Key risks facing US Commercial Real Estate in 2025

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How will Donald Trump's return affect the US commercial real estate landscape? During a recent online client briefing, our economists highlighted the key risks that could test our assumptions for returns in 2025. Here are some of the critical risks to watch in 2025:

1. Trade Policies Could Exacerbate Economic Pressures

Our forecasts assume a 10% universal tariff and a 60% tariff on Chinese imports. However, more aggressive measures — such as the 25% tariffs on Canada and Mexico — could disrupt supply chains, pushing construction costs higher and weakening investor confidence in new developments.

2. Labor Market Tightening May Drive Wage Inflation

Deportations of illegal immigrants and stricter immigration policies threaten to constrain labour supply, increasing construction costs and limiting the development of multifamily housing and affordable rental units.

3. Interest Rates and Cap Rates Pose Valuation Risks

Bond yields are expected to stabilize at around 4.5%, limiting significant recovery in valuations. Yet, any unexpected rate shifts or bond market volatility could lead to greater cap rate adjustments, particularly in already pressured sectors like office and multifamily housing.

Watch our on-demand drop-in now to learn more about where the opportunities and risks lie in US commercial real estate in 2025. Our drop-ins are 20-minute online briefings designed to get clients the answers they need in as short a time as possible.



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