



# ELEVATE

Annual Commercial  
Summit | 2025



## Commercial Economic Update

Curated Information You Can Use



December 11, 2025

# Learning objectives



- ▲ Gaining key insights into the 2026 economic and market outlook, highlighting emerging trends and impacts from policy shifts and the rate environment
- ▲ Share information through polling to provide a sample sentiment on the data provided
- ▲ Obtain links to useful sites and resources for future use

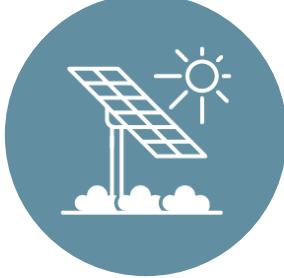
# Expertise, focus, and service



**Construction &  
Professional  
Services**



**Manufacturing &  
Technology**



**Renewables &  
Natural Resources**



**Commercial  
Real Estate**



**Broadband,  
Telecom,  
Utilities**

# Key shifts in the TTM\*

1

## Rebound and Market Variability

Mega-deal M&A activity rebounded strongly, while mid-market volumes improved unevenly over the year.

2

## Policy Uncertainty Impact

Tariff-related policy uncertainty caused a temporary slowdown in Q2, yet deal pipelines remained active.

3

## Rise of Private Credit

Private credit has become a prominent financing source with record secondaries and continuation vehicles.

4

## Valuation

Valuation gaps led to more earnouts and seller paper.

# Key shifts in the TTM

5

## Enhanced Tech and Cyber Diligence

Due diligence now deeply examines technology, cybersecurity, and AI-readiness to manage emerging risks effectively.

6

## RWI Usage and Risk Exclusions

Representations and warranties insurance remains common and more “down market,” but exclusions for emerging risks like cyber threats are growing.

7

## Scrutiny of Working Capital Adjustments

Working capital true-ups and net working capital targets face increased scrutiny in deal structuring to ensure accuracy.

8

## Robust Diligence Frameworks

Big Four firms emphasizing sector-specific risk assessments and strong diligence frameworks in lower middle market deals.

# Key shifts in the TTM

9

## Pre-LOI Operational Diligence

Buy-side clients emphasize operational and technology diligence before LOI to reduce integration risks effectively.

10

## Scenario Modeling for Value Planning

Modeling scenarios on tariffs, interest rates, and credit conditions is vital for strategic value creation planning.

11

## Creative Financing Solutions

Utilizing private credit and KPI-aligned earnouts bridges valuation gaps during deal negotiations.

# Valuation spread by deal size/type dataset (PE sample)

TEV/EBITDA — By Industry (\$10M–\$250M TEV)								
	2003 -2020	2021	2022	2023	2024	YTD 2025	Total	N =
<b>Manufacturing</b>	6.2	7.2	7.4	6.5	7.0	6.7	6.4	2197
<b>Business Services</b>	6.7	7.3	7.4	7.2	7.2	7.5	7.0	1333
<b>Healthcare Services</b>	7.4	8.1	8.4	9.2	7.7	8.5	7.7	489
<b>Retail</b>	7.0	8.4	8.0	6.0	7.4	7.6	7.1	148
<b>Distribution</b>	6.7	7.2	7.1	7.1	6.9	7.2	6.8	601
<b>Media &amp; Telecom</b>	7.6	7.0	8.3	7.8	6.7	8.6	7.6	85
<b>Technology</b>	8.4	10.3	8.1	10.2	7.9	6.7	8.6	190
<b>Other</b>	6.3	7.3	7.0	6.9	7.0	6.9	6.5	524
<b>N =</b>							<b>5567</b>	

Please note that N for 2003-2020 encompasses 18 years of activity.  
 Source: GF Data®, an ACG® Company

# Valuation spread by deal size/type dataset (PE sample):

## CHART 1

### VALUATION DRILLDOWN (ALL MANUFACTURING)

2021-2025 YTD—TEV/EBITDA

TEV	ALL	Buyouts Only	BUYOUTS ONLY							ALL THREE*
			Platforms	Add-Ons	Indiv/Family Seller	PEG/Corp Seller	Above Average	Post-Closing Mgt.		
10-25	5.9	5.9	5.7	6.2	5.9	5.3	6.3	6.0	5.9	
25-50	6.7	6.7	6.5	7.2	6.6	7.0	7.1	6.9	7.2	
50-100	8.0	8.2	8.0	9.3	8.1	8.4	8.7	8.3	8.7	
100-250	8.6	8.7	8.7	8.4	8.6	9.0	9.4	8.9	9.6	
Total	7.0	7.0	6.9	7.1	6.8	7.6	7.6	7.2	8.3	
N =	547	502	363	137	395	96	276	376	46	

\*Note: ALL THREE\* in the rightmost column denotes buyouts featuring above-average financial characteristics, a post-closing management solution, and a private equity/corporate seller.

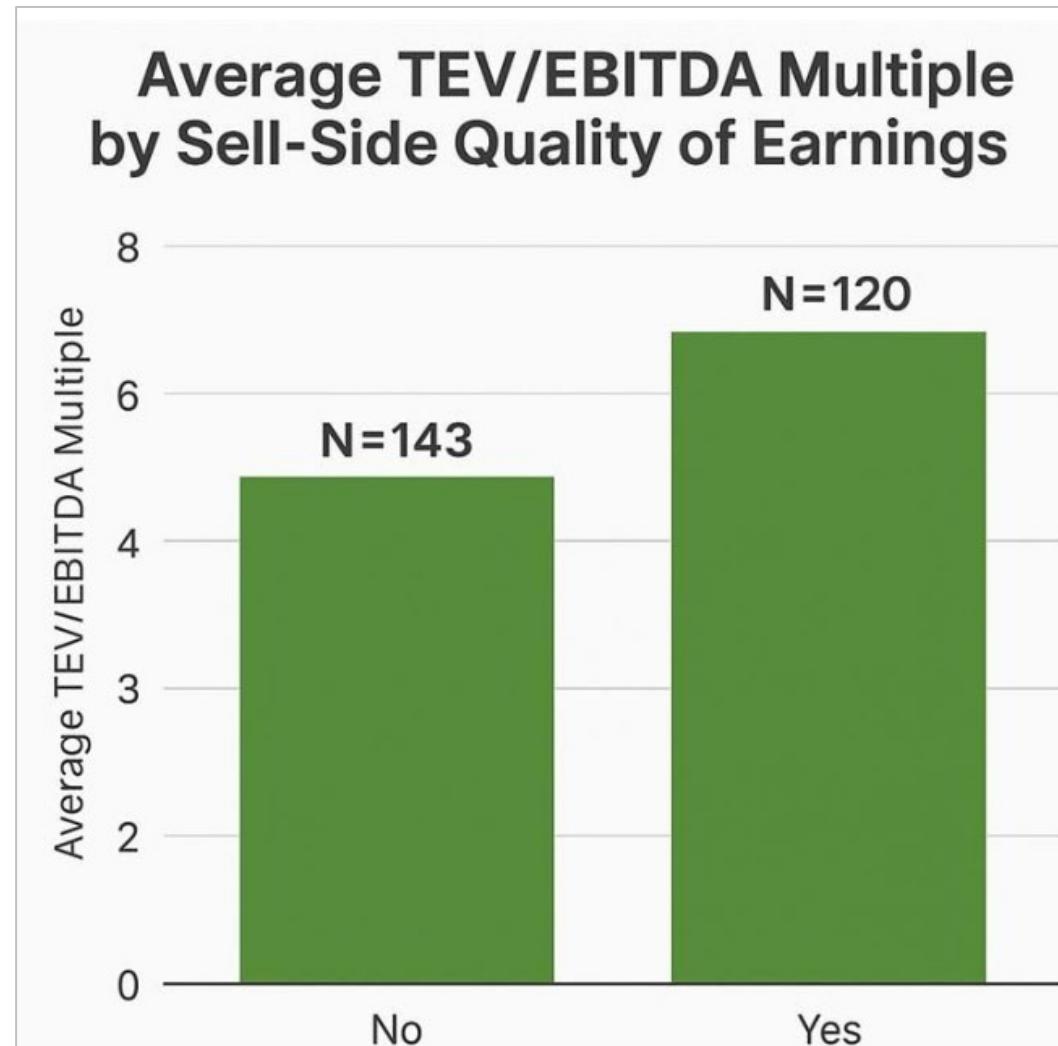


SOURCE: GF DATA® an ACG Company

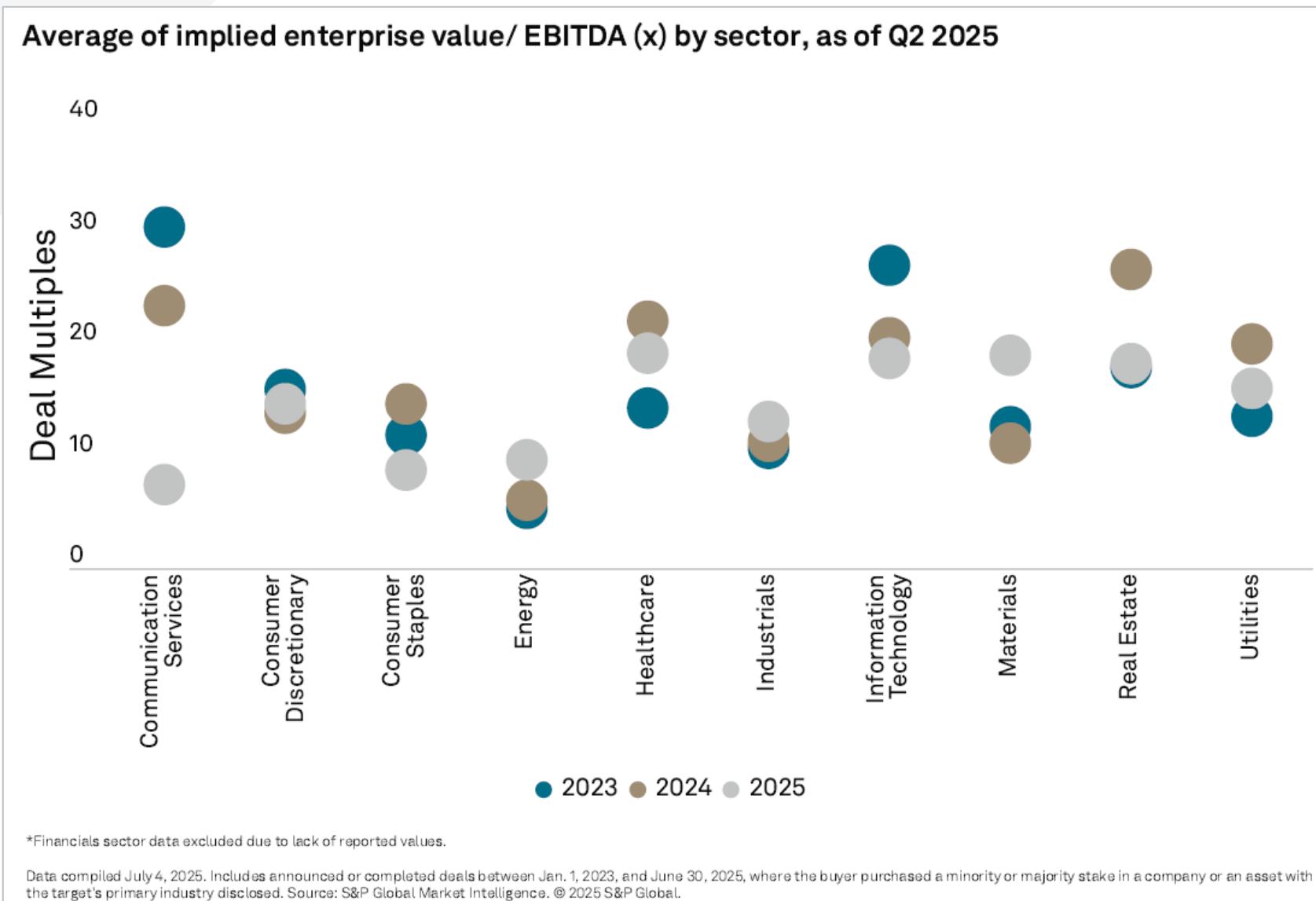


# Quality of earnings lift

GF data study



# Big picture on deal multiples (S&P sample)



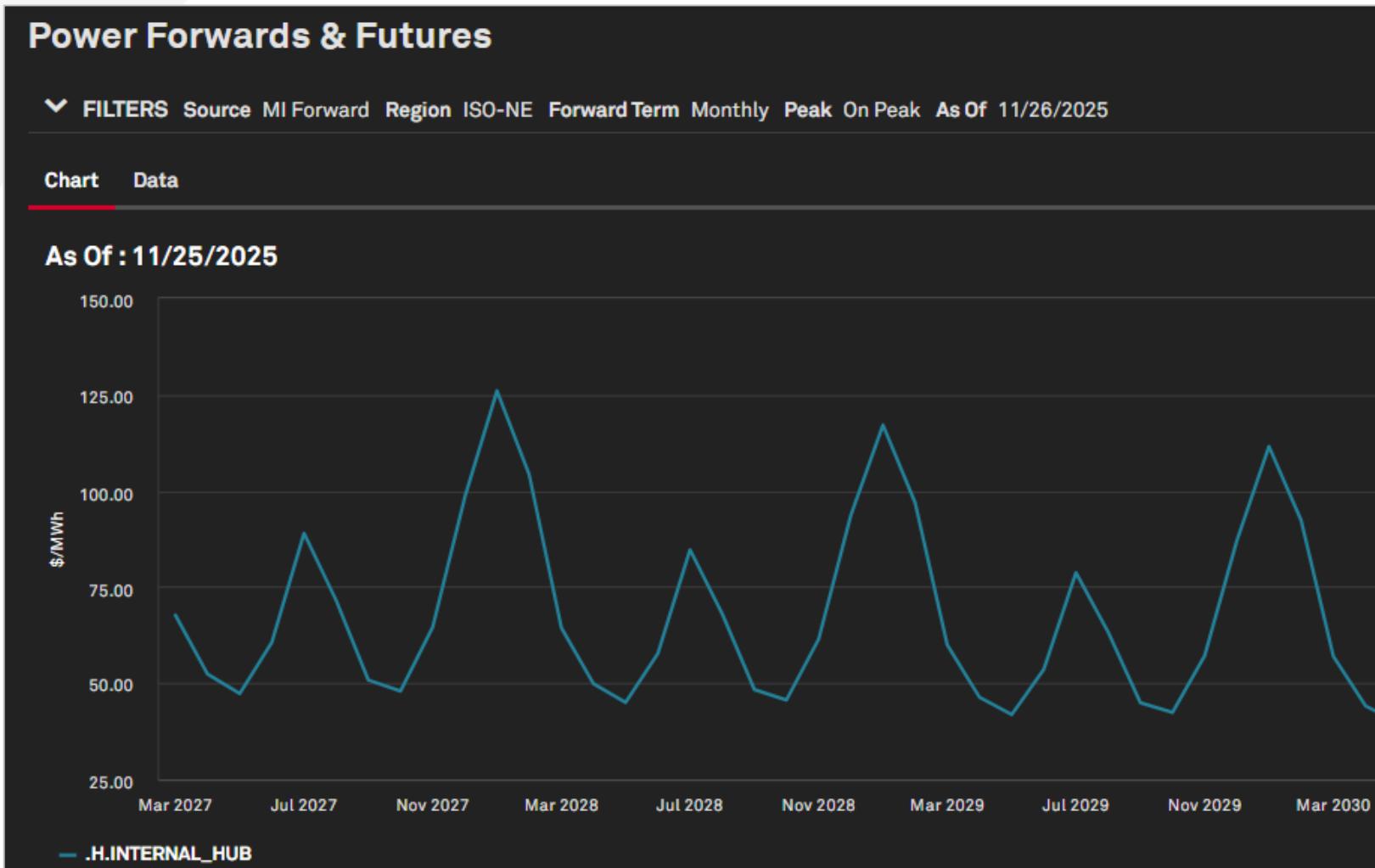
# Polling question #1





# ▲ Energy

# Market reference point to correlate information

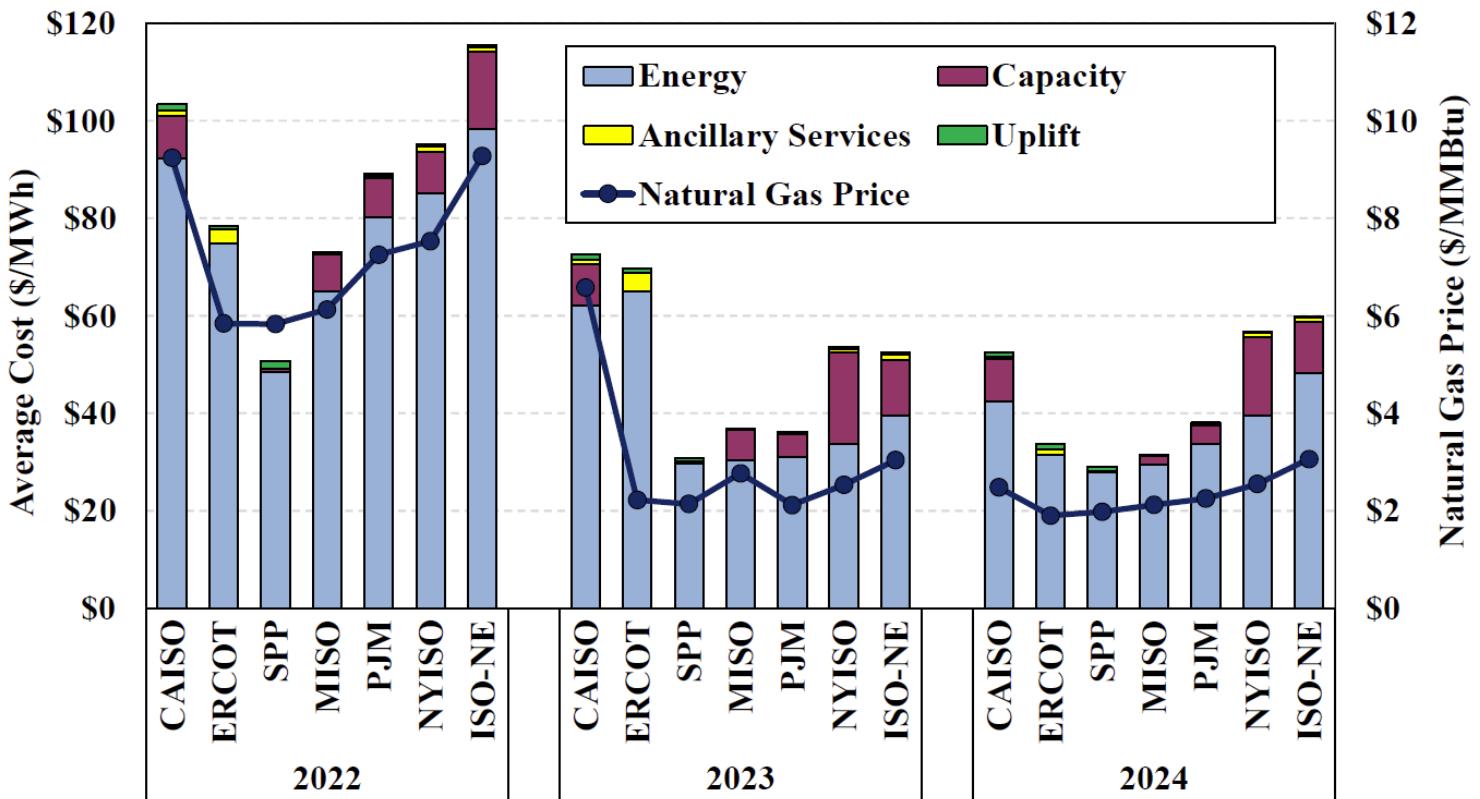


## All-in Prices in RTO Markets

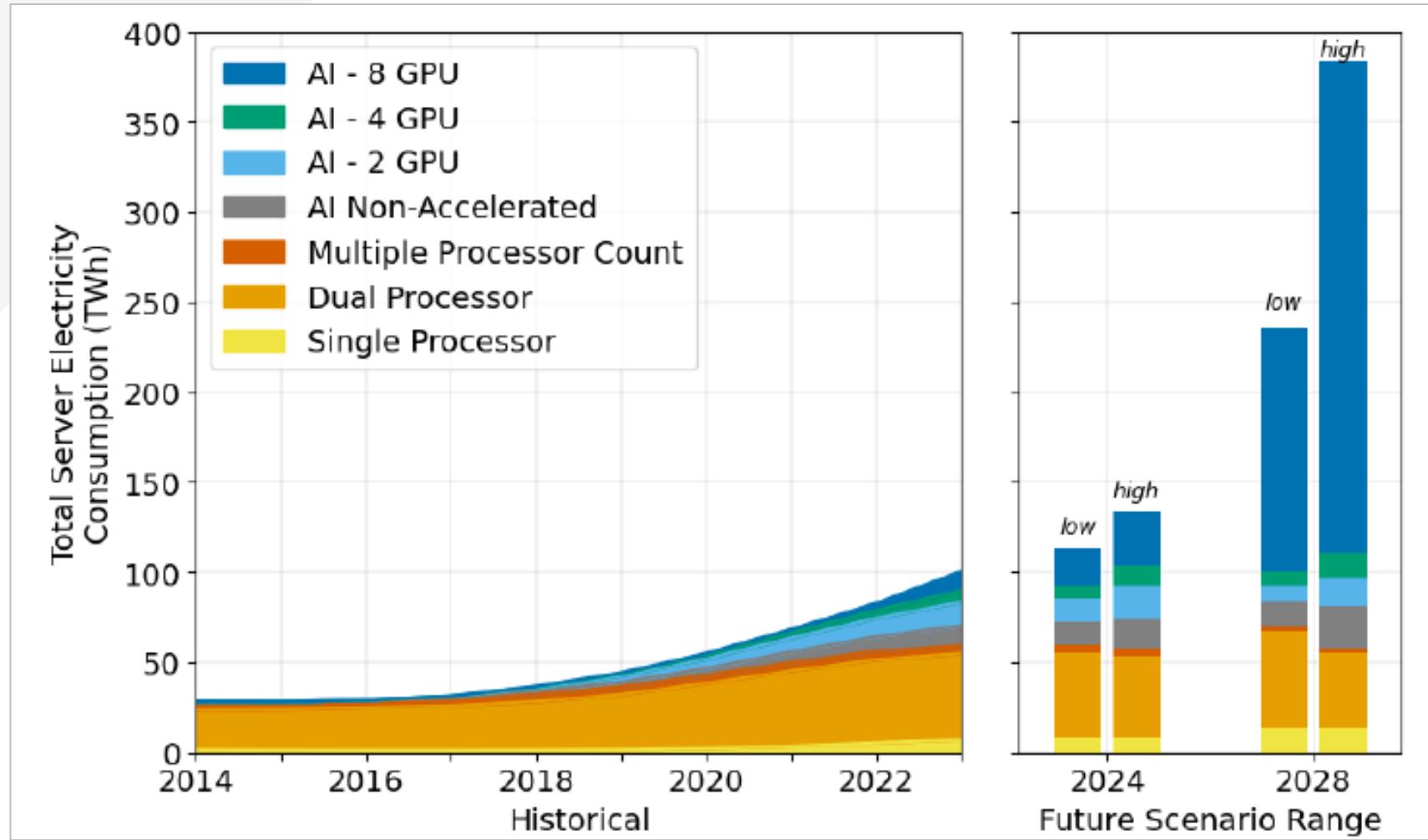
See Section I.A

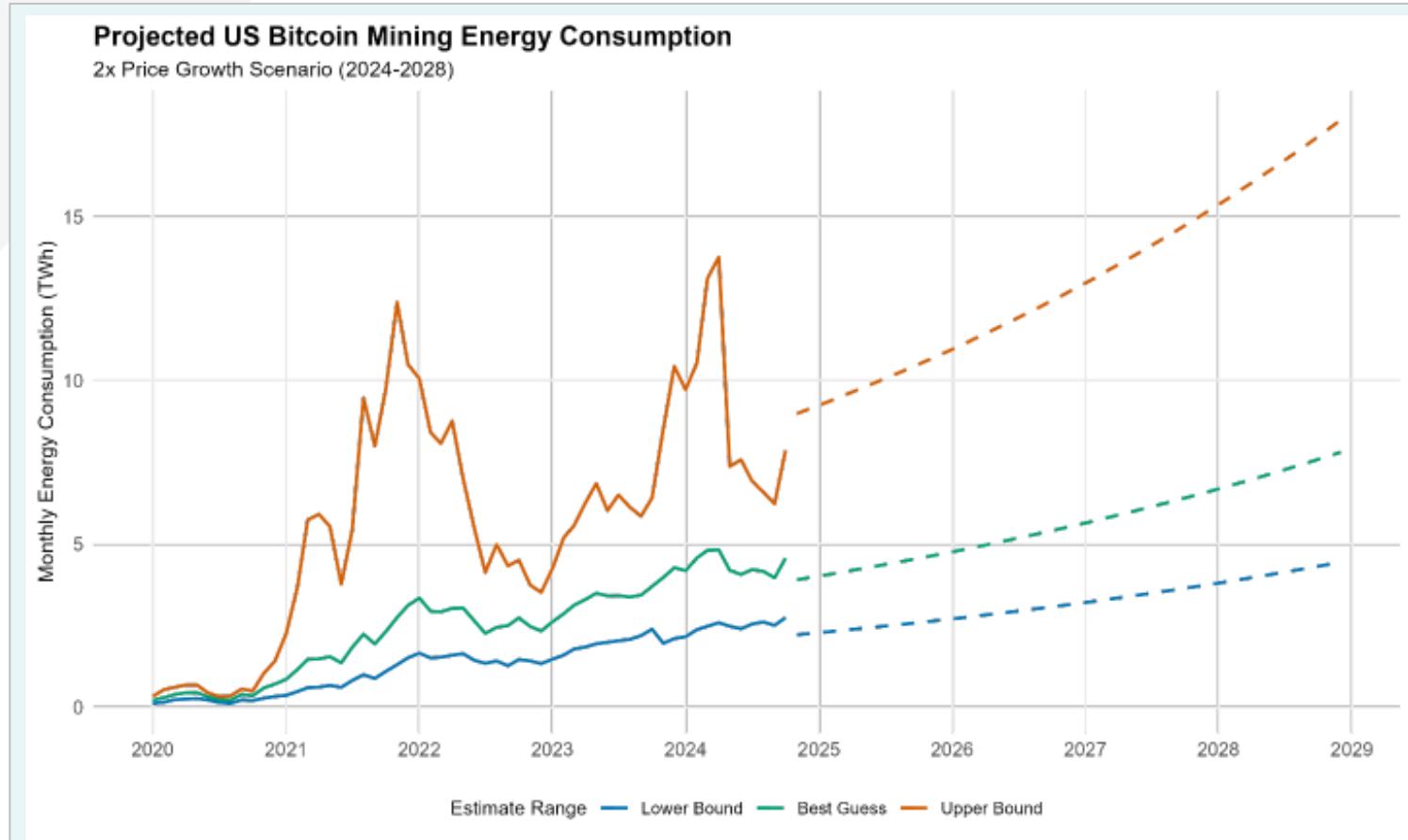
POTOMAC  
ECONOMICS

NEPOOL PARTICIPANTS COMMITTEE  
JUNE 24-26, 2025 SUMMER MEETING, AGENDA ITEM #11



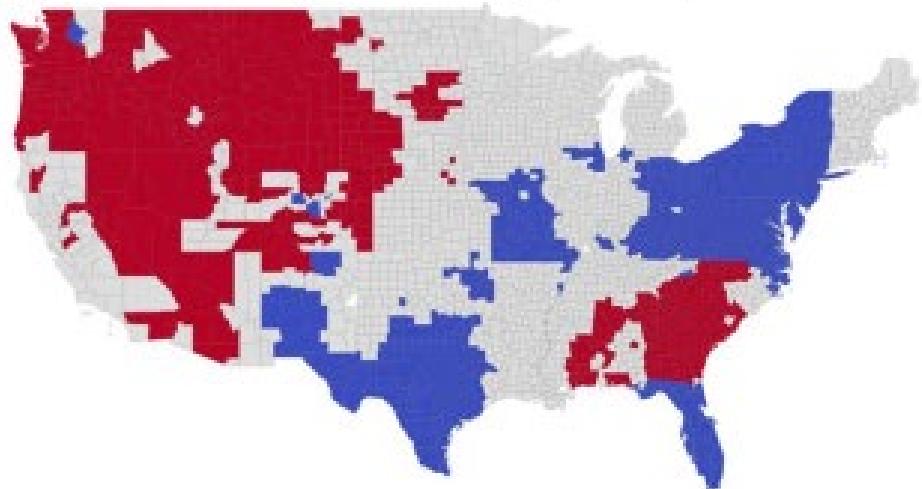
<https://www.iso-ne.com/>



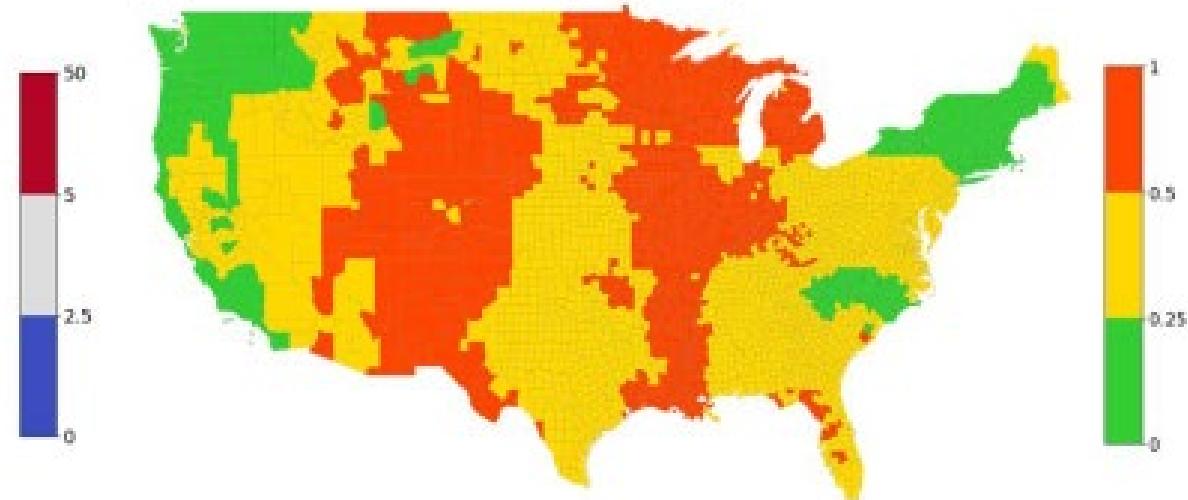


**Figure 6.3. Projected U.S. Bitcoin mining energy consumption under a moderate price growth scenario (2024–2028).**

(A) Water consumption intensity (L/kWh)



(B) GHG emission intensity (kg/kWh)



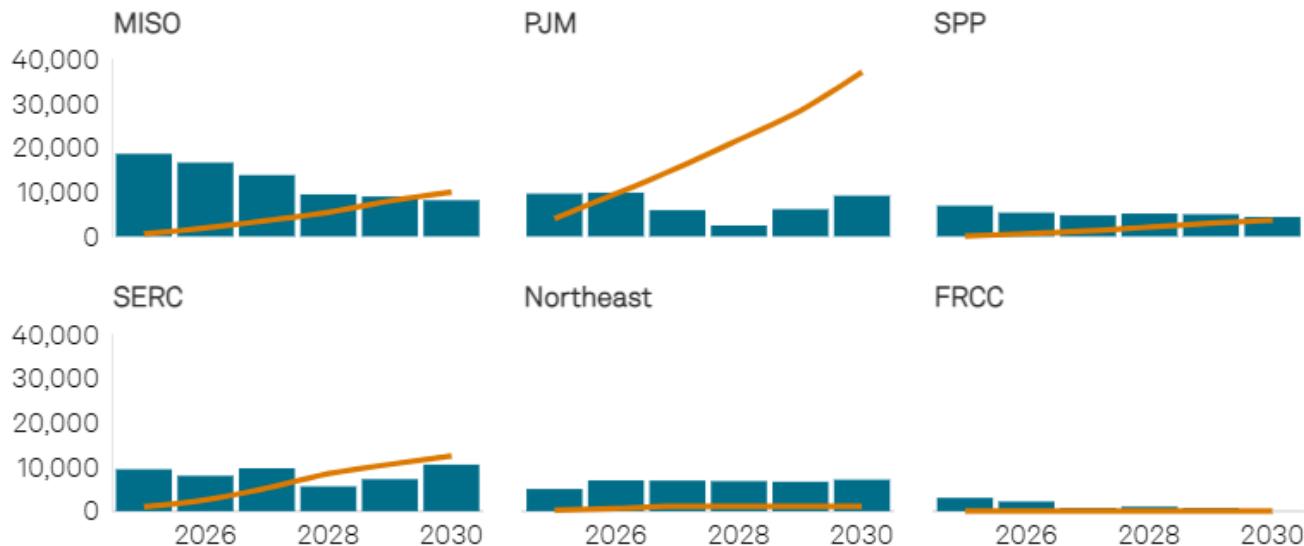
**Figure 5.10. Water consumption and GHG emission intensity factors of electricity use by county.**

## Surplus capacity in the US does not align with expected data center growth, particularly in the late 2020s (MW)

👉 To switch between regions, please click the buttons below

All US East US West

Orange line: New data center demand plus reserves  
Blue bars: Spare capacity (grid-connected), excluding data center demand



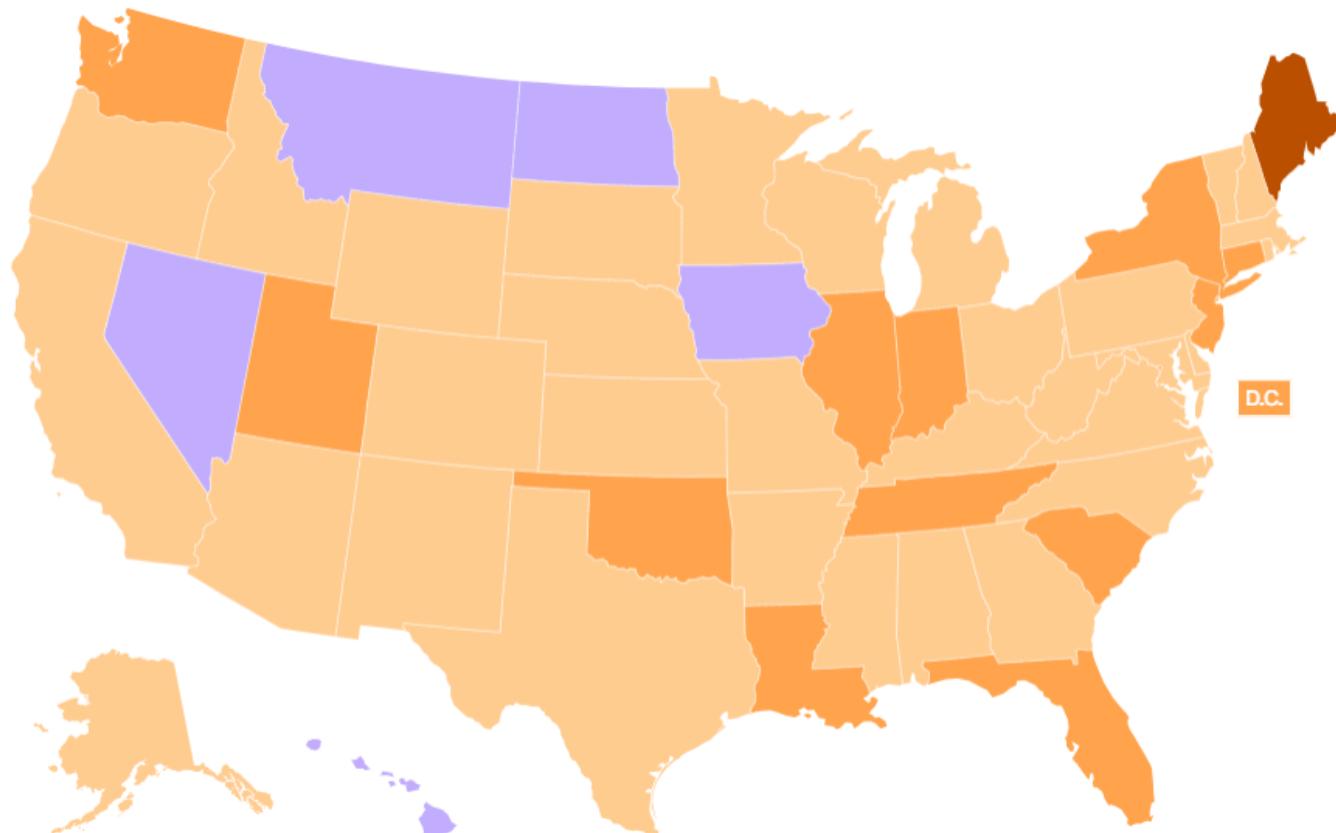
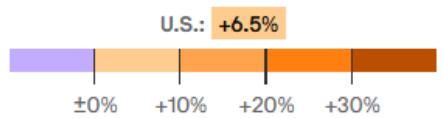
As of Sept. 29, 2025.

Note: "New data center demand" reflects the 451 Research outlook for data center demand in MW. "Northeast" includes ISO New England and NYISO. Spare capacity (grid-connected) reflects expectations from S&P Global's latest North American Power Market outlook (May 2025 Integrated House View).

Source: S&P Global Energy and 451 Research.



## Change in average residential electricity prices from May 2024 to May 2025



Data: U.S. Energy Information Administration; Map: Alex Fitzpatrick/Axios

## Polling question #2





# ▲ Housing

## ☆ 30-Year Fixed Rate Mortgage Average in the United States (MORTGAGE30US)

### Observations ▾

2025-11-26: 6.23

Updated: Nov 26, 2025 11:02 AM CST

Next Release Date: Dec 4, 2025

### Units:

Percent,  
Not Seasonally Adjusted

### Frequency:

Weekly,  
Ending Thursday

1Y

5Y

10Y

Max

Edit Graph ↗

Download ↴

**FRED**  — 30-Year Fixed Rate Mortgage Average in the United States



Source: Freddie Mac via FRED®

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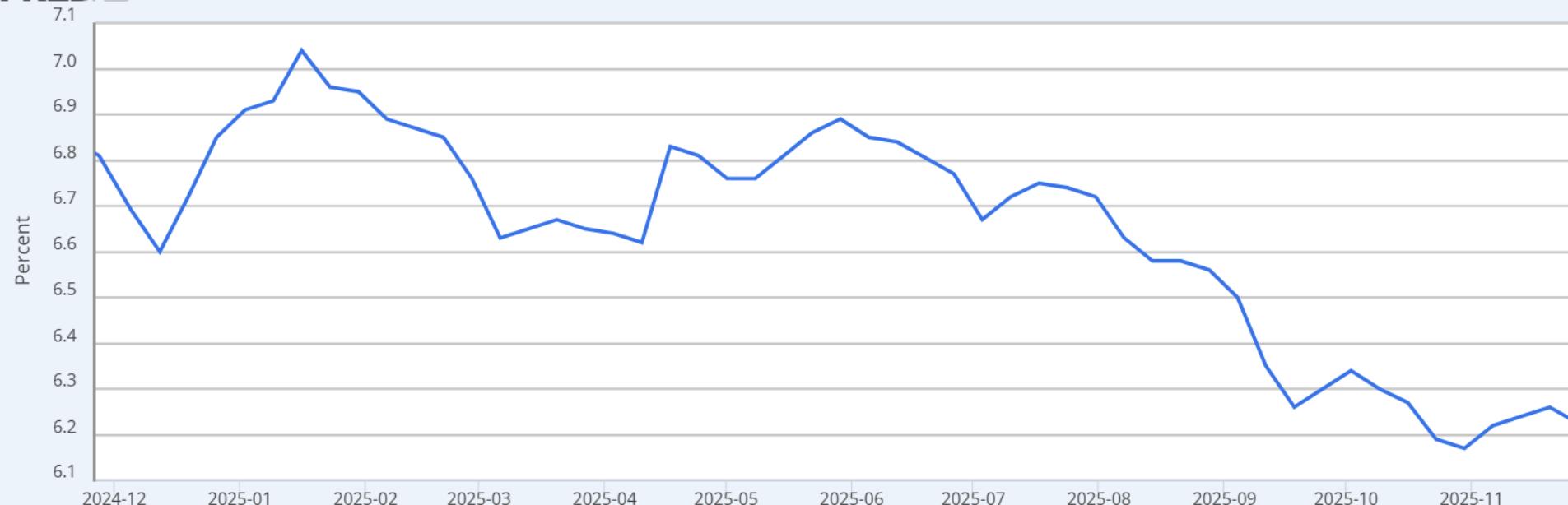
10Y

Max

Edit Graph

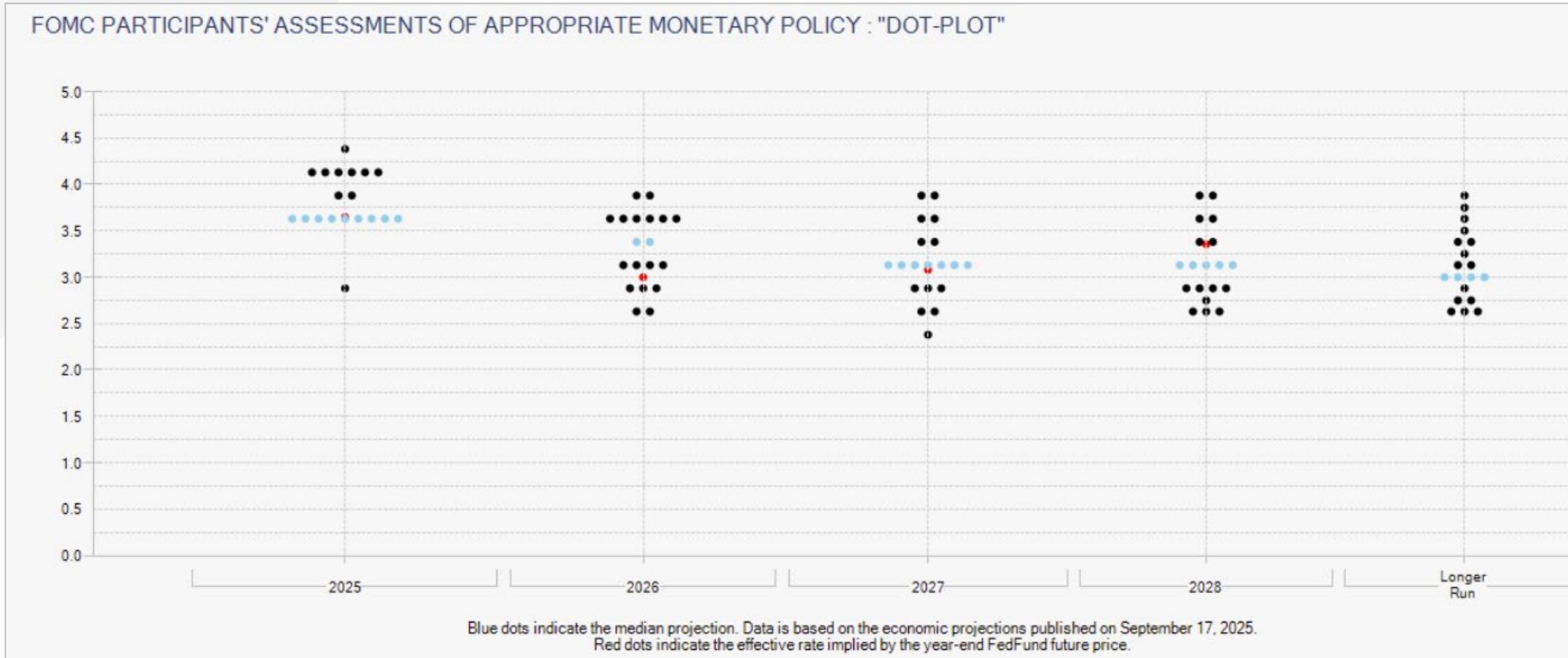
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**FRED**  30-Year Fixed Rate Mortgage Average in the United States



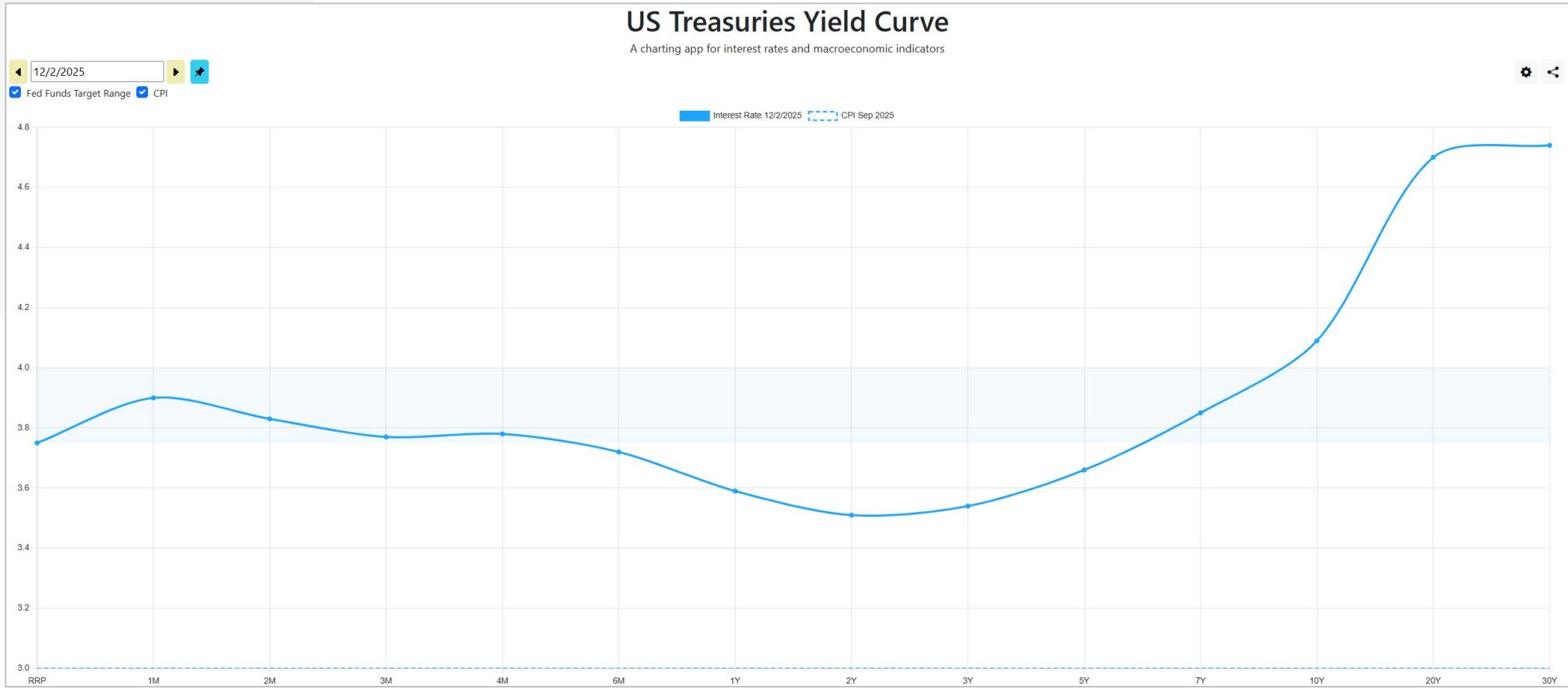
Source: Freddie Mac via FRED®

# Rate watch



FedWatch - CME Group

# Rate watch



FedWatch - CME Group

## ★ New Privately-Owned Housing Units Started: Total Units (HOUST)

### Observations ▾

Aug 2025: 1,307

Updated: Sep 17, 2025 7:32 AM CDT

Next Release Date: Dec 16, 2025

### Units:

Thousands of Units,

Seasonally Adjusted Annual Rate

### Frequency:

Monthly

1Y

5Y

10Y

Max

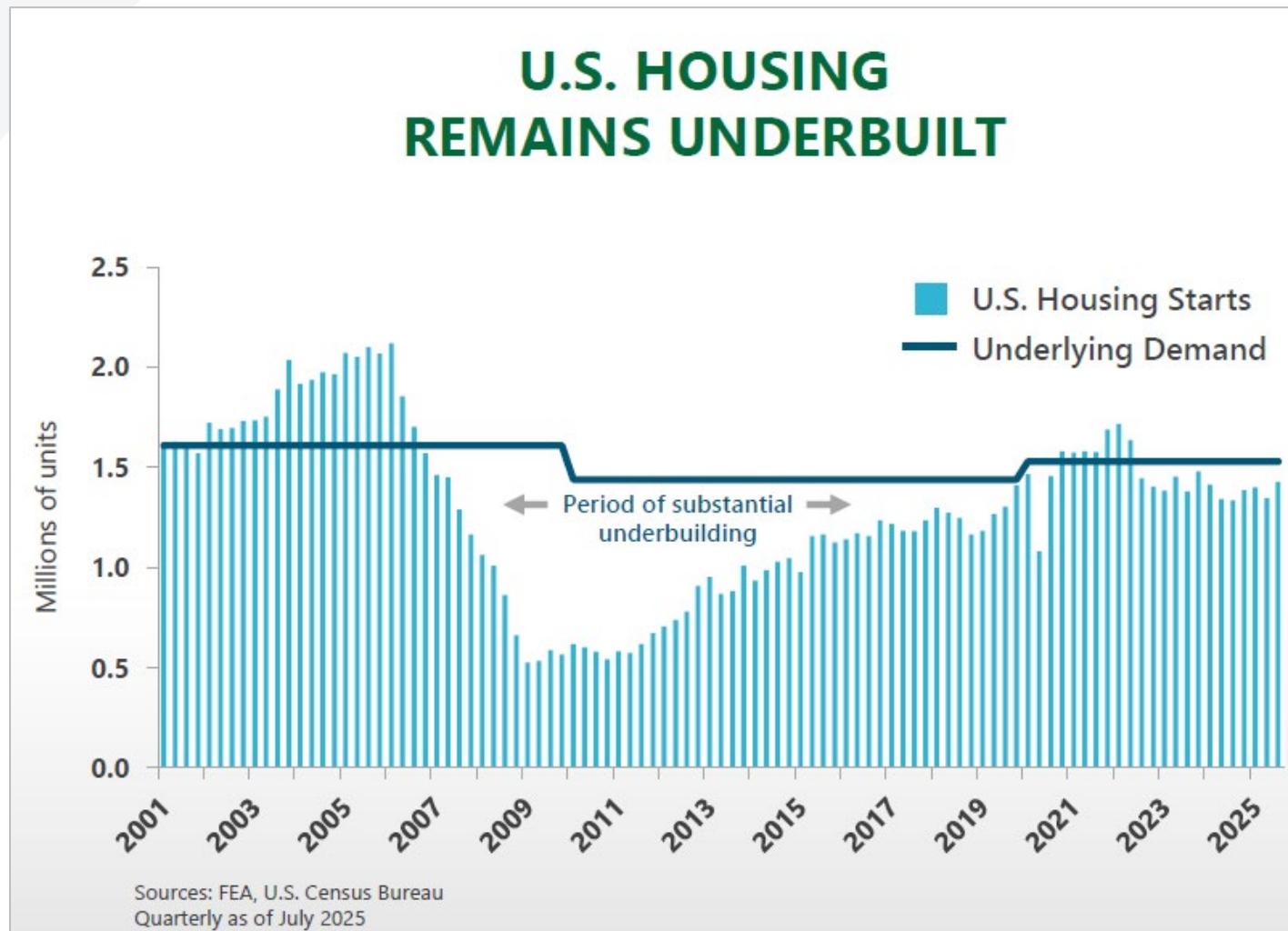
Edit Graph

Download

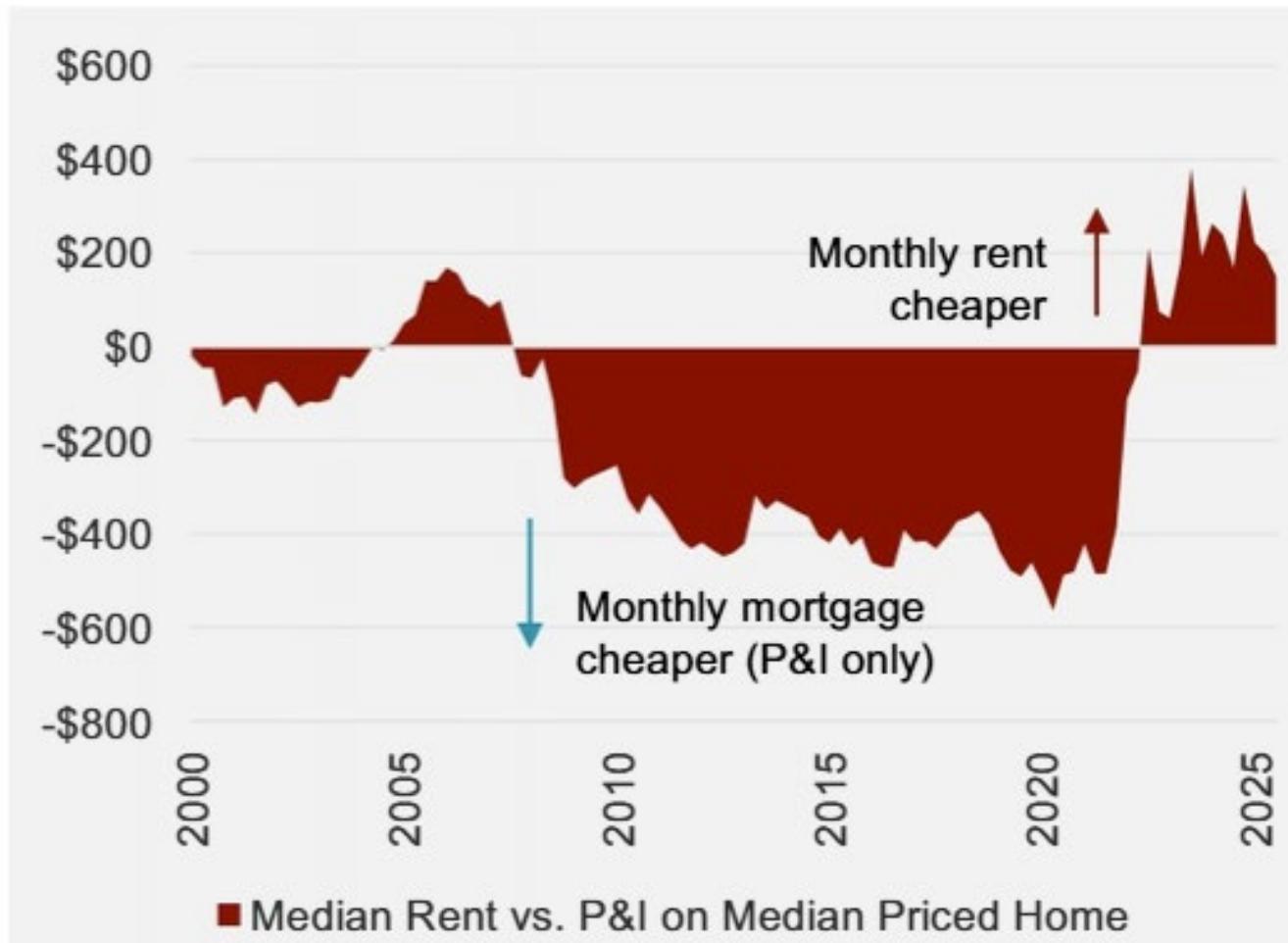


Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development via FRED®

# Market reference point to correlate information

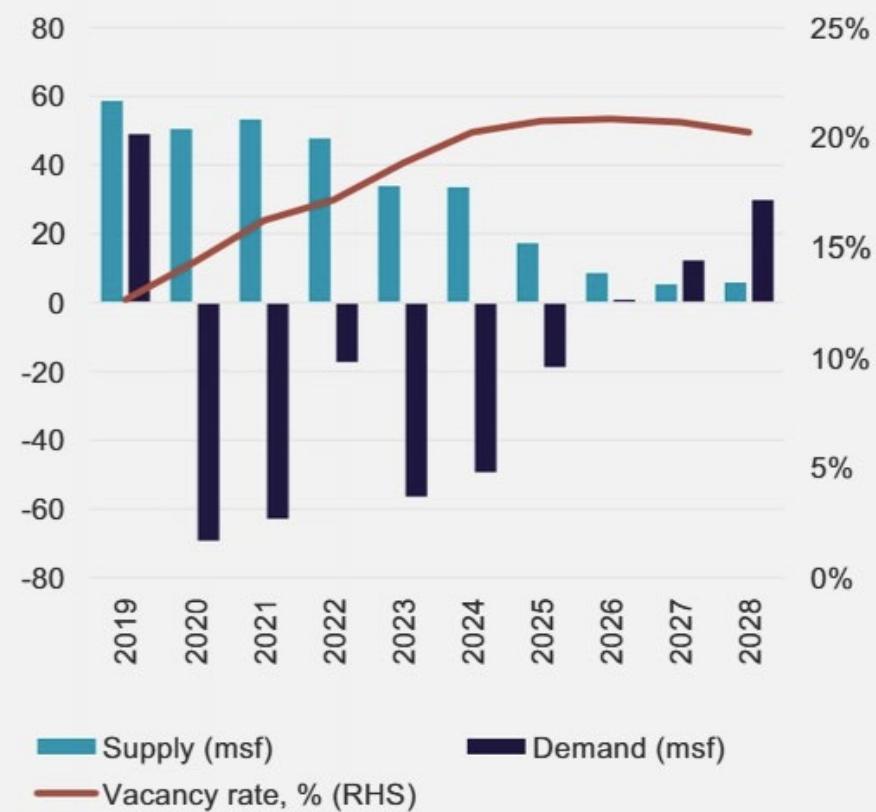


## Housing Economics Favor Renting



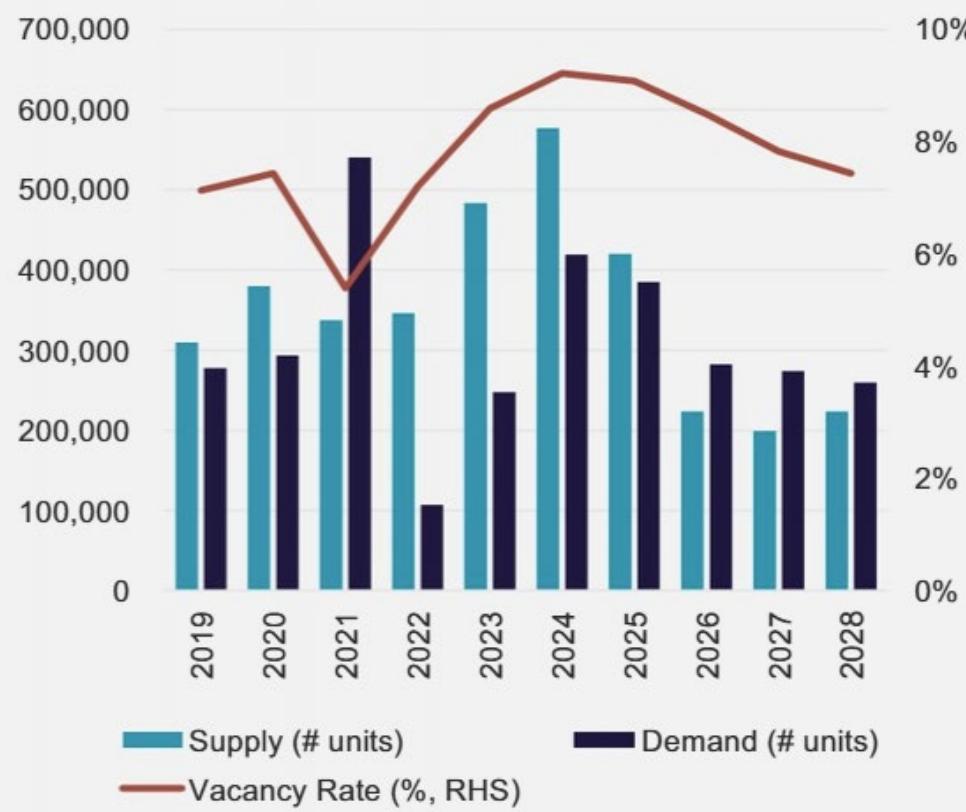
Source: NAR, Freddie Mac, Cushman & Wakefield Research

### Cushman & Wakefield Baseline Forecast - Office



Source: Cushman & Wakefield Research

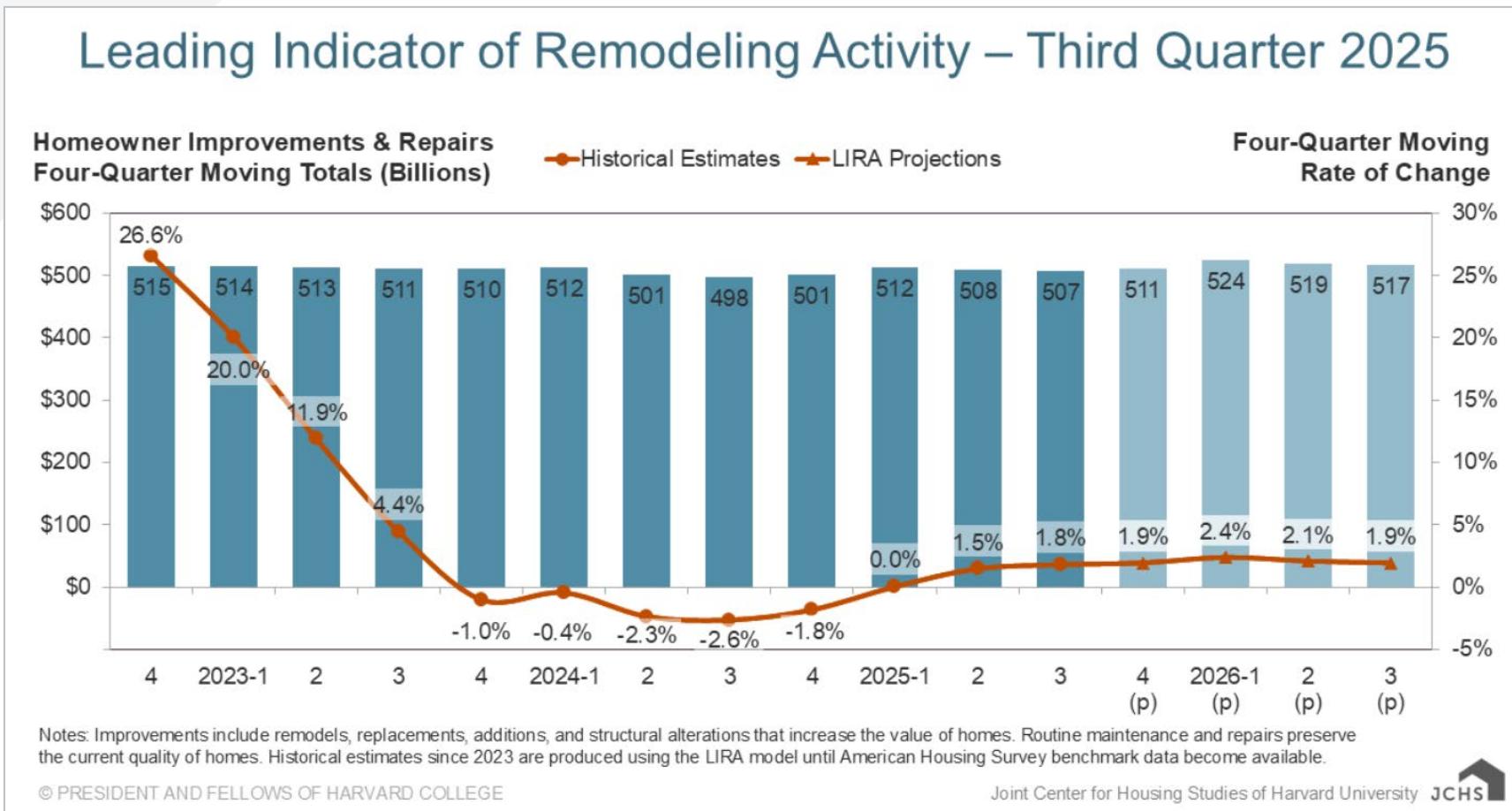
### Cushman & Wakefield Baseline Forecast - Multifamily



Source: Costar, Cushman & Wakefield Research



# Market reference point to correlate information

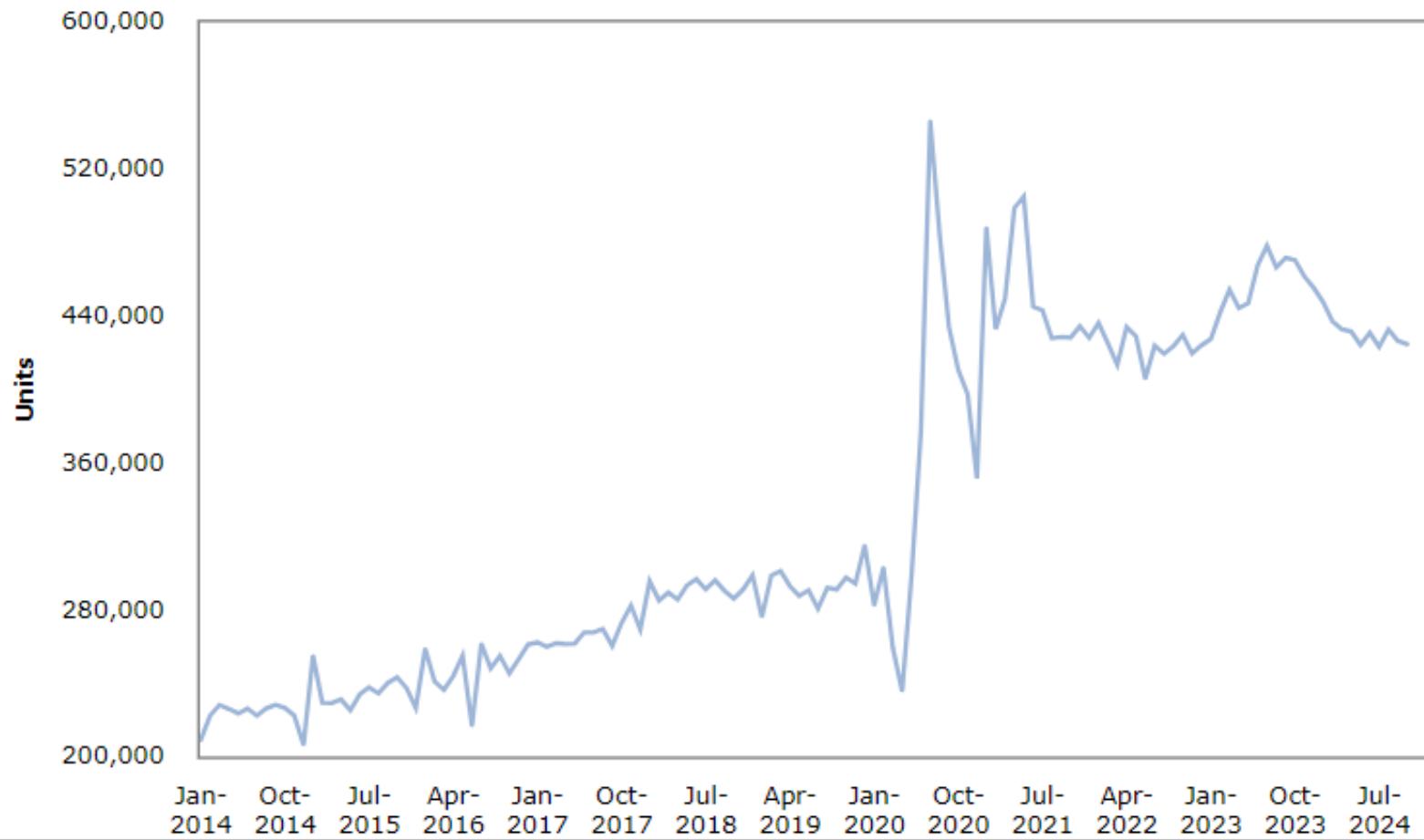




# ► Select business statistics

Source: Business Formation Statistics  
Total for All NAICS: U.S. Total  
Jan-2014 to Dec-2024

**Seasonally Adjusted Business Applications**



## Polling question #3





## ▲ Economic statistics

## Cushman & Wakefield Baseline Outlook\* (50% Probability)

U.S. Economy	Office Sector	Industrial Sector	Retail Sector		Multifamily Sector				
			2021	2022	2023	2024	2025	2026	2027
<b>U.S. Economy</b>									
Real GDP (annual avg, YOY %)			6.1%	2.5%	2.9%	2.8%	1.9%	1.7%	1.8%
Nonfarm Employment (year-end diff, ths.)			6,605	4,968	2,551	1,936	997	-63	715
Office-using Employment (year-end diff, ths.)			1,858	1,148	-213	-102	73	192	434
Unemployment Rate (year-end, %)			4.2	3.6	3.8	4.1	4.4	4.9	4.6
Retail & Food Services Sales (annual avg, YOY %)			18.1	9.1	3.5	2.6	3.8	3.2	3.7
CPI Inflation (annual avg, YOY %)			4.7	8.0	4.1	3.0	2.8	3.3	2.7
Federal Funds Rate (year-end, %)			0.1	3.6	5.3	4.7	3.8	3.1	3.1
10-Year Treasury Rate (year-end, %)			1.5	3.8	4.4	4.3	4.1	4.3	4.4
BAA Corporate Bond (year-end, %)			2.4	5.6	6.0	5.2	5.2	5.9	5.9
West Texas Intermediate (year-end, \$/bbl)			\$77.3	\$82.7	\$78.5	\$70.8	\$64.7	\$62.1	\$63.9
Effective Tariff Rate (year-end, %)			3.1	3.1	2.6	2.5	12.1	11.7	10.8

\*The probability can be interpreted as the economy having a 50% chance of performing as well as or better than this scenario, and a 50% chance of performing worse.

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve, U.S. Census Bureau, Moody's Investor Services, U.S. Energy Information Administration, CoStar, NCREIF, Cushman & Wakefield Research

UNITED STATES OUTLOOK 2026

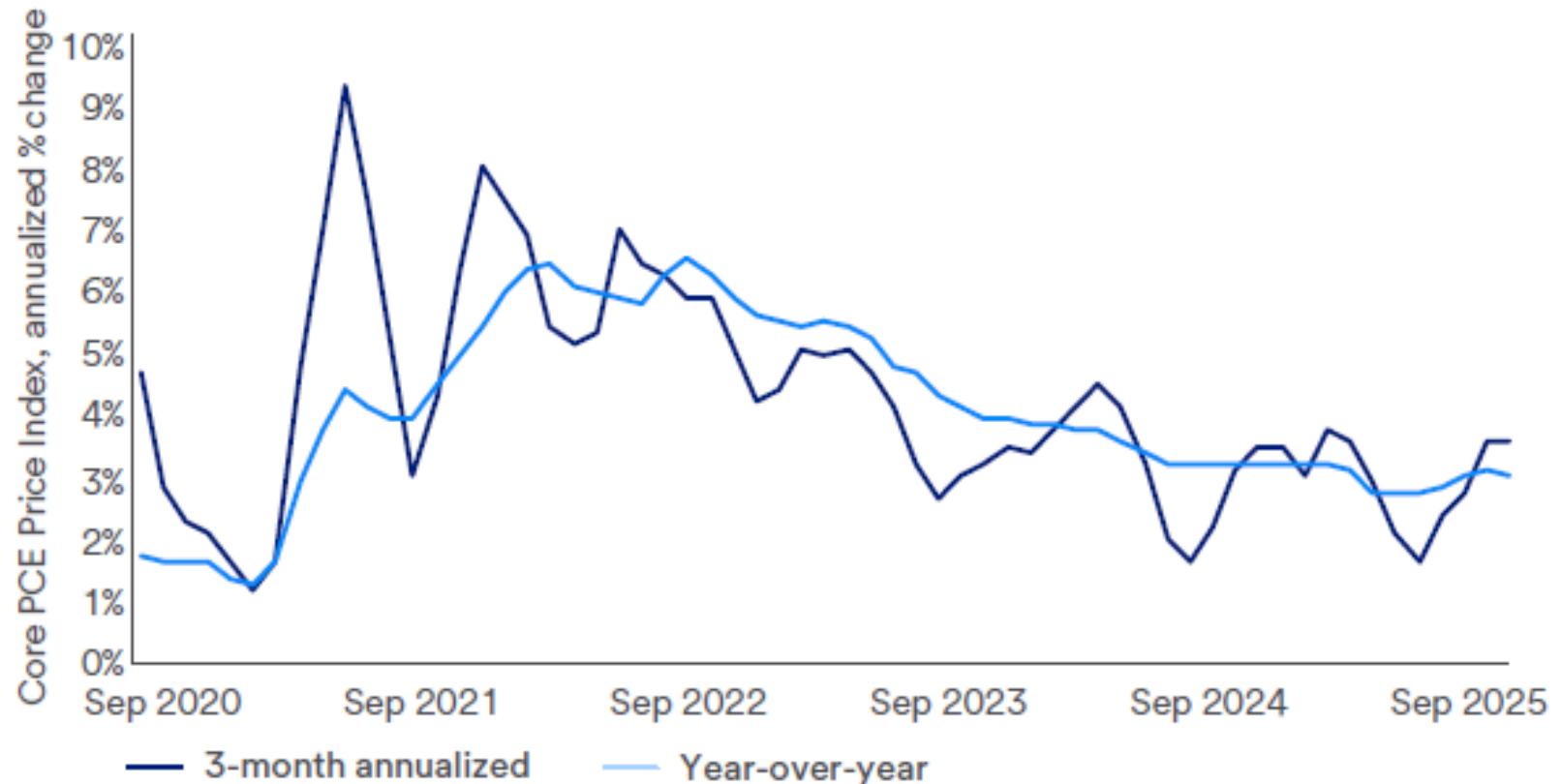
31



United States Outlook 2026

35

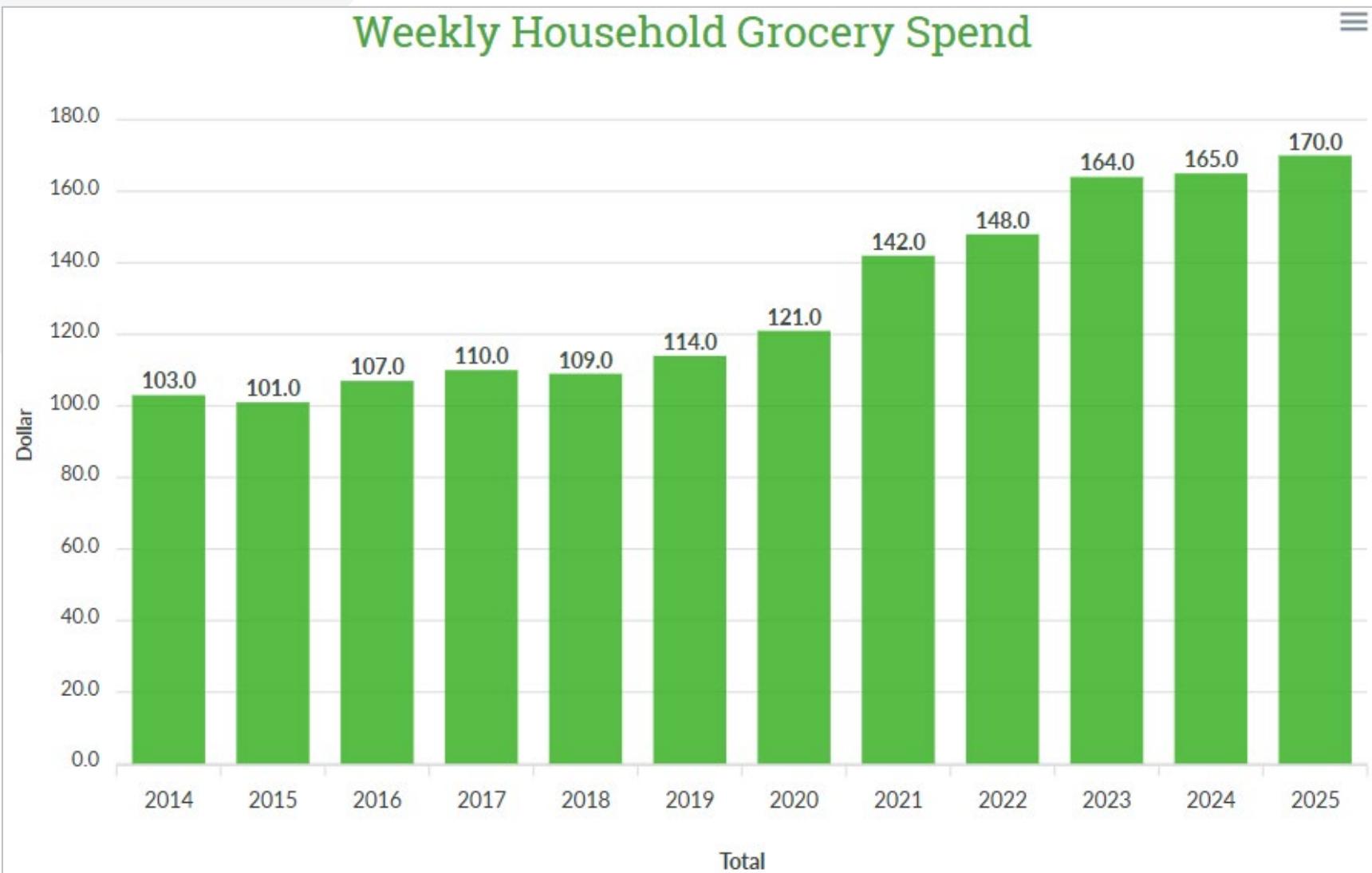
## U.S. Inflation



Source: U.S. Bank Economics; Bloomberg; U.S. Bureau of Labor Statistics (BLS)

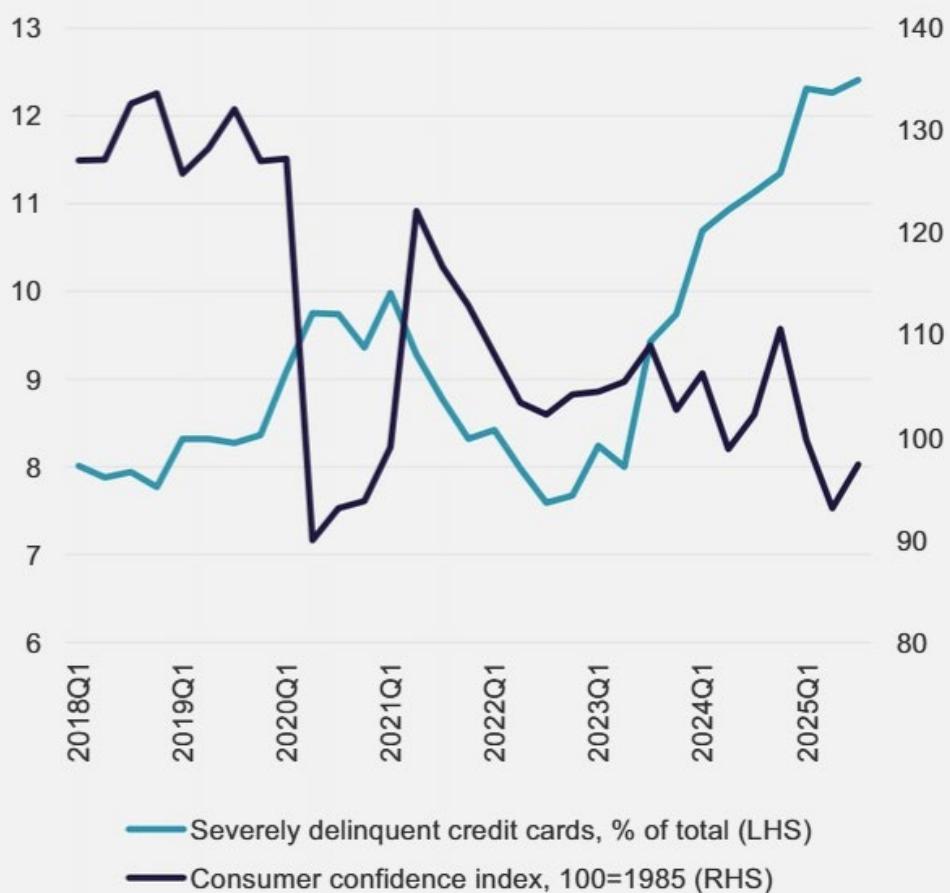


## Weekly Household Grocery Spend



<https://www.fmi.org/our-research/research-reports/u-s-grocery-shopper-trends>

### Confidence Rattled as Credit Quality Dwindles



Source: Conference Board, Federal Reserve Board of Governors, Moody's Analytics





# ▲ Labor

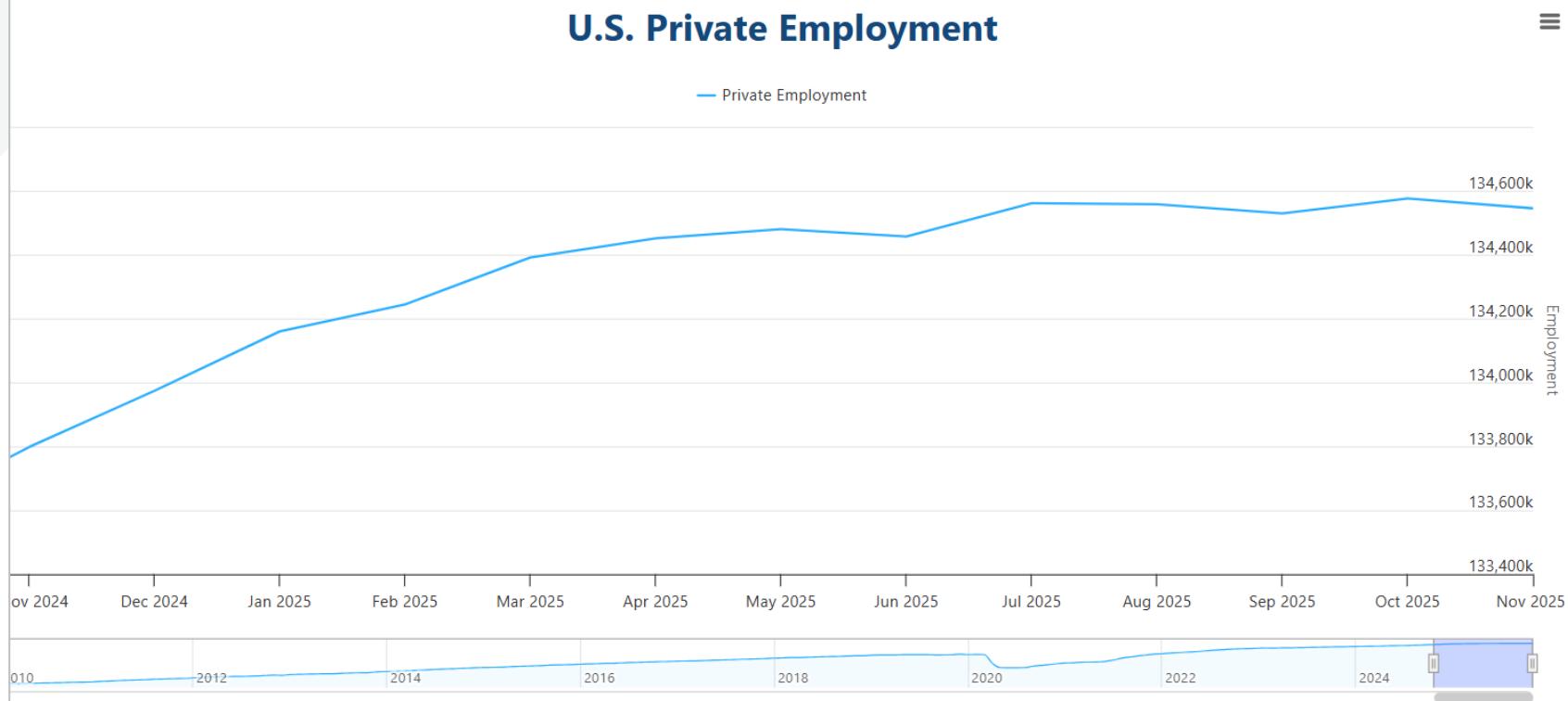
# Change in U.S. Private Employment

National

Industry

Establishment Size

Region



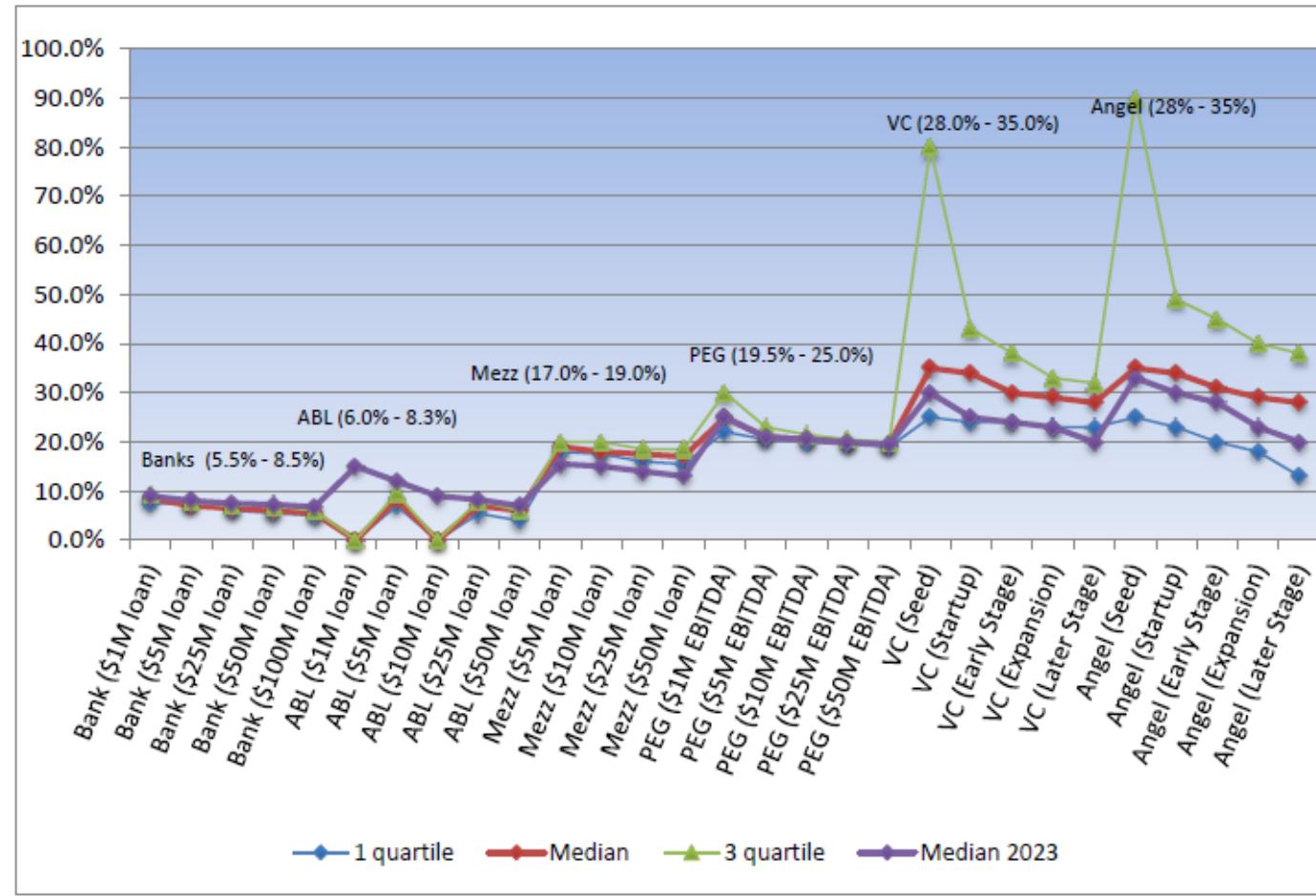
**ADP Research**

Source: ADP Research



# Capital

**Figure 1. Private Capital Market Required Rates of Return**



# PE key metrics

1

## NPV

Net Present Value

Financial measurement to calculate value creation.  
“Discounted time value of money”

2

## IRR

Internal Rate of Return

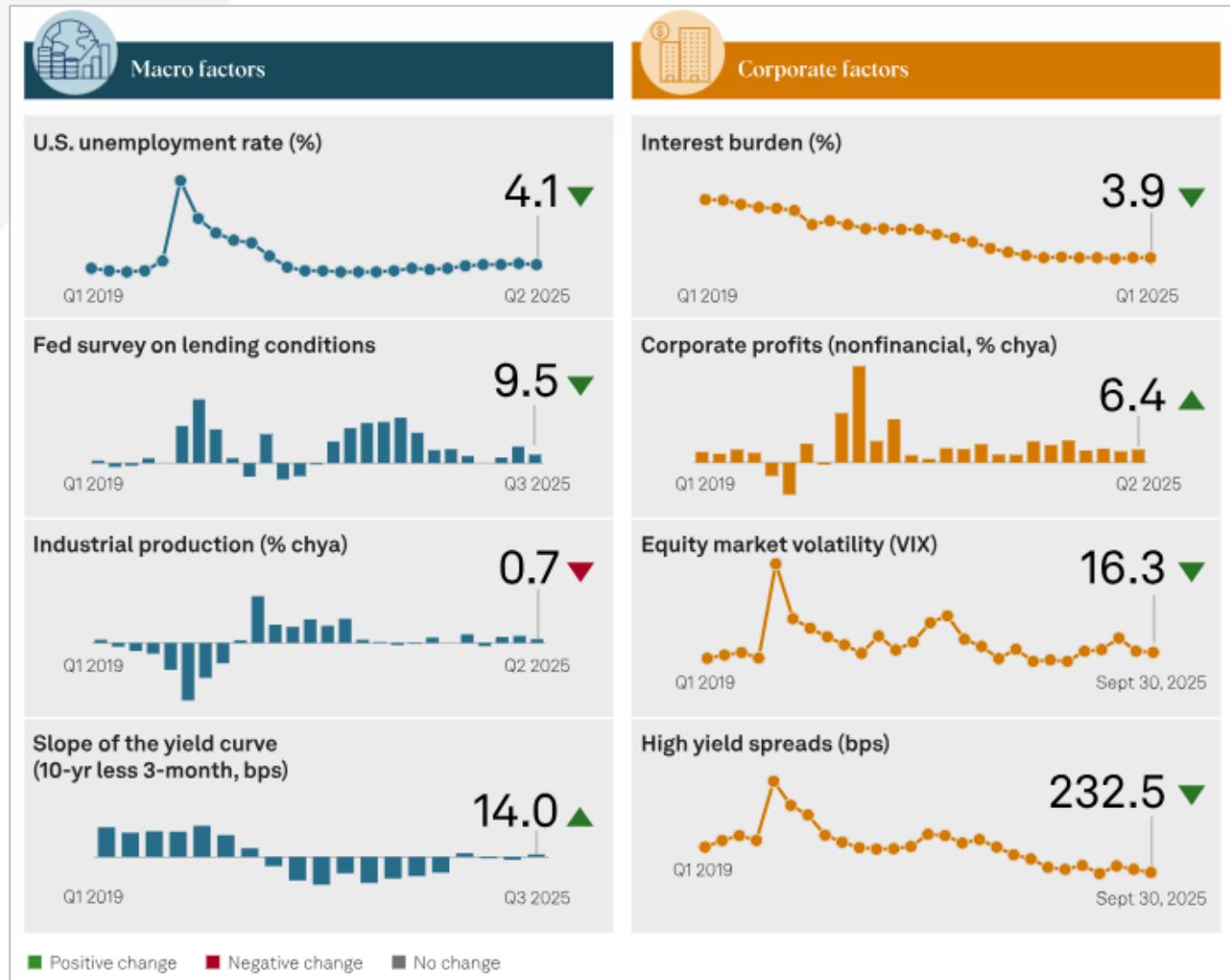
Financial metric to measure comparative cashflow over a period of time

3

## MOIC

Multiple on Invested Capital

Ratio of money received at exit, plus dividends, divided by money invested



# Debt sizing

<i>Senior Debt/EBITDA</i>								
TEV	2003-2020	2021	2022	2023	2024	YTD 2025	Total	N =
10-25	2.5	3.4	2.9	2.9	3.5	3.1	2.7	1328
25-50	2.6	3.0	3.1	2.7	2.5	3.4	2.7	1233
50-100	3.0	3.1	3.4	2.7	3.1	2.6	3.0	896
100-250	3.4	3.9	3.4	3.3	3.5	3.3	3.4	490
250-500	3.7	5.1	4.1	3.7	4.0	3.2	4.0	73
<b>Total</b>	<b>2.8</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	
N =	2921	337	226	201	236	101		4020

Please note that N for 2003-2020 encompasses 18 years of activity.  
Source: GF Data®, an ACG® Company

**INVESTMENT GRADE****AAA**

Extremely strong capacity to meet financial commitments

**AA**

Very strong capacity to meet financial commitments

**A**

Strong capacity to meet financial commitments, but somewhat susceptible to economic conditions and changes in circumstances

**BBB**

Adequate capacity to meet financial commitments, but more subject to adverse economic conditions

**SPECULATIVE GRADE****BB**

Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions

**B**

More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments

**CCC**

Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments

**CC**

Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty

**C**

Currently highly vulnerable to non-payment, and ultimate recovery is expected to be lower than that of higher rated obligations

**D**

Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed



## Polling question #4





## Closeout

- ▲ We've compiled insights from leading economists, well respected, trusted, vetted sources... (and then deleted the parts we didn't like...in the hopes you'd keep listening for more good news)
- ▲ And if nothing else: remember, there's nothing "artificial" about this business intelligence!
- ▲ **We hope you have a great 2026!**

# Questions?



## ELEVATE

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