



**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

		BUYOUTS ONLY							
TEV	ALL	Buyouts Only	Platforms	Add-Ons	Indiv/Family Seller	PEG/Corp Seller	Above Average	Post-Closing Mgt.	ALL THREE*
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.

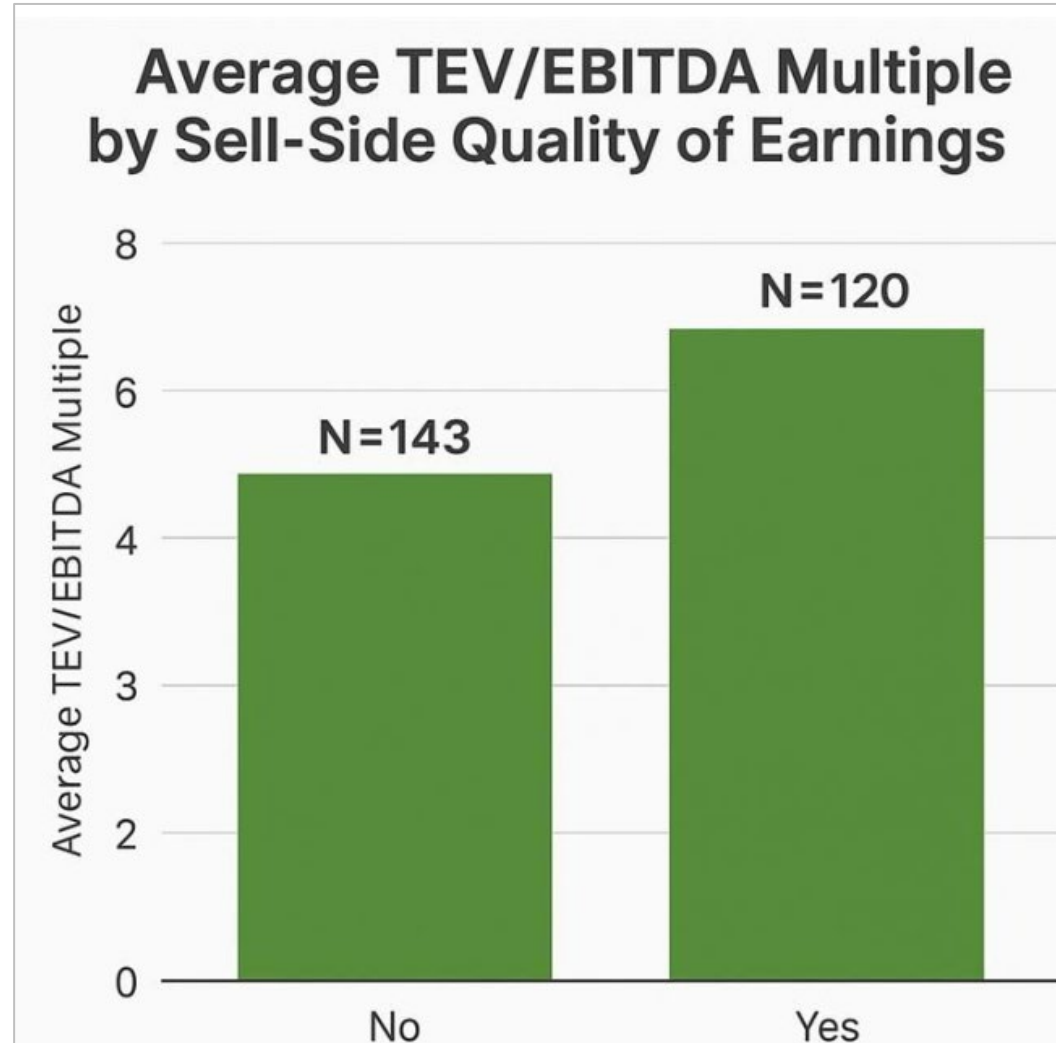


SOURCE: GF DATA® an ACG Company

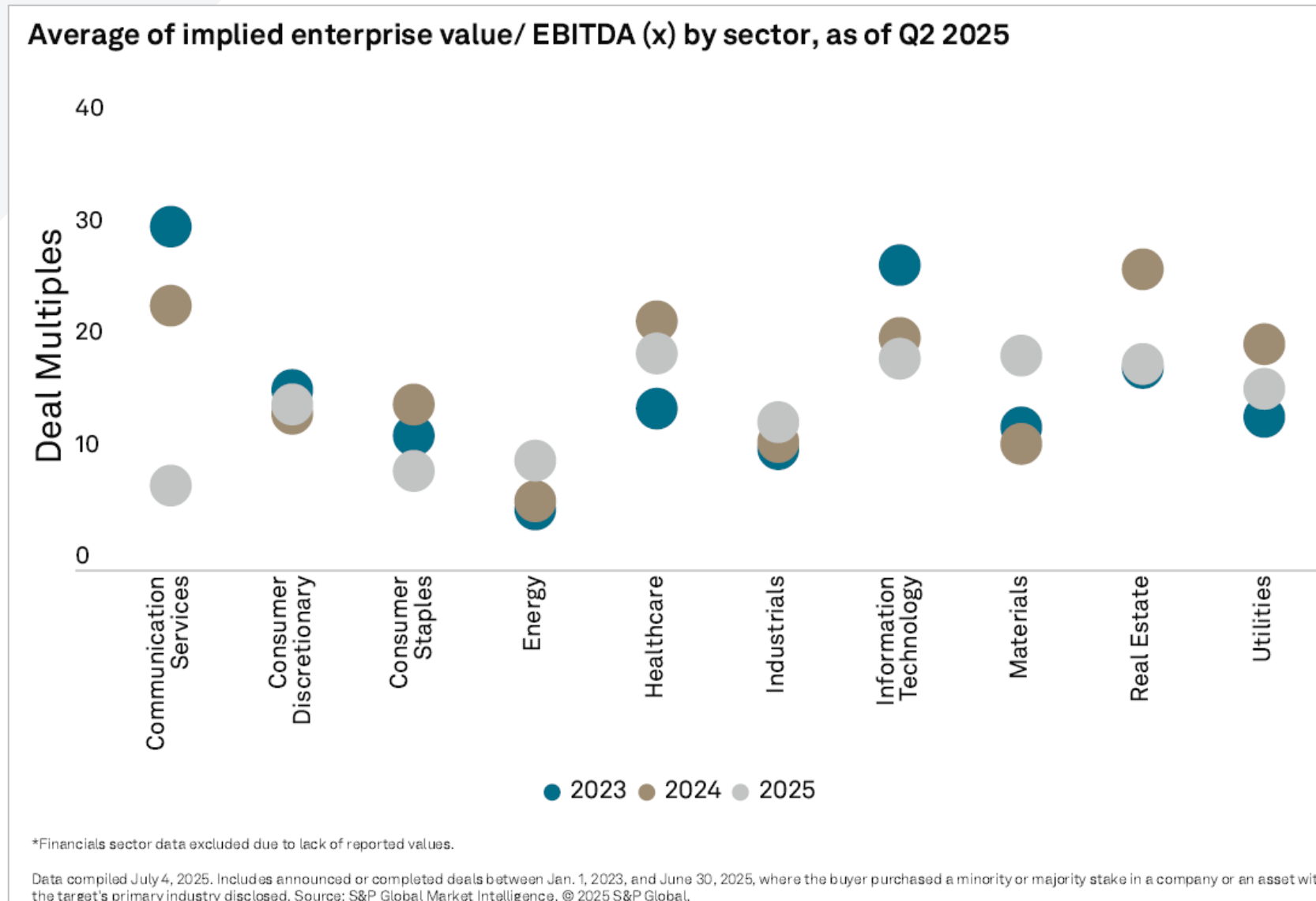


# Quality of earnings lift

GF data study



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



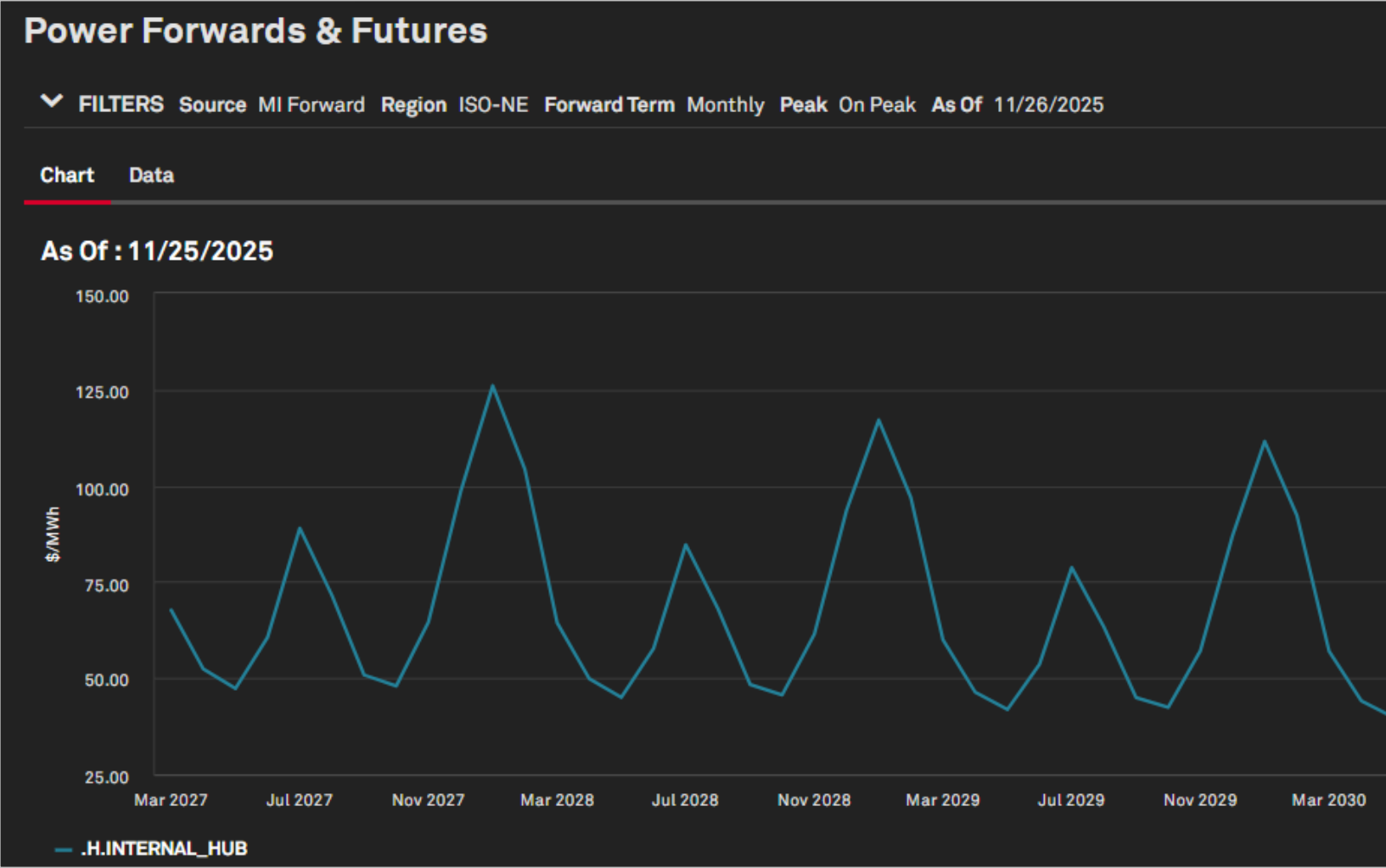
# Polling question #1





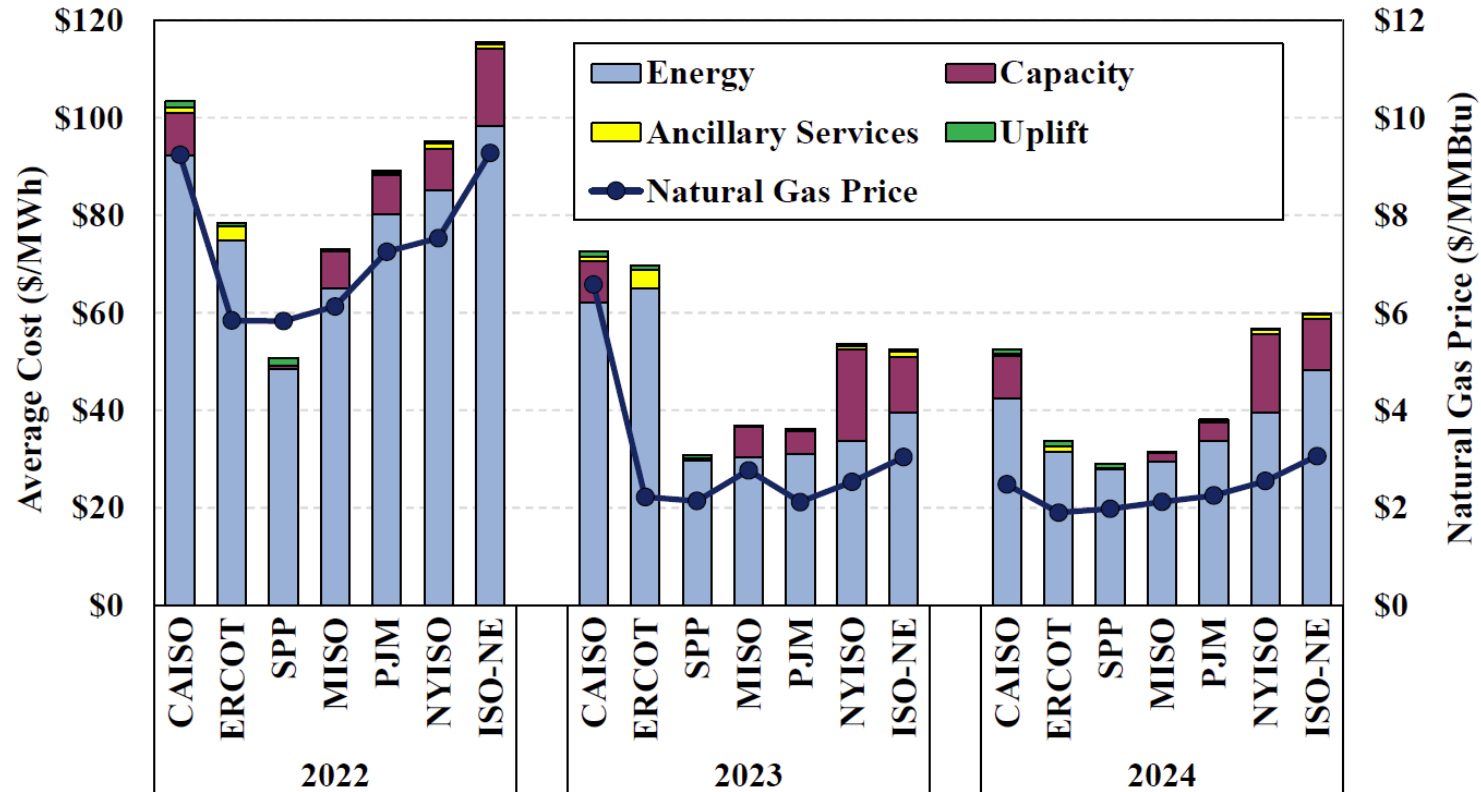
# Energy

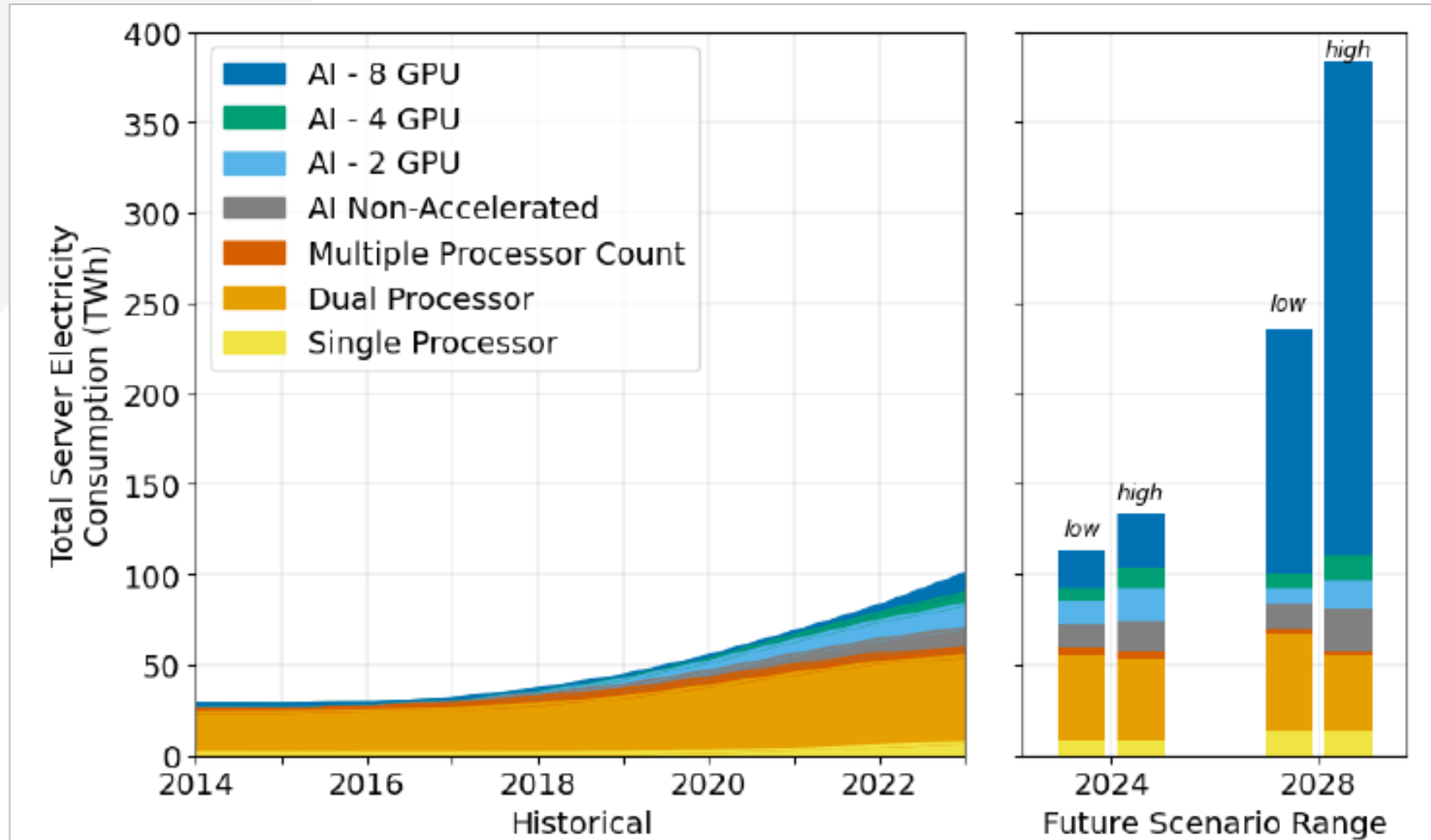
# Market reference point to correlate information



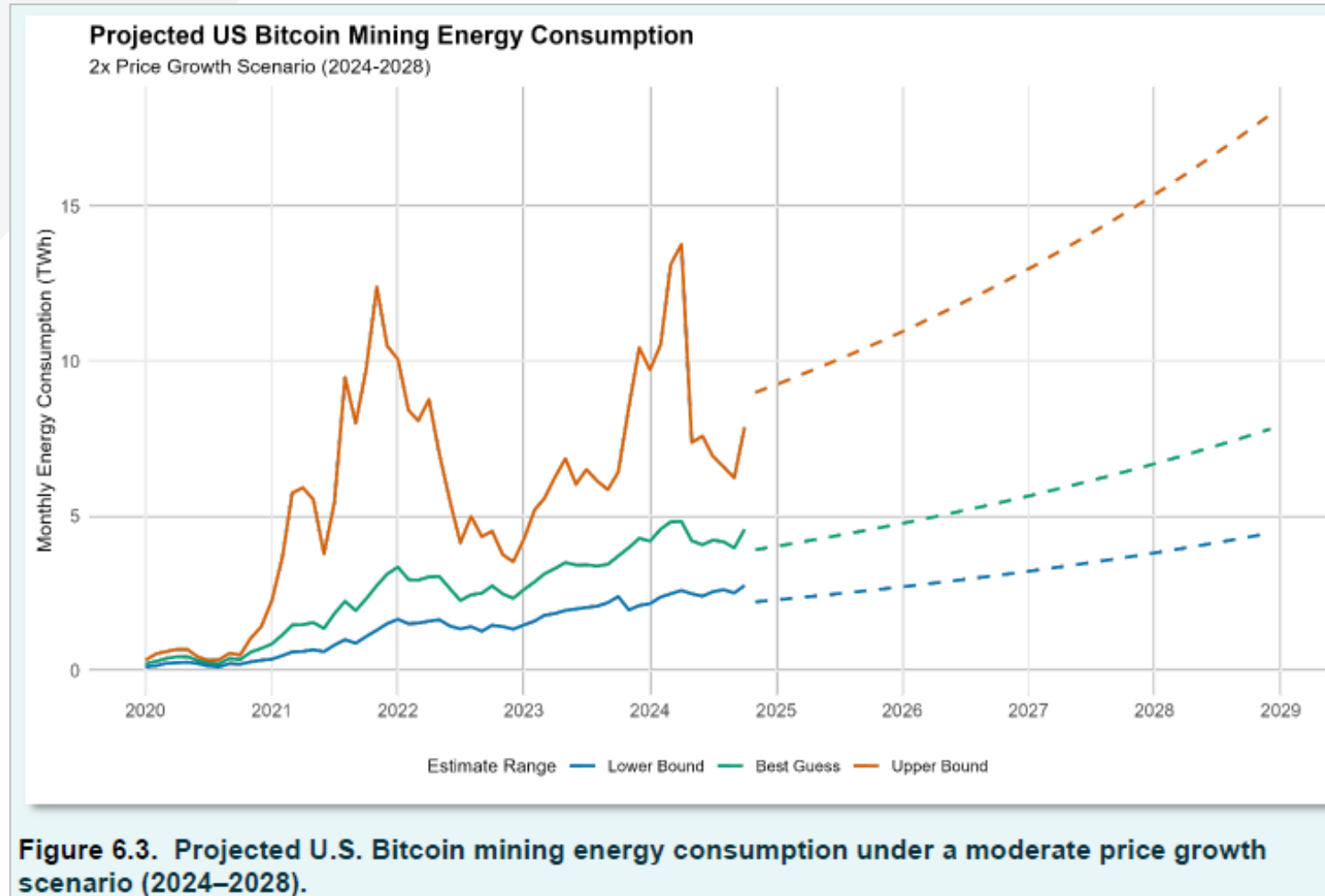
## All-in Prices in RTO Markets

See Section I.A



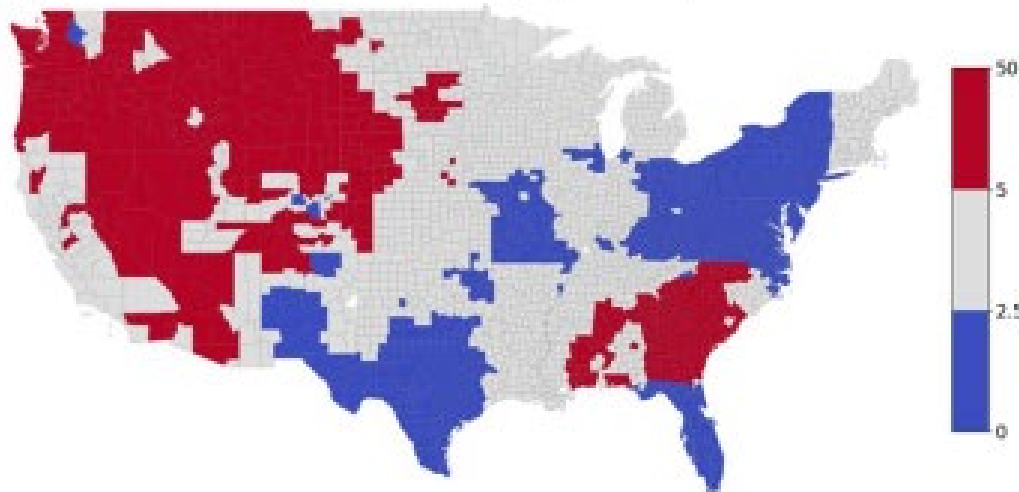




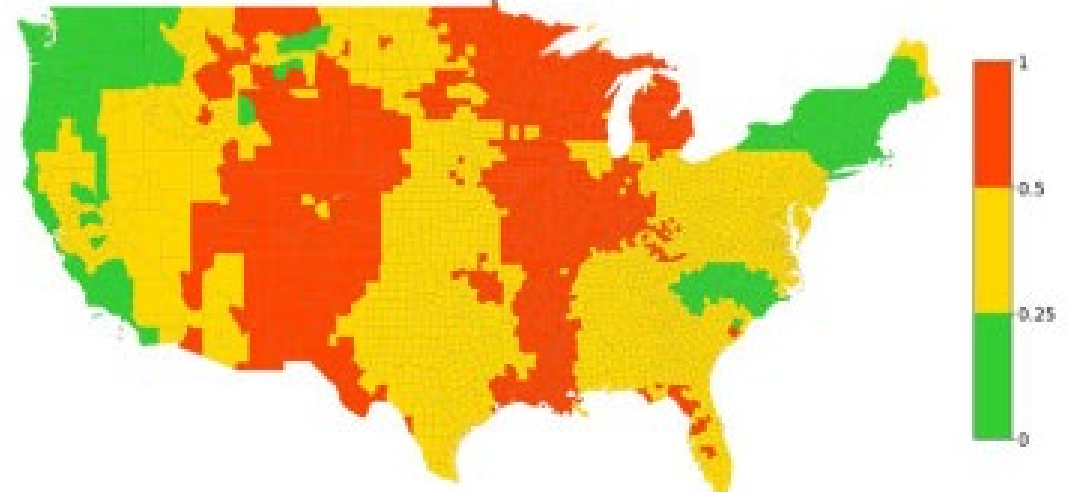




(A) Water consumption intensity (L/kWh)



(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)

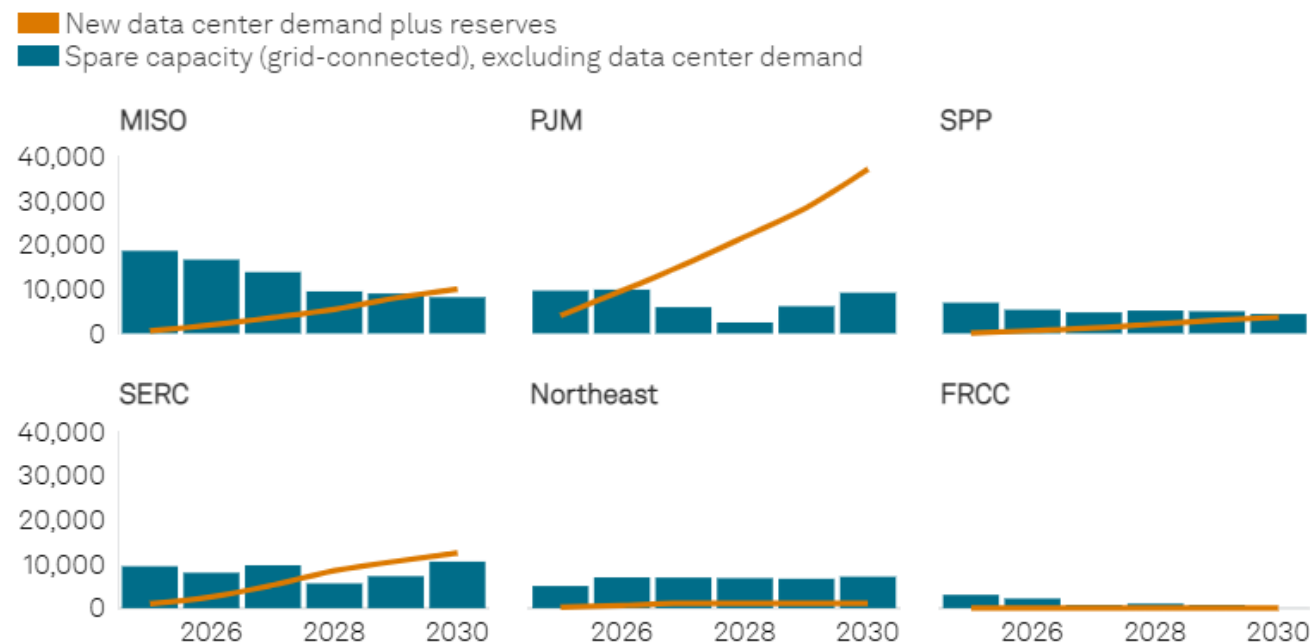


To switch between regions, please click the buttons below

All

US East

US West



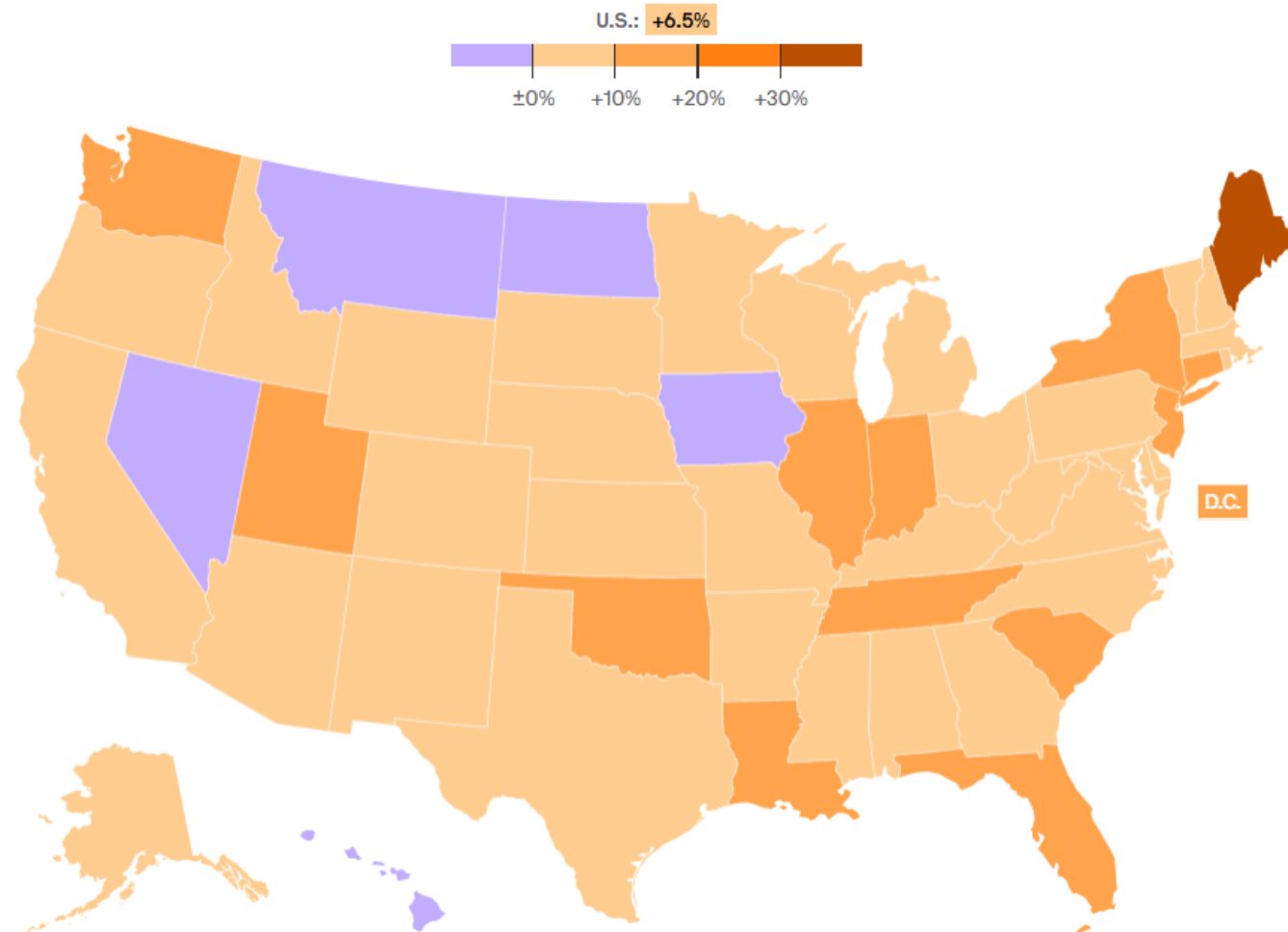
As of Sept. 29, 2025.

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 

2020-11-26

to

2025-11-26

Download 

FRED 

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



Source: Freddie Mac via FRED®

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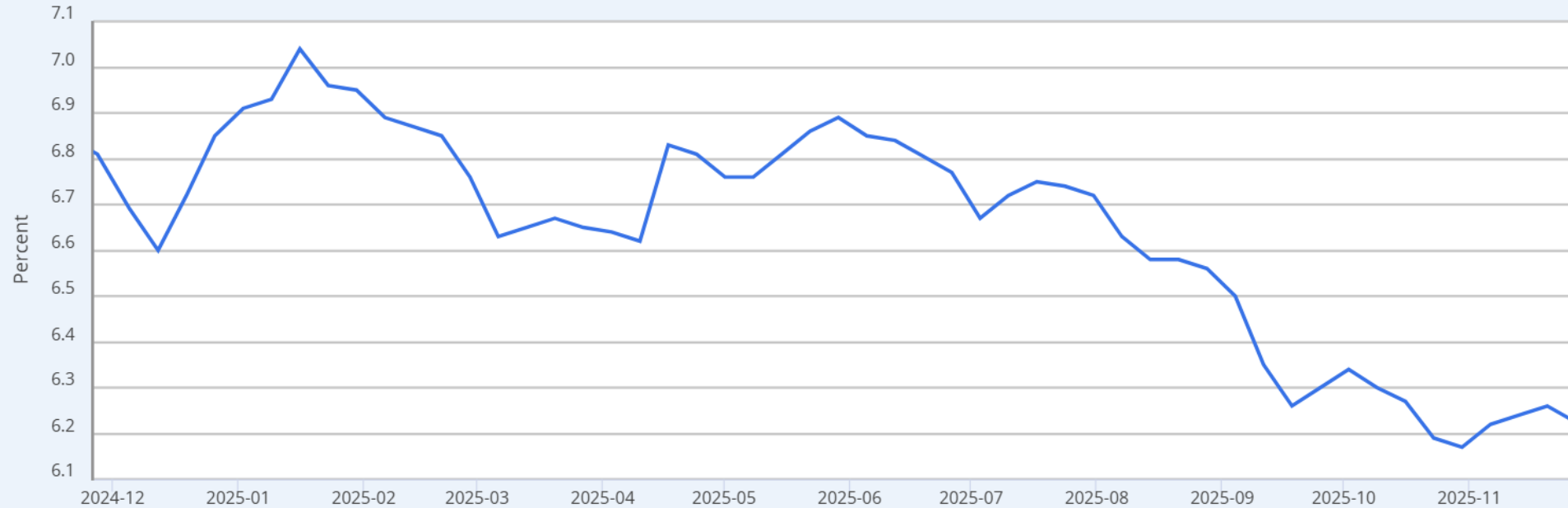
2025-11-26

Edit Graph 

Download 

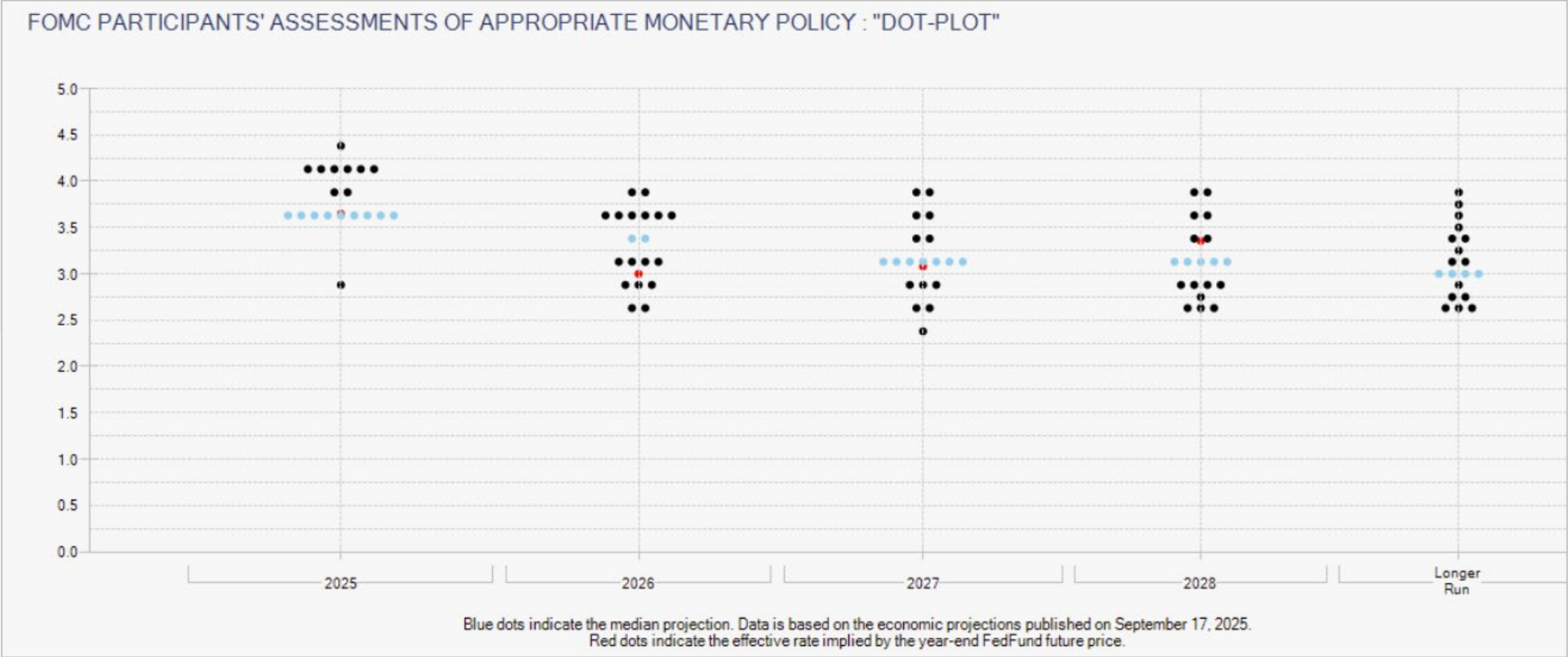
**FRED** 

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



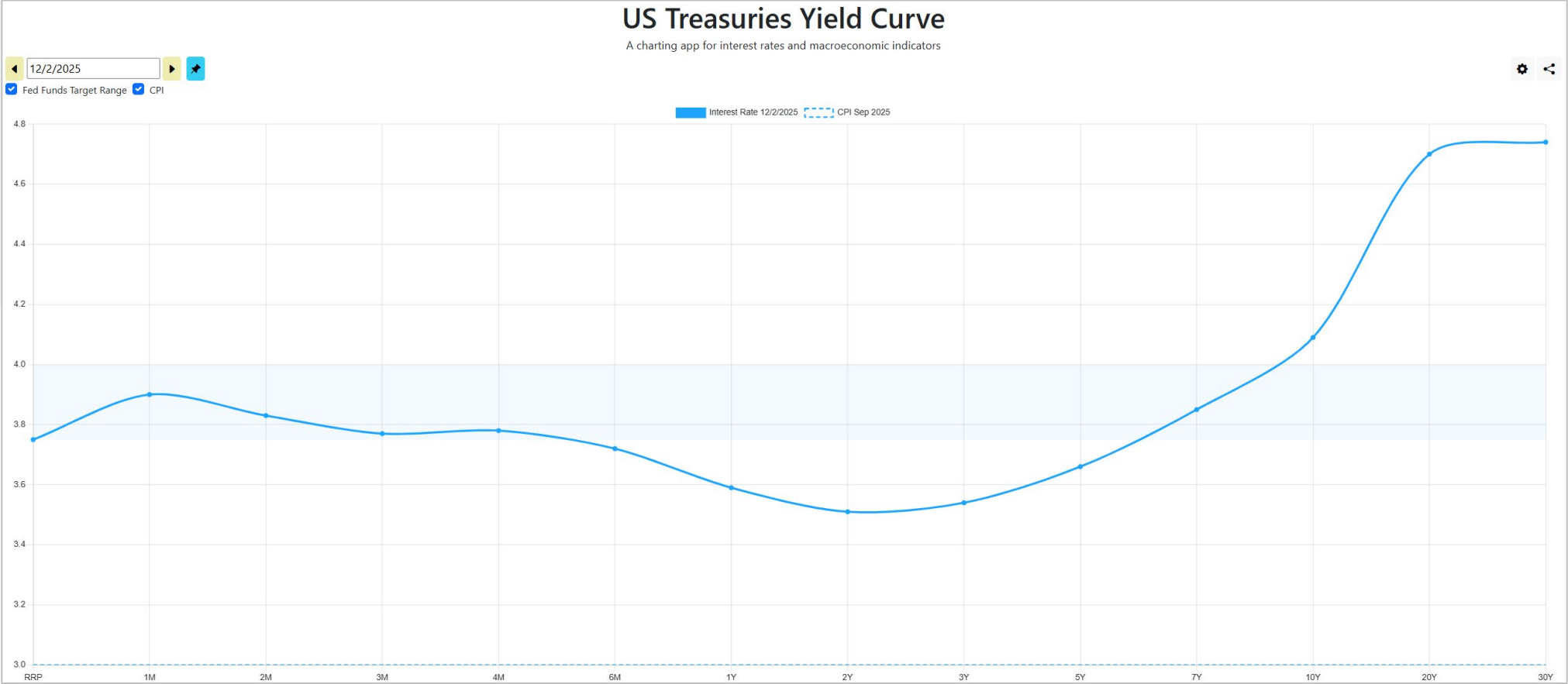
Source: Freddie Mac via FRED®

# Rate watch





# Rate watch



## ☆ 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 

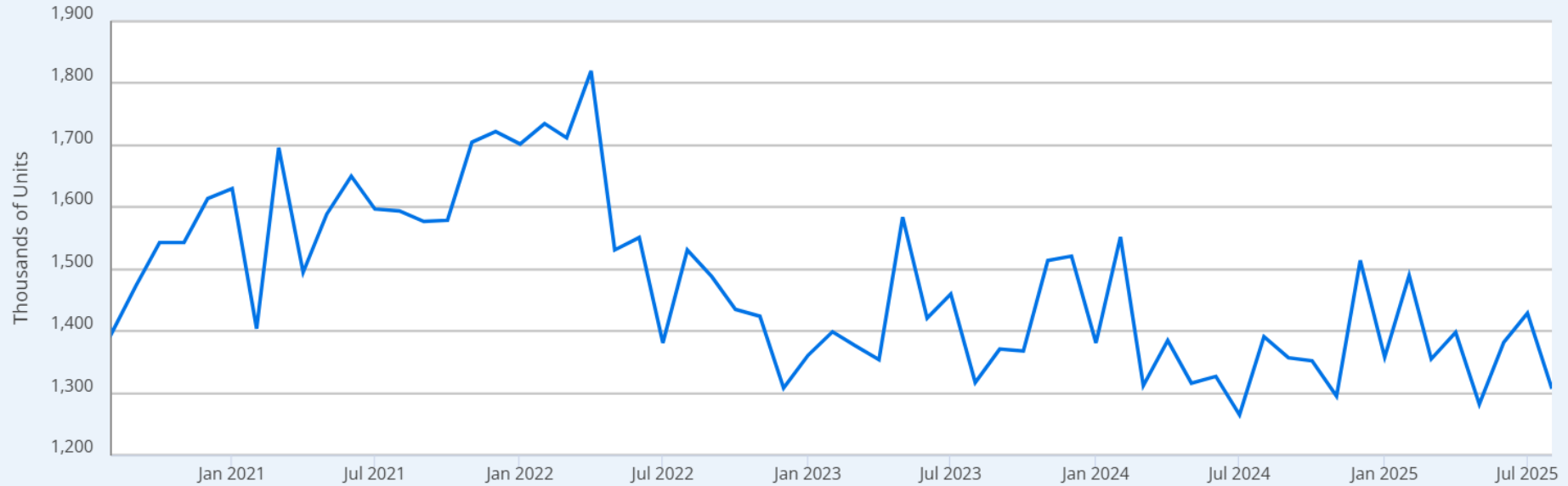
2020-08-01

to

2025-08-01

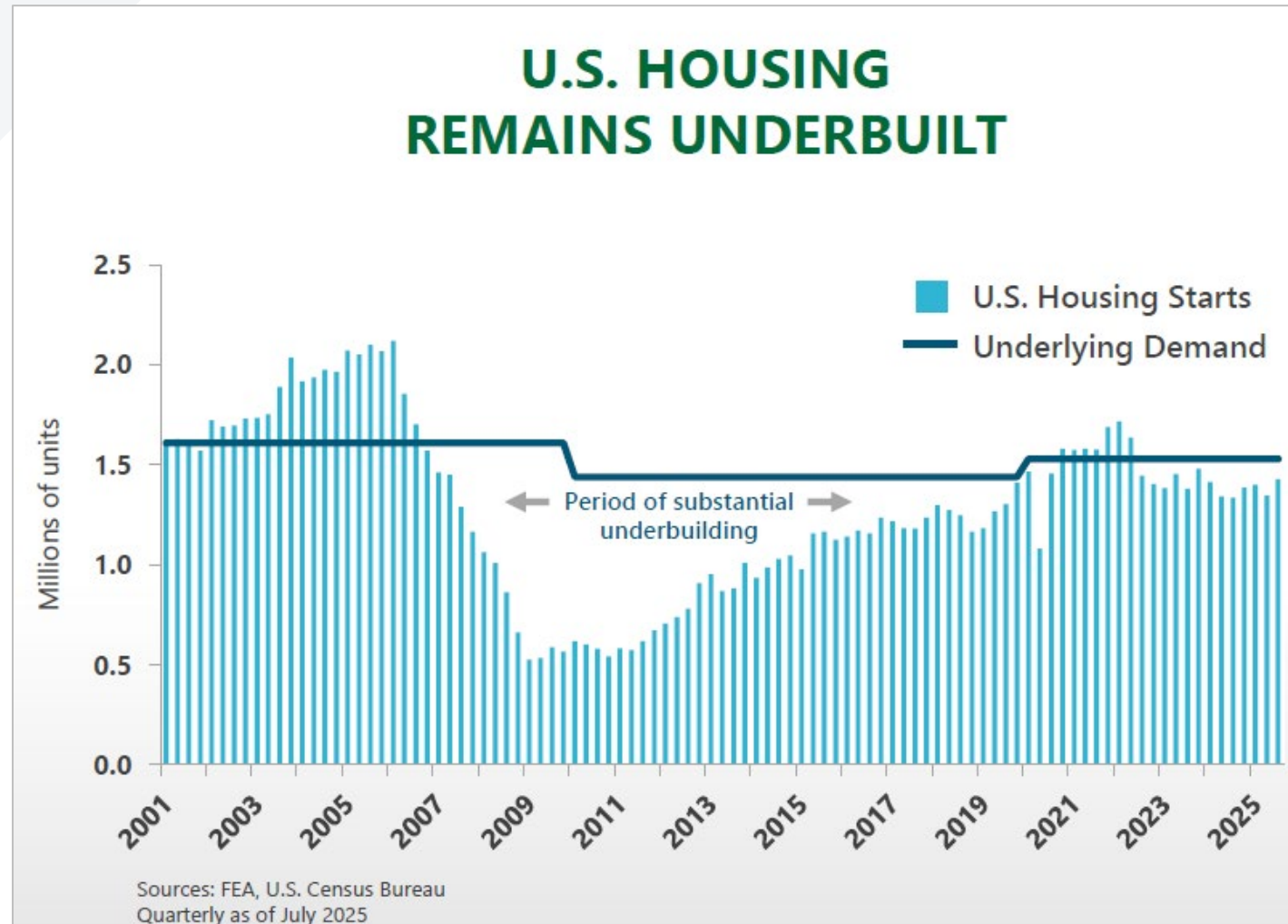
FRED 

— New Privately-Owned Housing Units Started: Total Units

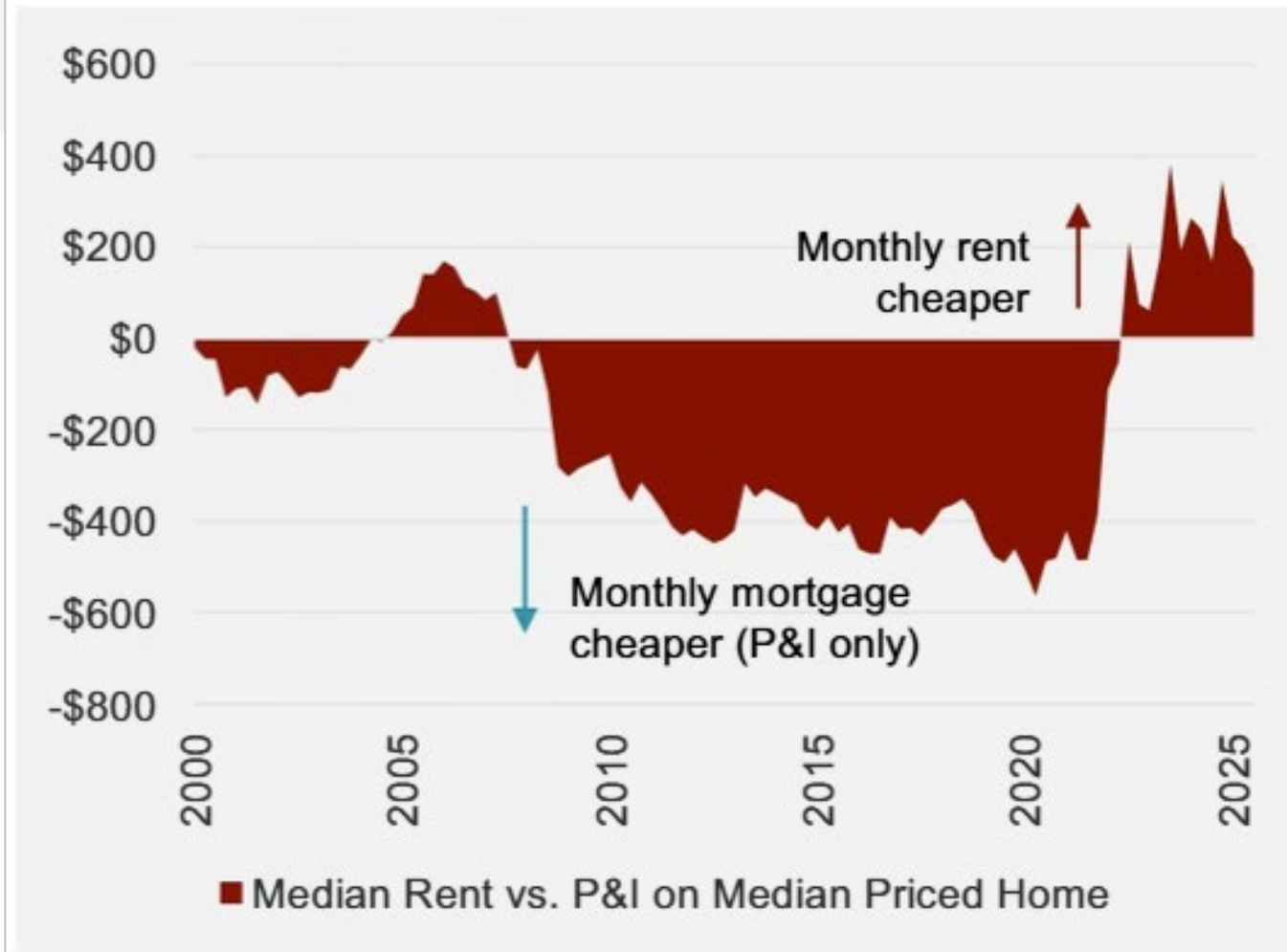


Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development via FRED®

# Market reference point to correlate information

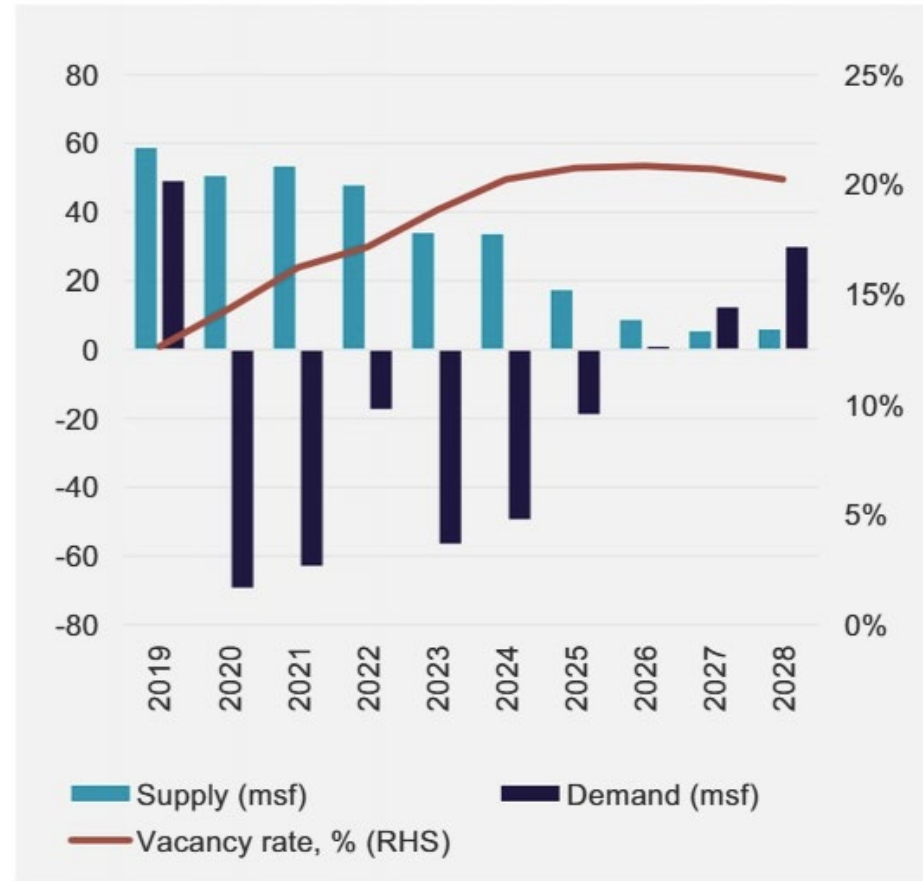


## Housing Economics Favor Renting



Source: NAR, Freddie Mac, Cushman & Wakefield Research

**Cushman & Wakefield Baseline Forecast - Office**



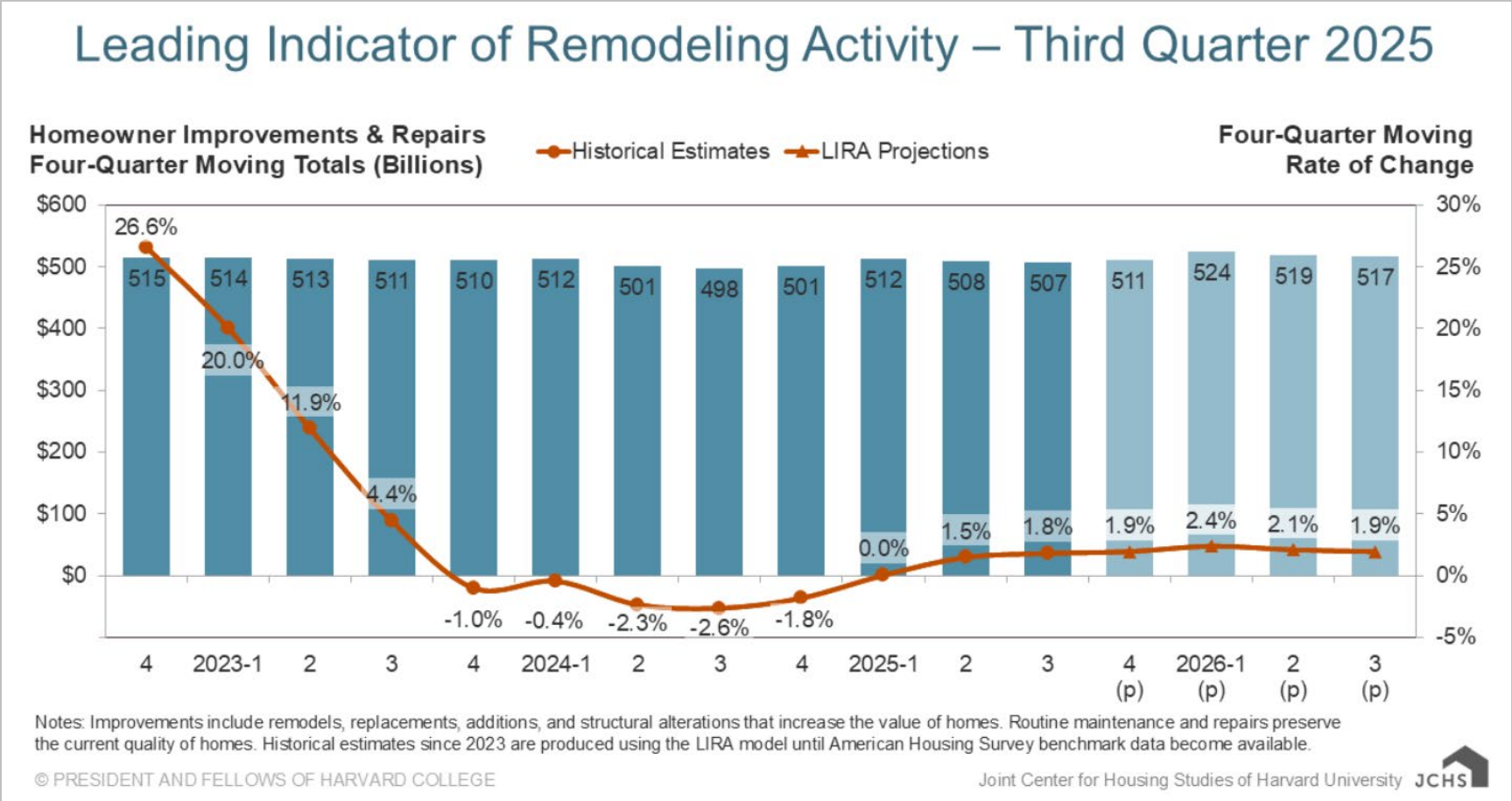
Source: Cushman & Wakefield Research

**Cushman & Wakefield Baseline Forecast - Multifamily**



Source: Costar, Cushman & Wakefield Research

# Market reference point to correlate information



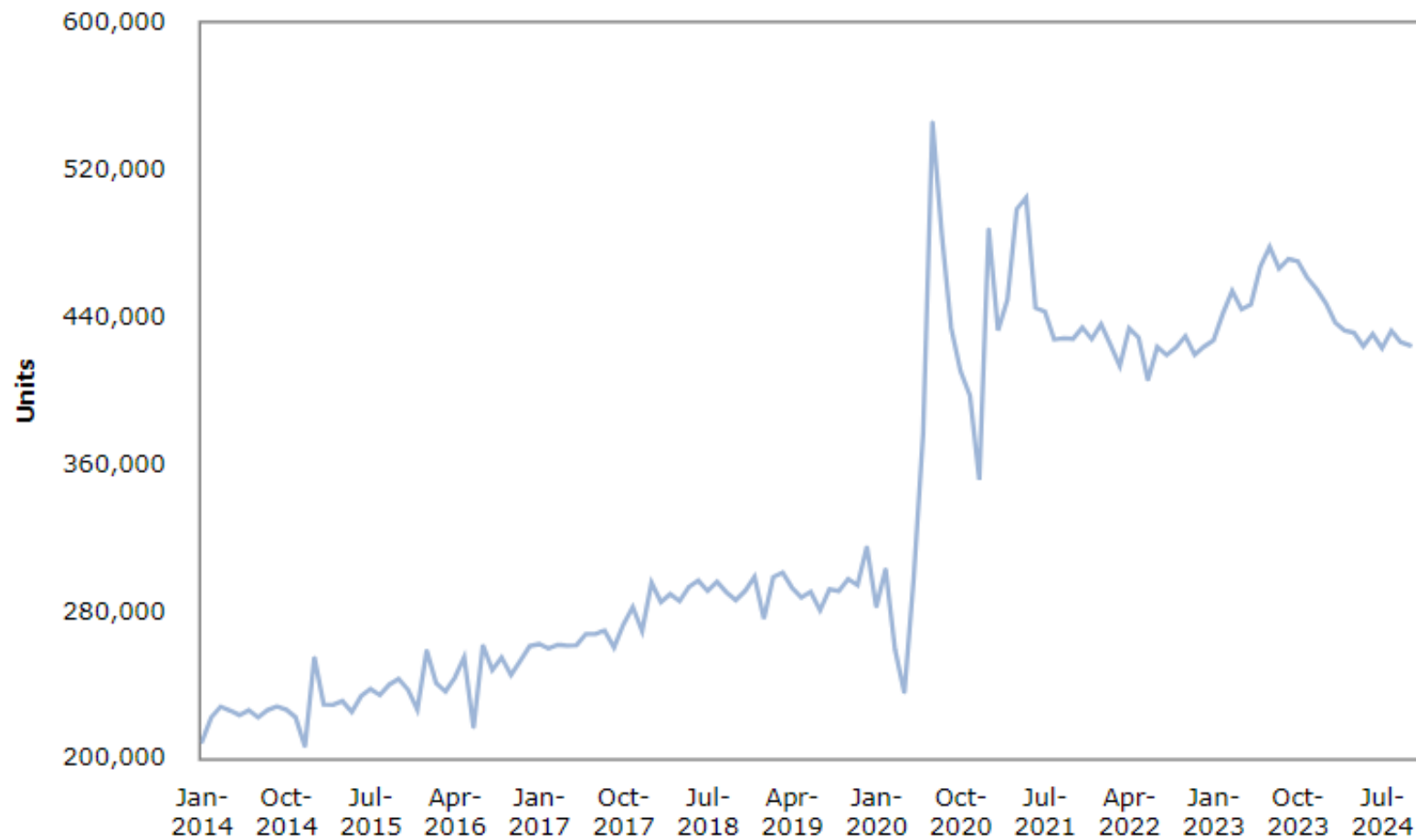




# ▲ Select business statistics

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
U.S. Economy							
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



## U.S. Inflation

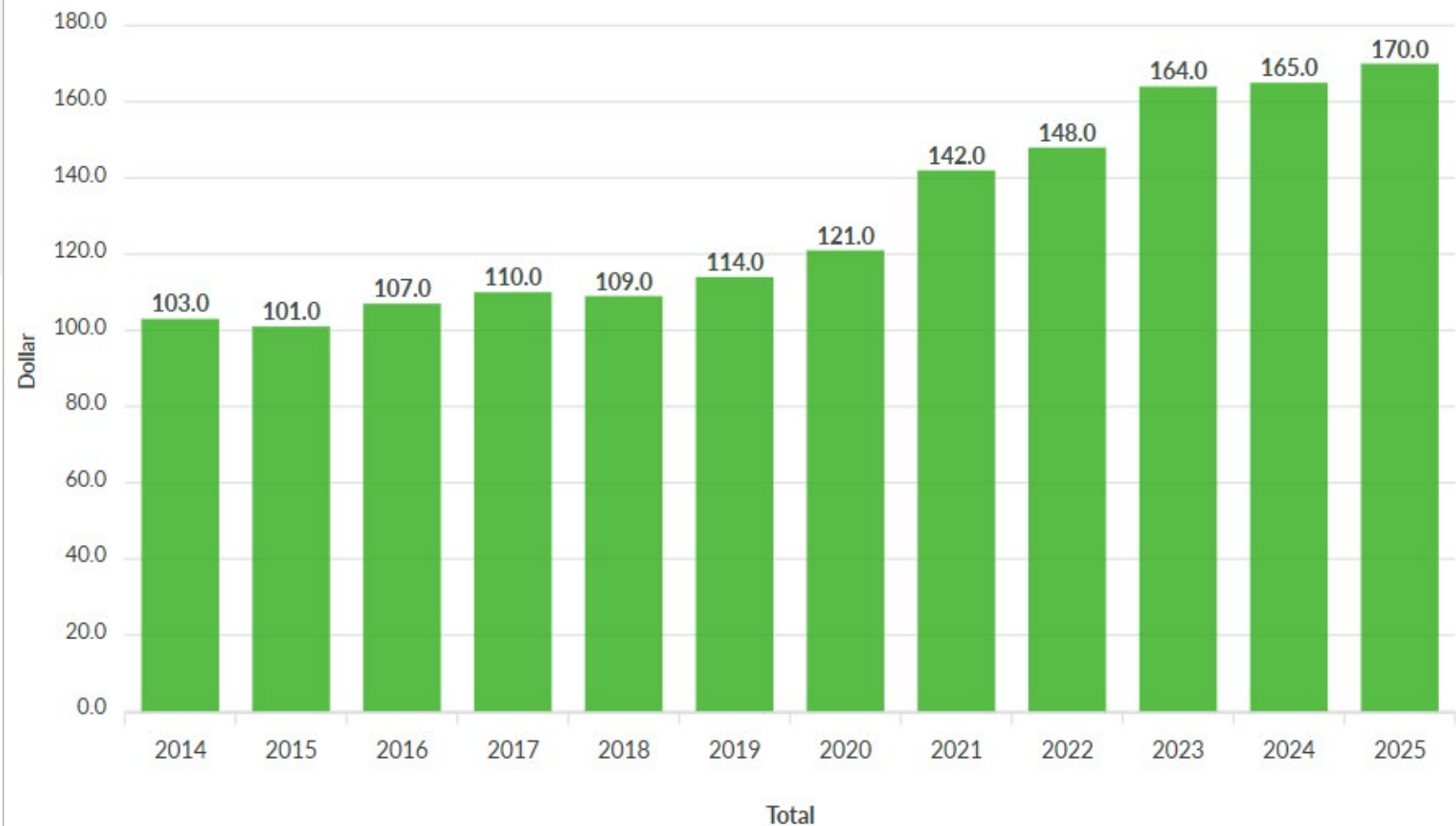


Source: U.S. Bank Economics; Bloomberg; U.S. Bureau of Labor Statistics (BLS)



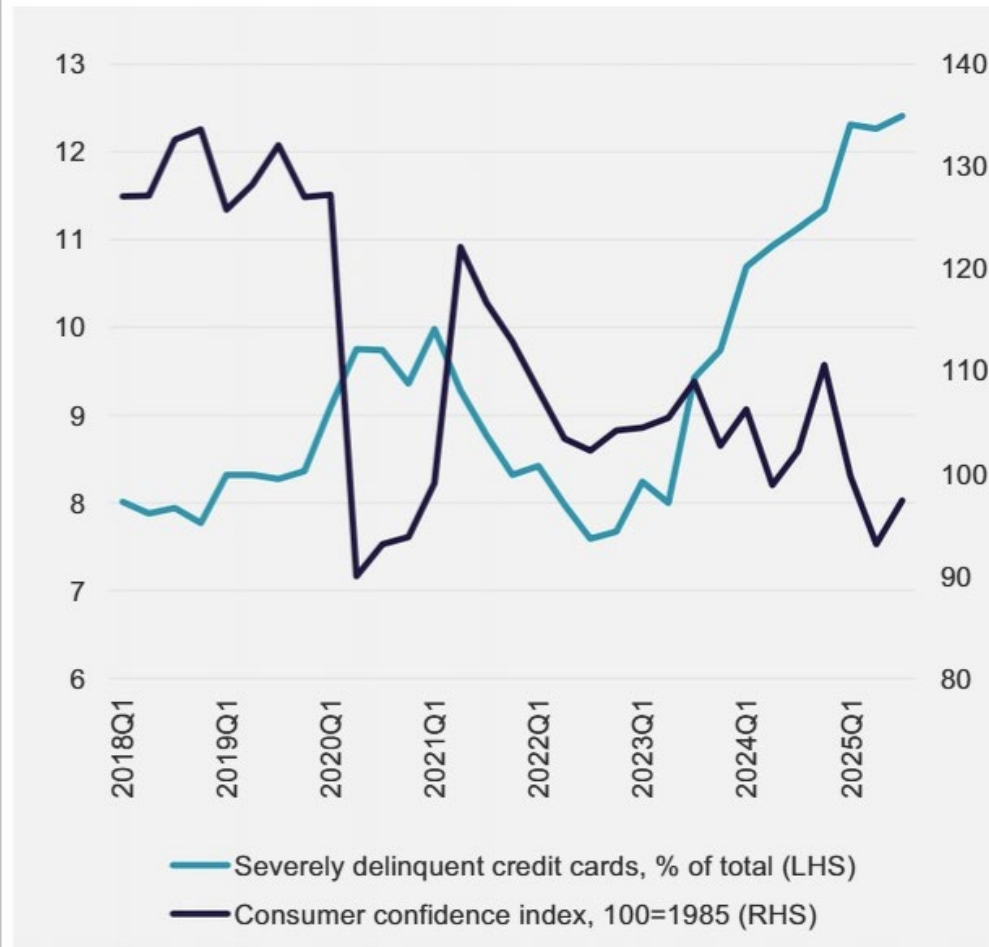


## Weekly Household Grocery Spend



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

### Confidence Rattled as Credit Quality Dwindles

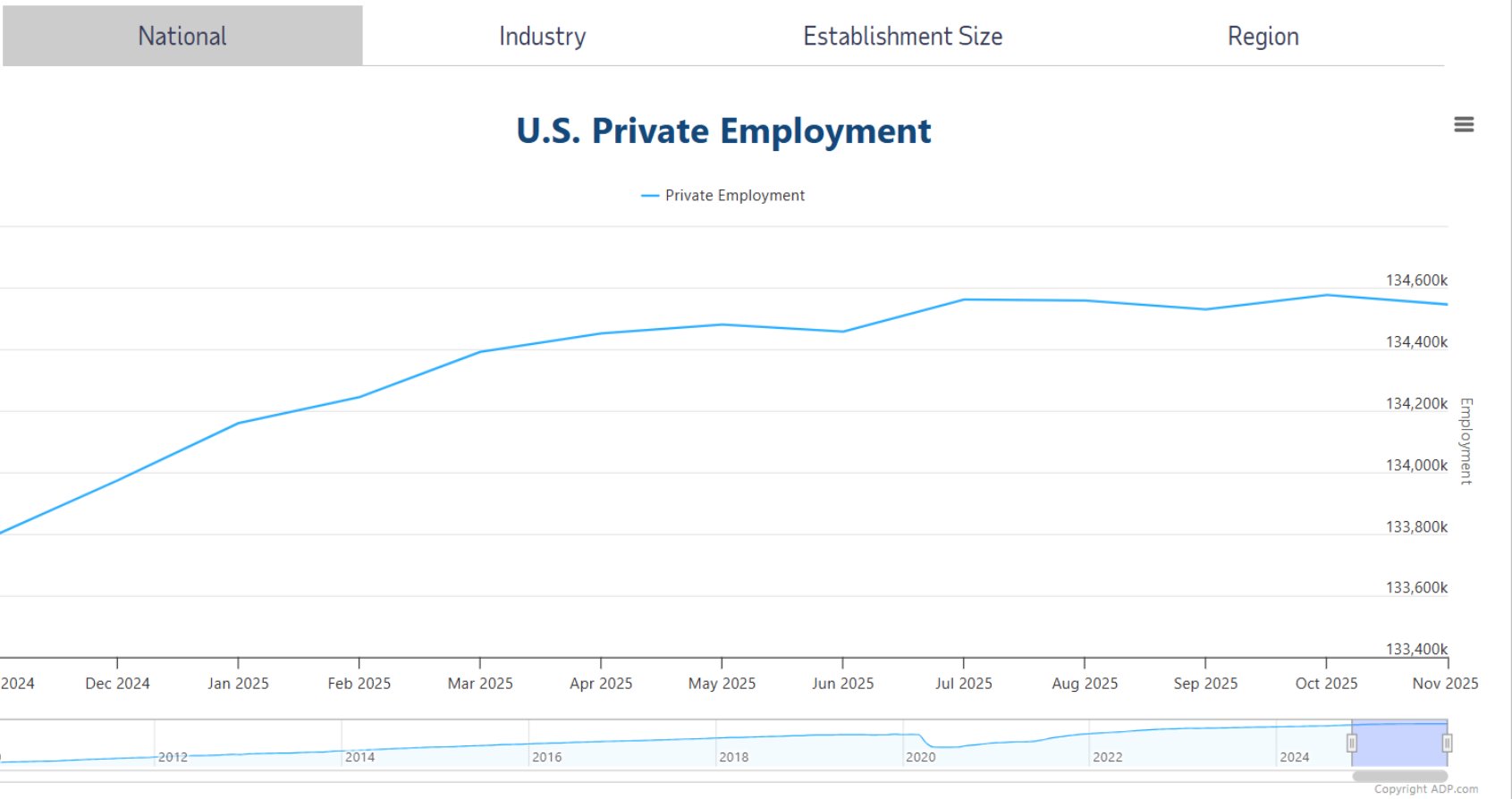


Source: Conference Board, Federal Reserve Board of Governors, Moody's Analytics



# ▲ Labor

# Change in U.S. Private Employment



**ADP Research**  
Source: ADP Research

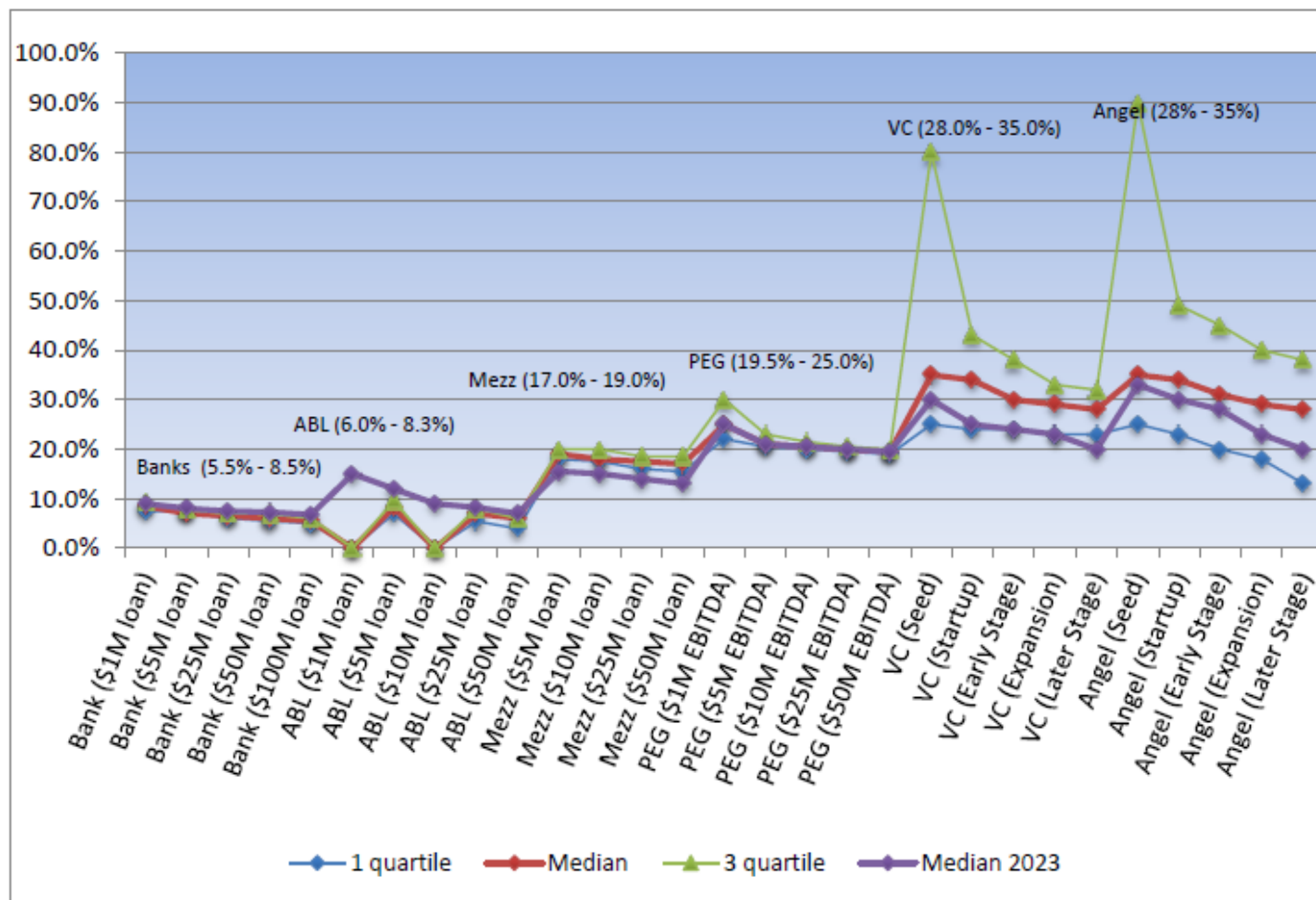






# Capital

**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

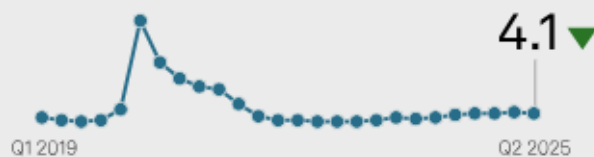
### Multiple on Invested Capital

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



## Macro factors

### U.S. unemployment rate (%)



### Fed survey on lending conditions



### Industrial production (% chya)



### Slope of the yield curve (10-yr less 3-month, bps)



■ Positive change ■ Negative change ■ No change



## Corporate factors

### Interest burden (%)



### Corporate profits (nonfinancial, % chya)



### Equity market volatility (VIX)



### High yield spreads (bps)



# Debt sizing

## Senior Debt/EBITDA

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?

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