North Bay CRE Market Pulse | Q3 2025

Commercial + Multifamily Quarterly Email Edition

- **Rates easing at the margin.** 10-Year Treasury ended the quarter **~4.67%**; lenders are modestly trimming quotes.
- **Momentum returns.** Closed CRE pricing **+1.48% q/q**; Multifamily **+~2.5% q/q** (per unit).
- **Yields improving.** Cap rates are **higher than last year** (CRE ≈ **+5 bps q/q**, **~+120 bps** since early ’23; MF ≈ **+~100 bps y/y**)—supporting stronger cash-on-cash.
- **Plenty to choose from.** CRE listings hold at **~197** (10-yr avg **139**); MF active listings **~93**—ample selection without broad distress.
- **Sales are back—selectively.** CRE closings **+47% y/y** (still below decade norm); MF **+33% q/q** as bid/ask narrows.

Commercial Real Estate (Office • Industrial • Retail)

What moved in Q3

- **Pricing: +1.48% q/q** (per SF) as buyers and sellers align on today’s debt and risk premiums.
- **Cap Rates: Up vs last year** and **+5 bps q/q**; underwriting remains disciplined, but more constructive.
- **Supply: ~197** medium-size buildings on market (10-yr avg **139**)—best selection in years.
- **Sales: +47% y/y**, still below long-run pace; well-priced assets continue to trade.
- **Rents/Absorption:** Headline rents **-2.38% y/y** overall. Industrial demand leads; retail steady; office stabilizing around smaller floorplates and medical/creative use.
- **National lens:** U.S. office vacancy **~20.6%** (record), yet local, well-located assets continue to find tenants.

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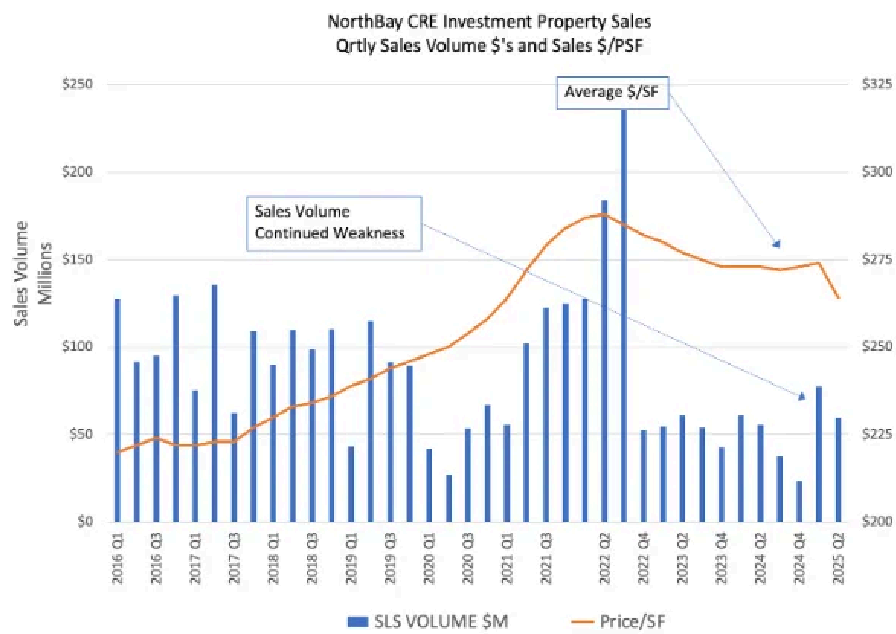

CRE dataset: ~4,104 medium-size office/industrial/retail buildings (~60.4M SF) across the North Bay.

For Owners/Sellers

- **List into momentum.** Elevated buyer activity and ample inventory favor realistic pricing with clean diligence.
- **Show the income story.** Demonstrate rent resilience (or loss-to-lease runway), expense control, and near-term CapEx cures to win underwriting committees.
- **Consider timing.** With rates drifting lower, Q4 can be a sweet spot for going to market and closing by year-end.

For Buyers/Investors

- **Higher going-in yields** and broader selection support disciplined entries.
- **Focus on function.** Clean environmental, efficient layouts, parking/loading, and durable income earn premium pricing—and hold value through cycles.
- **Be ready.** The best-priced assets still move quickly; have debt quotes, ESA/appraisal, and lease audits teed up.

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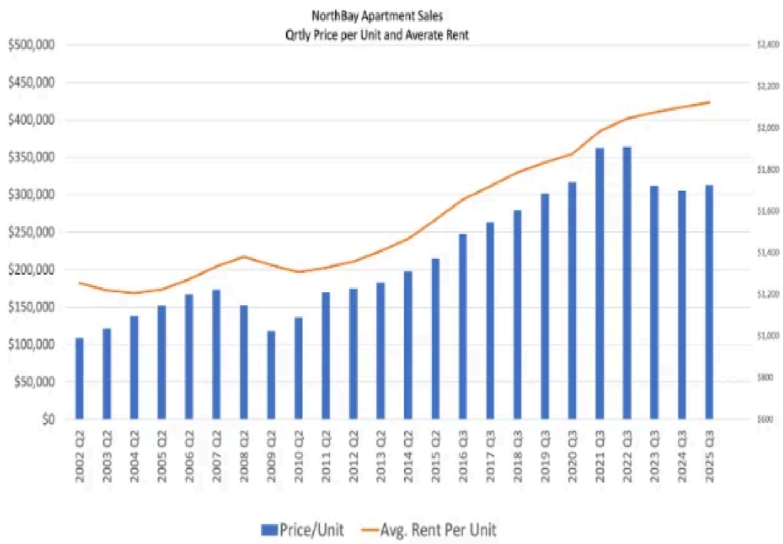
Multifamily (5+ Units)

What moved in Q3

- **Pricing: ~+2.5% q/q** (per unit); cap rates **~+100 bps y/y** → healthier cash-on-cash.
- **Supply: ~93** active listings—strong choice without systemic distress.
- **Sales: +33% q/q** as sellers recalibrate and buyers underwrite to today's rates.
- **Rents/Operations:** Rents **~+1% y/y** overall. Prime assets retain tenants and capture targeted renewal bumps; dated assets face softer trends and selective concessions.



Multifamily dataset: ~2,756 buildings (~100,795 units), 5+ units.

For Owners/Sellers

- **Monetize loss-to-lease.** If in-place rents trail market, buyers can underwrite mark-to-market—supporting today's price while preserving upside.
- **Tighten the package.** Highlight RUBS/sub-metering, insurance rebids, vendor efficiencies, and proven renovation premiums.
- **Capitalize on activity.** With sales up and financing modestly more favorable, well-prepared listings draw tours and competitive offers.

For Buyers/Investors

- **Entry yield tailwind.** Wider cap-rate spreads vs last year cushion modest rate risk and improve cash flow.
- **Selectivity pays.** Favor functional buildings with clear, bite-size value-add (interiors, curb appeal, parking/storage) and low operational complexity.
- **Flexible financing.** Explore assumables, partial I/O, and short-ladder rate caps as lenders re-engage.

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Capital Markets & Outlook (Next 90 Days)

- **Rates:** If inflation stays on track, incremental relief should continue, widening the buyer pool and modestly supporting values.
- **Office:** Ongoing price discovery; smaller suites and adaptive-reuse discussions gain traction.
- **Industrial & Retail:** Fundamentals steady; limited new supply remains a quiet tailwind.
- **Multifamily:** Flight-to-quality persists; light value-add and service upgrades outperform on renewals.
- **Deal Flow:** Expect a Q4 listing push and year-end closings (1031 timelines add urgency). Preparation will be the advantage.

How I Can Help?

- **Valuation & Strategy:** Sell vs. Refi analysis with sensitivity tables (rates, exit yields, rent paths).
- **Acquisition Modeling:** Cash-on-cash/IRR under various debt options, plus rent and expense stress tests.
- **Go-to-Market Kit (Sellers):** Pricing guidance, CapEx punch-list, diligence binder, and targeted buyer outreach.

Curious how these shifts hit your specific property or a target deal? IM me or reply to this email—let's run the numbers together.

Testimonial:

"Ces was instrumental in helping us find the right buyer for our property. From pricing to marketing to closing the deal, he was with us every step of the way. His dedication and expertise made all the difference, and we couldn't have been happier with the outcome. We highly recommend Ces to anyone who is looking to sell their investment property. Thank you, Ces!."

— Kurt Leswing and Elsa Leung, Owners

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