The DLA Piper 2024 Year-End Real Estate Trends Report

US Real Estate

DLA PIPER

Welcome to 2025 and our seventh edition of the DLA Piper Real Estate Trends Report. With one of the largest and most diversified real estate practices in the US, we have a window into trends that are impacting commercial real estate transactions across the country. Working with our Knowledge Management team, we analyze data from the large volume of transactions that we handle in major markets across the country. For this report, we analyzed more than 950 purchase and sale agreements and over 500 property management agreements.

According to the State of the Market Survey we conducted last spring, industry experts were "cautiously optimistic" about the commercial real estate market, and that sentiment continued through the remainder of 2024. As 2024 progressed, many of the world's largest and most sophisticated real estate investors stated their belief that the commercial real estate market was at or near the bottom, and a number of those companies made multibillion-dollar investments in the second half of last year. As we head into 2025, many industry experts are predicting a continued increase in investment activity. For example, JPMorgan describes the overall outlook "positive" for the commercial real estate market,[1] Deloitte suggested there will be "more clarity" in the year ahead and more opportunities for offense,[2] and Marcus & Millichap CEO Hessam Nadji said investors may soon be shifting from fear of investing to fear of missing out.[3]

Our group's workflow reflected this positive trend, with more matters opened in 2024 than in 2023. Deal volume in acquisitions and dispositions, including joint ventures, was robust, with significant transaction volume in urban and suburban areas across California and Texas, in the downtown and greater metro areas of Washington DC (including the Maryland and Virgina tech corridors), and in New York City and Chicago. Our leasing and finance lawyers were also busy, and our land use lawyers and land planners continued to work on some of the country's most high-profile projects.

The trends we monitor for this report remained largely consistent from those we reported in our Mid-Year Report, subject to a few shifts. Read on for a deeper dive into what changed and what remained the same.

1. 2025 Commercial Real Estate Trends | JPMorgan Chase
2. 2025 commercial real estate outlook | Deloitte Insights
3. Exec: Uncertainty Shifting to FOMO With CRE Poised for Turnaround

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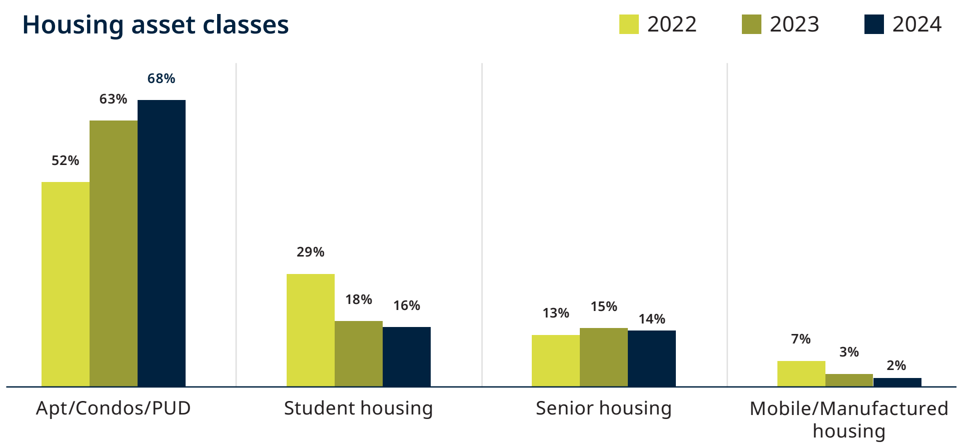
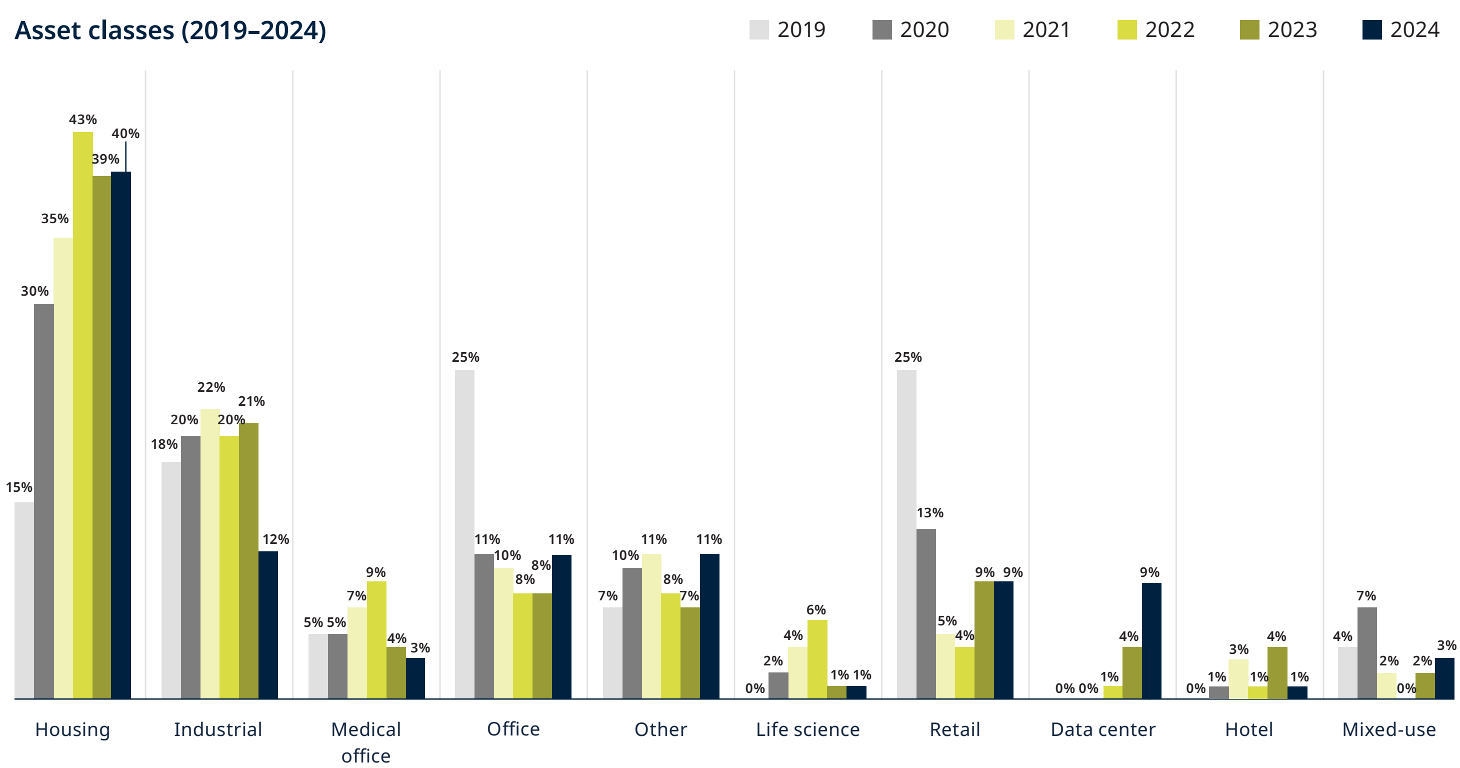
Acquisition and disposition trends

Asset classes

The asset classes in which our clients invested remained largely unchanged. Housing assets came back in the second half of 2024 and ultimately outperformed 2023 volume by a percentage point, up from 39 percent to 40 of our overall transaction volume. Within that 40 percent, 68 percent were apartment investments, which is up 5 percentage points from 2023. Student housing assets comprised 16 percent of our housing transactions, senior housing 14 percent, and mobile and manufactured homes 2 percent, all down slightly from 2023.



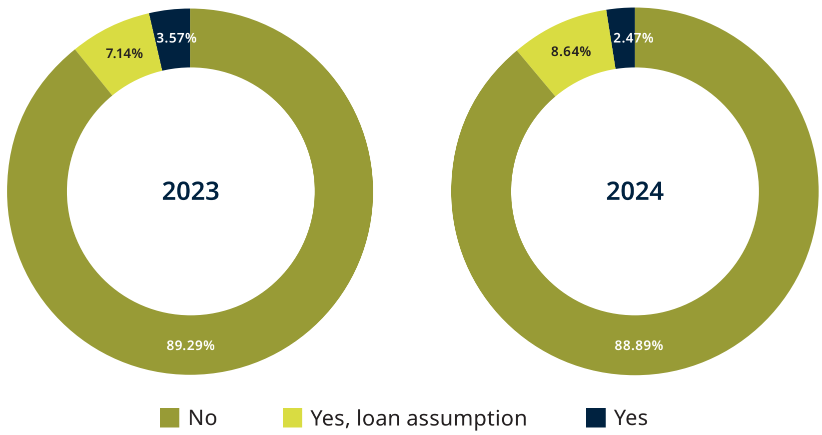


Other active asset classes in 2024 included office properties, up 3 percentage points from 2023, and data centers, up from 4 percent in 2023 to 9 percent in 2024. Mixed-use properties also saw a percentage point increase. Retail transactions held relatively steady at roughly 9 percent of our transaction volume. The asset classes we saw less of in 2024 included hotel and medical office properties and, most notably, industrial transactions, which started off hot but ended down overall, from 21 percent in 2023 to 12 percent in 2024.

Financing contingencies

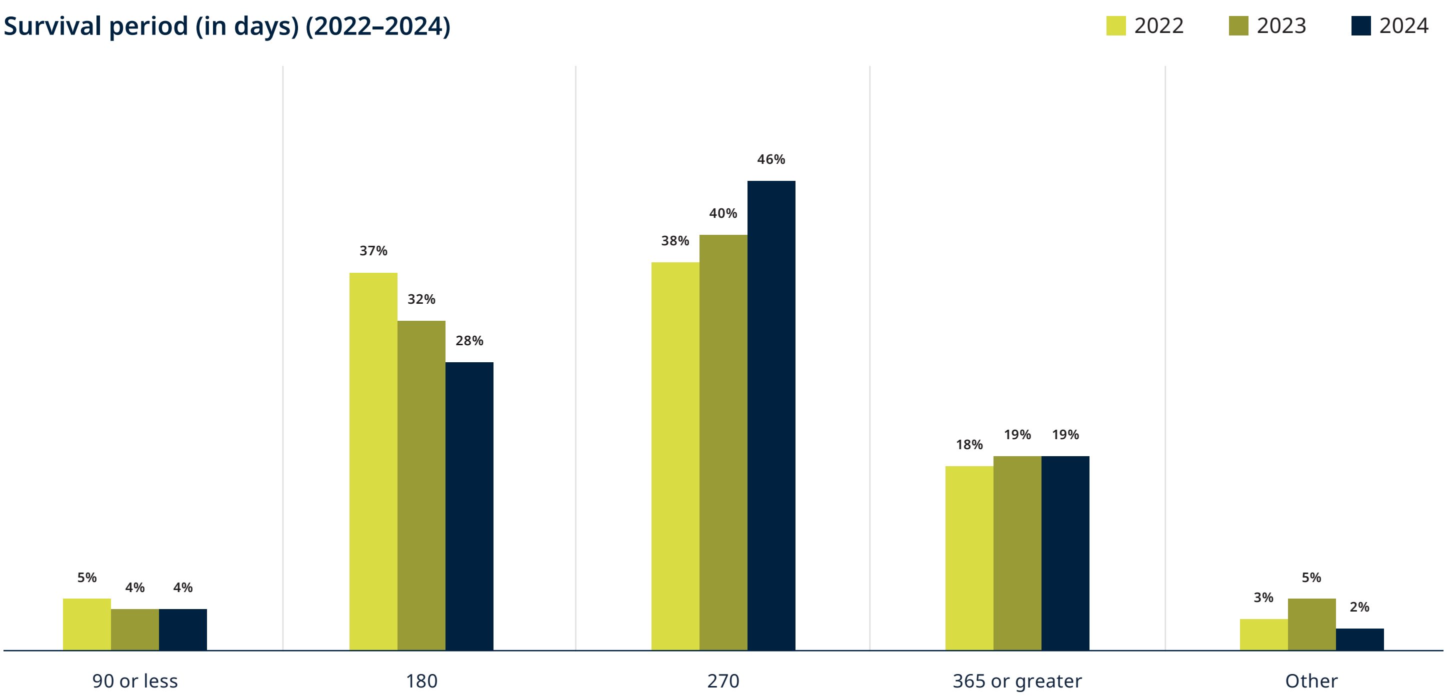
From 2023 to 2024, we saw a slight increase in the total percentage of transactions in which financing contingencies were present, up from 10.71 percent to 11.11 percent. We saw a more noticeable shift between contingencies for loan assumptions versus contingencies for new loans. Of the 11.11 percent of transactions where a financing contingency was present, the percentage of loan assumption contingencies rose from 7.14 to 8.64 percent, while the percentage of new financing contingencies dropped from 3.57 percent to 2.47 percent. This likely reflects the notion that, although interest rates for new loans are starting to come down, in many cases a buyer can still get a better rate by assuming the existing financing.

Frequency of financing contingencies



Seller's representations and warranties

Survival period (in days) (2022–2024)

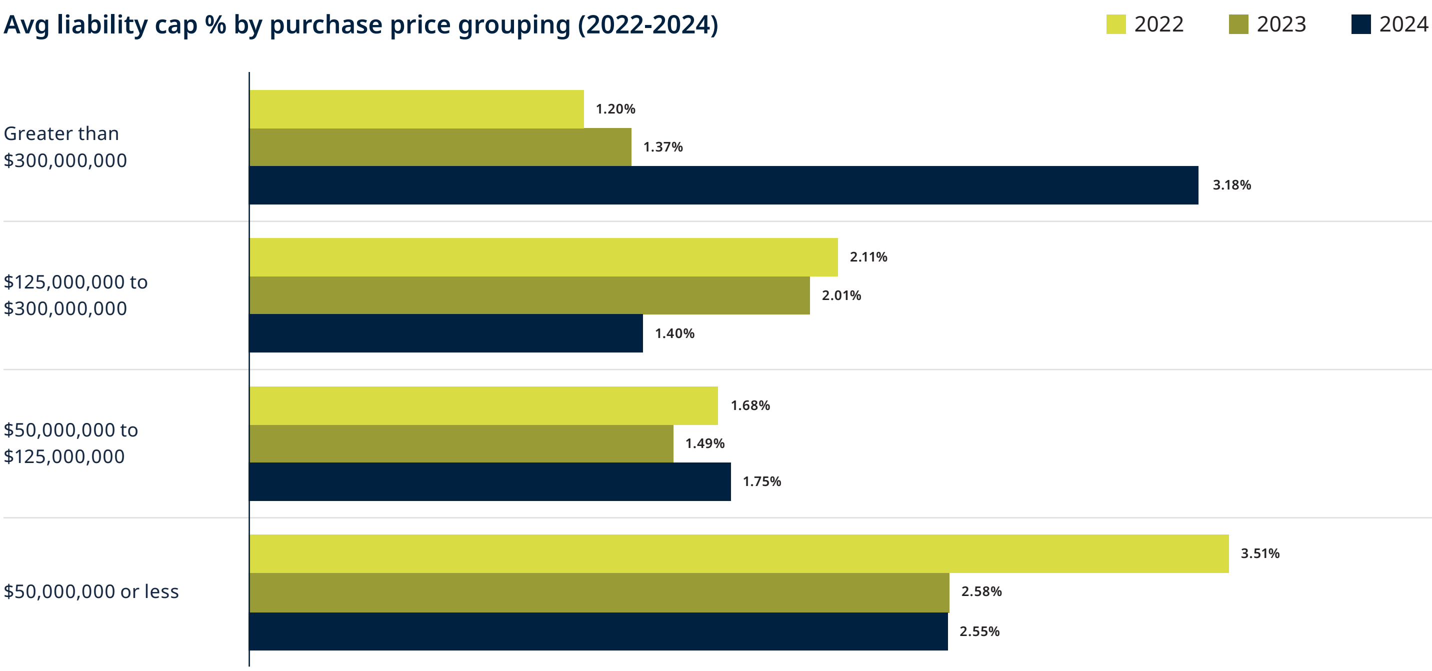


The most common survival period for a seller's representations and warranties continued to be 270 days – accounting for 46 percent of the transactions we handled in 2024. The next closest survival period was 180 days, which has a 28-percent frequency. Since our Mid-Year Report, we saw a slight increase in survival periods of 90 days or less, but overall, those only account for 4 percent of our transactions.

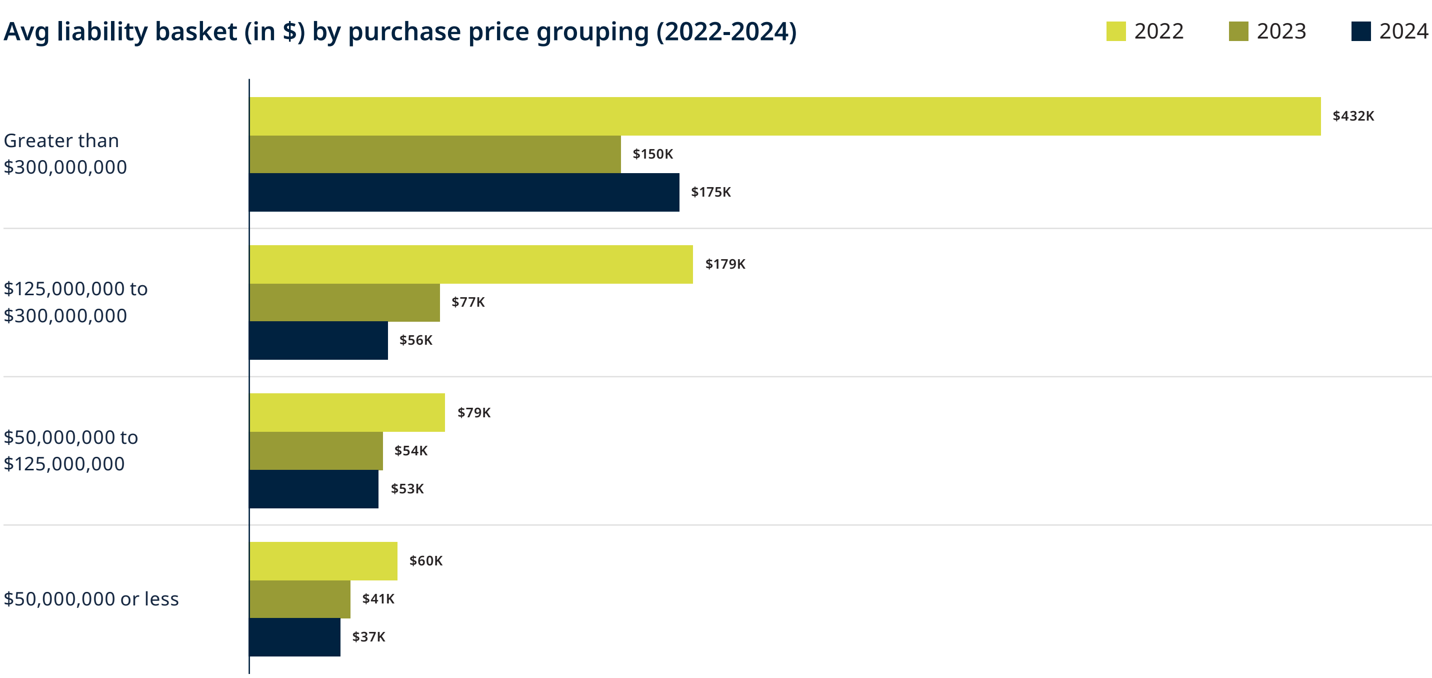
Penalties for breach

Since our 2023 Year-End Report, liability baskets and caps (*ie*, the minimum and maximum amounts a seller must pay for a breach of its representations and warranties) saw relatively minor shifts in transactions we handled that had purchase prices below $125 million. These deals did, however, see a roughly $50,000 increase in the cap for the buyer's reimbursable expenses. In the higher purchase price transactions, buyers and sellers split the losses and wins. For our transactions in the $125 to $300 million range, both the basket and the cap averages were down from 2023, with the average basket decreasing from $77,000 to $56,000 and the average cap falling from 2.01 percent to 1.4 percent. By contrast, our transactions in the above-$300 million group saw an increase from 2023 in both the basket and cap, with the average basket up from $150,000 to $175,000 and the average liability cap up more than a percentage point, from 1.37 percent in 2023 to 3.18 percent in 2024.

Avg liability cap % by purchase price grouping (2022-2024)



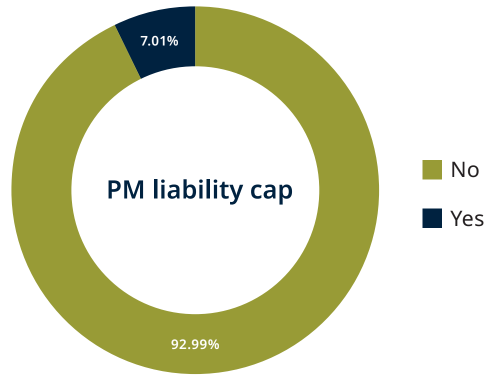
Avg liability basket (in $) by purchase price grouping (2022-2024)



Property management trends

Property management caps and fees

The percentage of transactions in which the property manager's liability is capped decreased slightly from mid-year, from 7.14 percent to 7.01 percent. Property management fees, in most cases, continued their trend toward the middle, with most landing in the 2-to-4.99 percent range, though we are seeing an increase in fixed fee arrangements. That could, however, be attributed in part to projects that are under development and have a minimum fee until the property is leased up.

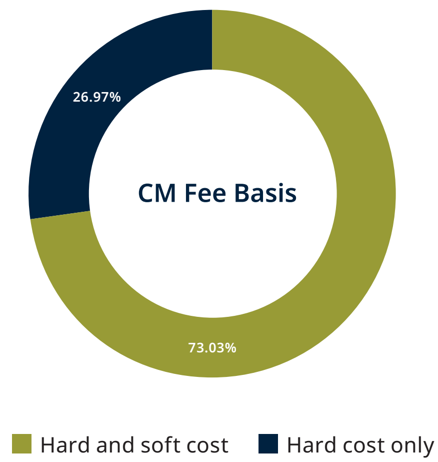


Property management fee %

Asset class	Less than 1%	1%–1.99%	2%–2.99%	3%–3.99%	4%–4.99%	5% or more	Fixed $
Data center	9.09%		36.36%	45.45%	9.09%		
Housing (Apt)			31.62%	62.50%	5.15%	0.74%	
Housing (MfH)				66.67%	20.00%		13.33%
Housing (Senior)			7.14%	3.57%	10.71%	75.00%	3.57%
Housing (StH)			10.00%	70.00%	20.00%		
Industrial	0.85%	11.97%	13.68%	26.50%	3.42%	35.90%	7.69%
Life sciences	3.33%	6.67%	20.00%	20.00%	30.00%	16.67%	3.33%
Medical office building	2.78%	11.11%	5.56%	13.89%	30.56%		36.11%
Mixed-use			73.33%	20.00%	6.67%		
Office	3.57%	32.14%	25.00%	28.57%	3.57%	3.57%	3.57%
Parking facility			100.00%				

Construction management fees and basis

Construction management fees changed very little from our Mid-Year Report. Industrial was the only asset class with a material change, with more transactions coming in at 2 to 2.99 percent than in our mid-year analysis. That said, compared to the end of last year, more of the industrial assets, along with data centers, have a fee of 5 percent or more. By year end, we also saw both hard and soft costs become more firmly entrenched as the basis for the construction management fee (as opposed to hard costs only), up from 70.42 percent at mid-year to 73.03 percent at year end.



Construction management fee %

Asset class	1%–1.99%	2%–2.99%	3%–3.99%	4%–4.99%	5% or more
Data center			40.00%		60.00%
Housing (Apt)	1.45%		5.80%		92.75%
Housing (MfH)					100.00%
Housing (Senior)		100.00%			
Housing (StH)		16.67%			83.33%
Industrial		29.09%	14.55%	14.55%	41.82%
Life sciences	4.00%	12.00%	28.00%	32.00%	24.00%
Medical office building		23.81%	38.10%	28.57%	9.52%
Mixed-use		75.00%			25.00%
Office	8.70%	30.43%	26.09%	21.74%	13.04%

Looking ahead

It is a privilege to act as a trusted advisor for many of the world's leading real estate investors, lenders, owners, and developers. We are committed to developing and maintaining long-term relationships with our clients and to using our skills, knowledge and resources to help our clients achieve their business objectives.

We will continue to monitor key trends in the US real estate markets and to share the data we collect in a way that we hope is both useful and actionable. If you have any questions about this report or would like us to track and report on additional data, please reach out to your DLA Piper Real Estate contacts.

DLA Piper Real Estate recognitions

- Band 1 in Global Real Estate: Multi-Jurisdictional —*Chambers Global 2024*
- Practice Group of the Year in Real Estate —*Law360 2024*
- Tier 1 in Real Estate for 8 Consecutive Years —*The Legal 500 USA 2024*
- Tier 1 in Land Use & Zoning for 14 Consecutive Years —*The Legal 500 USA 2024*
- Leading Firm Nationwide: Real Estate —*Chambers USA 2024*
- Real Estate Firm of the Year —*New England Legal Awards 2024*

Representative 2024 matters

Our team represented:

- **QTS Realty Trust** in its 10-million-square-foot, $40 billion data center development on 2,200 acres in Northern Virginia, near the Manassas National Battlefield. This project will consist of 37 data center buildings on 3 campuses and has been cited by many as the single largest master planned data center campus in the world.
- **Affiliates of Green Courte Partners** in the sale to an affiliate of KKR of The Parking Spot, a leading owner and operator of near-airport parking facilities in the US, together with 28 near-airport parking facilities operated by The Parking Spot.
- **Harrison Street Real Estate** in the sale of a student housing portfolio including 14 purpose-built off-campus student housing communities across 11 states located near leading universities.
- **A life insurance company**, as lender, in a $570 million portfolio loan secured by 65 industrial properties across 10 states.
- **AEW Capital Management** in the $300+ million sale of 250 Park Avenue in New York City to JPMorgan.
- **Peakstone Realty Trust** in the $490 million acquisition of a 51-property, 14-state, industrial outdoor storage portfolio.
- **Northwestern Mutual Life Insurance Company** and **NorthPoint** in a $8.0 billion project involving a series of build-to-suit data center transactions for 720 megawatts of capacity. The new data centers will be located in The Keystone Trade Center, an island near Philadelphia between Pennsylvania and New Jersey.

New partners and team members

Our US Real Estate group welcomed new Partners Jason Vismantas (Chicago), Dennis Kiely, and Heather Horowitz (both New York) and Of Counsel Alex Kaplan (Washington, DC) and Jamie Romick (Chicago). We are proud to announce the promotions of Andrew Brady and Kaila Sergent to Partner (both Los Angeles) and Cory Guinta (Boston) and Maria Ojeda (Miami) to Associate. We additionally welcomed Associates Sean Becker (Los Angeles), Lydia Mackey (New York), Richard Oluwasanmi (Miami), and David Cadena (Los Angeles) and Senior Land Use Planners Kelly Posusney (Northern Virginia) and Stephen Varga (Northern Virginia) in 2024.

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