

Commercial real estate rarely moves in a clean line. It tends to wobble: some markets cool while others firm up, some property types catch bids while others keep slipping, and financing conditions can dominate the mood even when fundamentals look merely “mixed.” If you’ve spent time around brokers, appraisers, lenders, or asset managers, you know the pattern: activity doesn’t necessarily mean prices are stabilizing, and price softness doesn’t always mean demand is collapsing. It often means the market is renegotiating risk.

So when people ask whether commercial real estate is cooling or rebounding, the most honest answer is that it is doing both in different places, for different reasons, and on different timelines.

## **What “cooling” actually looks like (and what it doesn’t)**

Cooling is easy to spot if you’ve watched transactions and underwriting assumptions for more than one cycle. It shows up as smaller spreads between buyers and sellers, longer marketing periods, more contingencies, and more deals dying in diligence because the numbers do not pencil.

But cooling can also be misread. A slowdown in deal volume might look like a dramatic shift even when it is really a financing timing issue. In many markets, the pause is less about demand and more about the ability to secure capital on predictable terms. When lenders tighten, borrowers renegotiate, and underwriters become conservative, the buyer’s patience shrinks and sellers become more realistic. That looks like cooling because fewer properties trade, yet the underlying demand may still be there, just redirected into lower-risk product or delayed into next-quarter closings.

From my experience working with sponsors and watching how they react to rate and liquidity shifts, I’ve seen three “cooling” behaviors that are consistent across cycles:

First, underwriting becomes more conservative. Rent growth assumptions flatten, cap rate ranges widen, and expense budgets stop looking like they are being guessed. Second, leverage gets harder to obtain. Even when rates are not dramatically higher, debt sizing and coverage requirements can tighten quickly. Third, the market starts prioritizing certainty over upside. That means stabilized cash flow, clear tenant credit, and leases with realistic escalation structures.

If you want a quick test, ask what changed in the last six months: are tenants weakening, or is the market just becoming more selective about how risk is priced? Those are different stories.

## **The rebound narrative: where it starts and why it can be fragile**

A rebound usually begins in the gaps. Not in “everything is improving,” but in specific demand pockets. It can start when a buyer believes that pricing has overshot the risk premium, or when sellers finally accept that “perfect pricing” is not available with today’s debt terms.

Rebounds also tend to begin with the capital side, not the rent side. When financing becomes slightly more accessible, deals can close at prices that felt impossible the quarter before. That doesn’t require rent to surge overnight. It just requires the buyer’s equity to be more feasible and the lender’s decision to be less restrictive.

I’ve watched this pattern unfold around institutional investors as well as smaller operators. Once a lender clarifies a reasonable path to refinance or provides a more flexible structure, buyer behavior can change quickly. You’ll hear it in conversations: “The debt sizing looks more normal,” “The reserve requirements dropped,” “They’re actually underwriting expenses like we asked.” Those are not glamorous signals, but they move markets.

Still, rebounds can be fragile because they depend on confidence. If the confidence fades, pricing momentum can stall fast. That's why it matters whether the drivers are structural or temporary.

A structural rebound looks like this: tenant demand strengthens, leases re-price with less friction, and occupancy trends stabilize. A temporary rebound looks like a brief liquidity thaw: deals complete because financing has briefly loosened, but rents continue to drift and tenant churn remains elevated. Without the structural piece, momentum tends to fade after the next refinancing wall or renewal season.

## **Rates, refinancing, and the "lumpiness" of commercial real estate**

Commercial real estate is uniquely sensitive to refinancing timing. Even if the economy stays steady, property cash flows can be fine while the financing calendar creates volatility. You can have a building with solid tenants and still struggle if it needs refinancing at a time when debt markets are expensive and conservative.

A practical way to think about it is this: the property can be economically viable but still financially stressed if the market demands a higher debt yield. That usually translates to one of three outcomes. The borrower brings more equity, the lender requires a lower loan amount, or the property sells at a price that resets the underwriting.

This is where the cooling versus rebound debate gets complicated. Some declines are not "business deterioration," they are "capital structure adjustment." When the market finishes working through those adjustments, it can feel like a rebound even if operating performance is only stable.

If you've managed assets through refinancing risk before, you've probably felt the same tension: you might be improving collections, negotiating renewals, and upgrading tenant experience, but the next financing decision still depends on macro assumptions you cannot control.

## **Office: the most visible market, and the one easiest to misread**

Office is often the headline risk, and it's also the most varied by submarket. The story is not simply "office is dead" or "office is coming back." It's more granular.

Where office is cooling hardest, it is usually because leasing demand is constrained and expirations are creating discount pressure. Tenants have leverage, and landlords often end up trading rent for time, flexibility, or tenant improvements. In those cases, market rents soften, concession packages expand, and capitalization rates adjust upward.

But there are countercurrents. Some submarkets show steady demand for certain classes of space: better transit access, renovated buildings with modern floor plates, and buildings that feel operationally reliable. In these pockets, you can see "selective rebound," meaning transactions occur because buyers are confident about liquidity and re-leasing paths.

The trick is to separate "new leasing demand" from "deal-by-deal marketing." Sometimes the market will show a flurry of interest because a few tenants are actively relocating or consolidating. That can create the illusion of a turnaround. A more durable sign is when lease renewals and short-term occupancy drops stabilize and when tenant improvements are not escalating every quarter just to keep space filled.

Office rebounds, if they happen, tend to be uneven and asset-specific. The buildings that were already competitive keep competing. The marginal buildings keep paying the price.

## **Multifamily: stabilization signals that show up quietly**

Multifamily can be frustratingly optimistic for investors who want a clear “green light.” In many regions, rent growth has cooled compared with the peak years, but that does not automatically mean demand is broken. Multifamily performance often reflects the slow churn of household formation, employment shifts, and the supply pipeline.

When multifamily is cooling, it often looks like this: leasing velocity slows, concessions rise, and rent growth becomes patchy. When it is rebounding, you tend to see occupancy stabilize first, followed by pricing power returning gradually. The rebound may show up in renewal behavior rather than new leases.

One thing that stands out in lived experience is how underwriting differences drive the perception of the market. Two investors can look at the same submarket and come away with opposite views because they assume different outcomes for effective rent, bad debt, and expense growth.

If expenses are normalizing faster than rents, some assets can appear to rebound even when top-line growth is modest. Conversely, if expenses stay elevated or insurance and maintenance costs keep biting, a market that looks “okay” on paper can still struggle on cash flow.

So multifamily often rewards those who track detail: renewal spreads, concession levels, delinquency, and make-ready timelines. The market may be neither “hot” nor “cold,” but “in transition.” That transition can last longer than people expect.

## **Industrial and logistics: when demand softens but not collapses**

Industrial has been a more resilient sector in many cycles, yet it is not immune to cooling. The nuance is that industrial demand can slow without turning into a collapse, especially when the supply pipeline moderates and tenants manage space more deliberately.

Cooling in industrial often appears as a longer absorption period for newly delivered buildings, or a higher share of leasing activity in smaller blocks rather than big expansions. It can also show up in asking rent concessions for newer product. Investors may see vacancy rise slightly but not dramatically, while market rents flatten.

Rebound signals in industrial tend to be practical: fewer weeks on market, improved renewal rates, and less aggressive rent discounting. Because industrial space is tied to real economic activity, it can reflect changes in consumer spending, distribution strategies, and freight efficiency. When those inputs stabilize, industrial can feel like it stops bleeding before it starts surging.

Even in strong industrial markets, I’ve learned to watch for the “wait-and-see” behavior among tenants. When leases are being renegotiated, some companies pause expansions until they see freight costs and inventory patterns clarify. That pause can look like cooling, but if it ends with renewed hiring and steadier distribution volumes, rebound can show up quickly.

## **Retail: the story depends on the tenant mix and lease structure**

Retail is the sector where people often talk past each other. Neighborhood centers, lifestyle centers, and necessity-based retail can behave very differently. The cooling question is rarely about whether consumers are buying at all, it is about where the foot traffic is strongest and whether lease structures allow landlords to maintain cash flow when promotions intensify.

Cooling often looks like higher vacancies in weaker merchandising clusters, more competition for the “best” tenants, and higher tenant improvement allowances. It can also appear in the form of rent collection variability as smaller tenants negotiate.

Rebound tends to show up where tenant demand is fairly stable and where owners can pivot spaces effectively. If landlords have the ability to reposition units, offer flexible terms, and align with tenant credit profiles, retail can recover faster than people expect.

But retail rebound is not uniform. Even when transaction volumes rise, the quality bar might rise with it. Buyers might be willing to pay more only for centers with strong tenant rosters and manageable leasing risk.

## Hotels and specialized properties: cyclical, but the cap table matters

Hotels and other specialized uses can feel like they swing on headlines. Occupancy trends, corporate travel patterns, and event calendars all matter. Yet financing conditions often matter as much as business performance.

In a cooling market, hotel transactions can slow dramatically not because hotel demand disappears, but because buyers struggle to get debt approvals that reflect the volatility of earnings. Lenders may require stronger reserves or more conservative coverage metrics. That can keep purchase prices from landing where sellers want them.

In a rebound, you might see more activity once banks become comfortable underwriting performance ranges rather than peak years. If the market starts treating earnings as more predictable, the bid can return. Again, this is why rebounds can be visible in deal flow before rents or operating metrics fully improve.

Specialized properties also highlight a hard reality: asset-specific risk is not easily diversified. If the buyer's business plan depends on a renovation timeline, lease-up assumptions, or operational changes, it can be harder to convince lenders. That's when you see "cooling" in pricing even when demand exists.

## How to read the market without being fooled by one data point

You can find plenty of charts and headlines that suggest either cooling or rebound. The problem is that most markets produce mixed signals simultaneously. You need to read the pattern.

Here are the signals I trust most in practice, because they connect directly to transactions and underwriting:

1. **Days on market and repeat listing behavior.** A few longer marketing periods might be normal, but repeated relisting can signal that pricing expectations and buyer underwriting are diverging.
2. **Cap rate dispersion across similar assets.** If the range widens for comparable properties, buyers are charging more for uncertainty and lenders are pushing for more buffer.
3. **Concession levels in new and renewal leasing.** When concessions rise broadly, cash flow risk is increasing, even if occupancy stays stable.
4. **Refinance outcomes and equity top-ups.** If more borrowers are bringing equity than before, the market has shifted cost of capital higher.
5. **Loan terms on new originations.** Even small changes in debt sizing, interest rate spreads, or reserve requirements can reshape what "dealable" looks like.

Notice this isn't a checklist of optimism or pessimism. It is a framework for diagnosing where the risk is migrating.

## Cooling versus rebound: a practical framework by property type

Instead of asking "Is commercial real estate cooling or rebounding?" it's often more useful to ask "What part of the value chain is changing?"

In many current situations, you'll see something like this:

- In cooling markets, the cost of capital rises and lenders become selective, forcing price adjustments even if operations hold up.
- In rebound markets, financing becomes more predictable or competitive, enabling pricing to stabilize and then creep higher.

But there is also a third path, which is easy to miss: operations deteriorate first, and pricing follows later. That is when you get a delayed, more painful adjustment, because buyers stop seeing the asset as simply “discounted,” and instead start seeing it as fundamentally riskier.

To keep it grounded, here are two high-level scenarios I’ve used to explain what I’m seeing to clients and partners. (This isn’t a guarantee, it’s a way to avoid false confidence.)

- **Scenario A: Financial cooling, operational stability.** Deals slow, but tenant demand is holding up and collections are stable. Prices adjust modestly and then stabilize once buyers believe financing will work.
- **Scenario B: Operational cooling, financial stress.** Occupancy and lease spreads weaken, lenders tighten further, and the market resets more aggressively. Rebound is harder because the asset needs time or capital, not just better pricing.

The difference matters. Scenario A can rebound with liquidity. Scenario B requires a business improvement cycle or a macro shift that improves tenant demand.

## What lenders and appraisers are signaling (without saying it directly)

One of the most telling parts of the market is how underwriting changes in the background. Lenders rarely announce a full “risk retreat” in a single press release. Instead, they adjust the details that borrowers notice when they submit their package.

Appraisals are similar. Even when appraisers use the same overall approach, the assumptions around vacancy rates, rent growth, and exit cap rates can drift. You might see cap rates move a little, but the bigger change is often in the support for cash flow durability.

The lived experience part here is how quickly borrowers adapt. If your lender is asking for stronger rent roll support or more conservative expense assumptions, your projection model has to change. That is not merely a paperwork issue. It changes your equity needs, your refinancing feasibility, and your willingness to hold or sell.

In my view, those underwriting conversations are the market’s real temperature reading. Transactions follow them. Headlines lag.

## The investor decision: hold, reposition, or wait

If you’re trying to decide what to do with a portfolio, the cooling versus rebound debate should feed directly into capital strategy, not just market commentary.

The key question is whether your asset has flexibility. A building with strong tenant demand, manageable lease expirations, and a clean path to refinance can often “hold and win” because it will benefit when liquidity returns.

A building with near-term rollover risk, thin [View website](#) coverage, or heavy exposure to weak tenant profiles has less room. In those cases, “waiting for rebound” can turn into waiting for a different outcome, one that costs more.

Repositioning can work, but it is not free. It often requires capital, lease downtime, contractor execution, and tenant coordination. Repositioning is also a bet on demand. If the market is cooling because tenant demand is structurally weaker, renovations may not create the business case you want.

So investors tend to win by matching action to the type of risk.

1. **If the risk is capital structure:** consider extending, refinancing with the right terms, or planning a controlled sale rather than forcing a hold.
2. **If the risk is leasing demand:** focus on tenant retention, targeted upgrades, and realistic rent marketing.
3. **If the risk is both:** be selective and prioritize the assets with the clearest path to stabilization.

That is not a universal prescription, it's how I've seen decision-making stay disciplined when the market sounds contradictory.

## A realistic outlook: mixed data, uneven timing, and selective winners

Commercial real estate can be cooling in one sense and rebounding in another. You might see deal flow improve in a property type while the broader market still feels stuck. You might see pricing stabilize **economy** for certain assets while other buildings keep resetting. You might see refinancing "less bad" in a few pockets while other borrowers face tough workouts.

If you want a more grounded takeaway, it's this: rebounds usually arrive as a series of small confirmations, not one big reversal.

They show up first in financing terms, then in leasing activity, and only later in valuations. Cooling can also show up that way, just in reverse order.

So the question is not "Is the market done falling?" The better question is "Where are the next constraints?" Watch the lease horizon, the refinance calendar, and lender behavior. Track the friction points in deals. Those are the signals that tend to persist longer than headlines.

And if you're listening closely, the market is already telling you. It's just telling different stories in different neighborhoods, different building classes, and different borrower situations.