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Tariff, Interest Rate Uncertainty Drive Drop in CRE Investor Sentiment: SitusAMC



SITUSAMC'S PETER MUOIO (TOP) AND JEN RASMUSSEN (BOTTOM), AND CARS WAITING FOR EXPORT IN NANJING, CHINA.

PHOTOS: COURTESY SITUSAMC; STR/AFP VIA GETTY IMAGES

Market uncertainty driven largely by President **Donald Trump**'s tariff policy prompted a widespread pause from commercial real estate investors in the second quarter of 2025, according to a new report.

SitusAMC's latest ValTrends quarterly research report — shared exclusively with Commercial Observer ahead of its scheduled release next week — showed that investor recommendations to buy CRE assets dropped five percentage points from the first three months of the year to 18 percent in the second quarter. Investor recommendations to hold CRE assets also jumped six percentage points to 76 percent in the second quarter with investors taking a wait-and-see approach, the report showed.

“Everyone who’s involved in commercial real estate came into 2025 with this view that it was going to be a more active year since interest rates looked like they were going to be on a downward trajectory, or at least stable-to-downward trajectory,” **Peter Muoio**,

head of SitusAMC Insights, told CO. “All of the uncertainty that’s been unleashed has taken that initial optimism for more activity, and we’re now halfway through the year and we’re still sort of in interest rate purgatory.”

The ValTrends Policy Uncertainty Index reached an all-time high in April and was 30 percent higher than the height of the COVID-19 pandemic, reflecting the unknowns following Trump’s Liberation Day tariff announcement on April 2. In addition to interest rates and tariffs, CRE investors are also grappling with unknowns about how immigration policies will affect potential labor shortages for hospitality and construction, said Muoio

The year’s second quarter, however, also saw a reversal of a trend that began when interest rates started to soar in 2022, culminating in a preference for cash and bonds reaching its highest level since 2023 in early 2025.

In the second quarter, investors showed increased interest in CRE as a “safe haven” asset class, with increasing interest in equities amid a soaring stock market while preference for bonds waned. The index for preference of stocks in the second quarter moved from 4.0 to 6.0 out of 10, while the bond index dropped to 5.2 from 5.9.

Despite persistent high interest rates, investors are showing signs of increasing capital availability with “looser” underwriting standards, even as transaction volume continues to drop, the ValTrends report outlines. Increased capital availability was more evident with equity with cash to deploy sitting on sidelines, while declining “underwriting discipline” factored more into debt deals.

“There’s all this dry powder out there both on the equity and debt side looking to put money out, and a lot of them are funds and they have time horizons,” Muoio said. “We looked at both debt and equity availability and discipline, and in both of those cases, we’ve seen availability edging up and discipline diminishing.”

Muoio, who co-authored the report with SitusAMC vice president **Jen Rasmussen**, said CRE deal activity trends will likely be similar in the third quarter. That is, unless there is change in the current pattern with “whipsawing policy announcements” on tariffs or immigration that adds to an already uncertain climate, said Muoio.

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