# Predictions for the commercial real estate market in 2025



As 2025 unfolds, the commercial real estate landscape is anticipated to evolve significantly, shaped by last year's market dynamics and new trends. Allen Buchanan, a principal and commercial real estate broker at Lee & Associates in Orange, outlines several key predictions about what the year may hold for the sector.

The current state of the market reflects a mixed bag, particularly in the industrial sector. Demand for large logistics spaces has softened compared to the highs experienced during the pandemic. However, there remains steady activity in smaller spaces that are less than 200,000 square feet. As vacancy rates tick up in certain submarkets, property owners are adapting to a more cautious market environment, with some left to navigate the gap between their pricing expectations and current market realities.

Interest rates remain a significant factor influencing transaction activity. This ongoing situation has forced some buyers to the sidelines while making leasing a more attractive option for others. Sellers are confronted with the challenge of balancing their pricing aspirations with market conditions.

Buchanan's first prediction for 2025 is the emergence of creativity in deal structures. "Necessity is the mother of invention," he notes, suggesting that strategies such as sale-leasebacks, options to buy, seller financing, and joint ventures will gain traction. Landlords are likely to incentivise potential tenants through enhanced offerings like extended free rent and adaptable lease terms as competition for occupancy intensifies.

The second prediction highlights resilient submarkets. While certain industrial hubs may experience diminished demand, others are expected to thrive due to competitive advantages like proximity to major ports and lower labour costs. Notably, the Inland Empire region of California and various areas in the Midwest and Southeast may attract increased interest from both property owners and occupants.

The trend of reshoring—bringing manufacturing and distribution closer to domestic bases—is predicted to accelerate further in 2025. This shift is driven by the desire for proximity to end users, reduced dependence on overseas supply chains, and geopolitical stability. Buchanan anticipates that secondary and tertiary markets, previously overlooked for industrial growth, will experience significant activity.

Another key trend identified is the rising role of artificial intelligence (AI) within commercial real estate. AI is projected to automate lease management processes, analyse market trends, and predict tenant behaviours. This digital transformation will empower brokers, landlords, and investors to enhance their efficiency and decision-making capabilities. For instance, AI-driven tools are expected to aid in site selection, enabling occupants to assess logistics networks and energy costs better. Moreover, AI's ability to speed up due diligence will enhance property evaluations and risk assessments.

Lastly, albeit marked by caution, the market is expected to signal opportunities for savvy investors. Buchanan advises that while 2024 illustrated the importance of patience, 2025 will encourage a calculated approach from those with capital, looking to acquire properties at more attractive valuations. A muted transactional pace is anticipated until interest rates stabilise and inflation recedes.

Occupiers will also take a strategic stance this year, leveraging market conditions to negotiate favourable terms while being acutely aware of operational costs, in stark contrast to the past era of rapid decisions.

In conclusion, Buchanan suggests that the trends of creativity in deal-making, strong submarket performance, reshoring, AI integration, and a cautious-but-opportunistic investment attitude will shape the commercial real estate sector throughout 2025. As these dynamics unfold, the industry will likely reflect both resilience and adaptability in response to the ever-changing landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

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