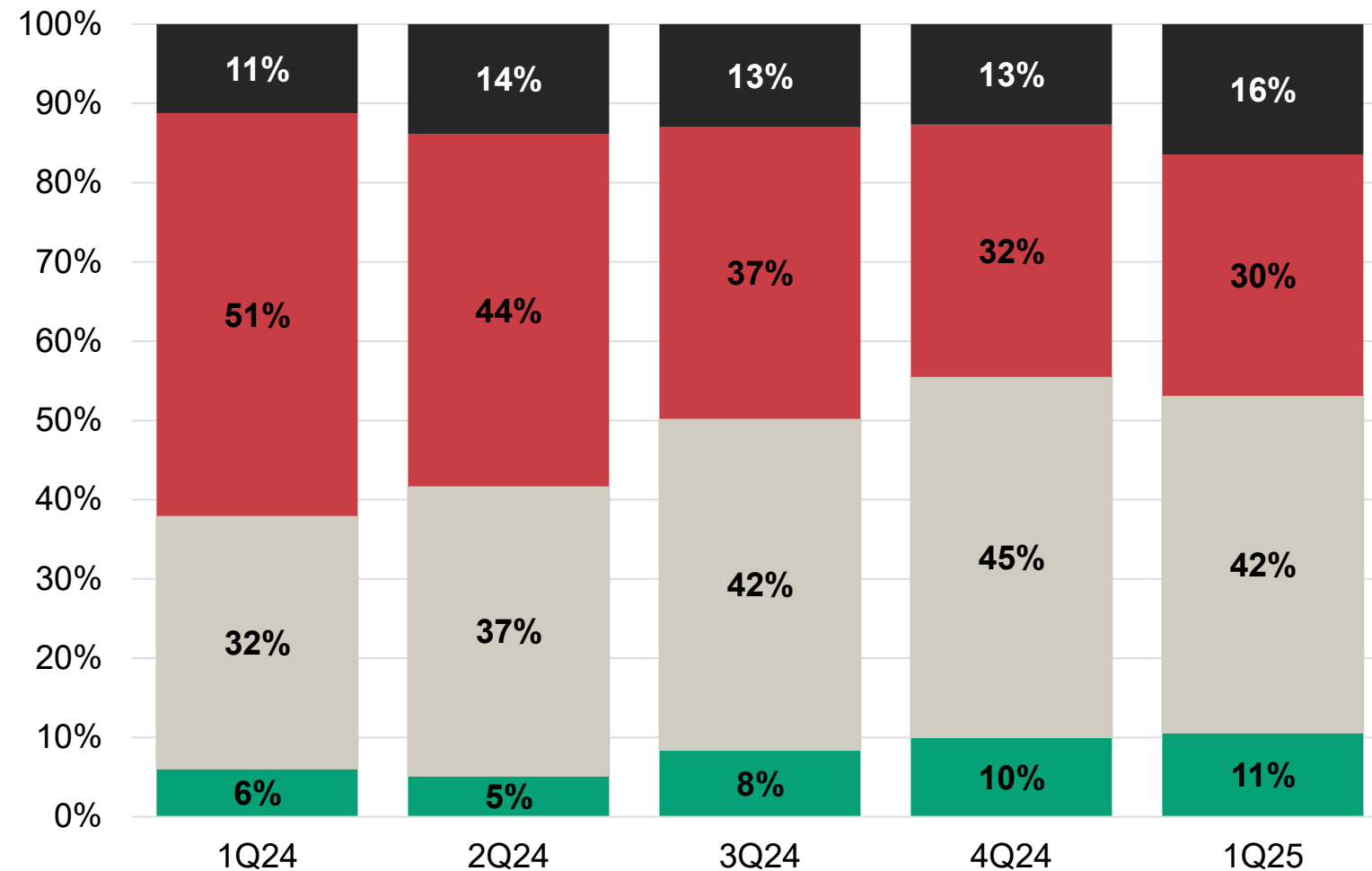
Note: Ratings above 50 indicate that more investors found it easier to access capital in the current quarter vs. the prior quarter, while ratings below 50 indicate that more investors found it harder to access capital in the current quarter vs. the prior quarter.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

11% of CRE investors report easier access to capital in 1Q25 relative to 4Q24, a slight improvement.

Access to Capital for Commercial Real Estate vs. Prior Quarter

- I do not use outside capital
- Harder to access capital today
- Similar/unchanged today
- Easier to access capital today



30% of investors report that capital is harder to access today, down from 51% last year. As one investor says:

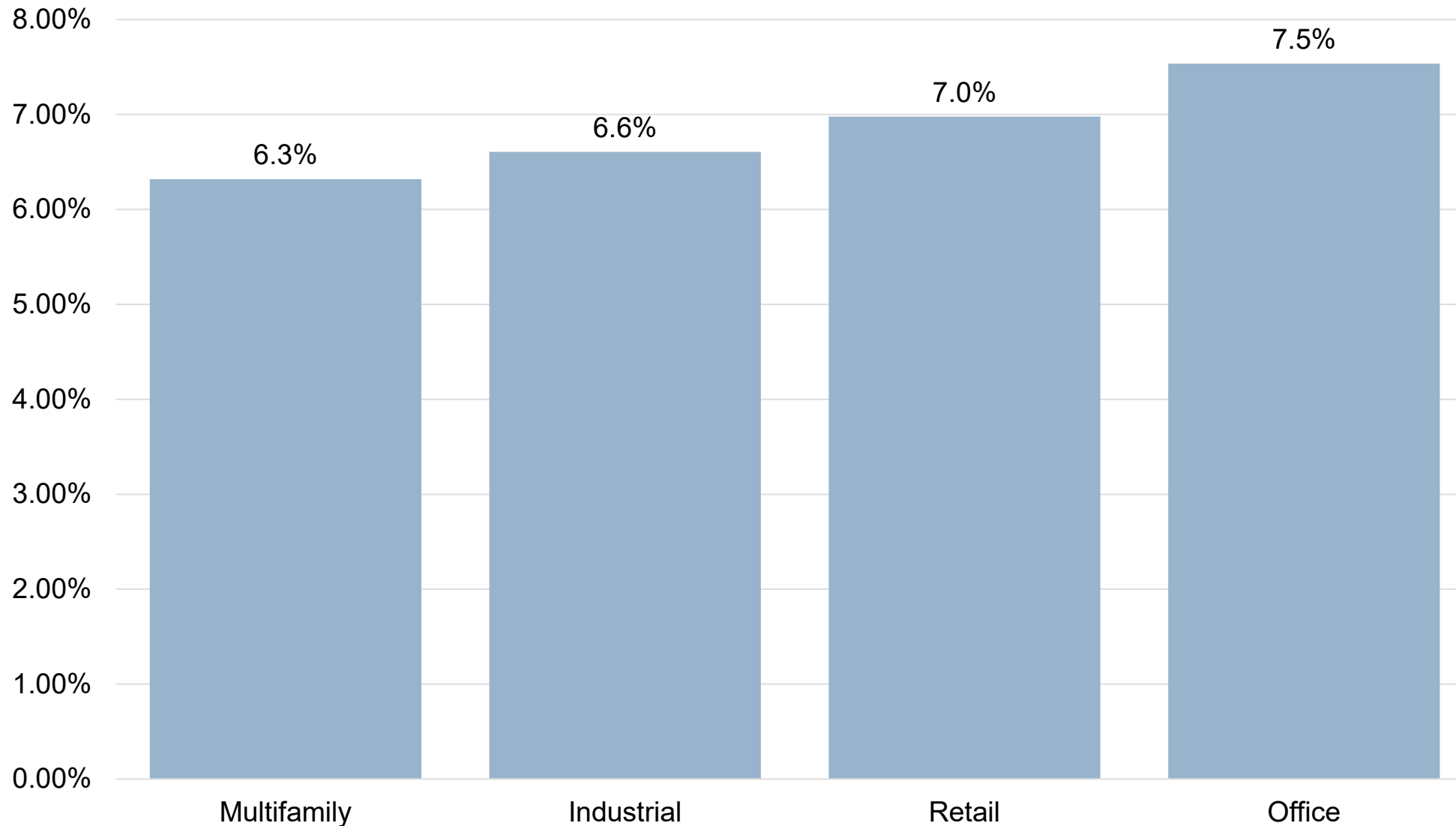
- “Fundamentals are strong, insurance costs are going down, and access to capital is improving. The cost of debt remains an issue, but lenders are starting to tighten spreads to be competitive and put money out.”

16% of CRE investors did not use outside capital in 1Q25, above 13% from 4Q24.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

Interest rates on CRE loans are between 6.3% and 7.5% on average.

Average Interest Rate on Commercial Real Estate Loans in the Last 30 Days



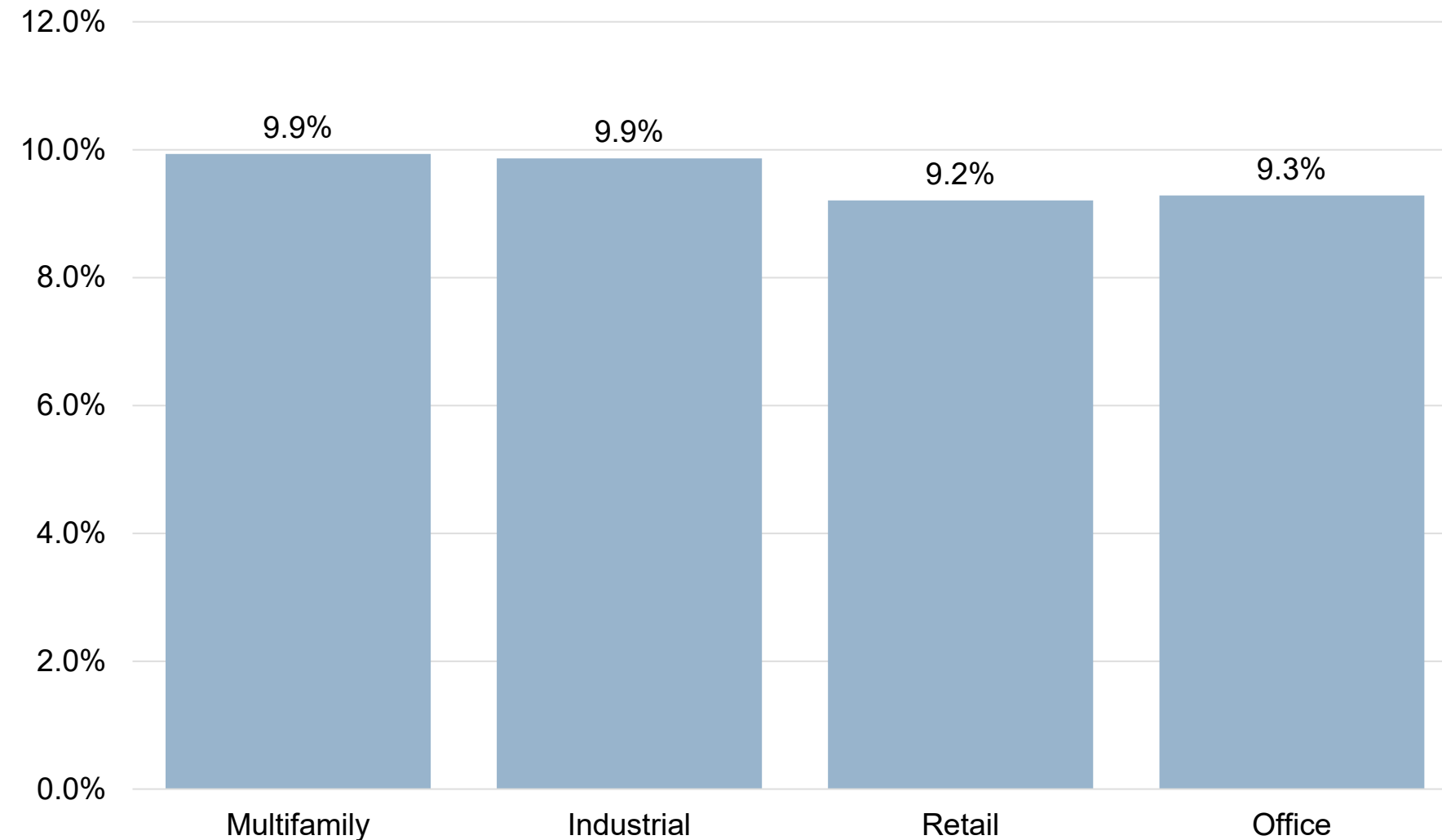
The average interest rate for commercial real estate loans in 1Q25 is 6.9%.

Rates are highest for **Office** loans on average (7.5%) given the structural risk for **Office** properties, namely permanent working from home.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

Investors across all major CRE sectors are targeting unlevered internal rates of return (IRR) of 9% to 10% over the next 12 months.

Unlevered Internal Rate of Return (IRR) Targets: Next 12 Months



The average unlevered internal rate of return (IRR) target for CRE investments over the next 12 months is 9.6%.

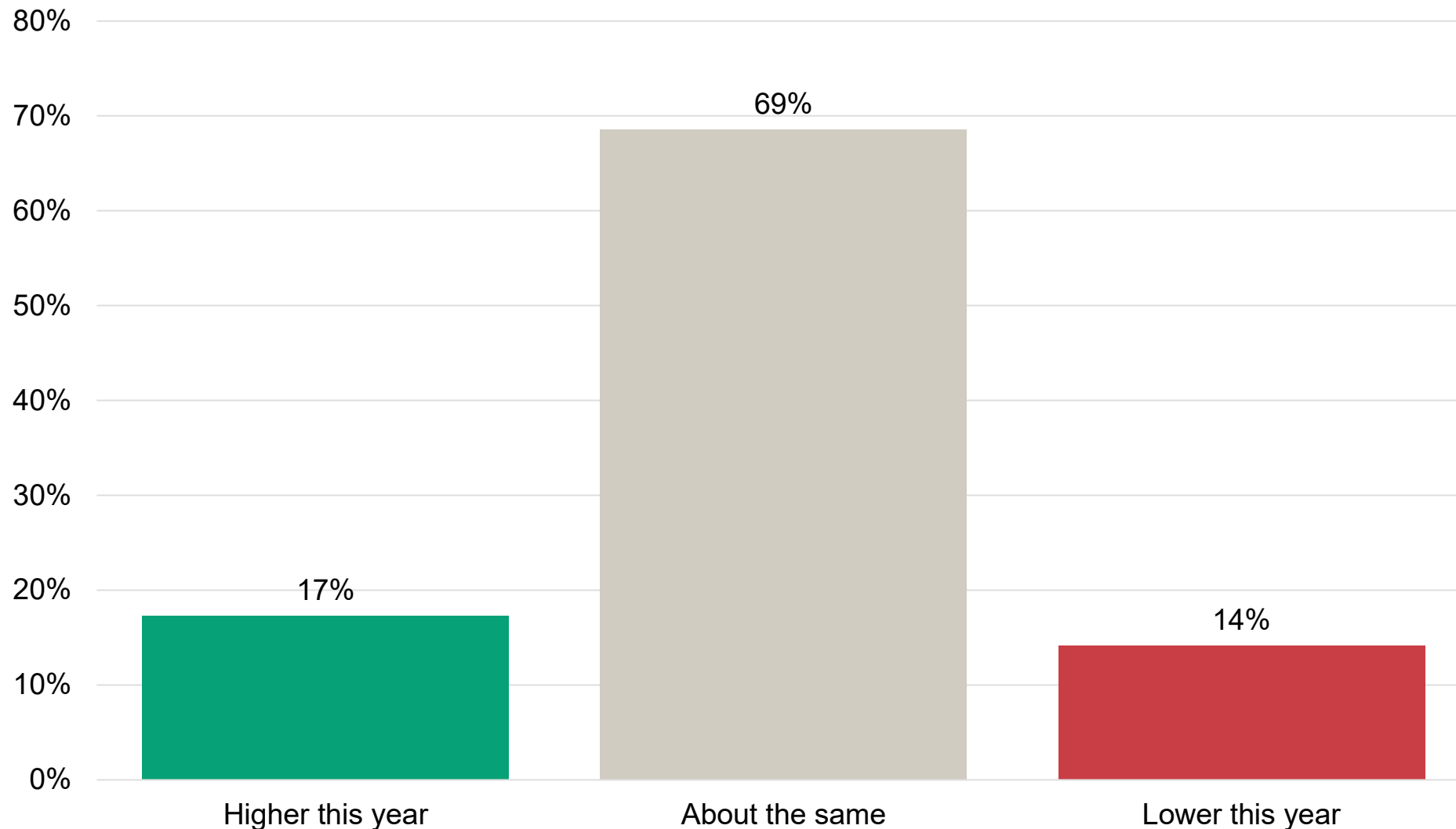
Target returns are slightly lower for **Retail** and **Office**. As one investor notes:

- “We’ve seen steady demand with our multifamily assets but a **decrease in demand around smaller/older retail assets.**”

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

69% of CRE investors expect their unlevered IRR targets to remain the same as this time last year.

Are your unlevered internal rate of return (IRR) targets higher or lower than this time last year?



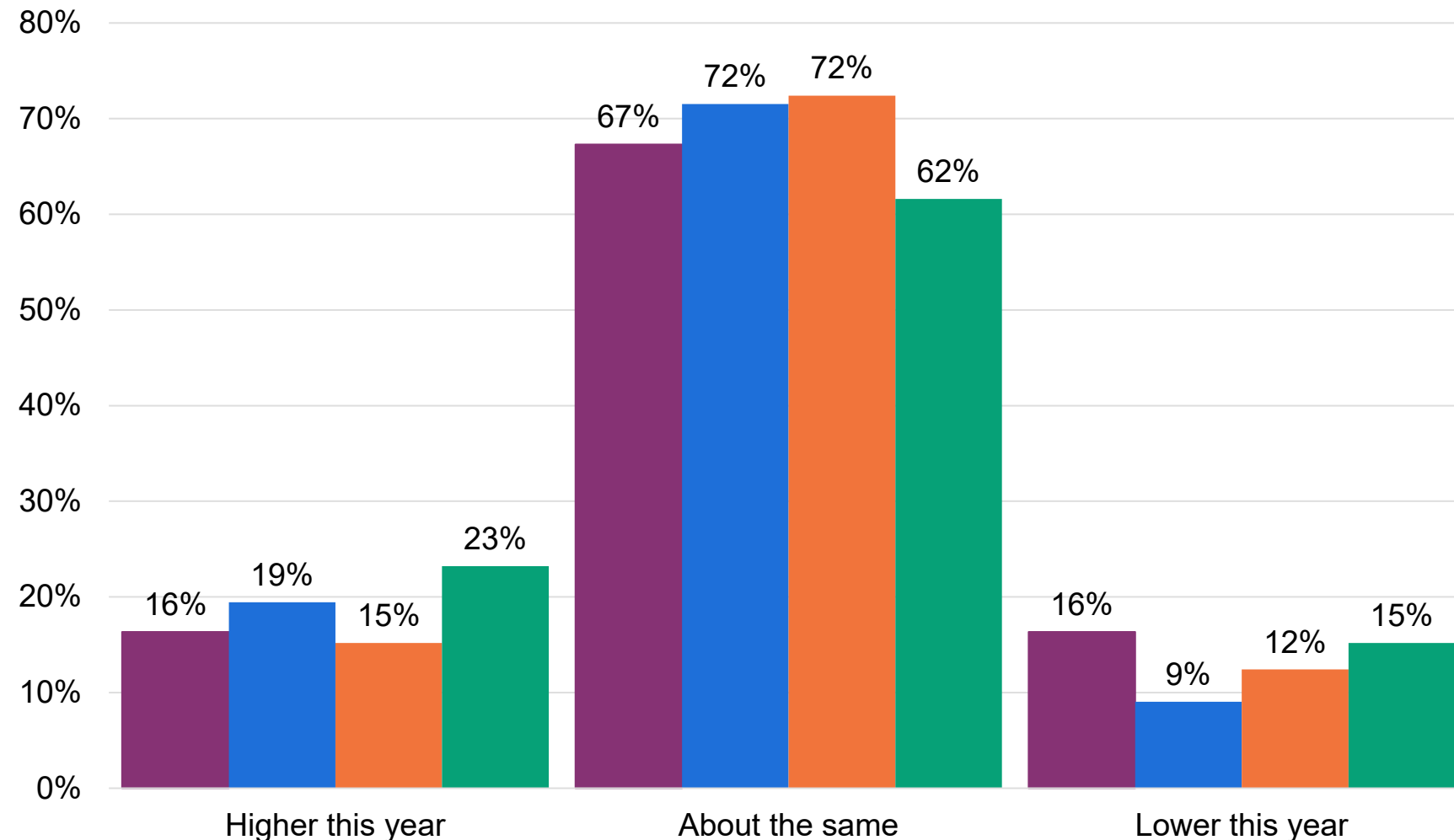
Investors typically only change their unlevered IRR targets when they expect significant changes in risk or opportunity that warrant adjusting their return expectations.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

CRE investor expectations for unlevered IRR targets are broadly consistent among asset classes.

Are your unlevered internal rate of return (IRR) targets higher or lower than this time last year?

■ Multifamily ■ Industrial ■ Retail ■ Office



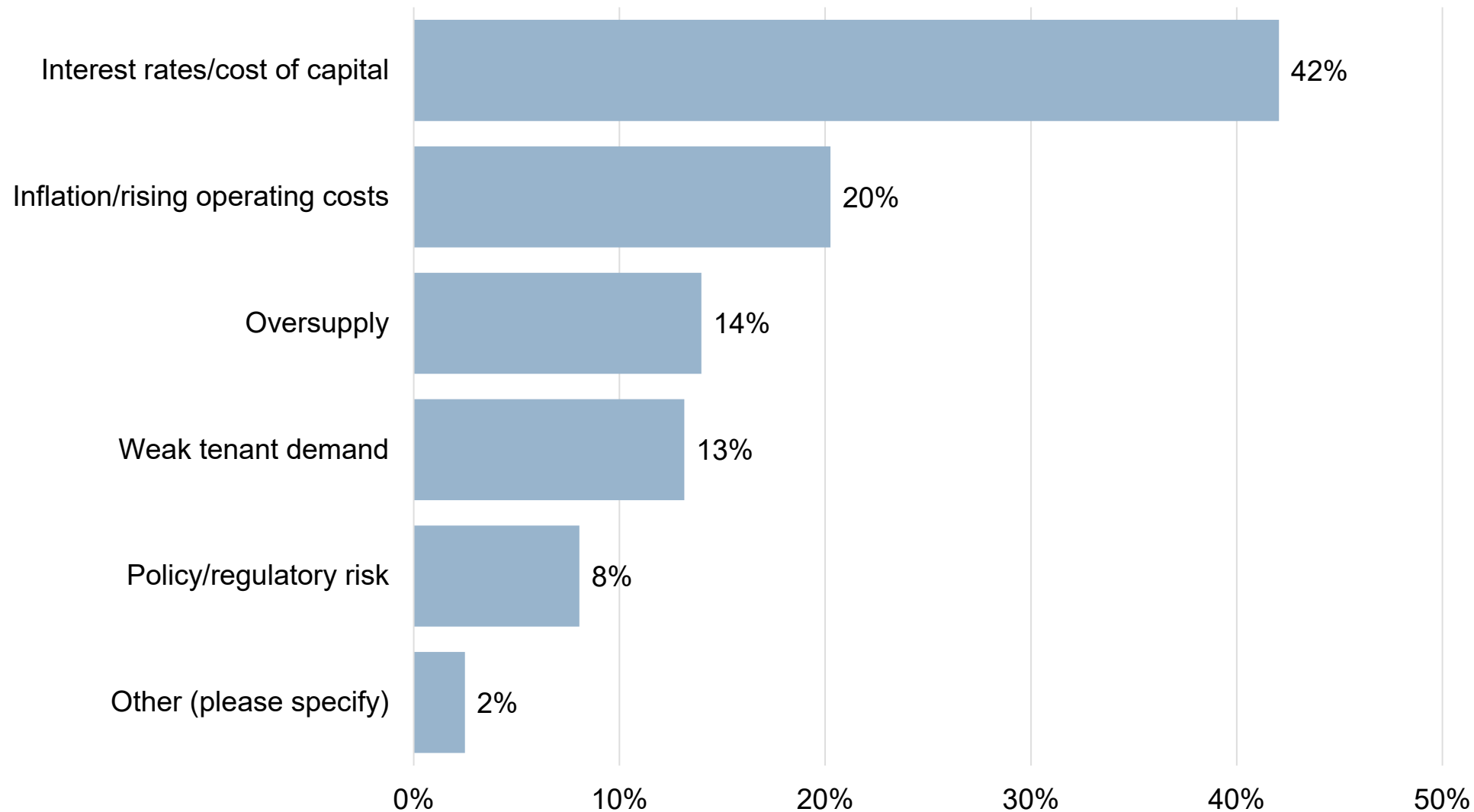
Office investors show the greatest divergence in IRR targets among CRE investors, reflecting a bifurcation in return expectations between higher and lower-quality assets. As one investor adds:

- “Office will come back in demand for top-tier properties. Obsolete properties (40%+/-) will be converted or demolished.”

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

Interest rates / cost of capital is the biggest issue facing CRE investors.

What is the biggest obstacle to your commercial real estate sector in 2025?



High interest rates remain the top concern for CRE investors. However, investors are beginning to adjust expectations to current conditions:

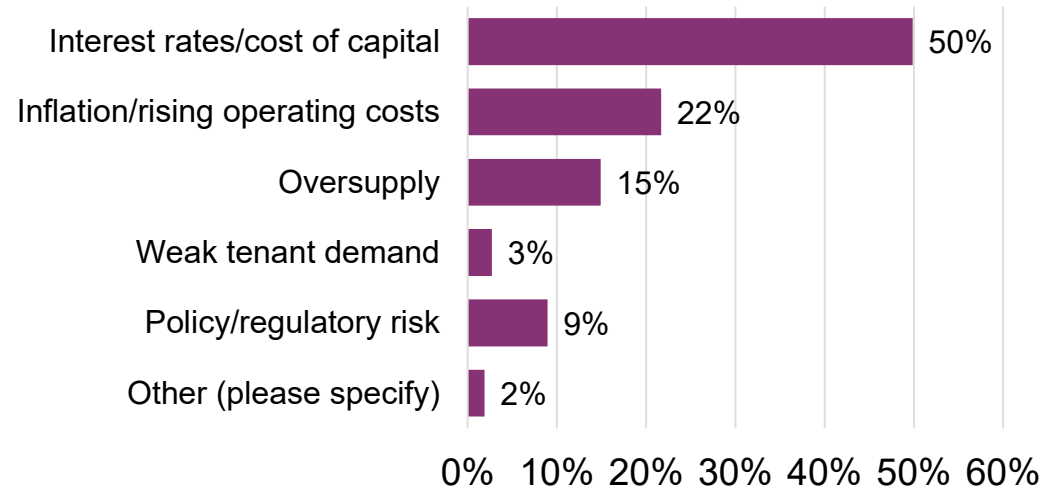
- “[Rates] will remain higher for longer, but people finally need to and will start to transact.”
- “People need to take a step back and underwrite deals with a new normal interest rate.”

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

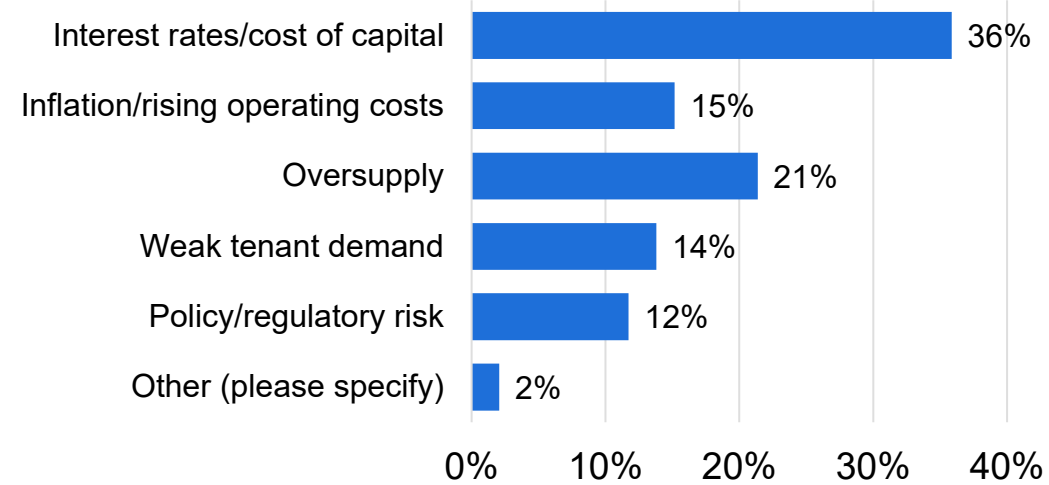
Investors say *interest rates / cost of capital* is the biggest issue facing their sector, except for Office.

What is the biggest obstacle to your commercial real estate sector in 2025?

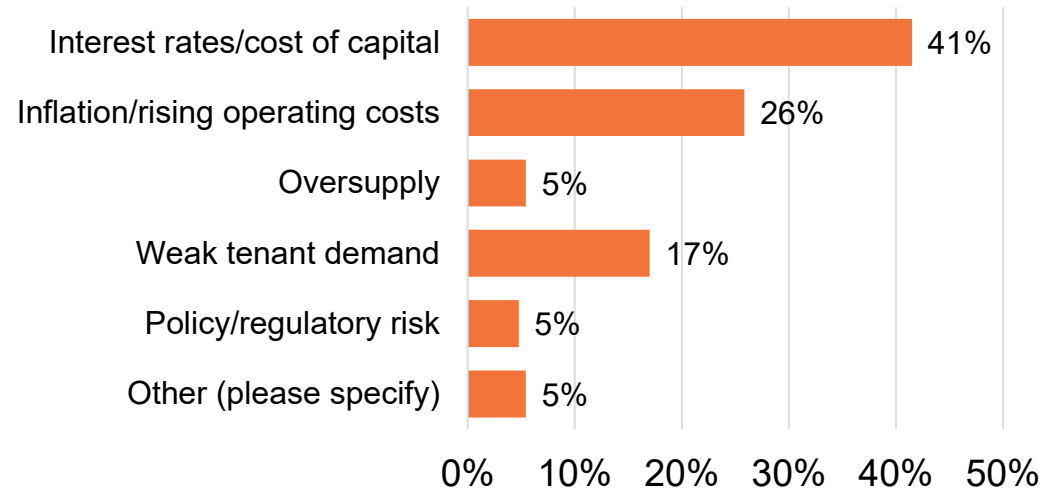
Multifamily



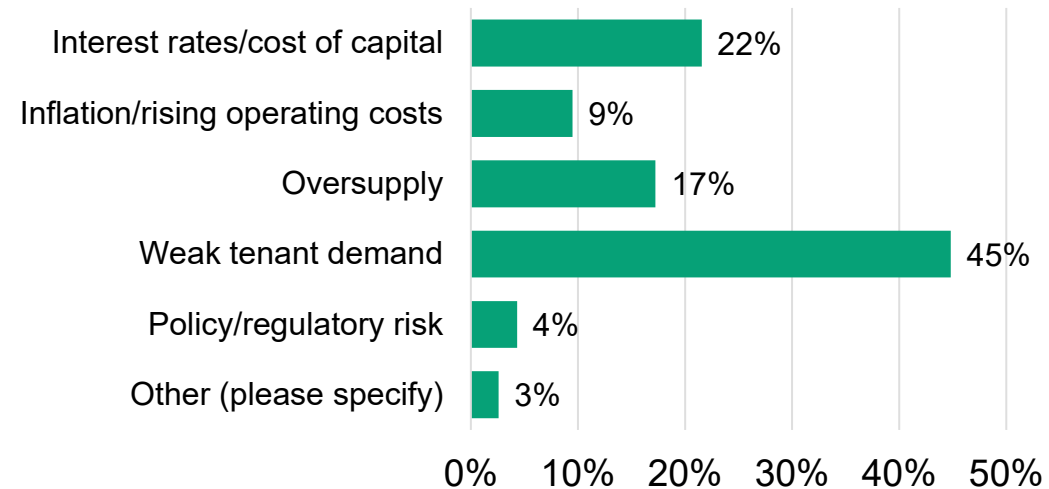
Industrial



Retail



Office



Weak tenant demand is the top concern for **Office** investors, reflecting the lasting effects of remote and hybrid work arrangements.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

Commentary from CRE investors

Policy and tariffs

“

“Trump tariffs and actions will start a steep decline in the economy, the stock market, and the real estate market.”

“Uncertain policy and political action are also weighing on our pipeline. Investors don’t know how to price in the current uncertainty.”

“I suspect we will be more profoundly impacted by our immigration policies than we imagined.”

“Department of Government Efficiency's (DOGE) impacts on the U.S. Department of

Housing and Urban Development (HUD) and Treasury may push our fragile economy into a deep recession.”

“Interest rate volatility and a bid-ask spread (which is shrinking) are the two biggest headwinds. It will be interesting to see in markets like FL and TX if immigration policy changes affect occupancy. The same goes for development in those markets and resource/construction crew strain placed on the market by the rebuild of California after the wildfires.”

Interest rates and capital

“

“The cost of capital is killing most deals.”

“We only buy cash flowing assets, which are extremely difficult to source with the increased cost of capital.”

“Interest rate volatility and a bid-ask spread (which is shrinking) are the two biggest headwinds.”

“We do not believe the market will normalize until the extensive unresolved maturities are realized...potentially a second leg down.”

Sustained optimism

“

“It is time to make money on operational improvements and leasing. We will look back on 2025 and say it was a good vintage.”

“We are near the bottom... Interest rates could be stable this year and start heading down toward the end of this year or next. I believe we are at or near the bottom; it’s a good time to buy.”

“Never before have I observed location being more critical than now. Buyers/tenants only have so much dry powder, and they’re only going to deploy it for A+ locations.”

Burns + CRE Daily Fear and Greed Index

This report gauges the pulse of the commercial real estate industry in the United States. Conducted jointly by **CRE Daily** and **John Burns Research and Consulting**, the Fear and Greed report is based on a quarterly survey of commercial real estate investors primarily involved in **Multifamily**, **Industrial**, **Retail**, and **Office** sectors.

The Fear and Greed Index is a proprietary diffusion index that compares 3 key aspects of commercial investors' business:

- 1) **Current investment strategy** (currently increasing or decreasing CRE exposure)
- 2) **Expected investment strategy** (next 6 months)
- 3) **Access to capital** (easier or harder vs. prior quarter)

Survey Responses

Sector	Responses	% of Sample
Multifamily	434	41%
Industrial	188	18%
Retail	197	19%
Office	154	14%
Other	91	9%
Total:	1064	100%

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

In survey work, a diffusion index highlights the main results on how a market, field, or industry is generally performing within a given time frame.

Our Fear and Greed diffusion index value (ranging from 0 to 100) demonstrates how far responses vary from the baseline (50). A value not far from the baseline indicates little change, whereas a value far from the baseline indicates great change. For example, a value less than 45 indicates a tendency toward contraction, and a value over 55 indicates a tendency toward expansion.

Index Components

Metric

Current CRE investment strategy

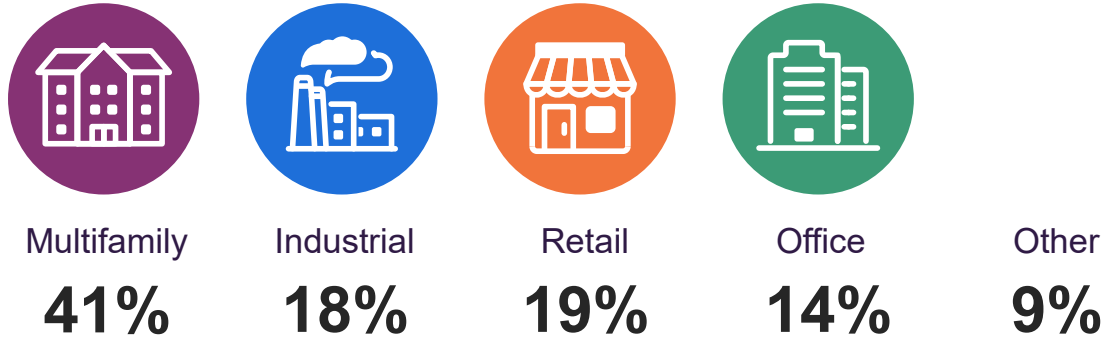
Expected CRE investment strategy (next 6 months)

Access to capital for CRE

Note: investment strategy refers to increasing, decreasing, or holding investment exposure to each commercial real estate sector.

Sample details

Responses by segment:

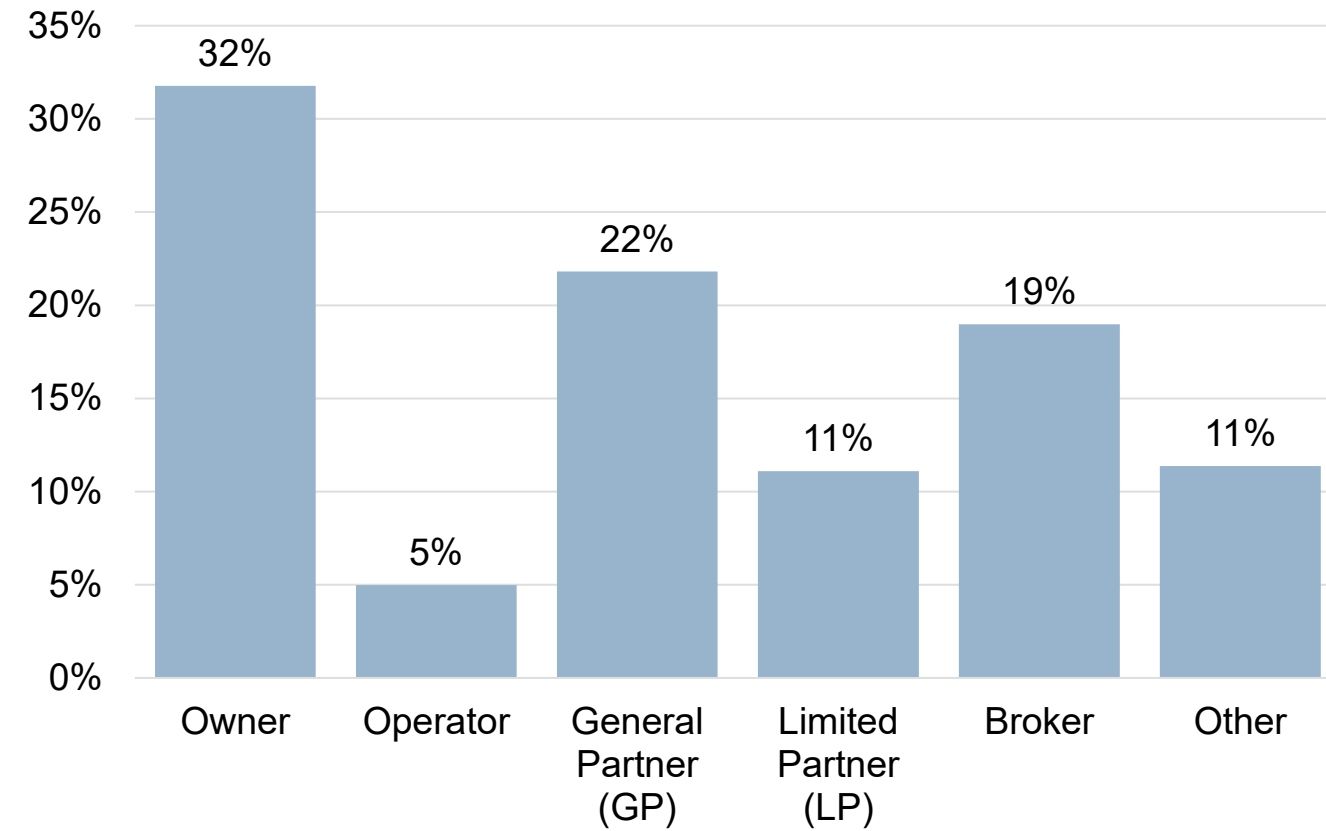


Responses by region:

Note that participants could select more than one region in which they are active. Thus, the total will not add to 100%.

- **California:** 21%
- **Florida:** 39%
- **Midwest:** 30%
- **Northeast:** 30%
- **Northwest:** 14%
- **Southeast:** 35%
- **Southwest:** 27%
- **Texas:** 39%

Primary Role



Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Feb-25, Pub: Mar-25)

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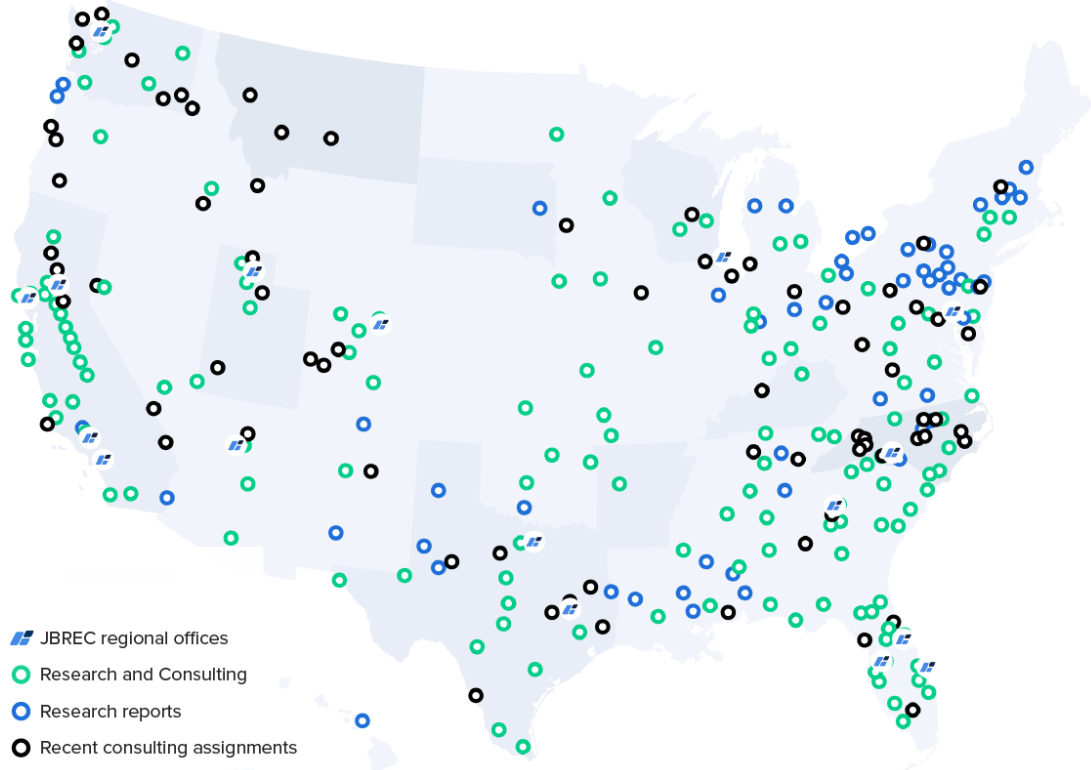
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