

Outlook 2025

Real Estate

Insurance rates are likely to stabilize — and real estate operations with strong risk management will capitalize.



What to Expect in 2025

Demand and interest rates will have a major impact on profitability.

While real estate insurance rates are finally stabilizing (or even decreasing), natural catastrophes and litigation still pose significant risks. Real estate owners and operators will also need to bring their compensation and benefits packages more in line with employees' wants and needs. To take advantage of potential premium savings, industry players must remain vigilant and adapt to effectively manage and respond to persistent risks.

\$3
trillion

Total volume of commercial real estate loans in July 2024.¹

\$1
trillion

Total volume of commercial real estate loans expected to mature in 2025.²

¹National Association of Realtors, "[Commercial Real Estate Market Insights Report](#)," August 2024.

²S&P Global, "[Commercial real estate maturity wall \\$950B in 2024, peaks in 2027](#)," September 5, 2024.

Rising costs and high vacancy rates will challenge profits, but falling interest rates and insurance stabilization will provide cost relief.

The industry has seen major challenges to profitability, as it has dealt with rising operating expenses related to construction, labor and insurance, high borrowing costs and increasing vacancy rates. But 2025 could see a turnaround.

On the surface, profitability challenges remain. In the second quarter of 2024, office vacancies surpassed 20% for the first time.³ Even with increased demand in many geographies, misplaced supply led to higher vacancy rates in the industrial sector, which rose 30 basis points from the first to second quarters of 2024 to 5.6%.⁴

Real estate investors and owners are also feeling pressure from \$950 billion in commercial real estate mortgages set to mature in 2024, with that number expected to grow to nearly \$1 trillion in 2025.⁵ The September 2024 Federal Reserve action to cut interest rates 50 basis points⁶ may ease concerns on refinancing those loans.

In addition, the likelihood of additional interest rate cuts⁷ provides another beacon of hope. As inflation eases toward the end of the year and the cost of borrowing comes down, so should loan and business expenses. Real estate investors will see renewed demand.

The cost of insuring commercial real estate remains a challenge, particularly in areas where there is a high frequency of convective storms, wildfires and other disasters. More than six out of 10 real estate industry respondents to the HUB International 2025 Outlook Executive Survey⁸ say increased expenditures, such as insurance, are the biggest threat to their profits in 2025.

However, capacity is slowly returning to the property insurance marketplace, bringing much-needed competition from insurers for real estate owners and operators with risks

Case Study

A HUB client mistakenly miscalculated its business income, resulting in higher insurance rates. Using data analytics and industry expertise, HUB helped the client properly recalculate its income and reduced the property's total insured value (TIV) by \$800 million, resulting in about \$2.5 million in premium savings.

that are well-maintained and with strong risk management strategies to protect assets.

To take advantage of rate stabilization and boost profits, real estate owners and operators should evaluate exposures and determine with a best-in-class broker how to get coverage that's affordable and can form the proper backstop for a risk management program. Real estate operations that do so will be poised to take advantage of new growth opportunities in 2025.

3. Moody's, "[Q2 2024 Preliminary Trend Announcement](#)," July 2, 2024.
4. CBRE, "[Industrial Vacancy Rate Rises Despite Increased Demand](#)," July 30, 2024.
5. S&P Global, "[Commercial real estate maturity wall \\$950B in 2024, peaks in 2027](#)," September 5, 2024.
6. AP, "[Federal Reserve signals end to inflation fight with a sizable half-point rate cut](#)," September 18, 2024.
7. MarketWatch, "[The Fed is likely to cut interest rates until next summer as the threat of inflation fades](#)," September 15, 2024.
8. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Personalized benefits will help recruiting and retention in a tight labor market.


The real estate sector hasn't been immune from the relentless labor shortages that have plagued most industries. The issue ranks as one of the biggest concerns for commercial real estate companies, thanks to workers pursuing higher-paying jobs that can be done remotely.⁹

The number of job openings in the professional and business sector, which includes positions responsible for property maintenance such as landscapers and cleaners, are consistently among the highest across all industries.¹⁰ Lack of staff, security and maintenance erodes properties, making them magnets for crime, putting them at a higher risk of damage and resulting in increased property insurance rates.

So it's not surprising that 77% of real estate industry respondents to the HUB survey listed productivity as an HR concern that needs addressing, with 62% saying recruitment will be a key priority in 2025.

For tenants, it's an issue as well: Leisure, hospitality, retail and food service businesses have long struggled to find employees to fill open positions, making it difficult for businesses to properly operate and pay their leases. Short-staffed tenants are also an increased safety exposure for property owners.

As companies keep trying to lure employees back into the office, building owners must invest in improving their properties to make them a more desirable place for workers. But finding construction workers to build new properties, repurpose existing buildings, or make needed repairs to maintain property values or attract new tenants has been an ongoing challenge for real estate investors and owners.



Real estate investors and owners who offer flexibility, a safe working environment and robust benefits will be better positioned to recruit and retain a strong workforce.

Property owners and operators can boost recruitment and retention through personalized benefits informed by data and analytics. This strategy can deliver [quality employee experiences \(QEX\)](#) that create an environment in which employees are more engaged and productive than those without personalized benefits.

9. The Counselors of Real Estate, "[Where Have All the Workers Gone? The Labor Shortage](#)," December 11, 2023.

Stabilizing insurance rates will provide welcome relief to a sector that's been hit hard with premium increases.

Real estate owners and operators could finally see some insurance rate relief in 2025. Hard market conditions are expected to ease in 2025 thanks to insurers' efforts to restore profitability through higher premiums and underwriting discipline.¹¹

There is now more competition for property insurance premiums, which have had years of double-digit rate increases on renewal. Commercial property rates are expected to rise 5% at a maximum, and some insureds could see decreases of up to 10%, depending on the property and the location.

Rate increases for general liability insurance, as well as umbrella and excess coverage, will be generally flat or rising up to 10% for insureds with a significant loss history.

Residential real estate property premiums will fall or rise modestly within 10% of expiring, and catastrophic perils coverage is expected to stabilize. However, wind-, wildfire- and earthquake-exposed properties in particular may see hefty increases. Insurers are focused on valuations in determining premiums.

More frequent small to medium storm events caused many claims in the first half of 2024. These severe thunderstorms or convective storms totaled \$42 billion in insured losses, the second costliest on record and 87% higher than the 10-year average.¹²

Insurers will continue to closely evaluate properties for risk and underwrite those built or modified to withstand natural disasters. Real estate owners and operators who have delayed building repairs or improvements need to make their properties resilient and implement strong risk management practices to secure the best rates and policy conditions.

Case Study

Due to numerous water claims, a HUB client was at risk of losing coverage. Working with HUB, the organization created a water mitigation plan, which significantly lowered risk and impressed underwriters. As a result, the client was able to secure coverage — and for \$300,000 less than if they hadn't worked with HUB.

Real estate owners and operators can get the most out of a stabilizing market by working with an insurance broker who has expertise in real estate to formulate a proper risk management plan and a smart insurance strategy. They should keep valuations current and properties well-maintained and take all available measures to reduce the threat of damage to the property.

11. Swiss Re Institute, "[World insurance: strengthening global resilience with a new lease on life](#)," July 16, 2024.

12. Swiss Re, "[Severe thunderstorms drive insured losses to USD 60 billion in first half of 2024](#)," August 7, 2024.

Getting ready for emerging risks with a sound risk management strategy.

In 2025, real estate owners and operators will need to prepare for risks as varied as intense weather brought about by climate change, mushrooming nuclear verdicts, changing regulations, and security and safety.

A troubling trend has been the proliferation of third-party litigation financing, in which investors front the cost of a lawsuit in exchange for a share of the settlement. Investors committed \$3.2 billion to third-party litigation in 2022¹³ and that number has been growing since.

Third-party litigation financing is often behind Americans with Disabilities Act (ADA) lawsuits against real estate firms and those managing public or commercial properties. They are often considered easy targets because of the number of compliance standards they must meet.¹⁴

In these suits, claimants allege the properties are in violation of the accessibility standards of the ADA, with litigation often filed before the property owner has a chance to rectify the issue. To protect against such lawsuits, real estate companies need to mitigate the risk by ensuring they are up to date on regulatory requirements.

Real estate owners and operators must also be aware of emerging cybersecurity threats and potential criminal activity that could result in harm to their properties or tenants — or lead to expensive litigation.

Such preparation is not an exercise in futility but is essential for the long-term health of the enterprise. However, according to the HUB survey, only 55% of real estate industry respondents say they have an enterprise risk management (ERM) assessment process to address emerging risks.



Of those that do, just 37% say that disaster planning is a core element of their ERM assessment, 35% incorporate disaster planning into ERM and less than 30% report safety reviews are part of their risk management assessment.

Collaborating with an insurance broker with deep industry expertise in real estate is the first step toward maintaining and improving preparation for unpredictable risks and securing proper coverage.

13. Munich Re, "[Legal system abuse inflates costs for all](#)," March 25, 2024.

14. National Association of Realtors, "[Commercial / Americans with Disabilities Act \(ADA\) Lawsuit Reform](#)," accessed September 25, 2024.

Navigating Your Next Steps

HUB real estate insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy that will protect the bottom line, support the vitality of your workforce and build resiliency for 2025. Here are some initial considerations:

1

Thoughtfully lean into risk.

An uncertain economic environment, a greater number and intensity of catastrophes and nuclear verdicts have increased risk for real estate owners and investors. A higher deductible reduces premiums and improves experience rating, while alternative risk transfer vehicles can lower costs. Discuss with your broker what kind of insurance strategy meets your risk profile and budget.

Nuclear verdicts against real estate companies have become common. Make safety a foundation of the organization, with extra training and risk management practices like increased security for all properties and to-the-letter compliance with regulations. A focus on prevention can save you millions.

2

Make safety a tenet of the organization.

3

Analyze loss trends.

Understand the root causes of large losses and explain to carriers what you're doing to prevent future claims. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.

Real estate entities have had difficulty attracting and retaining employees, but those with a benefits strategy based on personalization and fostering a [quality employee experience \(QEX\)](#) will boost engagement, have an advantage in recruiting and retention and lower risk as well. Work with your benefits advisor to identify the right data for a personalized benefits strategy.

4

Increase workforce engagement through benefits.

5

Be transparent with your broker.

Let your insurance broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options

Real Estate Rate Guide — U.S.

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the real estate industry.

On average, rates for middle- to upper-middle-market companies are experiencing rate increases for nearly all coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2025. It's important to discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2025 Real Estate Rate Guide	Insights
Commercial Property	-10% to +5%	Results reflect market recovery and depend heavily on account metrics, such as occupancy, business class, loss control, catastrophic exposure, claims history, etc. Accounts non-renewed by incumbents, particularly single-carrier placements, will experience less favorable results with larger rate increases and/or increased deductibles or retentions.
Residential/ Habitational Property	-5% to +5%	As rates improve, frame residential risks will face many challenges in the marketplace. Larger programs with significant premiums will see greater interest from the market, offering the potential to restructure.
Catastrophic Perils	-10% to +5%	As rates in certain geographies stabilize, exceptions remain, especially for wind- and earthquake-exposed areas with histories of drastic runup rates and premiums during the hard market cycle. Carriers remain focused on valuations, driving increased costs for some insurance programs. Specialty carriers show signs of softening, while the standard market continues adequate rates on their book. Underwriters remain concerned with convective storms, wildfires and the Atlantic wind season, which runs from June to November.
General Liability	Flat to 10%	Property-casualty insurance remains profitable, so overall GL trend is stable. Carrier positions vary, and results may be different depending on loss experience or program design, but most clients can expect modest rate increases.
Workers' Compensation	-3% to +3%	Workers' compensation remains highly profitable, but reinsurers anticipate trouble ahead due to rising claims severity. Increased workplace violence and worker classification (independent contract vs. employee) are possible factors in rate changes.
Umbrella & Excess Liability	Flat to +10%	Rates will moderate for most clients, with some rate reductions due to more market competition for higher layers. Expect most increases in the single-digit range; however, clients with more severe loss experience or large auto fleets may see more significant increases.

Real Estate Rate Guide — U.S.

Coverage	2025 Real Estate Rate Guide	Insights
Environmental	-5% to +10%	<p>With new carriers competing for business, contractors' pollution legal liability (PLL) and environmental rates will moderate. Per- and polyfluoroalkyl substances (PFAS) remain a hot topic and underwriting concern.</p> <p>Packaged GL/Pollution rates remain steady with a few tougher classes seeing rate increases of 5% to 10%. Some carriers will limit excess capacity coverage while others will exit the market.</p>
D&O: Private	-10% to +5%	<p>Capacity between carriers for private D&O placements remains strong. Underwriters are aggressively cutting premiums, giving automatic renewals and awarding two-year policies to maintain business.</p>
Cyber	-10% to Flat	<p>Cyber rates continue to fall. Though significant breaches/outages with service providers (i.e., Change Healthcare, CrowdStrike) haven't led to rate hikes yet, harder market conditions may occur during the first half of 2025.</p>

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various daily risks. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Real Estate

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB real estate insurance specialist.

\$2.6B

in commercial insurance premium brokered by HUB

122,000

insurance policies managed

49,200

real estate clients

Stay up to date

Subscribe to receive risk and insurance insights and event invitations throughout 2025.

[Subscribe](#)



hubinternational.com