



## 2025 U.S. Real Estate Market Outlook | January 2025

As we enter 2025, the U.S. real estate market stands at a pivotal moment. Elevated interest rates, inflationary pressures, and shifting economic conditions continue to challenge traditional approaches to investment. Yet, with change comes opportunity—especially for those who approach the market with strategic insight and the flexibility to act decisively.

At Shopoff, we transform underutilized, undervalued or mismanaged real estate into more attractive and valuable assets, realizing untapped appreciation and profitability for our investment partners. Whether through adaptive reuse, suburban redevelopment, or navigating distressed acquisitions, with a goal of creating value for our partners while enhancing communities.

Inflation remains a key concern, with the 10-year Treasury yield increasing from a recent low of 3.62% in September 2024 to 4.79% today (source: U.S. Department of the Treasury). This sustained elevation in rates is pressuring cap rates across asset classes, making it increasingly difficult for many owners to refinance or hold underperforming assets. For Shopoff, these dynamics create opportunities. As distressed sellers are forced to reconsider their portfolios, we are positioned to acquire undervalued properties, particularly in high-growth markets and niches with high barriers to entry.

Suburban markets continue to thrive, driven by affordability concerns in urban centers and sustained population migration to the Sun Belt. Multifamily housing, a cornerstone of Shopoff's portfolio, has demonstrated to be a resilient asset class with vacancy rates declining and demand accelerating. Our strategy targets underutilized suburban properties, with the potential of transforming them into vibrant residential and mixed-use communities designed to meet the needs of today's renters and buyers.

Urban revitalization, particularly in gateway cities like San Francisco and New York, offers unique opportunities to address changing market needs. Office-to-residential conversions, mixed-use redevelopments, and innovative design strategies allow us to breathe new life into properties while delivering modern solutions for housing and workspaces. These adaptive reuse projects align with Shopoff's vision of potentially creating value while contributing to the economic vibrancy of the communities we serve.

The industrial and logistics sector remains a standout, supported by reshoring trends and the continued expansion of e-commerce. Strategic hubs such as Inland Empire, California, and Dallas, Texas, are driving capital inflows as demand for warehouse and distribution space shows no signs of slowing. Similarly, the data center market is experiencing unprecedented growth, fueled by advancements in AI and cloud computing. These sectors represent key areas where Shopoff's expertise in land and infrastructure development positions us to evaluate opportunities in these sectors.

Sustainability and ESG considerations are no longer optional in today's investment environment—they are essential. From energy-efficient building designs to responsible land use practices, Shopoff is committed to aligning our projects with sustainable practices, including energy-efficient building designs and responsible land use.

**Source:** <https://www.cbre.com/insights/books/us-real-estate-market-outlook-2025>

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