

## Risk and Resilience Strategies for CRE's Uncertain Future

By Grant Allen and James Stuart

The U.S. real estate sector is entering 2025 with cautious optimism. After a period marked by soaring insurance rates, labor shortages, and economic shifts, industry players may start to see a more stable landscape. Though challenges remain, companies that emphasize strong risk management strategies will find opportunities for growth and resilience.

After years of rate hikes, property insurance costs may finally level out in 2025. Insurers are exercising caution through disciplined underwriting, resulting in projected commercial property rate increases of 5 percent at most. Depending on risk profile and location, some policyholders may even see rate reductions of up to 10 percent.

However, properties in disaster-prone areas remain costly to insure, especially with recent storm-related losses reaching record highs. This calls for increased scrutiny on property valuations and resilience measures, such as building fortifications and up-to-date valuations. Collaborating with brokers skilled in data analytics and resilience planning can help property owners secure favorable insurance terms and enhance environmental risk readiness.

### Overcoming profitability hurdles in a shifting market

The past few years have seen profitability strained by higher costs in construction, labor and insurance, compounded by borrowing costs and rising vacancy rates. Office vacancies exceeded 20 percent in 2024, with industrial sector vacancies hitting 5.6 percent. With nearly \$1 trillion in commercial real estate mortgages maturing by the end of 2025, real estate owners face critical refinancing hurdles amidst rising costs.

However, there is potential for improvement. In late 2024, the Federal Reserve cut interest rates, and further reductions may relieve some financing stress while stimulating demand. Coupled with stabilizing insurance costs in many areas, the industry is poised for potential recovery. To capitalize on cost savings and mitigate risks, real estate owners should work closely with experienced experts to secure insurance coverage that meets their needs.

Beyond economic factors, real estate owners must also prepare for emerging risks, from litigation to cybersecurity. Third-party litigation financing has driven more lawsuits against property owners, particularly ADA-related cases targeting accessibility issues. Meanwhile, as the real estate sector adopts more digital solutions, cybersecurity threats are rising, presenting potential vulnerabilities.

To counter these risks, a comprehensive risk management strategy is essential. At HUB International we recently released our 2025 Executive Survey that shows that only 55 percent of industry respondents have an enterprise risk management (ERM) process, with even fewer incorporating disaster planning or safety reviews. Real estate companies that prioritize thorough risk assessment,

disaster planning, and regulatory compliance will be better equipped to handle unpredictable challenges.

## Recruiting and retaining talent

Labor shortages continue to impact the real estate sector, particularly for roles in property management, maintenance, and landscaping. Many workers have moved to remote or higher-paying jobs, making it challenging to fill critical on-site positions.

These shortages also affect tenants, as businesses in hospitality, retail and food services struggle with staffing. Short-staffed properties can lead to higher crime rates and operational inefficiencies, which ultimately impact the real estate owner's bottom line.

To address these issues, companies should utilize data analytics to create personalized benefits strategies, fostering an employee experience that boosts engagement and retention. Analytics-driven approaches allow property owners to tailor solutions that meet workforce needs, enhancing both productivity and long-term operational stability.

## Go forward strategies

To position for growth, real estate owners and operators should prioritize risk management, workforce vitality, and resilience. Here are four strategies for achieving success in 2025:

**Embrace proactive risk management.** Review your risk profile and work with your broker to build a tailored insurance strategy. Higher deductibles may help reduce premiums, and alternative risk transfer options can alleviate cost pressures.

**Commit to safety and compliance.** Reduce the likelihood of costly claims by making safety a core organizational value. Ensuring regulatory compliance, enhancing security and training staff on best practices can help avoid major losses and "nuclear verdicts."

**Strengthen workforce engagement.** Develop a benefits strategy that aligns with employee needs. Tailoring benefits with data-driven insights can create an engaging work culture, reduce turnover and ease recruitment pressures.

**Maintain open communication with brokers.** Engage your broker early to discuss insurance needs. Timely updates on operational changes allow brokers to find the most suitable coverage and avoid surprises at renewal.

In a complex environment, real estate companies that adopt proactive measures are better positioned to thrive. By focusing on risk management, employee well-being and strategic collaboration with expert brokers, property owners can seize growth opportunities and build resilience for the future.