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**Counselors of Real Estate Unveil the Ten Most Significant Challenges**

**and Opportunities Facing the Industry**

**YOUR CITY (DATE)** — Political uncertainty is the leading concern for top commercial and multifamily real estate advisors in 2025—but it has a lot of competition, according to the [Top Ten Issues Affecting Real Estate®](http://cre.org/topten), an annual report from [The Counselors of Real Estate®,](https://cre.org/) a global organization of commercial property advisors.

In addition to political uncertainty, the real estate industry also faces $1.8 trillion in commercial real estate debt set to mature before 2026; $380 billion in economic losses in 2023 due to extreme weather; soaring insurance costs; and persistent, still-elevated interest rates. On the bright side, interest-rate induced bleeding has slowed as deal volume has begun to stabilize heading into 2025.

“This coming year, elections in more than 70 countries could shake up an already volatile geopolitical landscape, and the U.S. elections in particular will have a significant impact on regulation, trade, corporate taxes, immigration policy and sustainability,” said **Your Name, CRE, Title, Company**. “The urgency of prioritizing sustainability and climate resiliency in real estate strategies has never been more apparent, as we’ve seen massive economic losses due to extreme weather, which is also contributing to sky-high insurance costs.”

**Your Last Name** said **he/she** is approaching the disruptions caused by this pervasive uncertainty with a focus on solutions, enhancing the industry’s understanding of how these issues will impact various asset classes within commercial real estate.

**Top Ten Issues Affecting Real Estate in 2025**

1. **Political Uncertainty Pervades Every Corner** – In 2025, the real estate sector is navigating uncertainty due to elections in more than 70 nations including the United States, Taiwan and the EU. In the U.S., notable real estate-related issues to watch include potential rent caps for corporate landlords and modifications to the 1031 like-kind exchange. Globally, elections could affect trade and military policies, with repercussions for the U.S. economy overall. This unpredictability complicates real estate transactions and real estate workouts for distressed assets, as investors seek clarity on economic growth, inflation, and interest rates.
2. **Transactions Will Remain Tepid Amid High Financing Costs –** While interest rates came down in September 2024, the financing markets remain challenged due to still-elevated rates. As a result, deal assessments and market valuations remain complex. While transaction volumes are stabilizing, uncertainty persists. Many owners are hesitant to sell, and potential buyers are wary of high prices, still expecting a surge in distressed asset sales due to upcoming loan maturities. The Counselors’ report predicts that buyers will continue to adopt a cautious approach, focusing on higher cap rate deals, with a more aggressive market re-entry likely not materializing for another two years.
3. **Commercial Real Estate Market on the Edge of a $1.8 Trillion Debt Cliff –** The real estate sector faces a looming $1.8 trillion in commercial loan maturities by 2026. While lenders are increasingly extending these loans in hopes of better market conditions, this temporary relief may soon reach its limits as banks grapple with regulatory constraints and insufficient capital reserves. While forecasts suggest a decline in federal funds rates from 5.25–5.50% to around 3.5–4.0% by the end of 2025, borrowers who secured loans at sub-4% cap rates may encounter debt service payments that are 75% to 100% higher. This increase, combined with a reset in property values, complicates refinancing efforts for many owners. The resolution of these maturing loans will significantly impact market dynamics in 2025, potentially triggering a domino effect that could alter competition and tenant retention across properties.
4. **Expect Higher Cap Rates as Investors Price in Geopolitical Risks and Market Volatility –** Ongoing geopolitical turmoil, from conflicts in Ukraine and Gaza to supply chain disruptions, is reshaping the real estate landscape. This instability drives inflation, affects labor and housing affordability, and complicates monetary policy, all which impact real estate pricing and risk-adjusted returns. Expect higher cap rates as investors price in greater risk. The current environment of "higher-for-longer" interest rates means returns must expand beyond the Treasury rate. In this type of disrupted market, it’s key for investors to tailor strategies to specific market conditions, as they can no longer rely on historical cycles.
5. **Insurance Costs Soar as Natural Disasters Cause Hundreds of Billions in Losses****–** Towering insurance premiums, driven by inflation, increased property values and extreme weather, are hitting real estate owners hard. In 2023, natural disasters caused $380 billion in losses, with only 31% covered by insurance. Residential, hospitality, and senior living properties are particularly impacted, with rising claims and “runaway juries” inflating awards. Government legislation, like California's habitability lawsuits, adds further pressure. The old model of buying insurance is fading as owners focus on risk management, rightsizing coverage, and exploring alternative risk transfer solutions to control escalating expenses.
6. **The Dream of Affordable Housing Slips Further Out of Reach –** Housing affordability continues to worsen due to rising costs and a shortage of 4.4 million units. Multifamily rent growth has slowed, but rents have climbed 45% over the past 15 years. Despite increased construction, development is uneven, concentrated in major metros, and insufficient to meet demand. Nearly 54% of renters are now cost-burdened, spending over 30% of their income on housing. Declining multifamily construction and growing demand from younger renters suggest affordability challenges will intensify in 2025. Solutions require both building new housing and preserving existing affordable units, with private sector involvement crucial.
7. **Artificial Intelligence (AI) Impact Hinges on Data Accessibility and Accuracy –** AI's role in real estate is rapidly evolving, with focus shifting to the accuracy, granularity, and timeliness of data inputs that drive algorithms. While AI can optimize certain processes, commercial real estate still faces challenges with fragmented data and location-specific nuances. As AI algorithms demand significant computing power, data centers are booming, but advancements in algorithm efficiency could change their appeal as investment opportunities.
8. **Extreme Weather Events Propel Need for Resilience and Regulation –** Increased frequency of hurricanes, wildfires, and floods have caused billions in property damages. In Europe, new regulations like the EU's Corporate Sustainability Reporting Directive and the U.K.'s Minimum Energy Efficiency Standards are setting strict sustainability rules, while U.S. regulations remain fragmented. As extreme weather and investor demands grow, the business case for resilient properties is stronger than ever, driving a need for investment in green technologies and AI.
9. **Office Vacancies Will Drive Adaptive Reuse in Urban Cores –** A generational shift is happening in cities, as how people use offices stabilizes into a new paradigm—leaving many office buildings poised for adaptive re-use into residential, healthcare and educational uses with the potential to revitalize urban cores. U.S. office vacancy rates are expected to peak at 19.7% by the end of 2024, leading to lower occupancy rates and declining property values, particularly in cities like New York and San Francisco. This structural shift impacts tax bases, city finances, and the broader real estate ecosystem; however, while converting offices is a potential solution, it’s costly and complex.
10. **Buyer-Seller Price Gap Narrows –** Some good news amongst uncertainty: the divide between buyers and sellers on asset prices persists but is no longer widening. Pricing declines, especially in sectors like core business district office, are slowing, providing hope for stabilization. Industrial real estate has been less affected, showing an 8.6% annual price increase. As interest rates stabilize, the worst of the pricing shock appears to be over. However, loan maturities could force sellers to adjust expectations, pushing more deals as refinancing pressures build. More declines in interest rates or stronger rent growth would also help further bridge the gap.

The full 2025 Top Ten Issues Affecting Real Estate report can be viewed [online](http://cre.org/topten).

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