

THE MCLEAN SYNDICATE

Real Estate Market Outlook

October 2025

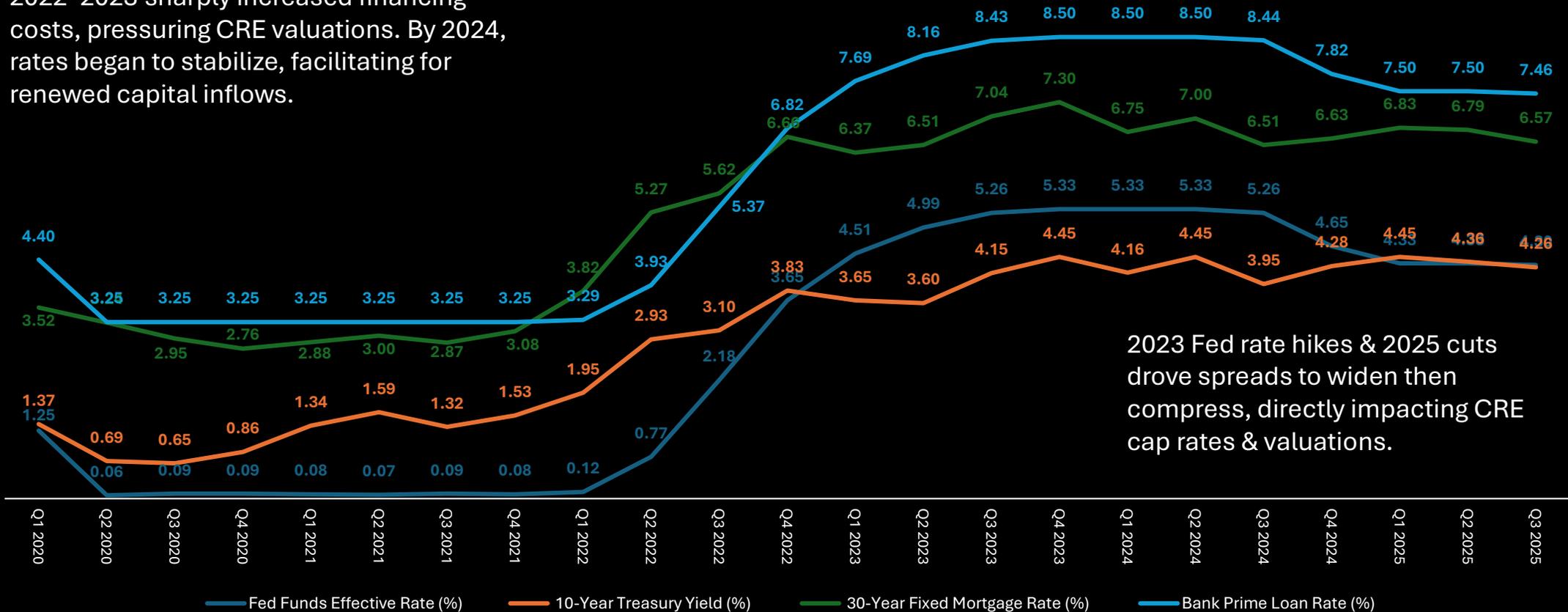
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Capital Markets

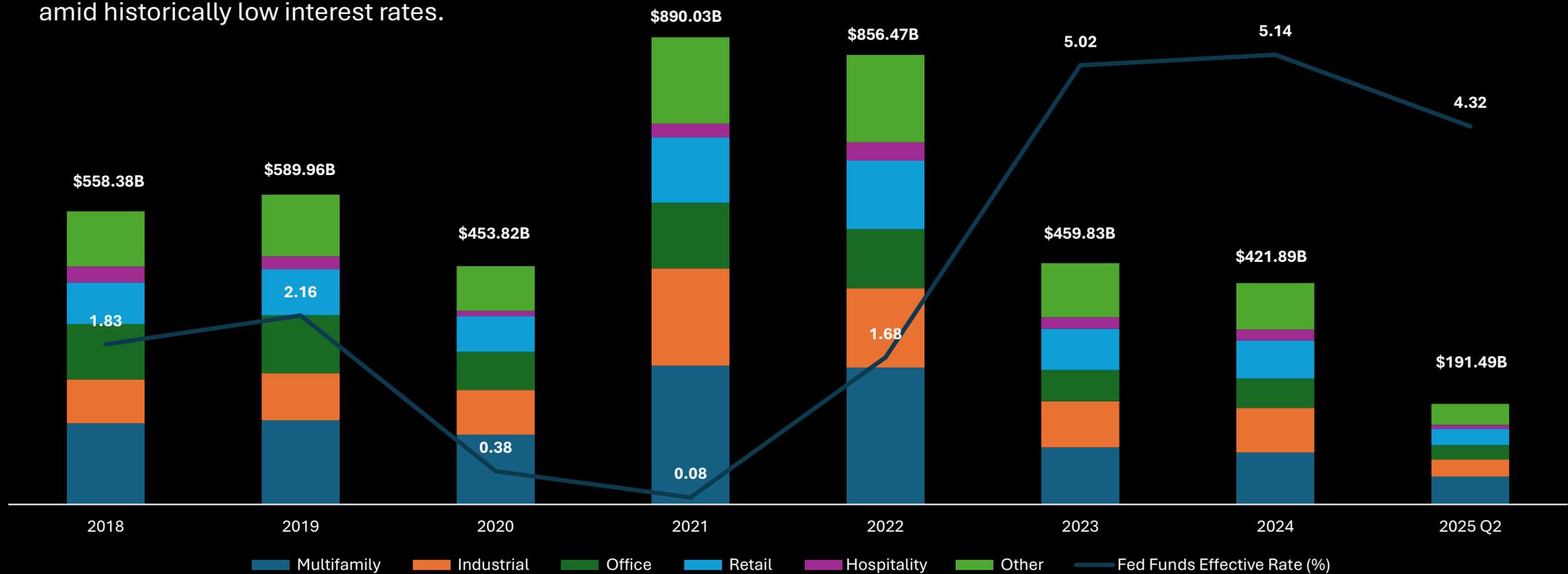
Interest Rate Trends & CRE Financing Costs

Borrowing costs fell to historic lows during COVID, fuelling investment. Rate hikes in 2022–2023 sharply increased financing costs, pressuring CRE valuations. By 2024, rates began to stabilize, facilitating for renewed capital inflows.



Capital Flows into CRE vs. Fed Funds Rate

- CRE investment volumes peaked in 2021 & 2022 amid historically low interest rates.



Current CRE Lending Environment

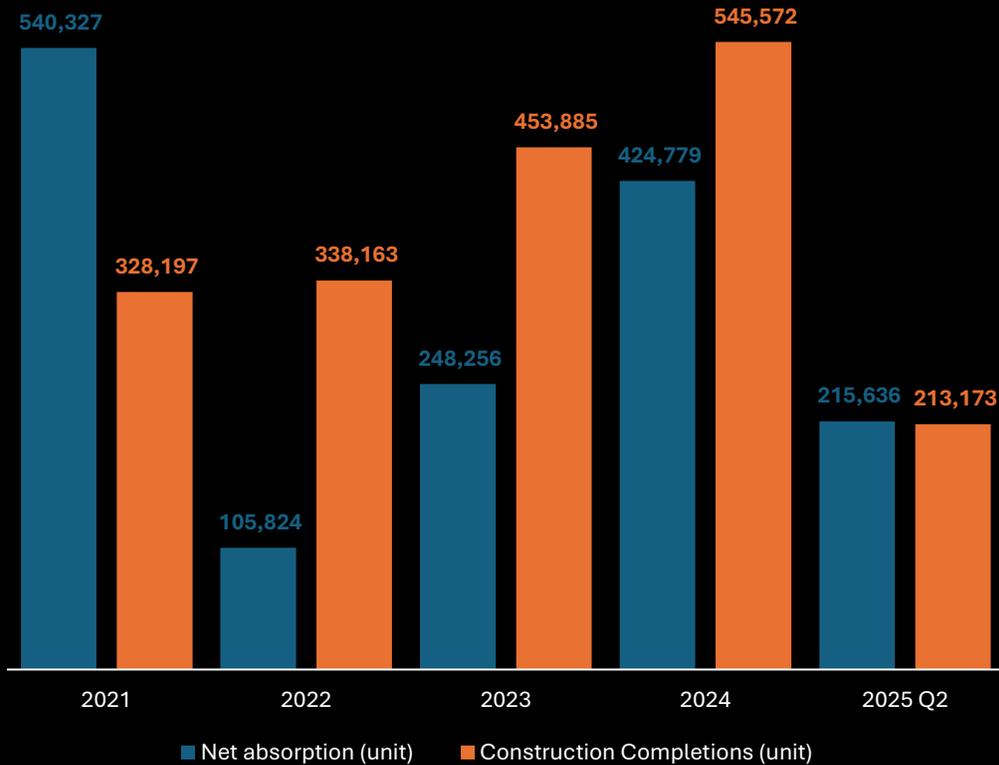
- Lending spreads remain elevated vs. pre-pandemic levels, averaging 250–300 bps for higher-risk assets
- Multifamily & Industrial continue to price most competitively (120–190 bps) due to stable fundamentals
- Office & Hotels require wider spreads (>275 bps) as lenders remain cautious on valuation & cash-flow volatility
- Overall financing conditions are improving as Treasury yields & SOFR decline

Asset Class	Maximum Loan-to-Value (%)	Spread: Class A (bps)	Spread: Class B/C (bps)	Commentary
Anchored Retail	55 – 65	170	190	Stable; moderate investor interest
Power Center	60 – 70	230	250	Higher risk; secondary retail soft
Multi-Family (Non-Agency)	65 – 75	170	190	Strong lender appetite; low default risk
Multi-Family (Agency)	65 – 75	120	120	Most favorable pricing; government backed
Distribution / Warehouse / Industrial	60 – 70	180	190	Core demand; supply normalizing
R&D / Flex / Industrial	60 – 70	190	210	Mild softening; still well-bid
Office	50 – 60	275	305	Elevated risk premium; selective lending
Full-Service Hotel	60 – 65	295	320	Higher spreads; leisure recovery continuing

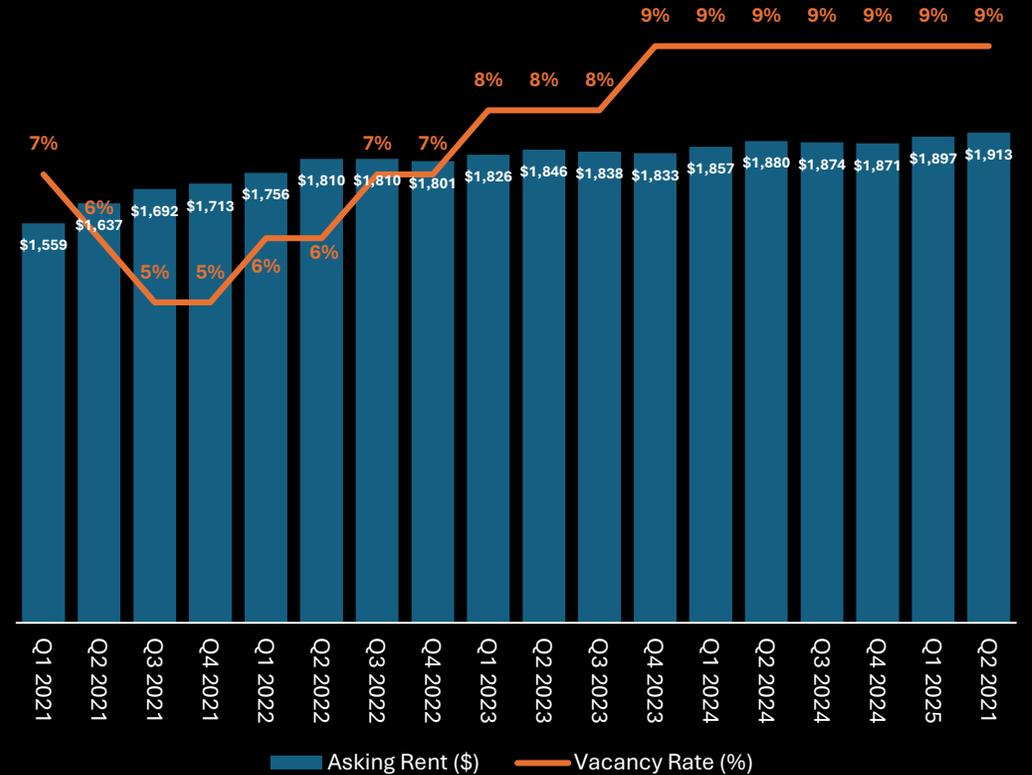
Assessing Asset Classes

Multifamily National Overview

Space Demand / Deliveries

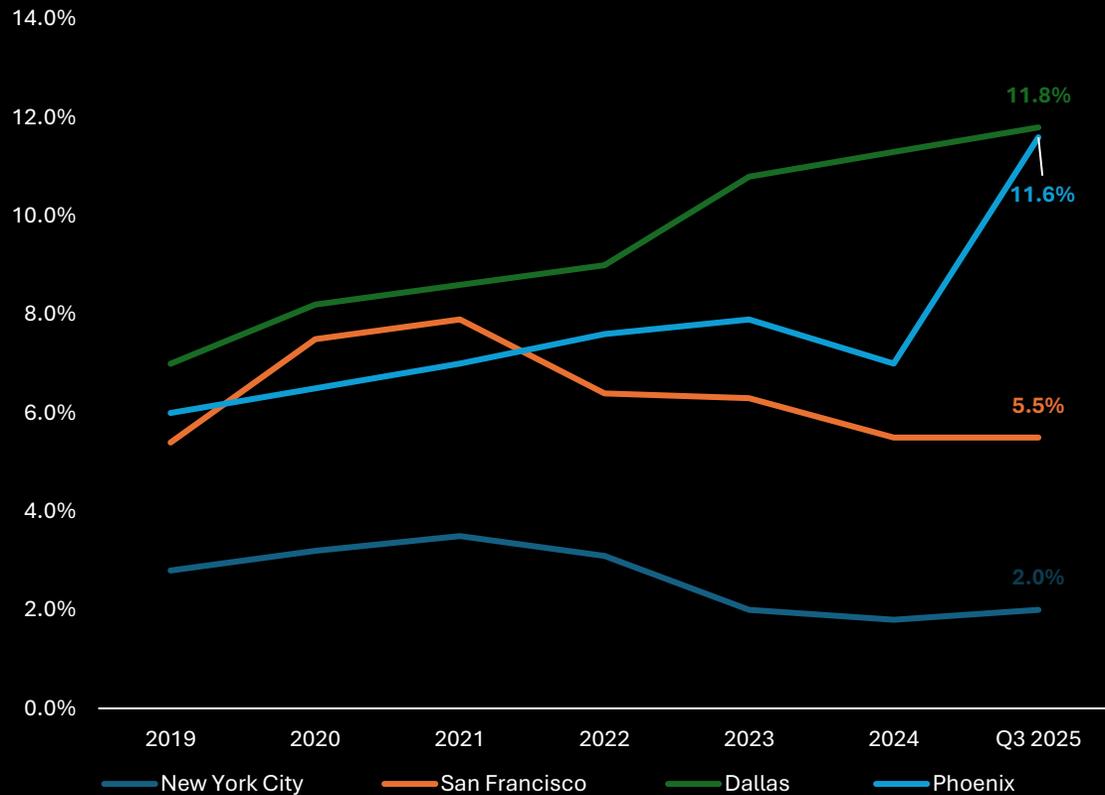


Overall Vacancy & Asking Rent



Multifamily Regional Focus

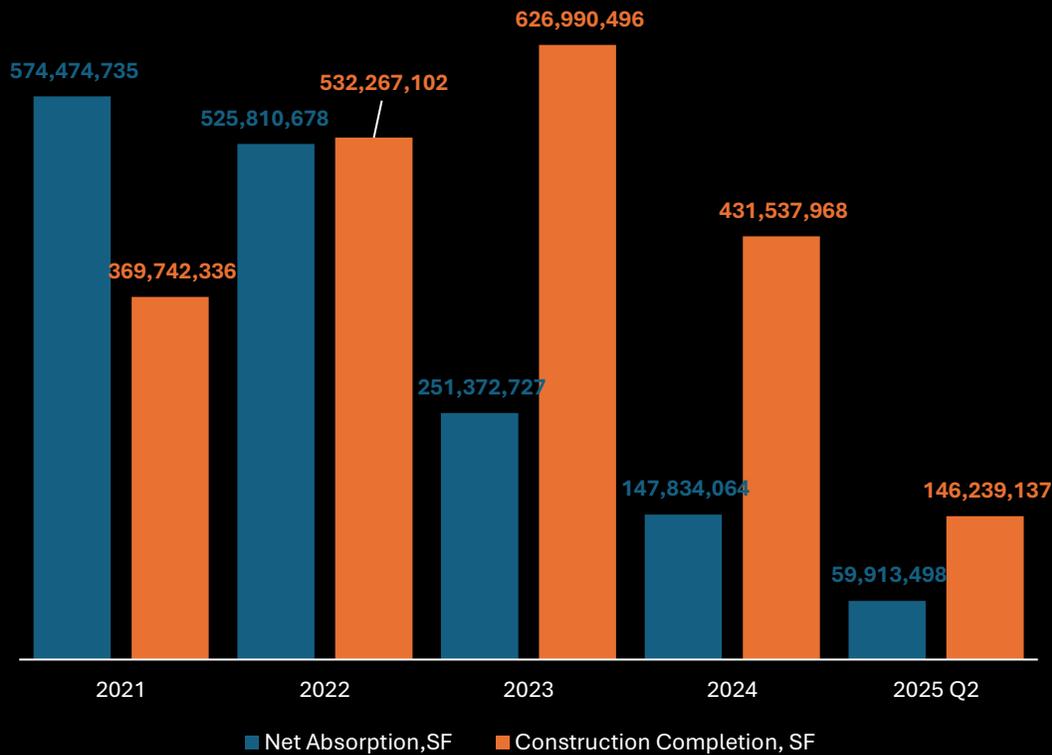
Vacancy Rates



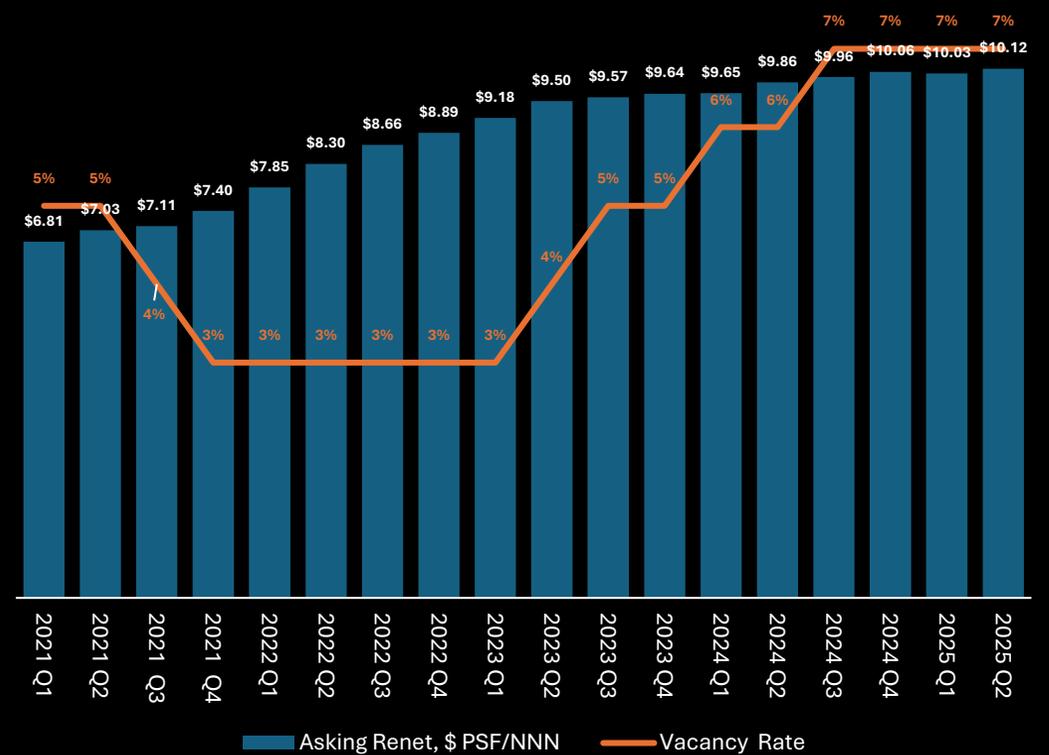
- New York, San Francisco & Washington, D.C. are outperforming on vacancy
- Sunbelt markets are showing weakness & oversupply
- Rent growth has turned negative as vacancy rates increase in oversupplied metros

Industrial National Overview

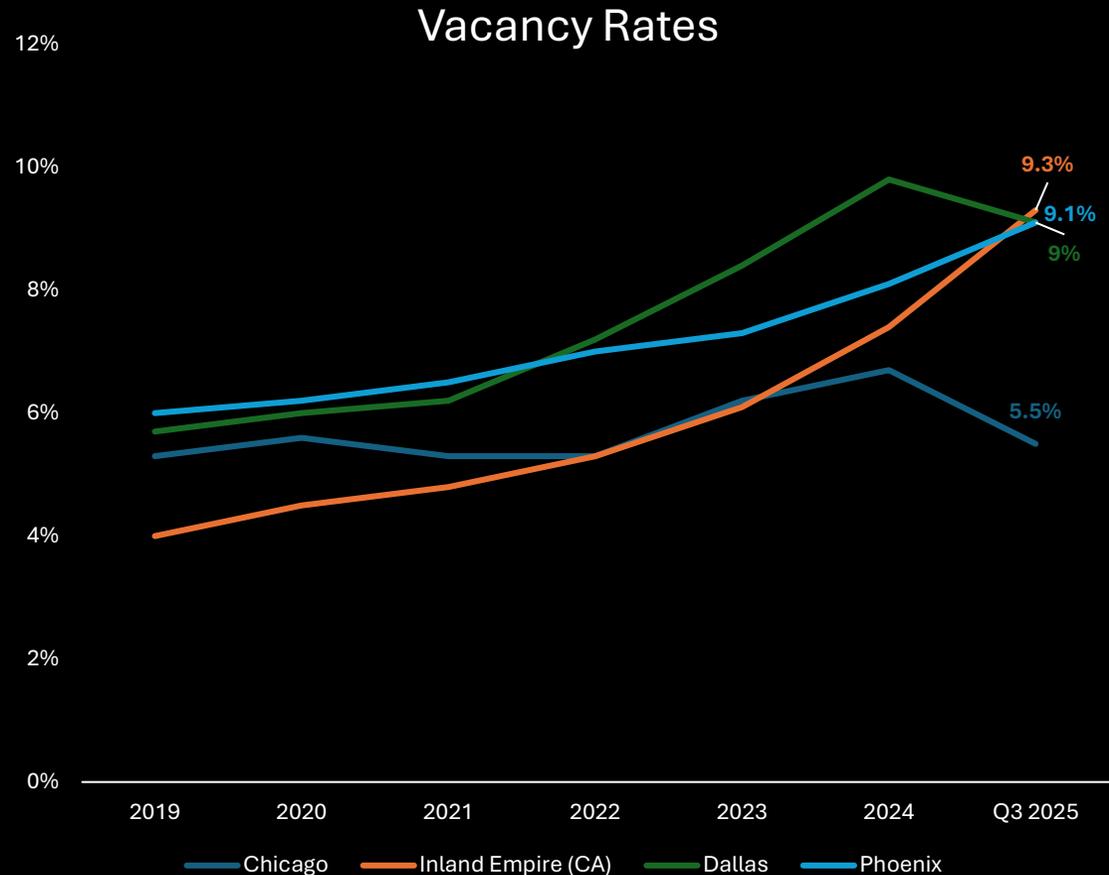
Space Demand & Deliveries



Overall Vacancy & Asking Rent



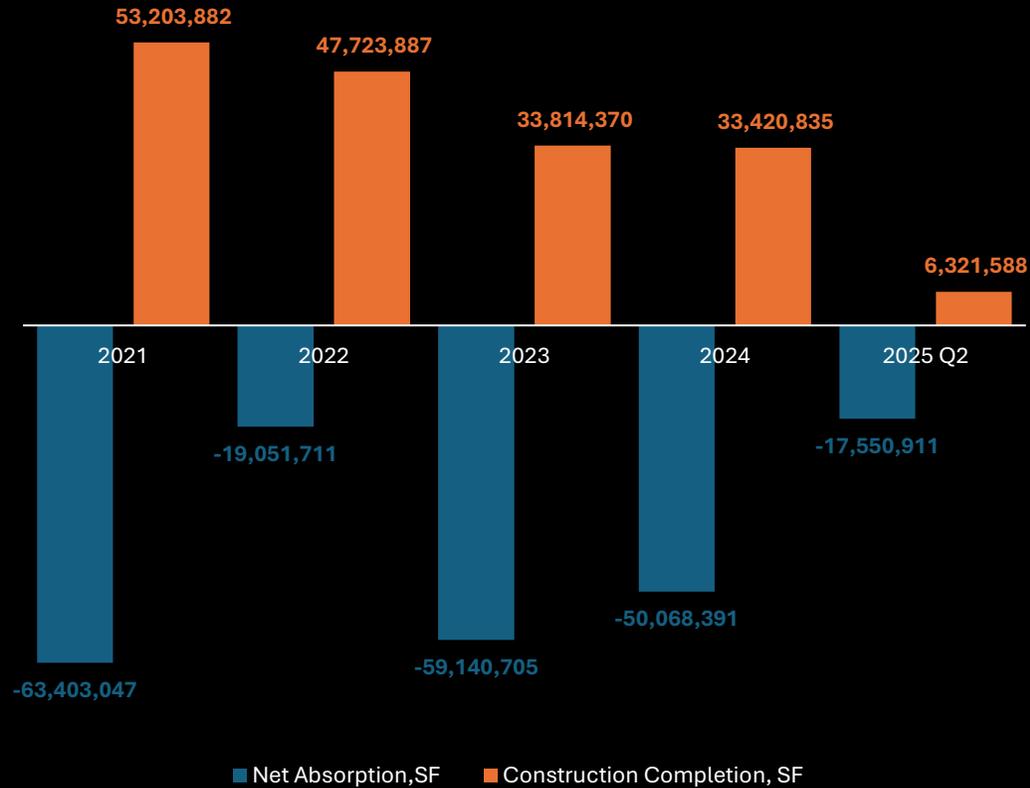
Industrial Regional Focus



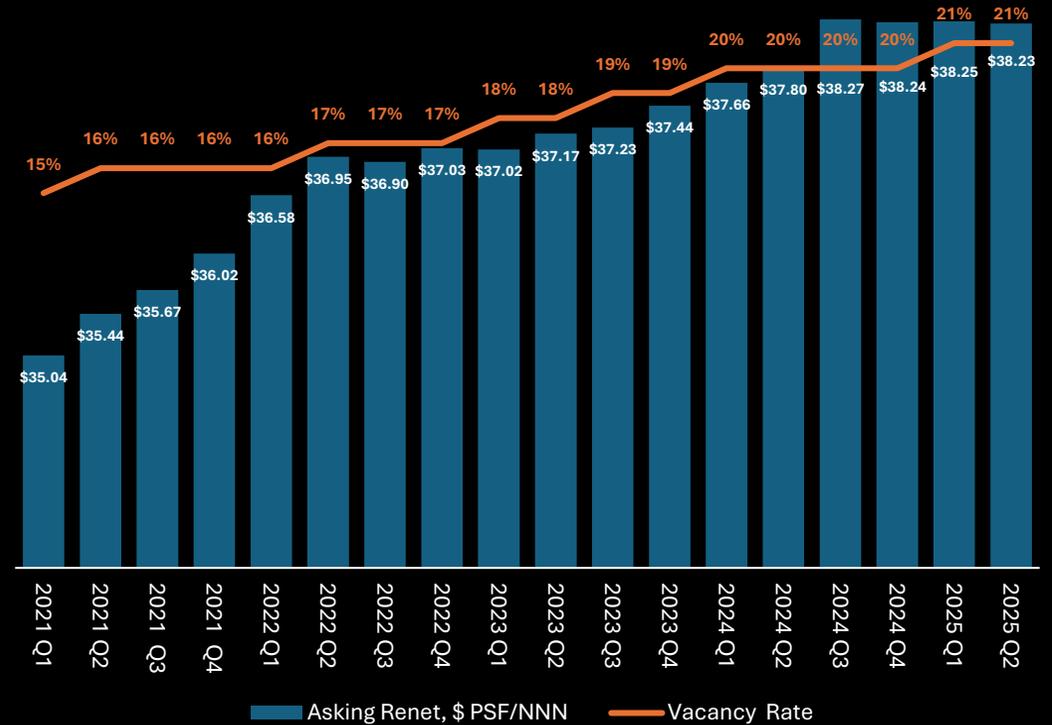
- Industrial sector moderating after decade of extraordinary growth
- Vacancy has increased to mid-7% range as new supply continues to outpace absorption
- Rent growth is slowing, averaging just over 2% year-over-year
- Reshoring of manufacturing & sustained e-commerce demand are expected to fuel future absorption, while speculative development is slowing, limiting oversupply risk
- By late 2026, rents are projected to stabilize & return toward their historical 3–4% growth range, with modern, well-located facilities continuing to outperform older stock.

Office National Overview

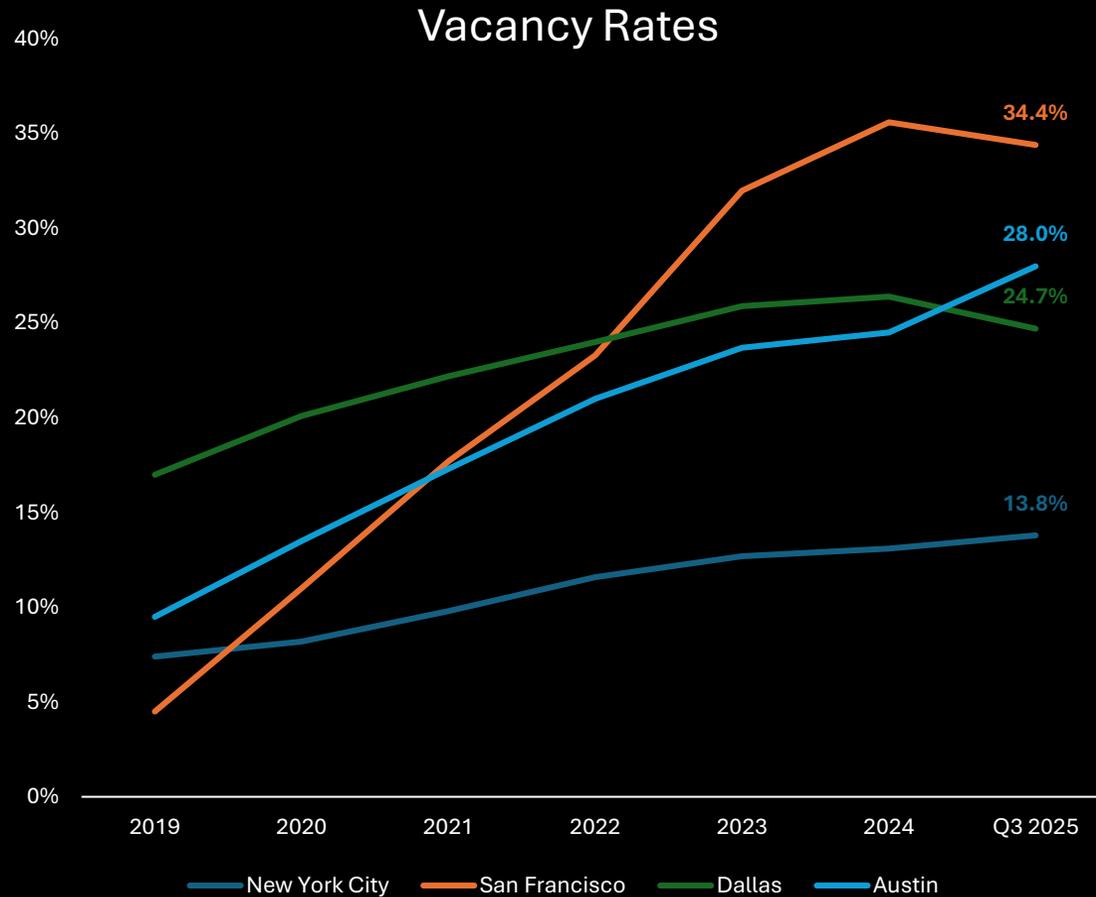
Space Demand & Deliveries



Overall Vacancy & Asking Rent



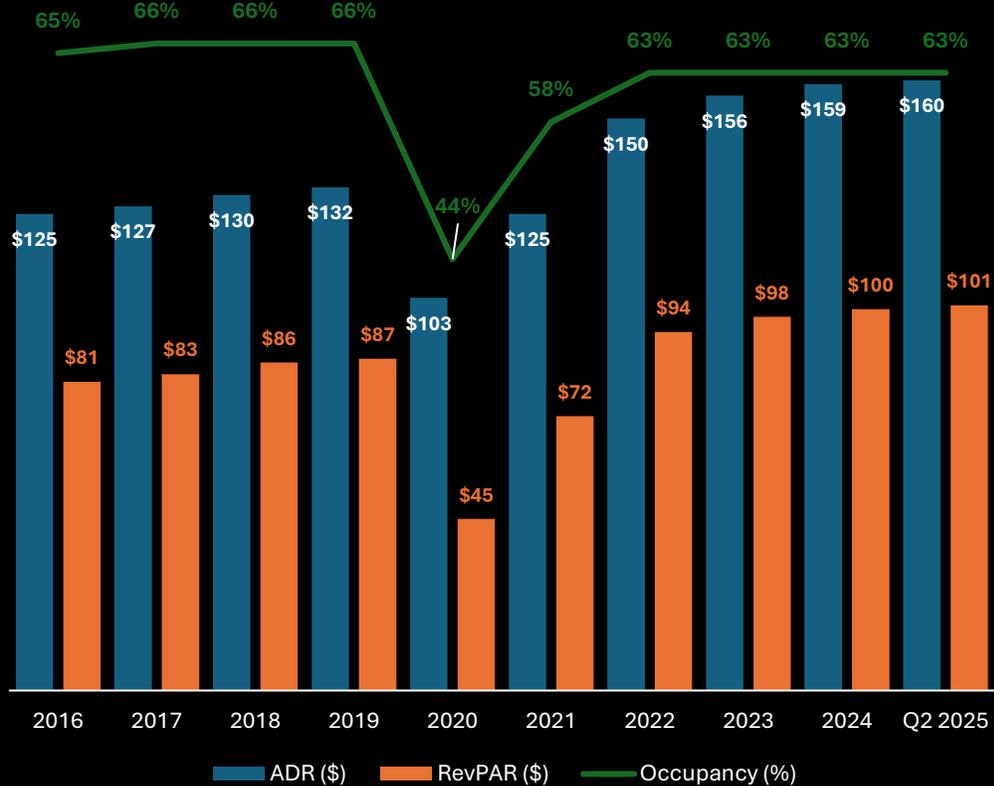
Office Regional Focus



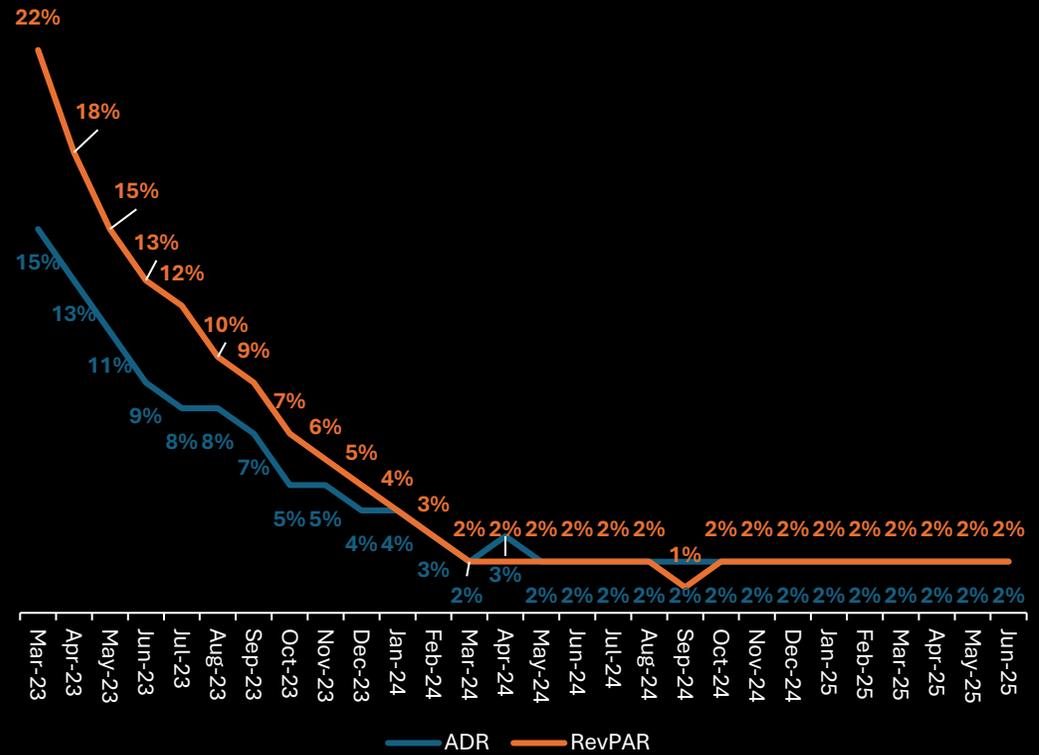
- Office market remains under pressure, with vacancy rates continuing to rise in many regions
- High-quality, amenitized buildings outperform their peers
- Hybrid work & structural changes in office demand are the primary drivers of elevated vacancy, while interest-rate pressures play a secondary role in valuation adjustments
- New supply is moderating, with the average under-construction pipeline declining to ~68.7 msf between 2021 & 2025, reflecting reduced speculative development post-pandemic
- Investment & leasing activity remain selective, concentrated on well-located, high-quality properties that meet modern tenant requirements
- If financing conditions ease & tenant demand stabilizes, these assets may see relative resilience compared to the broader market

Hospitality National Overview

ADR, RevPAR, Occupancy Rate (%)



ADR, RevPAR YOT Change (%)



Hospitality Regional Focus



Top 5 U.S. Hotel Markets by Supply (as of June 2025)

US Markets	Supply (Units)	Demand (Night Rented)	Occupancy Rate	ADR	RevPAR
Atlanta	10.4M	6.8M	65.6%	\$127	\$83
Chicago	11.1M	8.0M	72.2%	\$182	\$131
Las Vegas	14.6M	10.9M	74.9%	\$203	\$152
New York	11.2M	9.8M	84.1%	\$334	\$291
Orlando	13.0M	9.3M	71.8%	\$206	\$148

Hotel vacancies spiked in 2020 amid pandemic shutdowns & have since **steadily improved**, though still above pre-COVID norms.

Policy & Cost Issues

Policy Issues

Policy	Impact on Real Estate	Uncertainty / Risks
H1B Restrictions (\$100k fees)	- Raises cost of skilled labour for construction, engineering, & design - slower project delivery & higher capex.	May slow project delivery; legal/political pushback possible.
Reciprocal Tariff Revisions	- Raises cost of imported construction materials (steel, aluminium, resins, lumber, components for electrical).	Volatility in input prices; hardest hit are office conversions & large new builds.
Suspension of De Minimis Duty-Free Imports	- Higher fit-out & furnishing costs for hospitality & office interiors.	Tenant improvement costs rise; may slow leasing & hotel refurbishments.
401(k) Real Estate Access Expansion	+ Opens additional channels of capital into CRE, increasing investor demand.	Dependent on regulatory follow-through & adoption by retirement plan providers.
Accelerated Data Centre Permitting	+ Supports industrial demand & site development for digital infrastructure.	Impact localised; execution depends on state-level coordination & utility access.

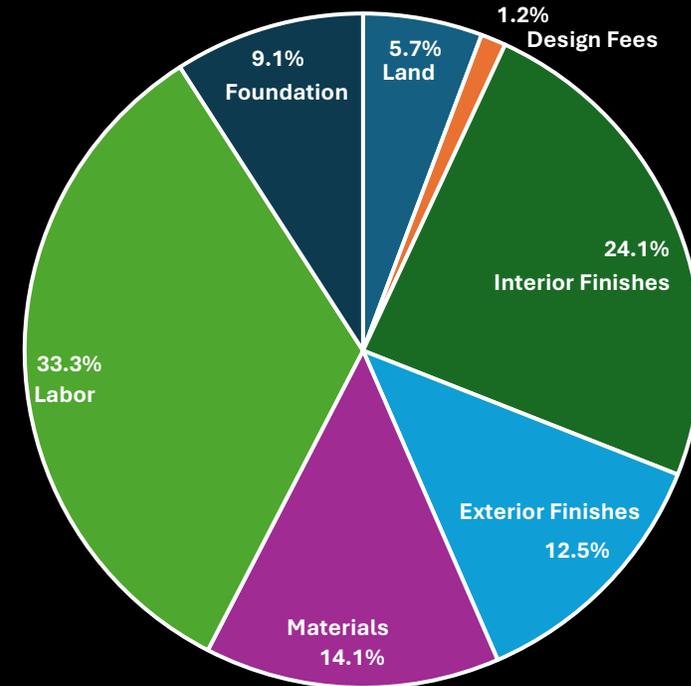
General construction inflation continues to push development capex higher, raising the risk of project delays or cancellations if returns fail to adjust.

Cost

The U.S. CRE construction market continues to face significant cost pressures. Labor remains the largest component, with wages steadily rising due to ongoing skilled worker shortages. Material costs, while slightly lower than labor in total share, also play a major role, particularly for key inputs like concrete, steel, & finishes.

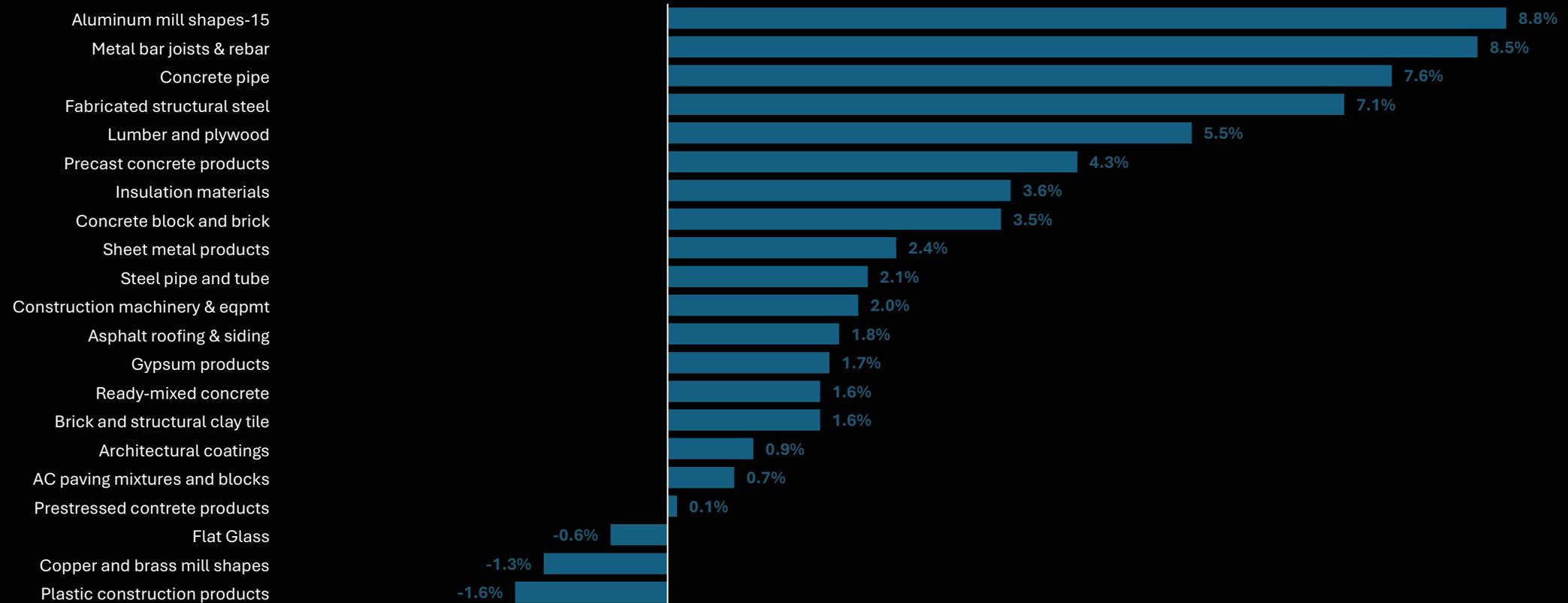
Ongoing challenges, including supply chain volatility, tariffs, & tax uncertainties, are likely to further increase overall development costs, impacting project feasibility & returns.

Commercial Construction Cost Breakdown



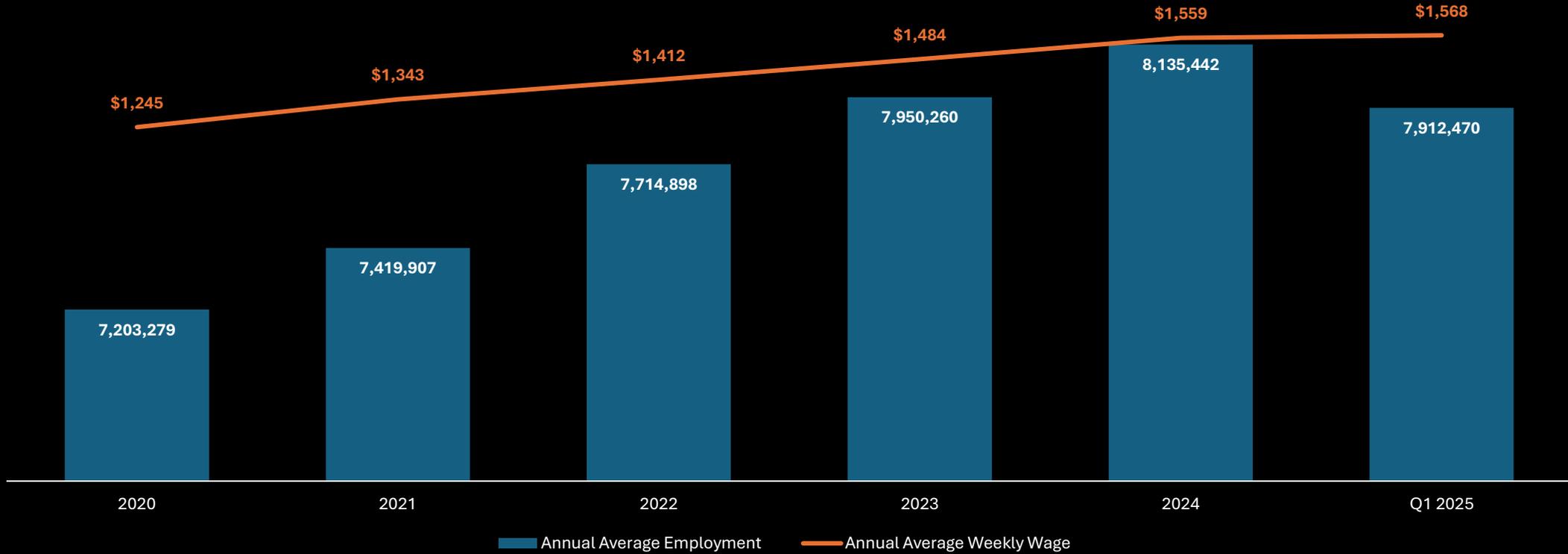
Construction Cost

Construction Materials Price Movement - Last 12 Months



Labor Cost

Total Construction Employment vs. Average Wages



Summary

Summary

- The US commercial real estate market is transitioning from contraction to stabilization in 2025
- Easing interest rates are narrowing financing spreads & encouraging capital re-entry, but investment remains highly selective
- **Multifamily & industrial** sectors continue to lead recovery, supported by structural demand & moderating supply
- **Hospitality** shows a maturing rebound driven by travel recovery
- **Office** remains structurally challenged, with fundamentals diverging sharply between prime & secondary markets
- **Sunbelt metros are softening amid oversupply**
- **Coastal & northern cities are rebounding** as constrained pipelines support rent growth
- Looking ahead, investors are expected to prioritize **core assets, long lease terms, & high-occupancy markets**, as liquidity & pricing gradually normalize through 2026

Sector	Trend	Outlook
Multifamily	Sunbelt oversupply; coastal resilience	Moderate rent growth, stable cap rates
Industrial	Supply-driven softening	Fundamentals remain strong, rents to stabilize in 2026
Office	Structural vacancy, tenant bifurcation	Core CBD assets to outperform; Sunbelt lag persists
Hospitality	Recovery maturing	Occupancy improving, margins pressured by labor costs

THE MCLEAN SYNDICATE

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- Mergers & Acquisitions
- Project Finance
- Business Development
- Market Entry
- Risk Advisory

Our unique approach incorporates well established networks & technology-driven market research to efficiently raise capital for innovative firms & projects

Highly leveraged, ring-fenced financing for specialized investments helps to preserve corporate equity & optimize risk sharing

We support clients in developing new business, entering new markets & assessing risks



Sector Experience

- Real Estate
- Infrastructure
- Financial Services
- Agriculture
- Emerging & Frontier Markets
- Technology
- Healthcare



Leadership



Brien Desilets is an investment banker with more than 20 years of experience across several sectors & financing types, including public, project, corporate & venture capital. He has raised capital for everything from early stage startups to multi-billion-dollar infrastructure programs. Brien is an expert in infrastructure finance & Public-Private Partnerships (P3). He has advised real estate clients in nearly every asset class & has raised capital for innovative food & agriculture technology firms.

Previously, Brien was an investment banker with DelMorgan & Co. & Aeon Capital. He was Head of Infrastructure Advisory at Grant Thornton, LLP, & a Senior Managing Consultant with Public Financial Management, Inc. He grew his previous firm, Claret Consulting, into a leading international financial advisory shop before exiting to Grant Thornton. Brien has led multidisciplinary & multinational teams on advisory engagements in the US, Latin America, Europe, Middle East & Africa. He holds FINRA Series 7, 63 & 79 investment banking licenses. He is a member of the Cosmos Club in Washington, DC.

Contact

