



# Commercial Market Trends and Outlook

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NATIONAL ASSOCIATION OF REALTORS®



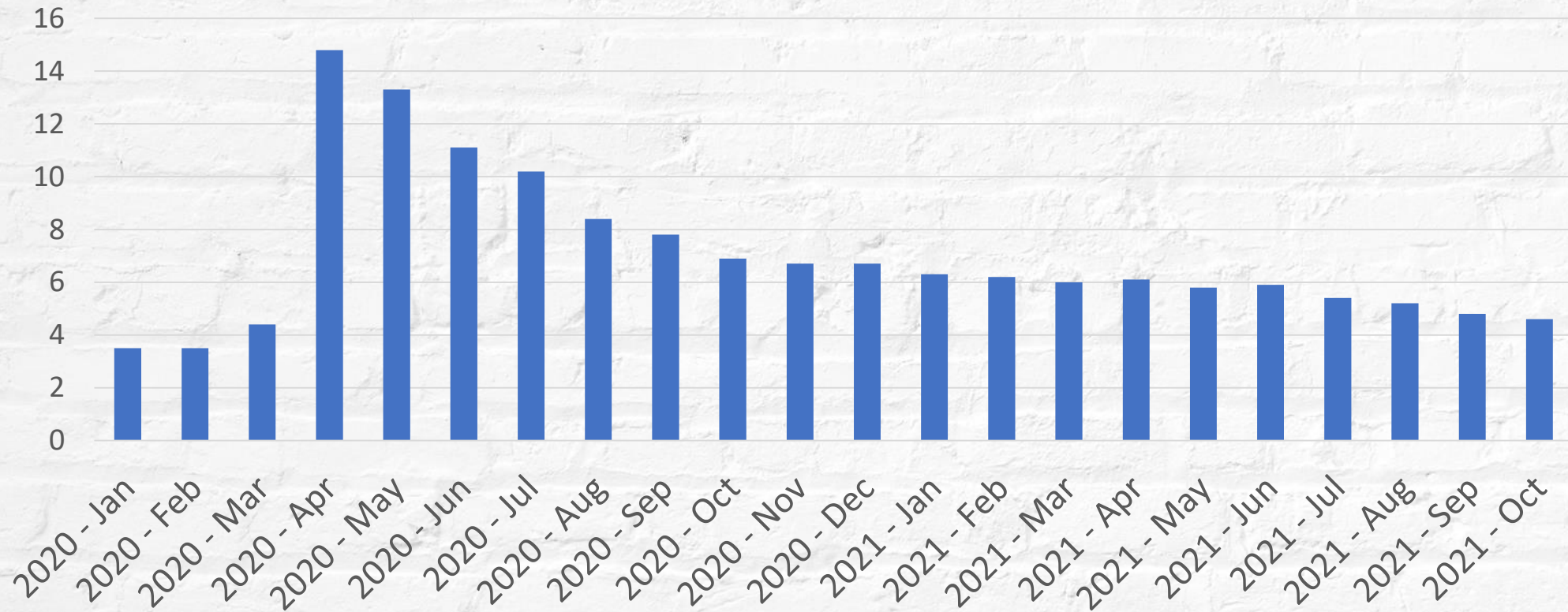
@NARannual



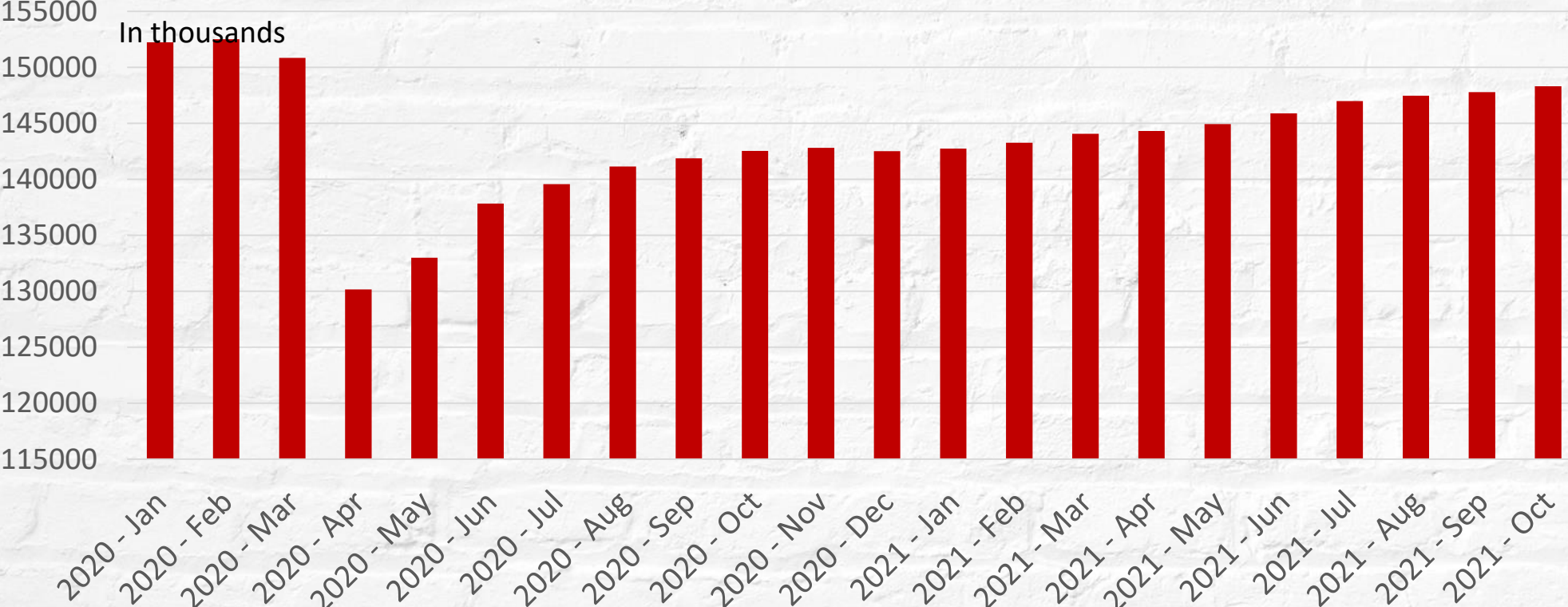
conference.realtor



# Unemployment Rate ... almost back to normal

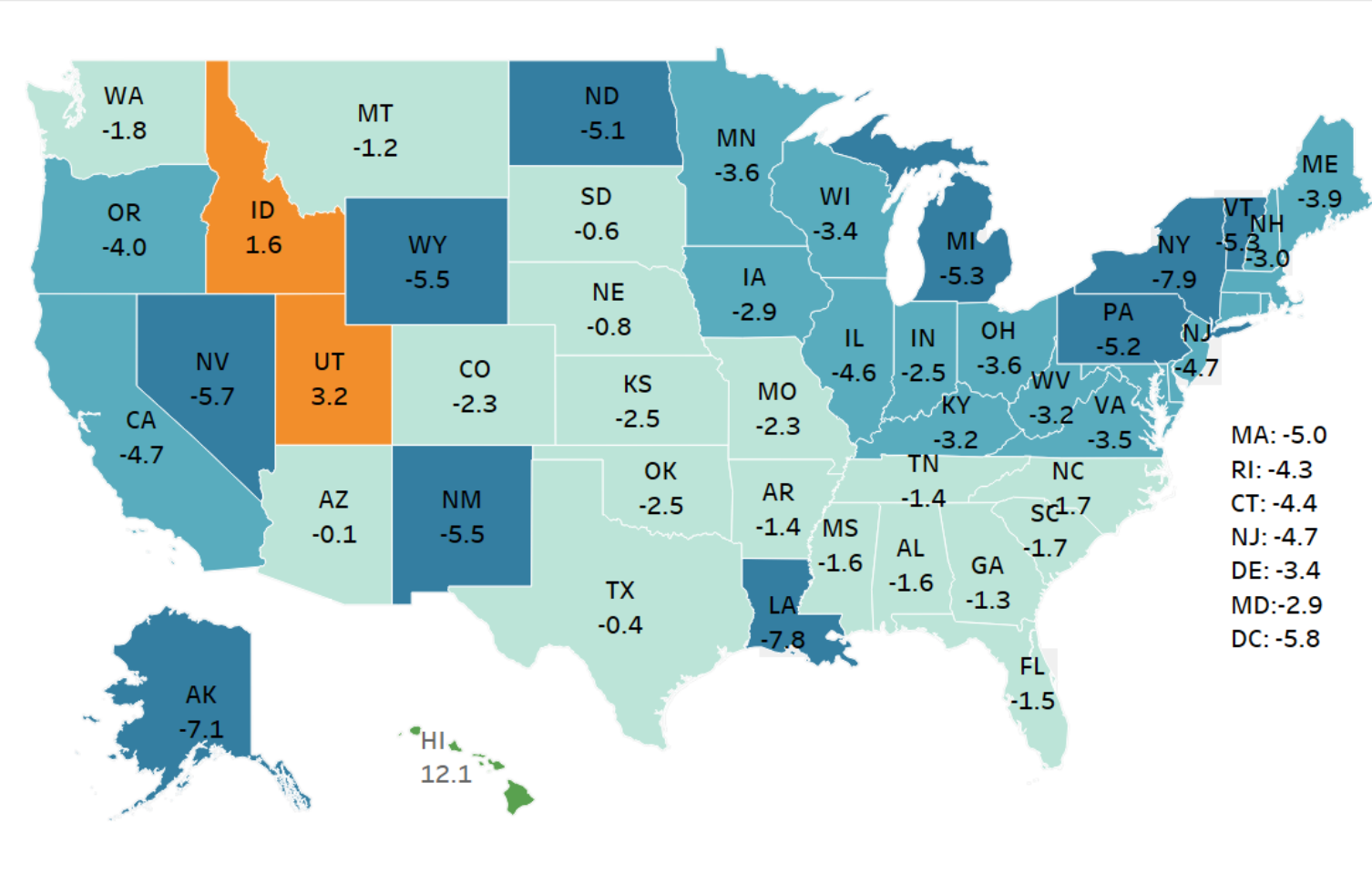


# Total Jobs ... 4 million short of pre-pandemic

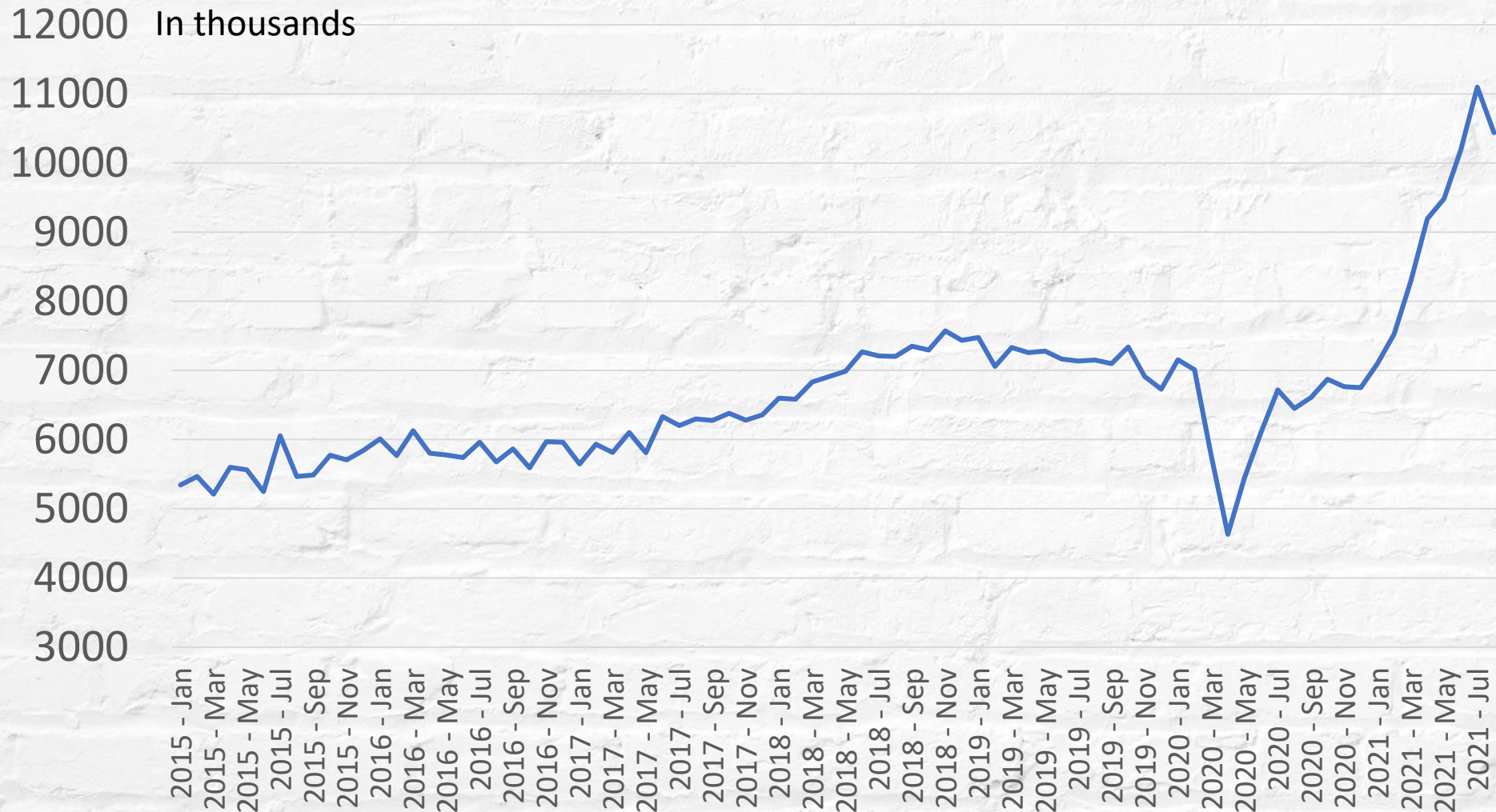


# State-by-State Job Growth from March 2020

Percent Change in Nonfarm Payroll Employment  
September 2021 vs. March 2020



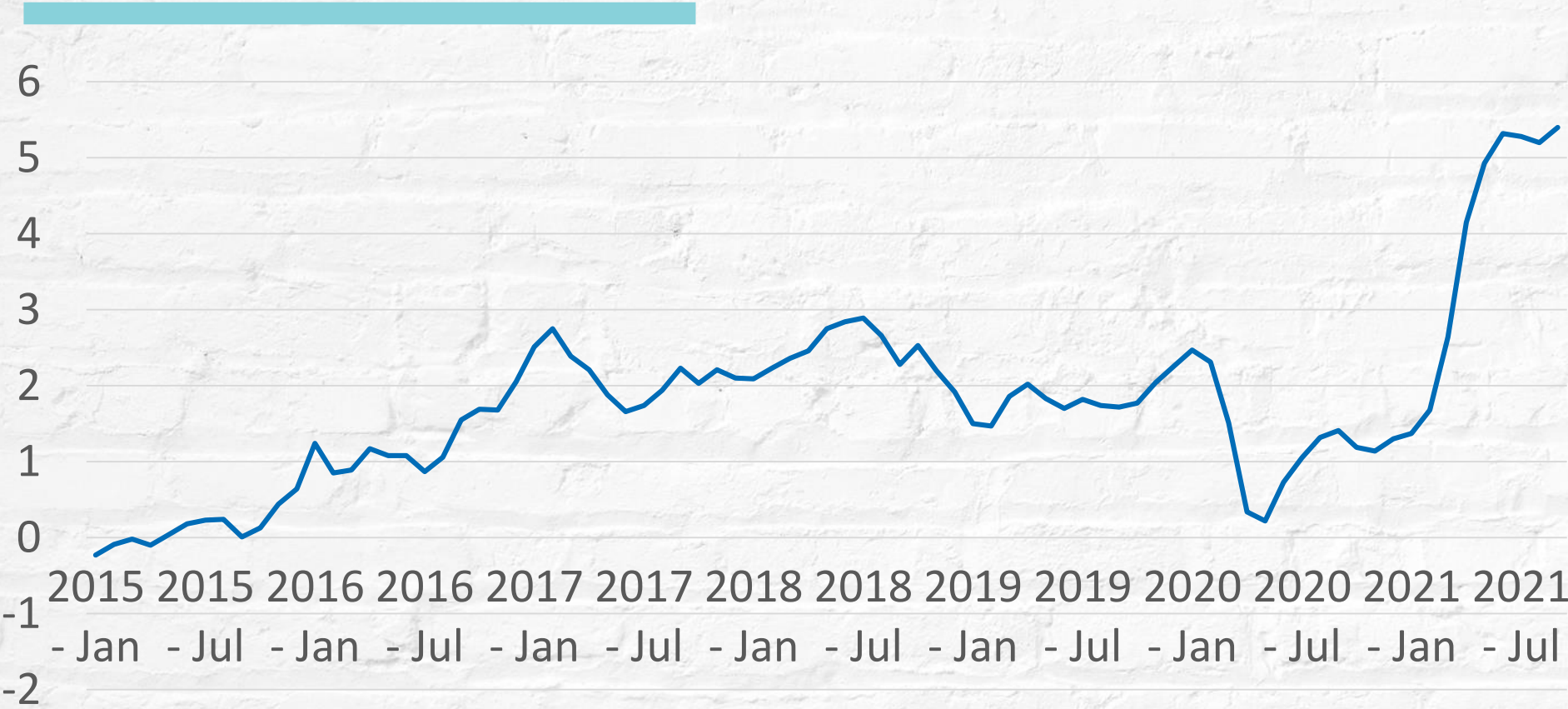
# Job Openings



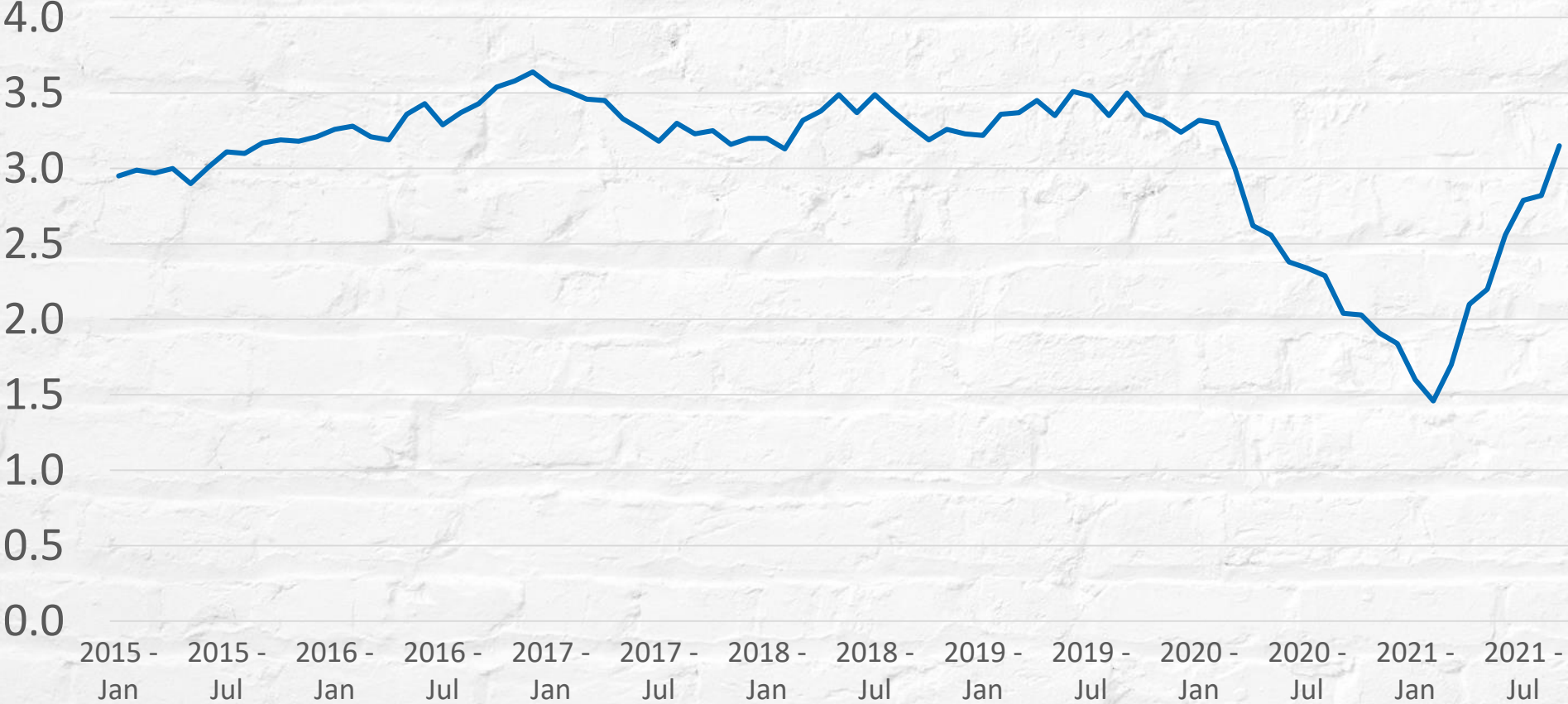
# Homebuilder Opportunity ... Easy Profit



# Consumer Price Inflation



# Consumer Price Inflation ... Rent Component



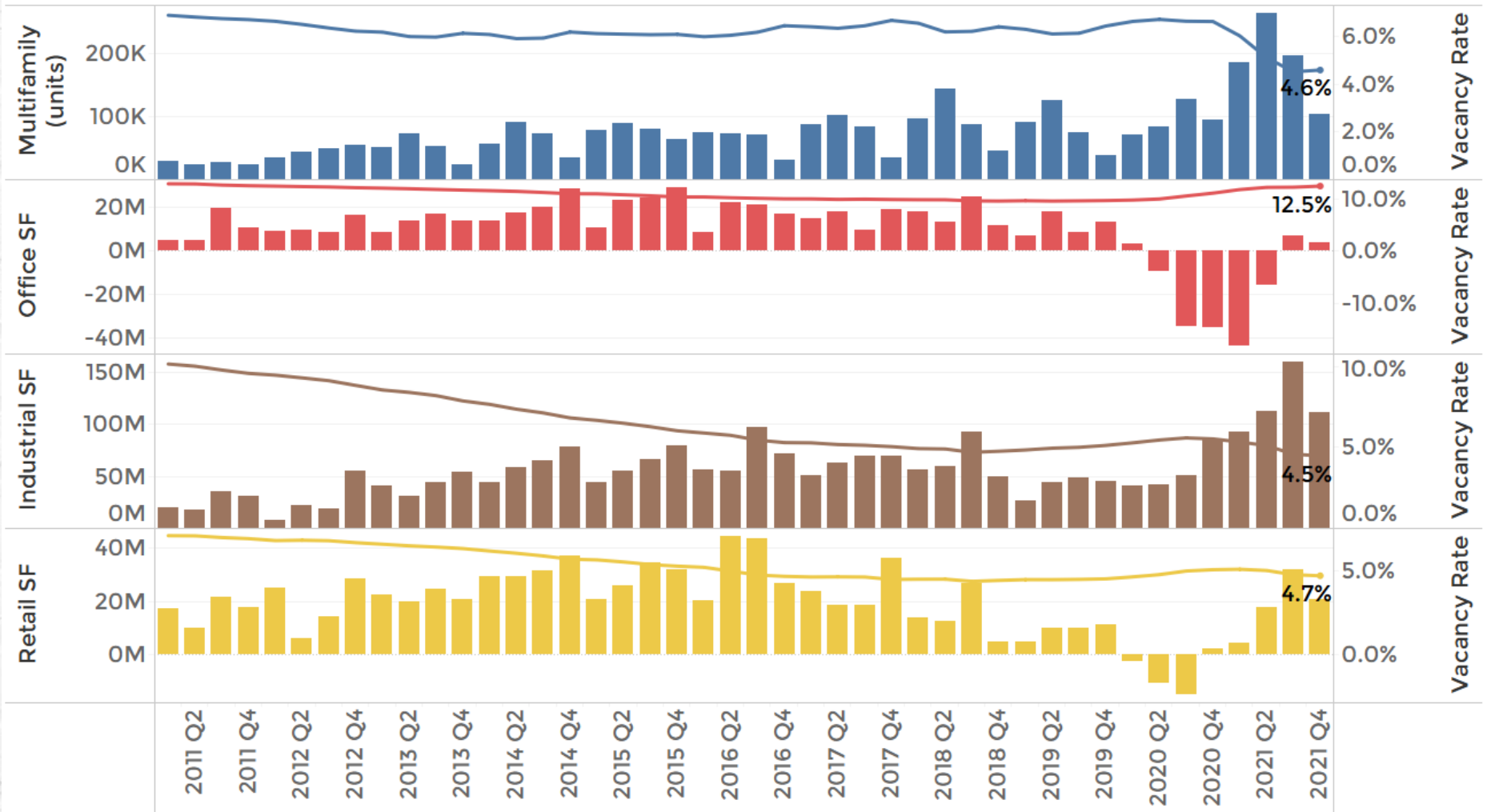


# Cryptocurrency as Inflation Hedge

- Stay away ... It's a fraud
- Short-term bored gamblers
- Mid-term investors ... knowing institutional money and validation
- Long-term investors ... don't trust the government

# Rising Occupancy in all property markets as of 2021 Q3

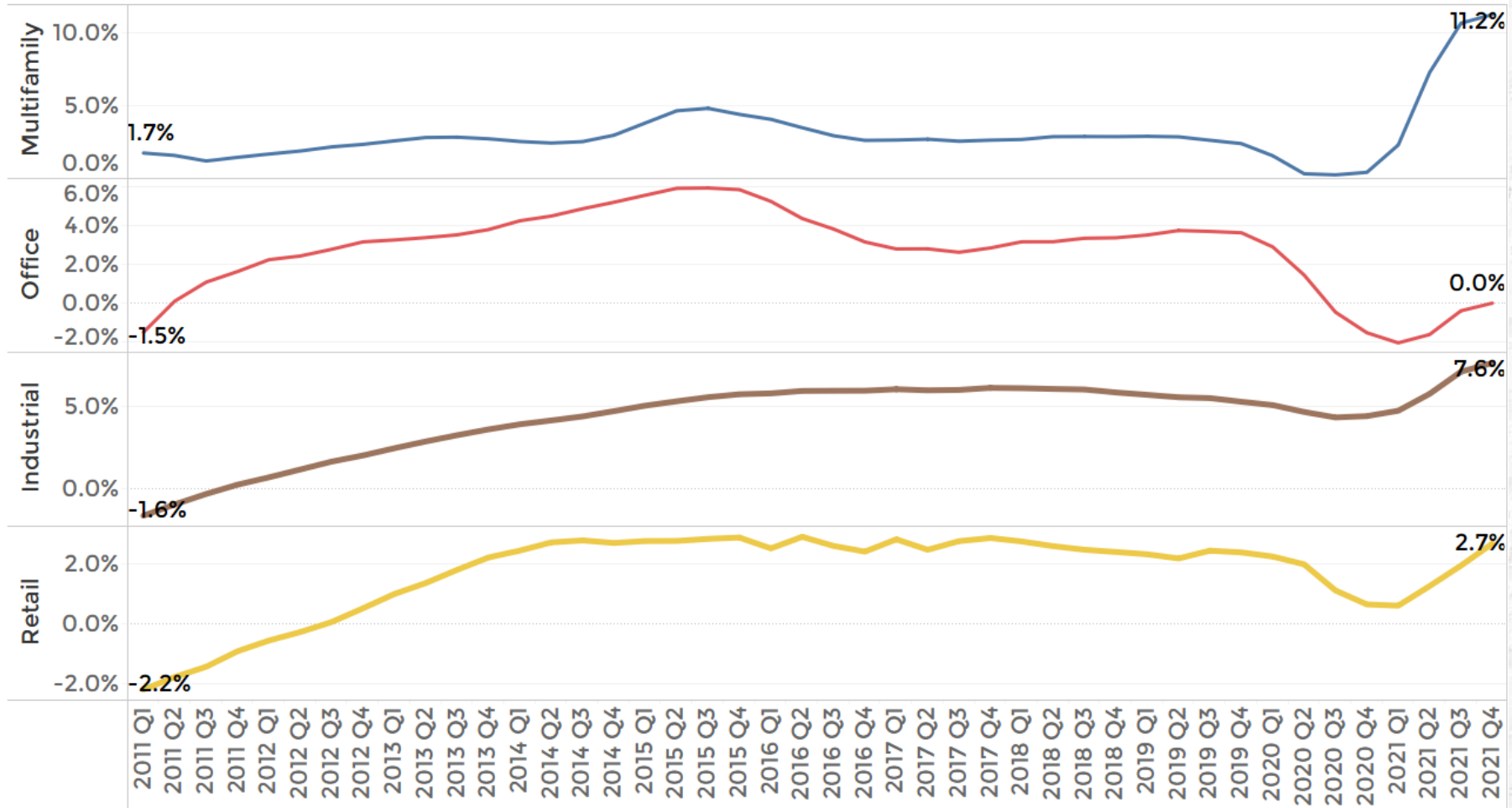
Occupancy is Rising Across All CRE Markets as of October 28, 2021



Source of data: NAR analysis of CoStar data

# Double-digit rent growth in multifamily rentals

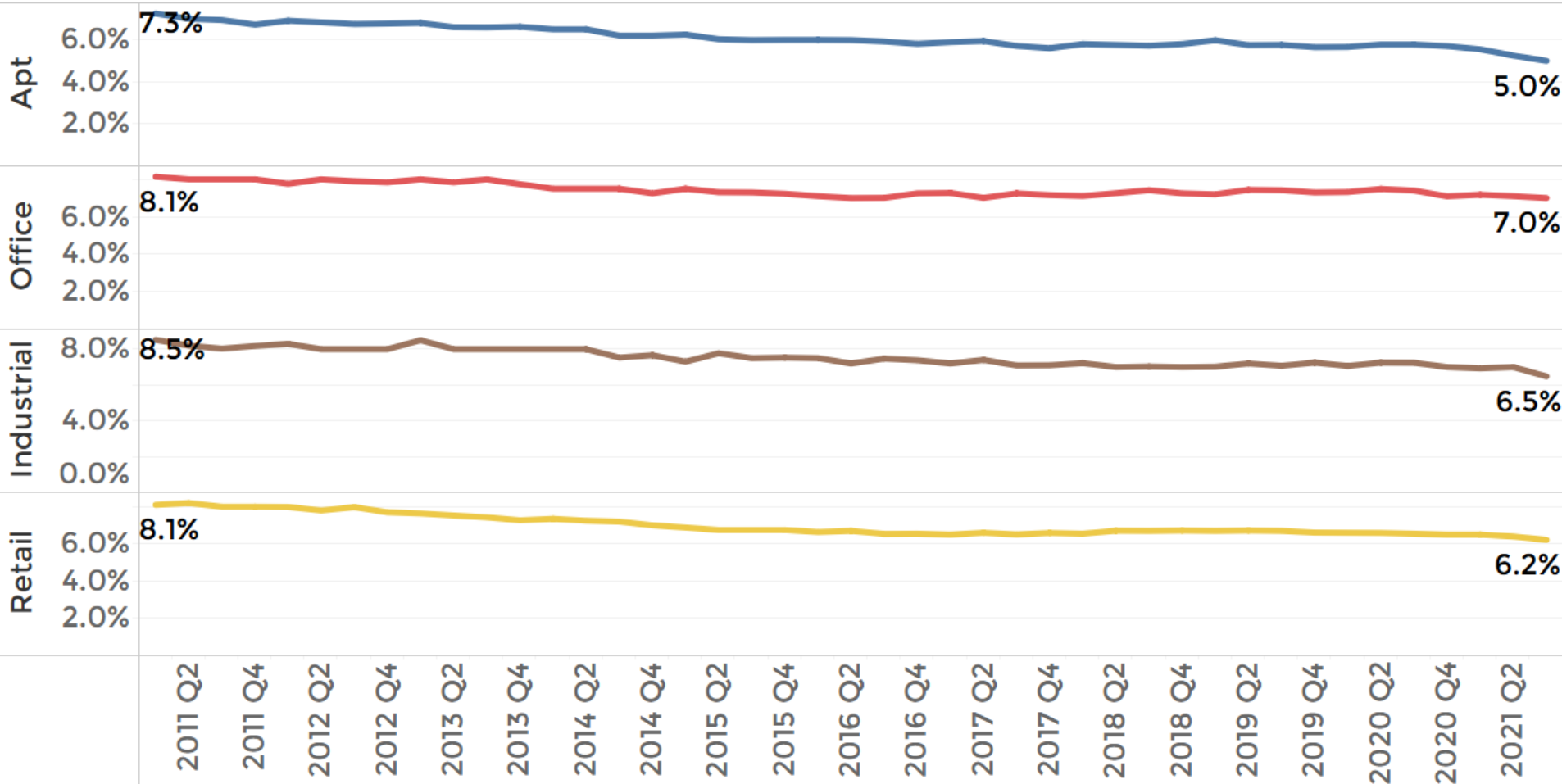
Rising Asking Rents as of October 29, 2021



Source of data: NAR analysis of CoStar data

# Cap continue to compress

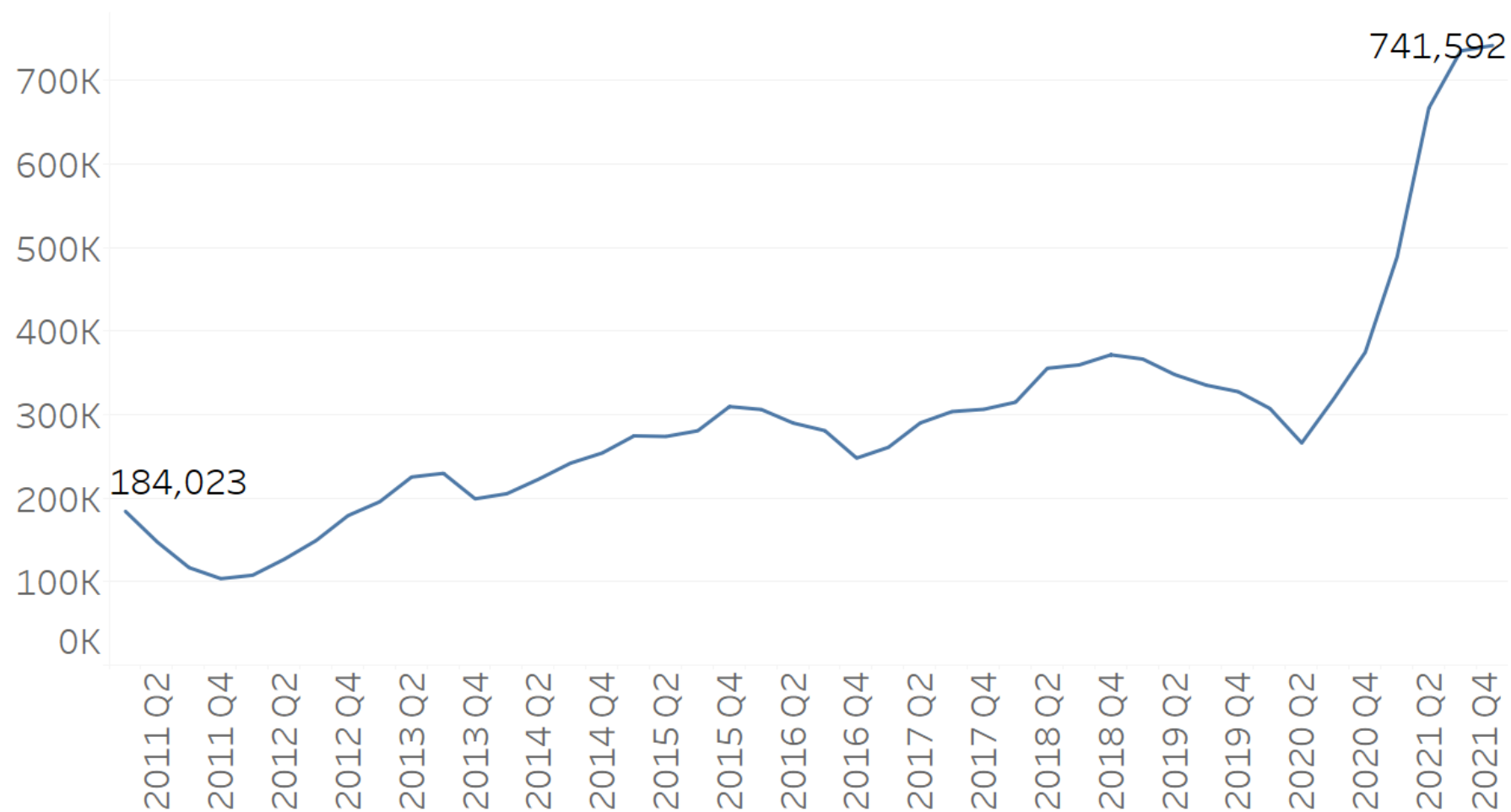
Median Cap Rates Still Trending Down With Biggest Decline for Industrial Real Estate as of 2021 Q3



Source of data: NAR analysis of CoStar data

# Decade-high demand for multifamily rentals

12-Month Net Absorption of Multifamily Units as of 2021 Q4 (October 23)

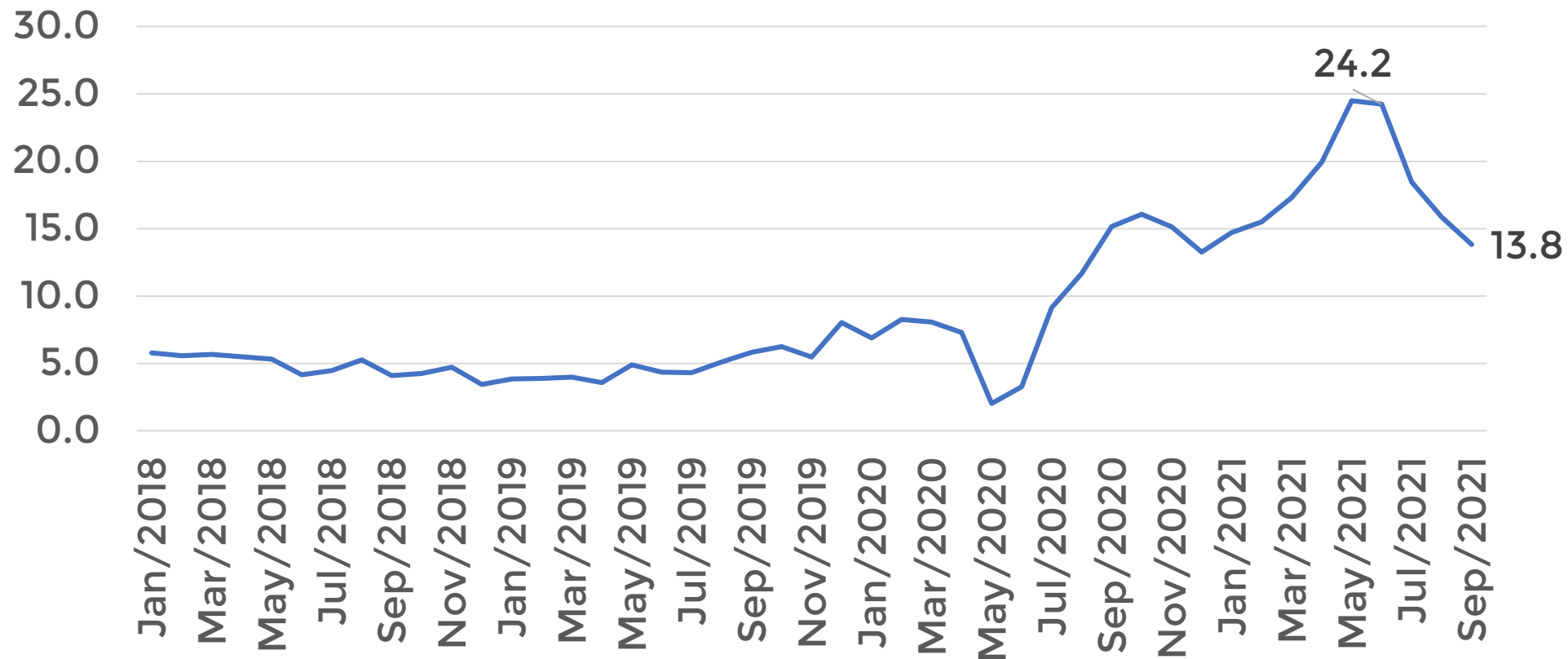


Source: NAR analysis of CoStar data in 390 metros areas or divisions

# Double-digit home price growth since August 2020

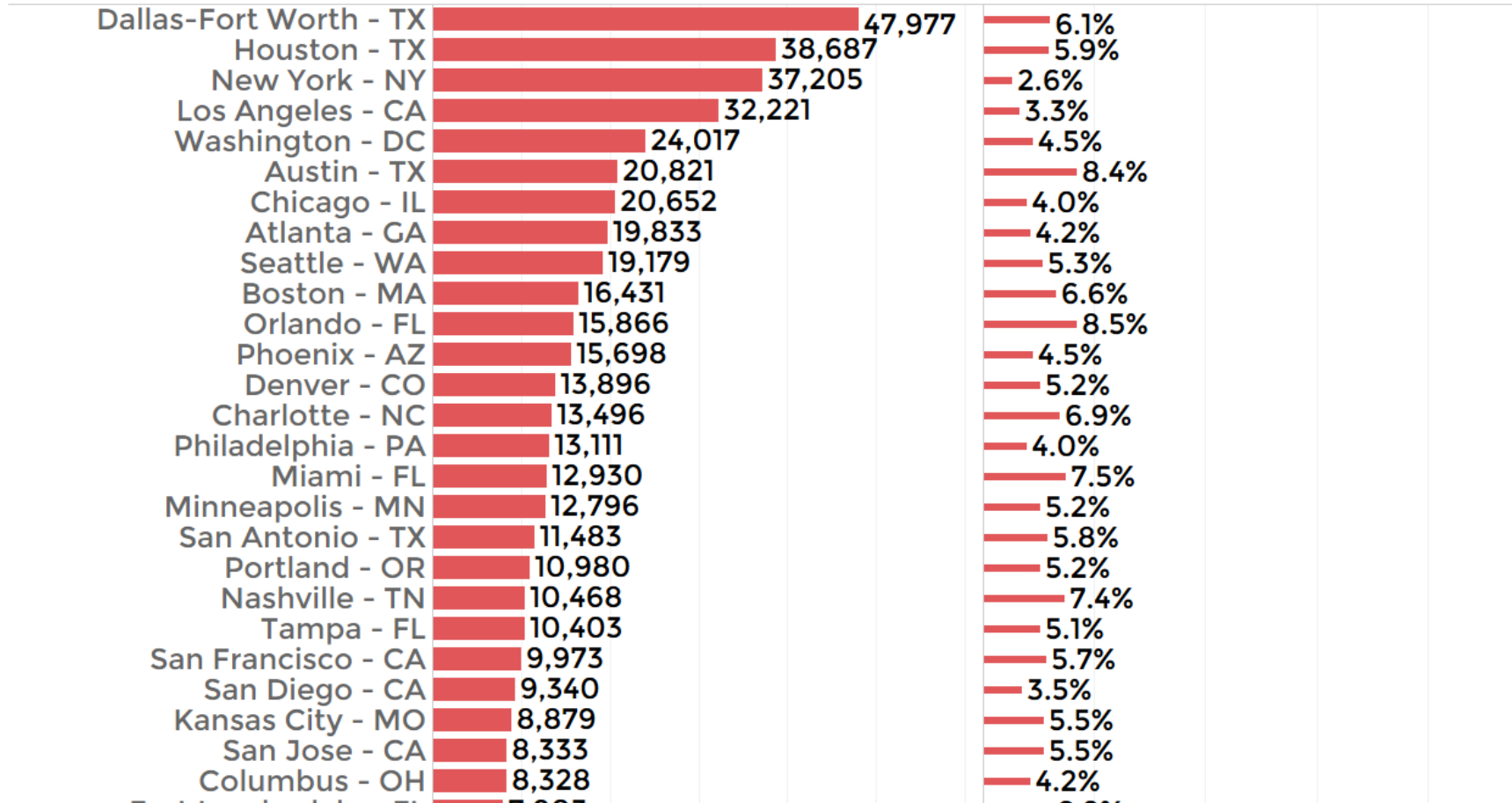


Y/Y Percent Change in the Median Existing Home Sales Price



# Markets with highest 12-month rental demand

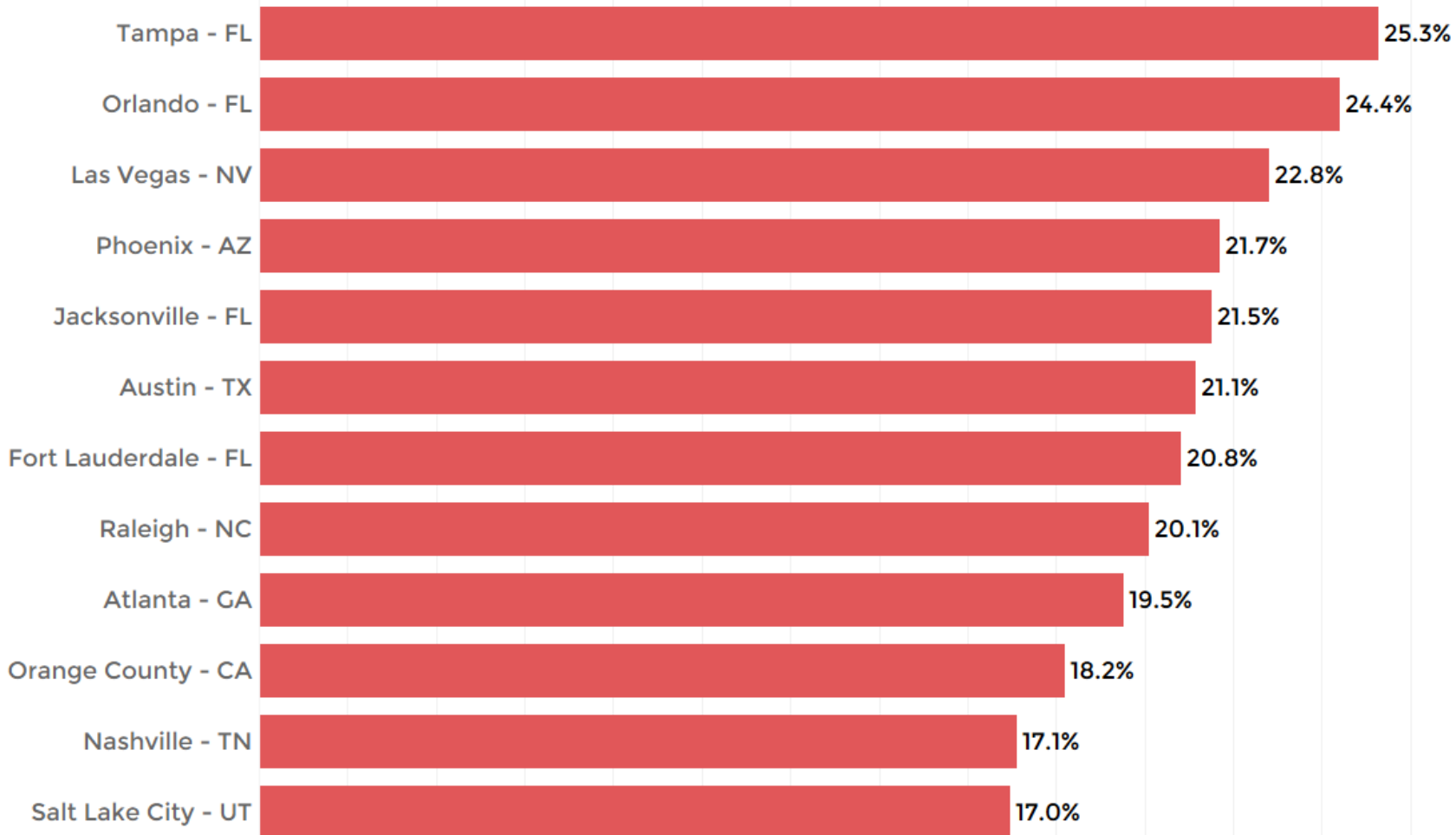
12-Month Absorption of Apartment Units and as a Percent of Inventory in 2021 Q4 (October 23)



Source: NAR analysis of CoStar data

# Strong apartment rent growth among Large markets

## Population Over 1M

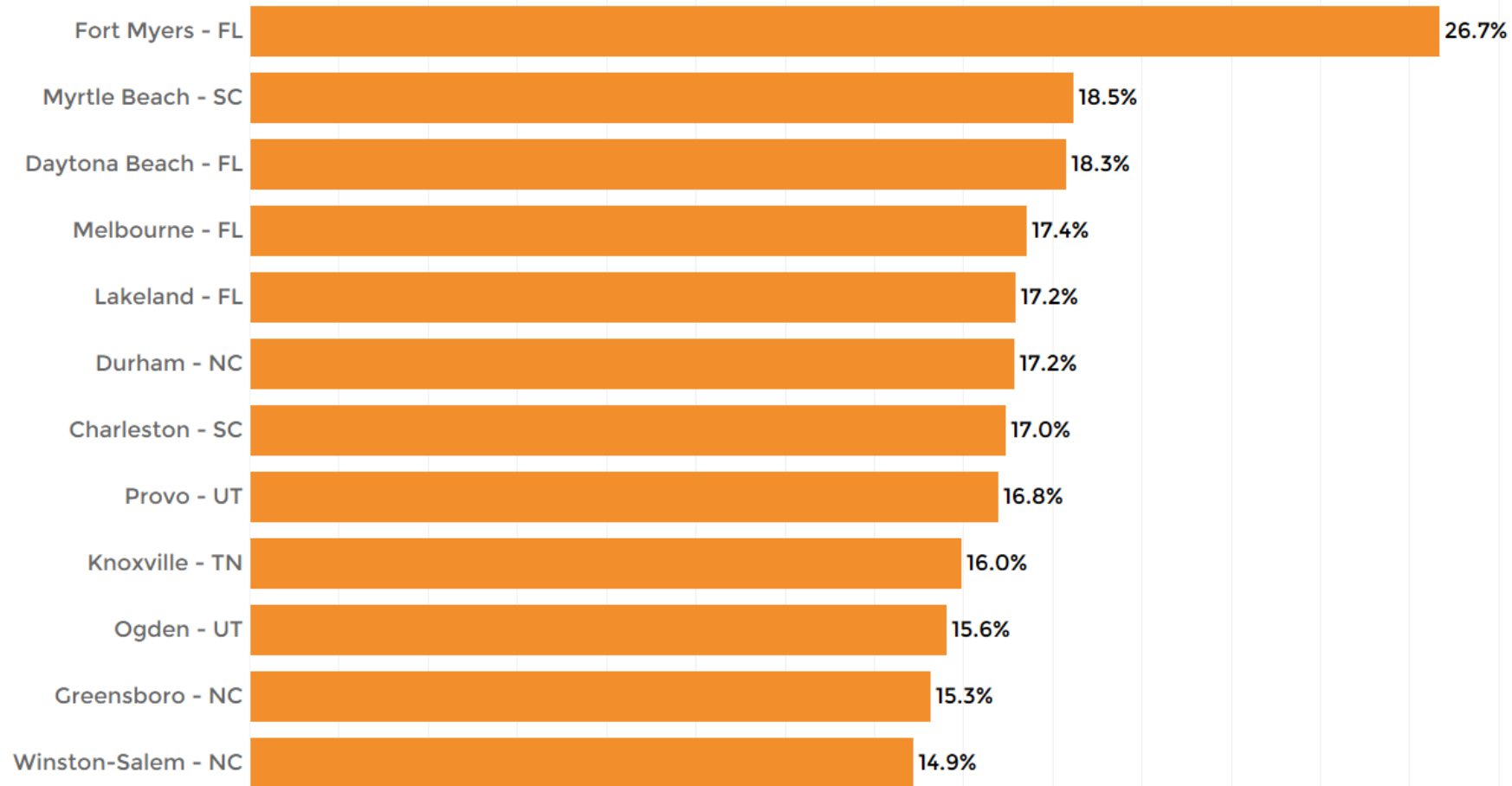


Source: NAR Analysis of CoStar data



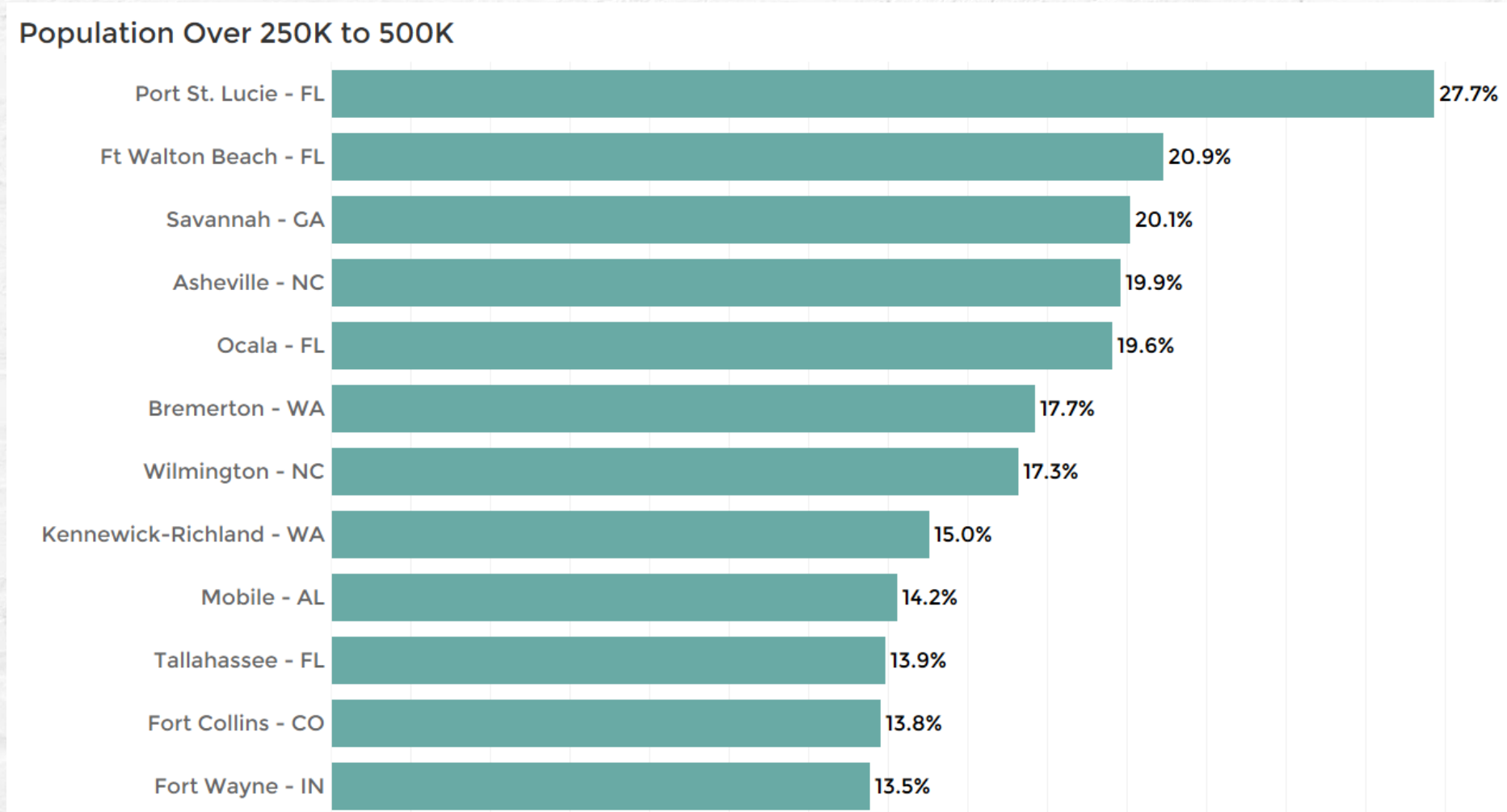
# Strong apartment rent growth in Mid-sized markets

## Population Over 500K to 1M



Source: NAR Analysis of CoStar data

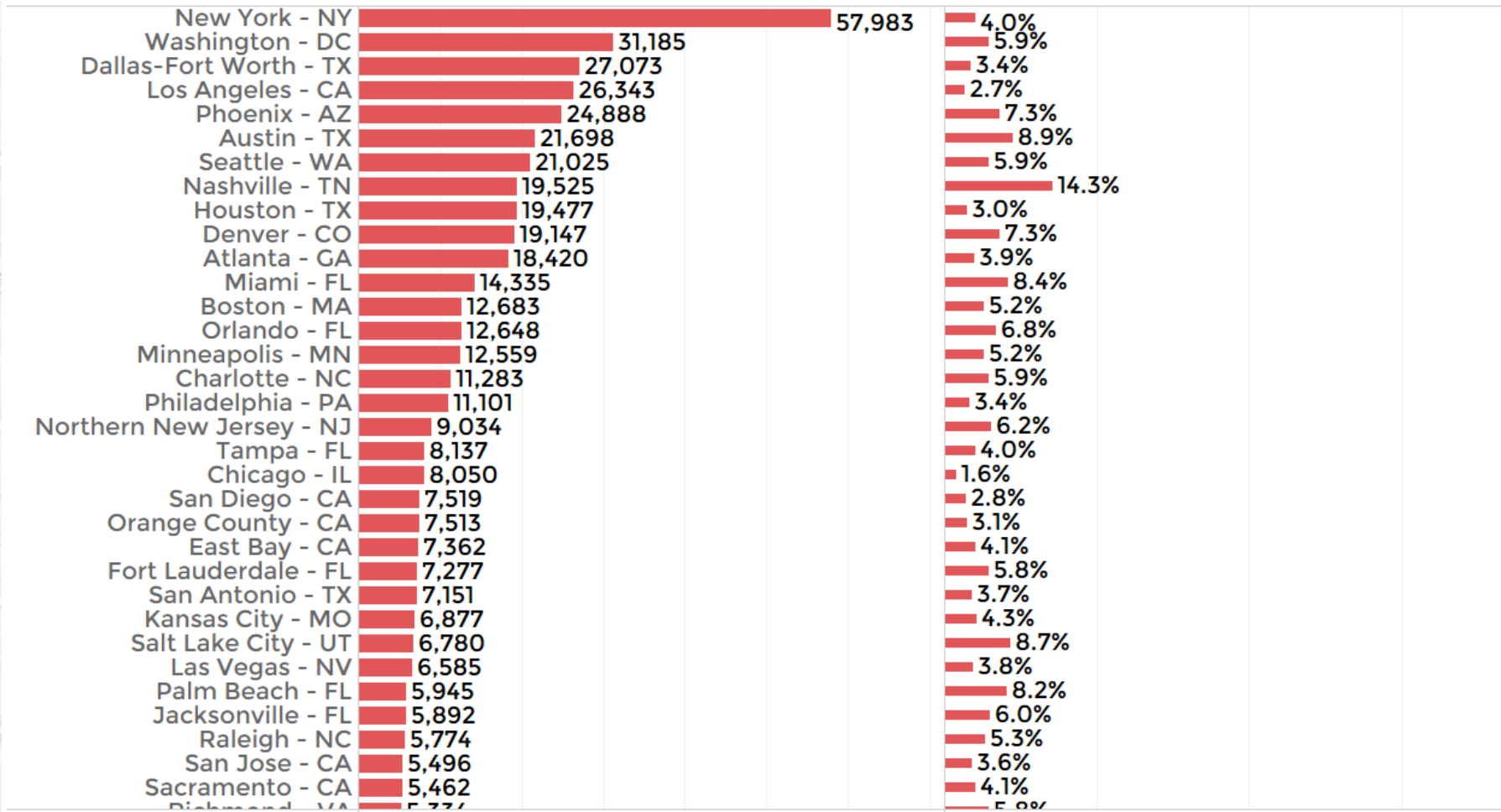
# Strong apartment rent growth in Small Markets



Source: NAR Analysis of CoStar data

# Top markets for multifamily development

Apartment Units Under Construction and as a Percent of Inventory as of 2021 Q3

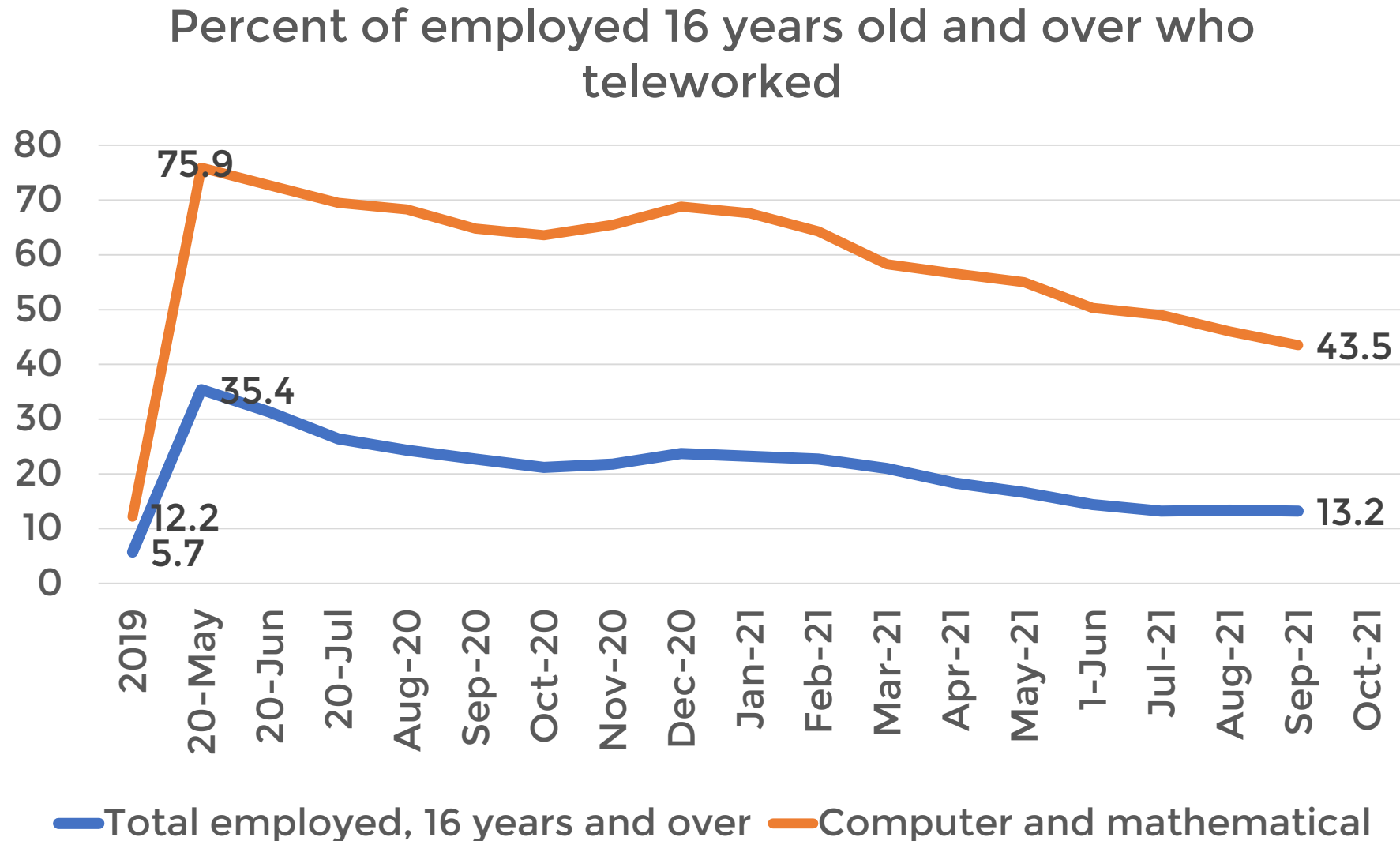


Source: NAR analysis of CoStar data

Under Construction Units =

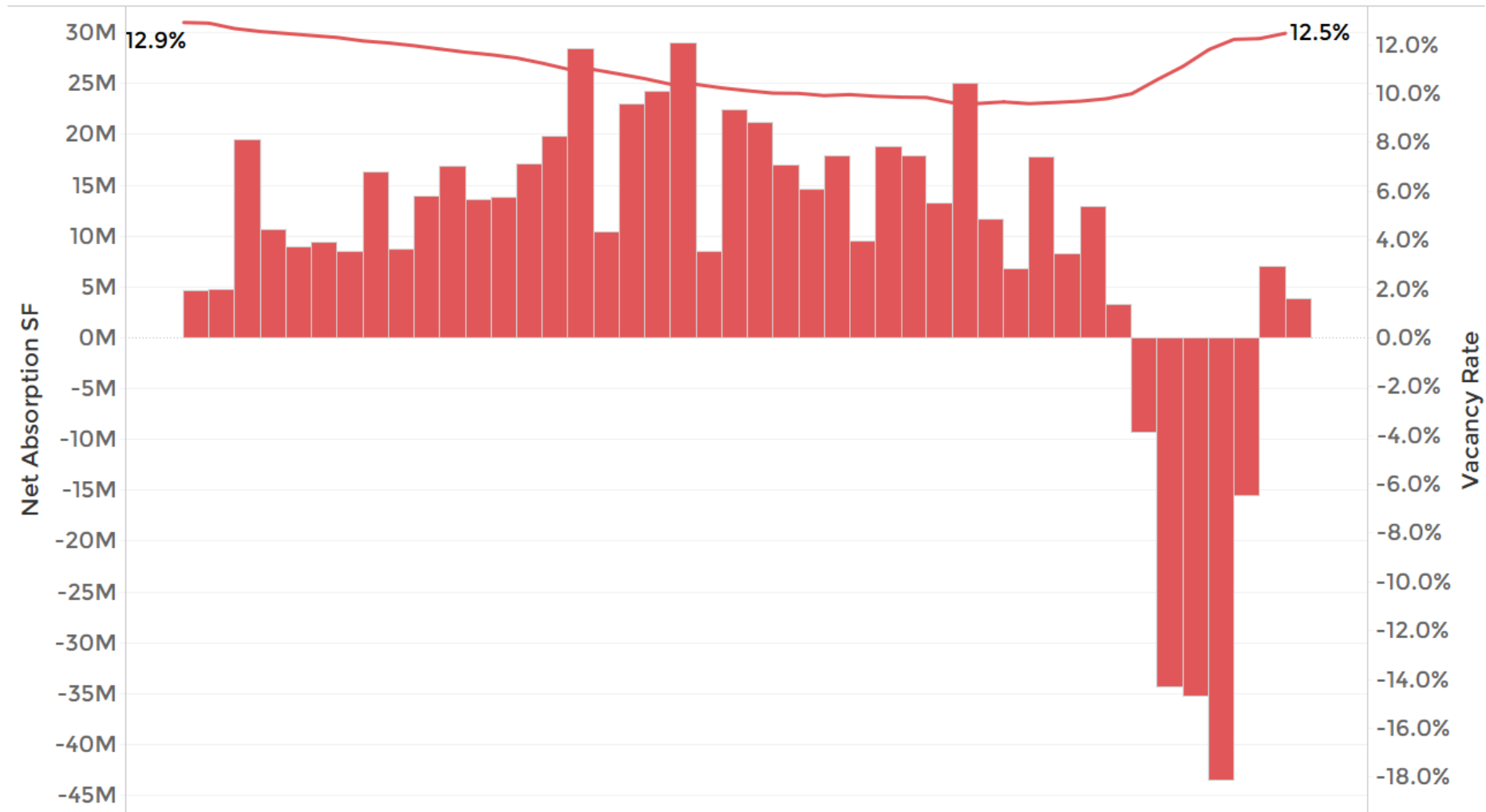
Construction as Pct of Inventory

# Working from home: trending down but still elevated



# Office occupancy is rising but vacancy rate is still high

Net Absorption of Office Space in Million Square Feet as of October 2021

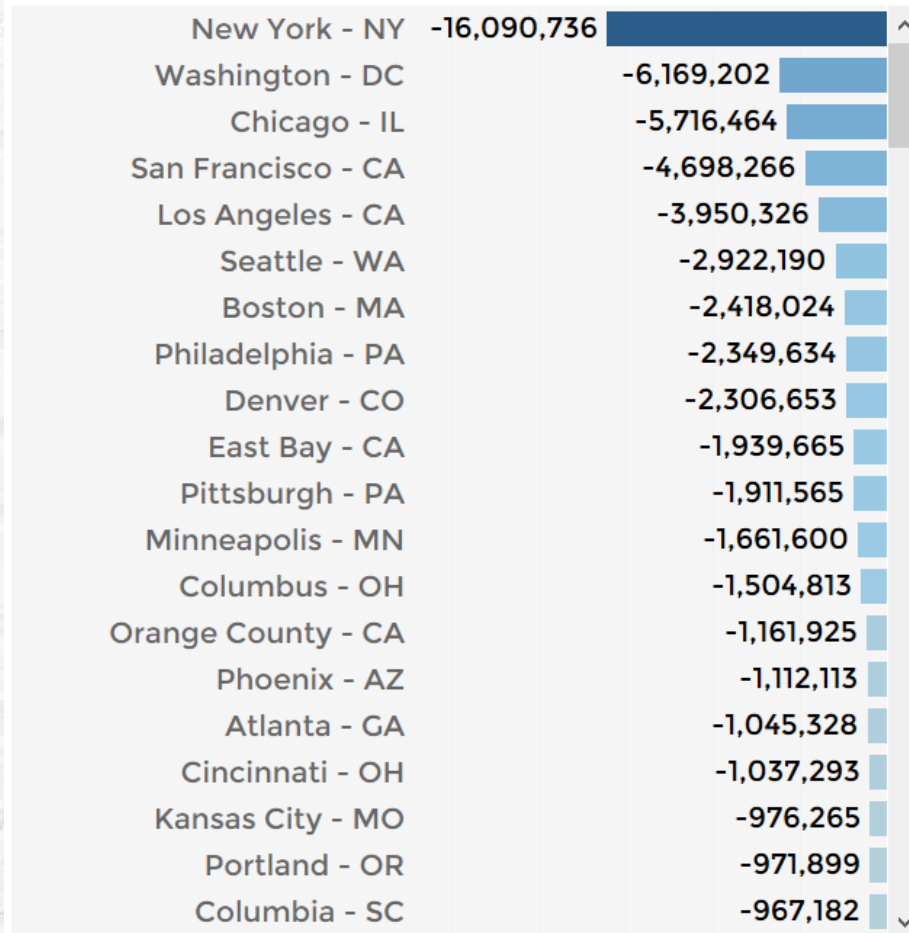


Source: NAR analysis of CoStar data

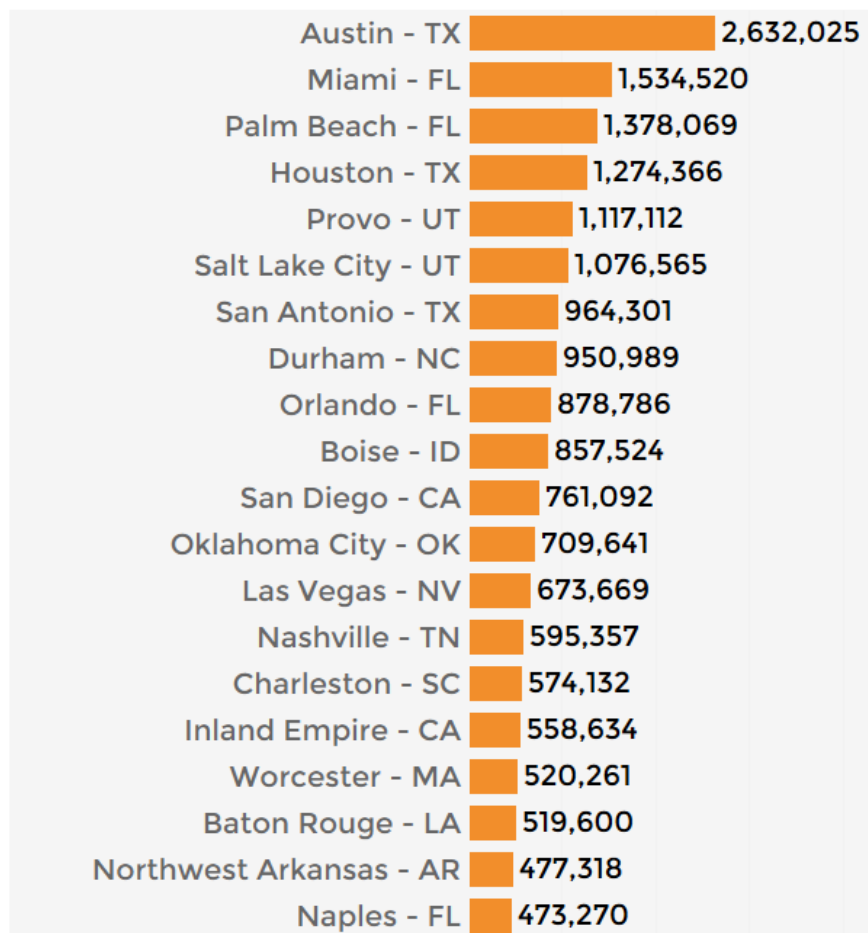
# Gateway cities suffer heaviest occupancy loses; Secondary markets gain occupants

## 12-Month Net Absorption of Office Space as of 2021 Q4 (October 2021)

### 12-Month Negative Net Absorption



### 12-Month Positive Net Absorption

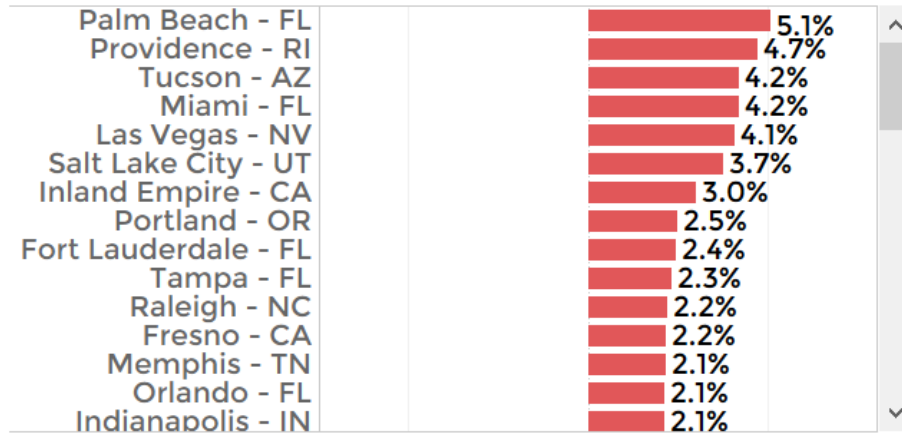


Source: NAR analysis of CoStar data

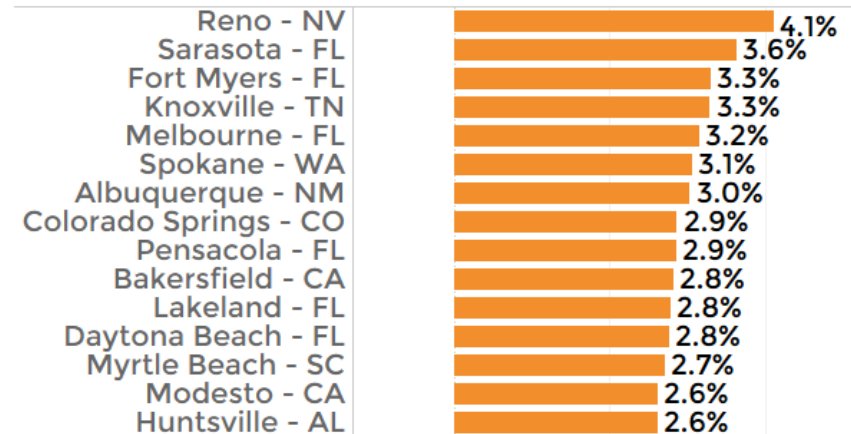
# Strong office rent growth in Sunbelt markets

## Average Office Rent Growth in 2021 Q4 by Population Size

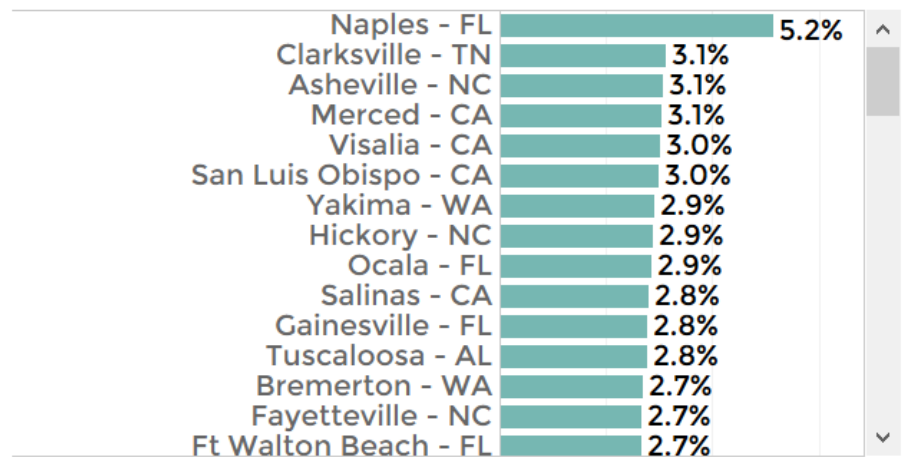
### Over 1 Million



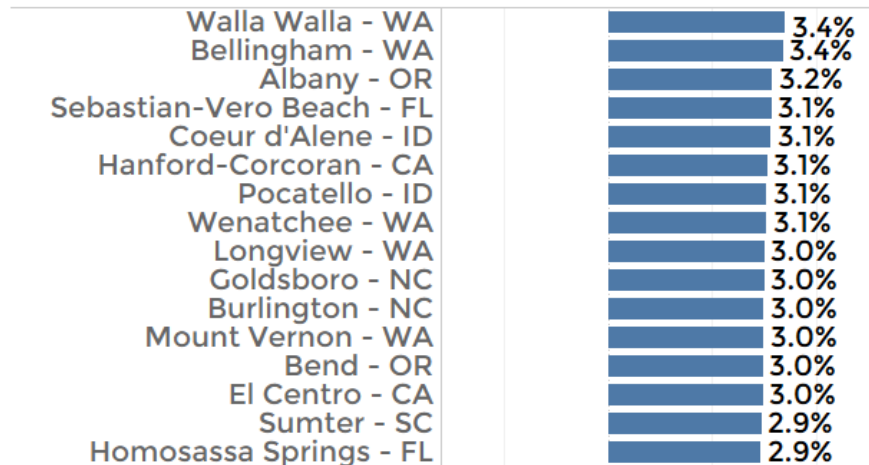
### Over 500,000 to 1 Million



### Over 250,000 to 500,000



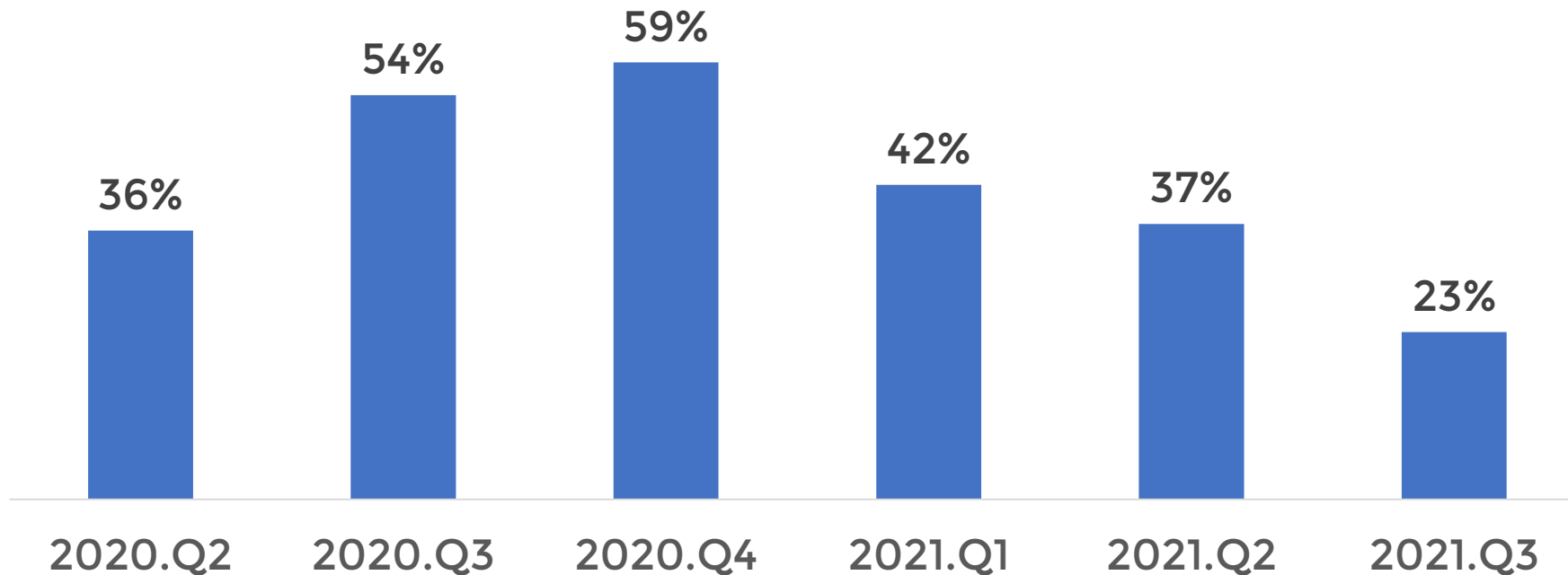
### Up to 250,000



Source: NAR analysis of CoStar data

# Declining fraction of Realtors® who reported observing “More” tenants with missed/late payments

Percent of respondents who reported “More” tenants with missed, late, or partial multifamily residential rent payments compared to January 2020

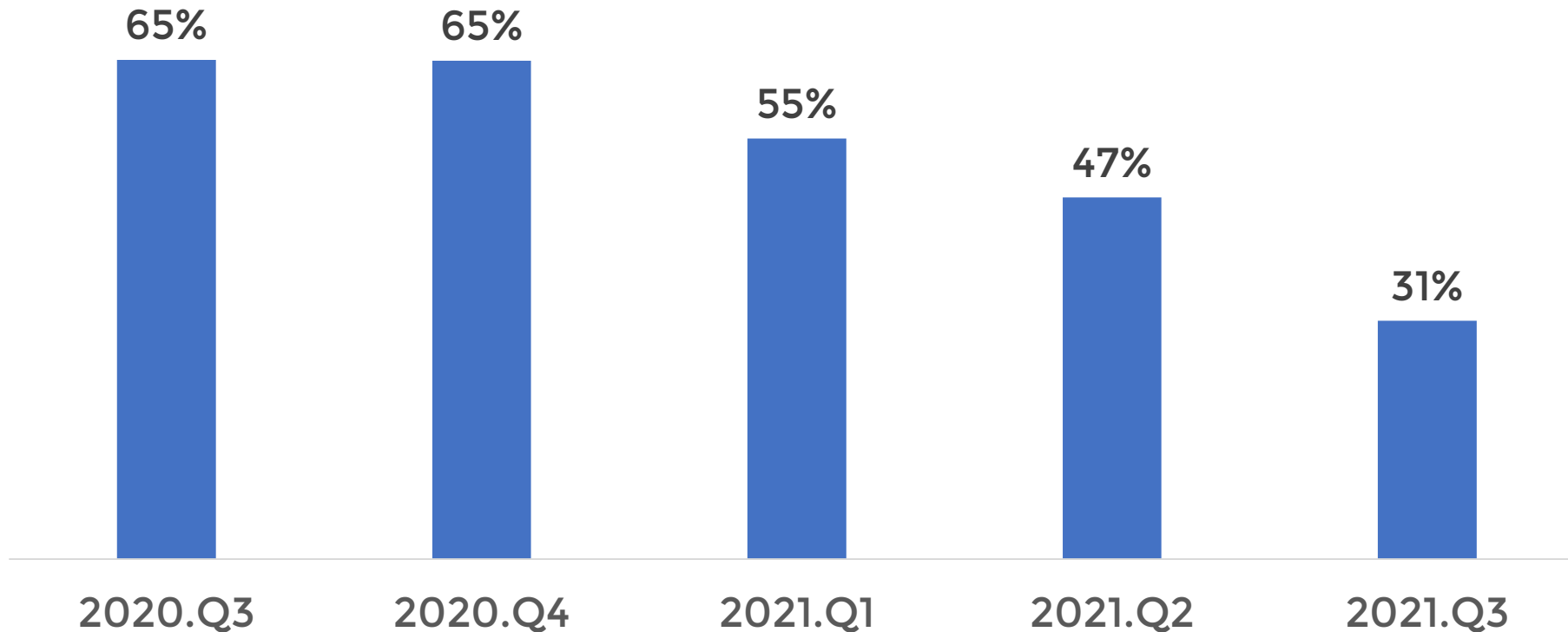


Source: NAR 2021 Q3 Commercial Real Estate Market Survey



# Declining fraction of Realtors® who reported observing “More” landlords offering rent concessions

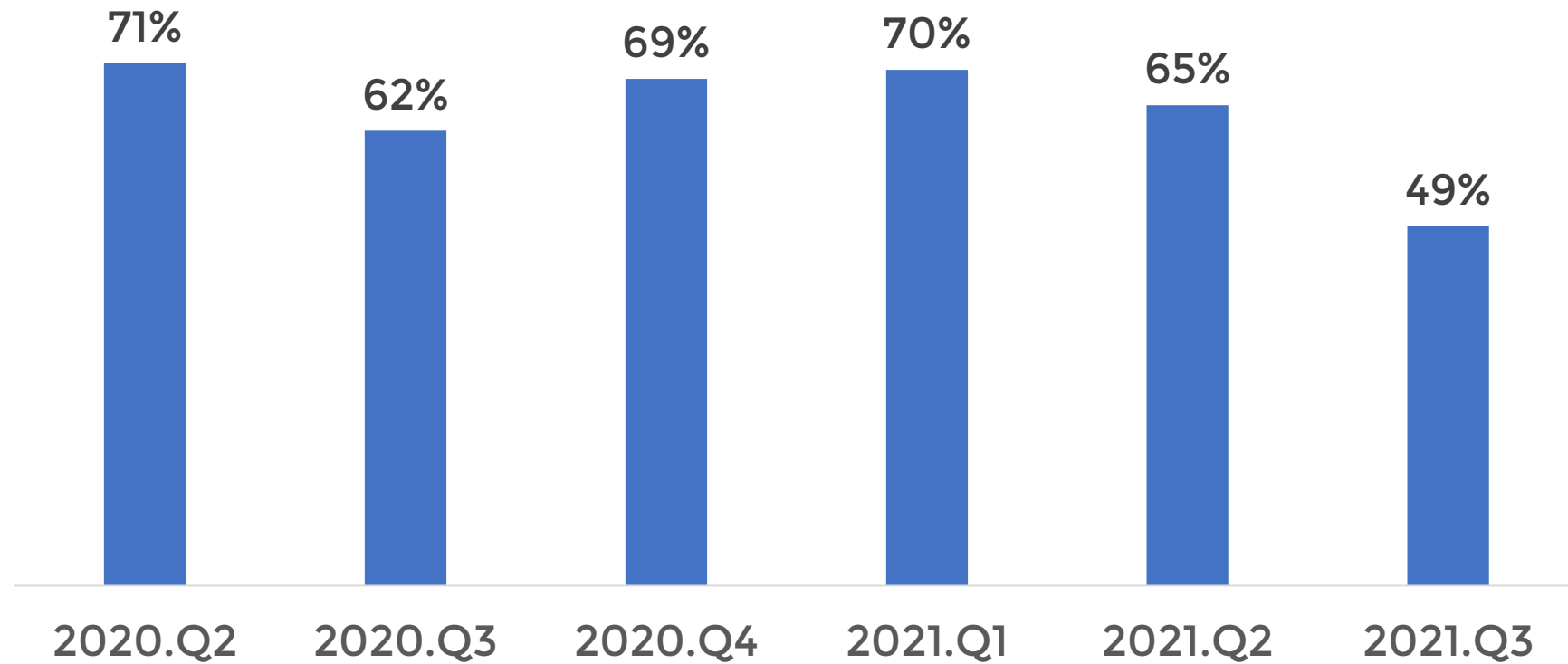
Percent of respondents who reported “More” landlords offering tenant rent concessions compared to January 2020



Source: NAR 2021 Q3 Commercial Real Estate Market Survey

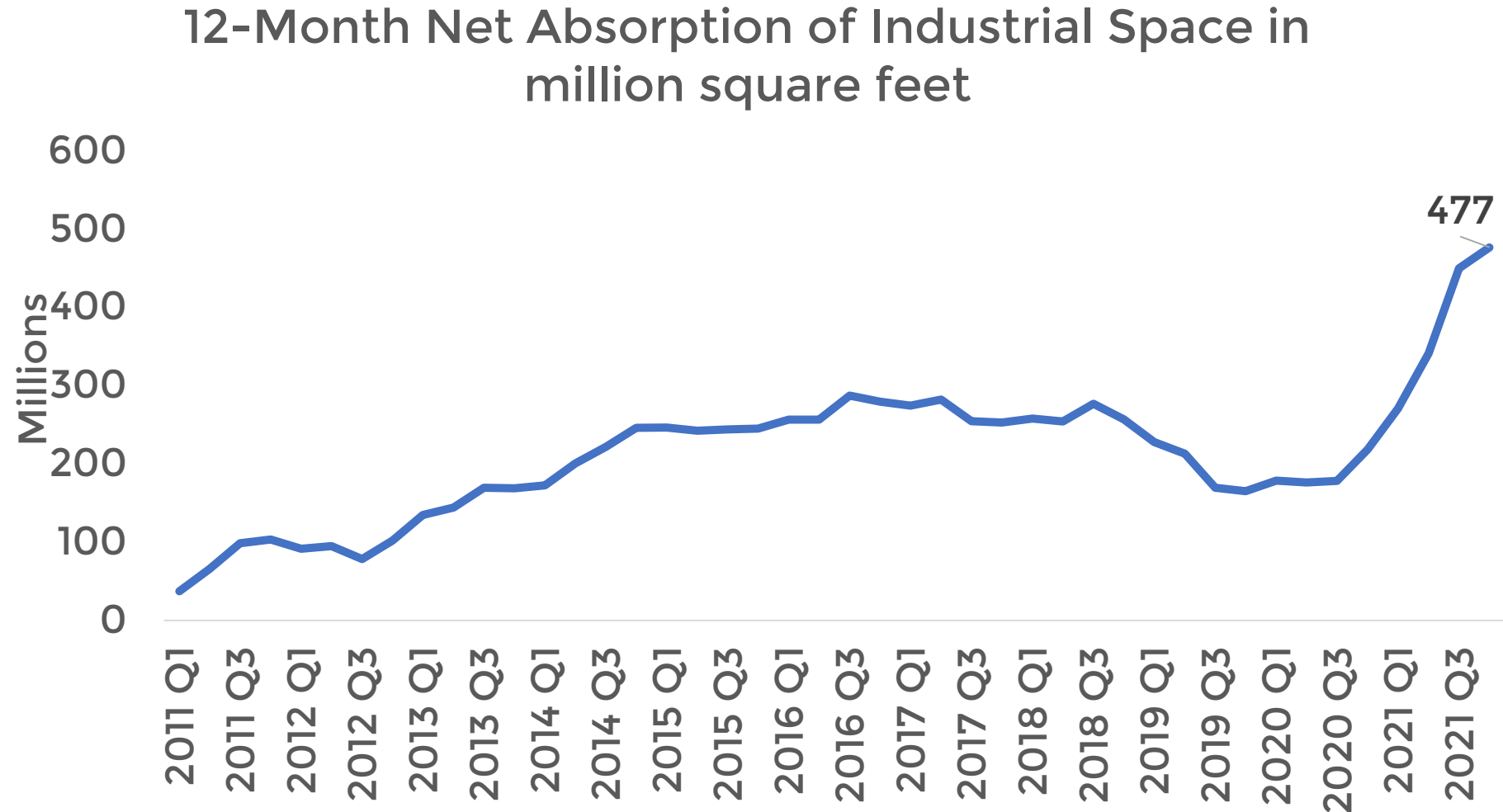
# Declining fraction of Realtors® who reported observing “More” companies leasing smaller offices

Percent of REALTOR® respondents who reported “More” companies leasing smaller square footage due to working from home



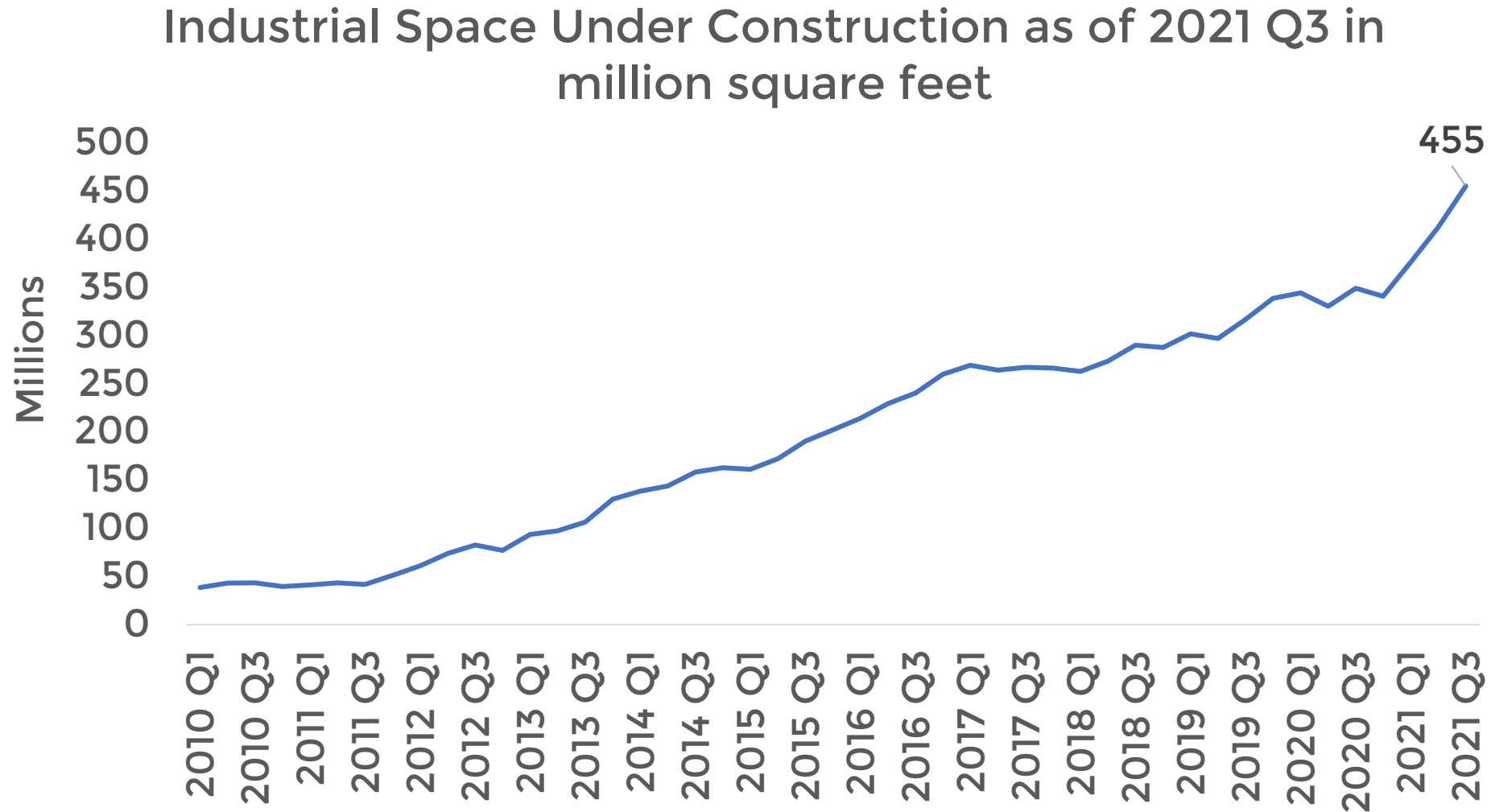
Source: NAR 2021 Q3 Commercial Real Estate Market Survey

# Decade high absorption of industrial space



Source: NAR analysis of CoStar data

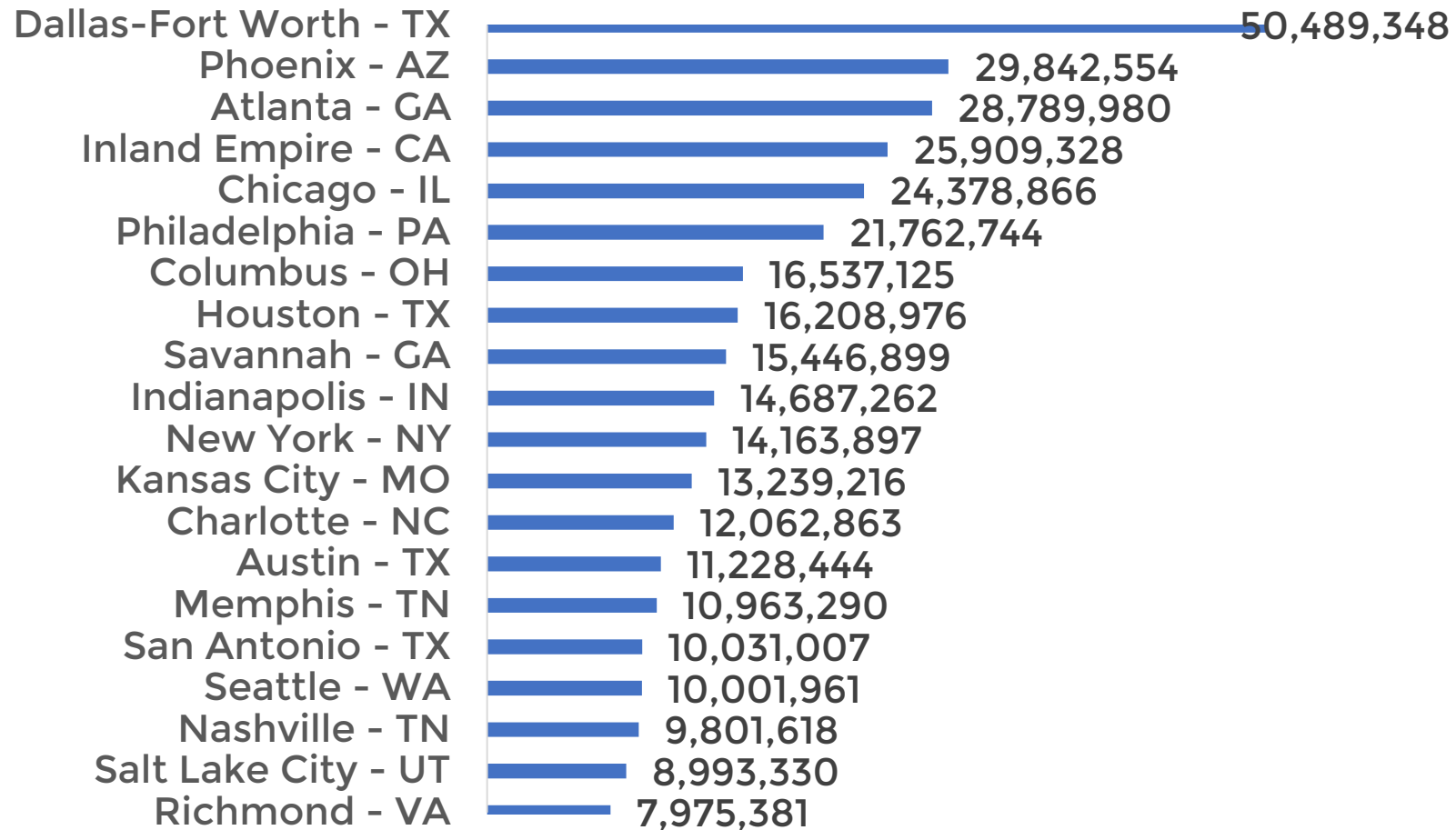
# More industrial space construction is underway



Source: NAR analysis of CoStar data

# Industrial space under construction

## Industrial Space Under Construction as of Q3 2021

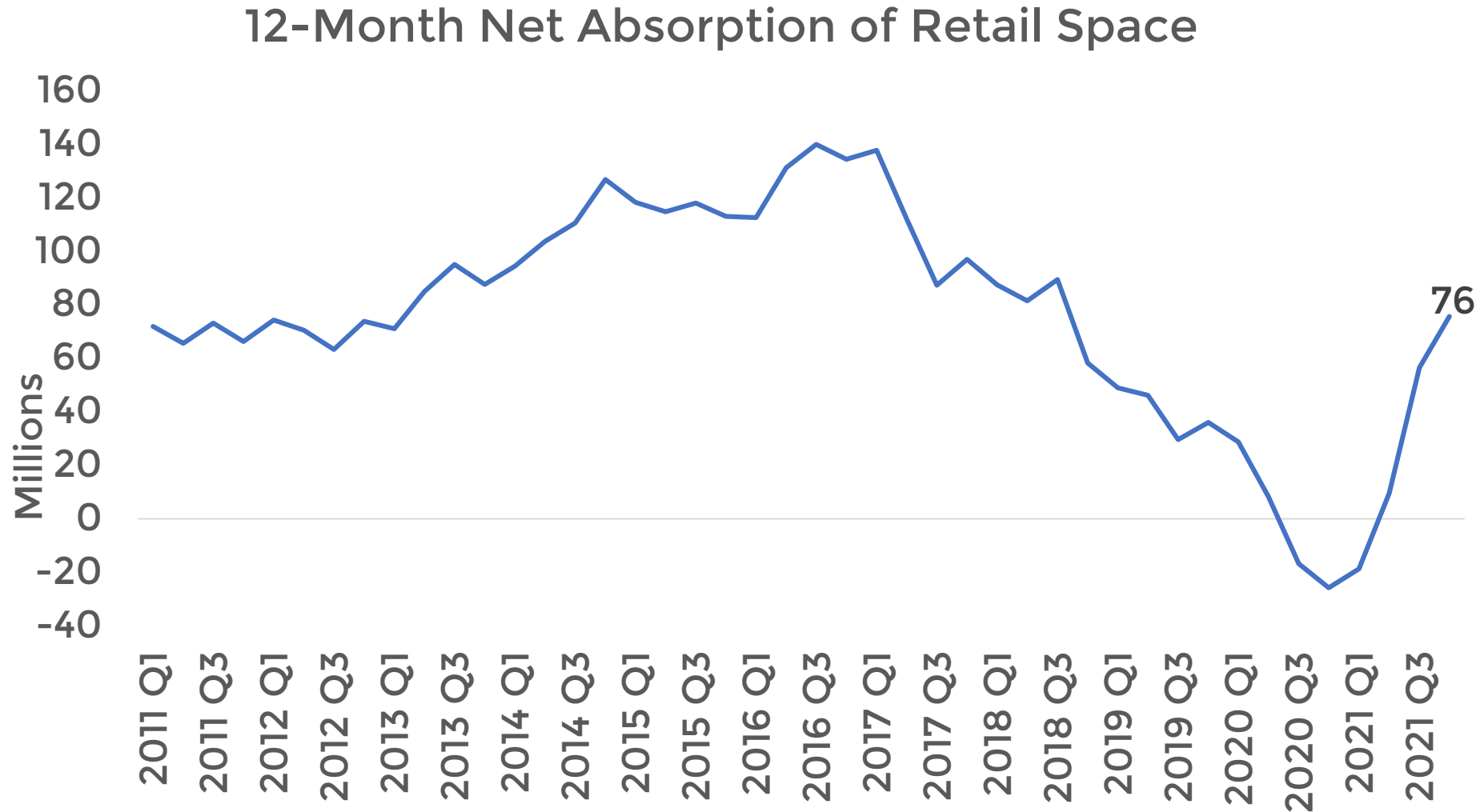


Source: NAR analysis of CoStar data

# E-commerce sales still booming but brick-and-mortars are gaining back some market share



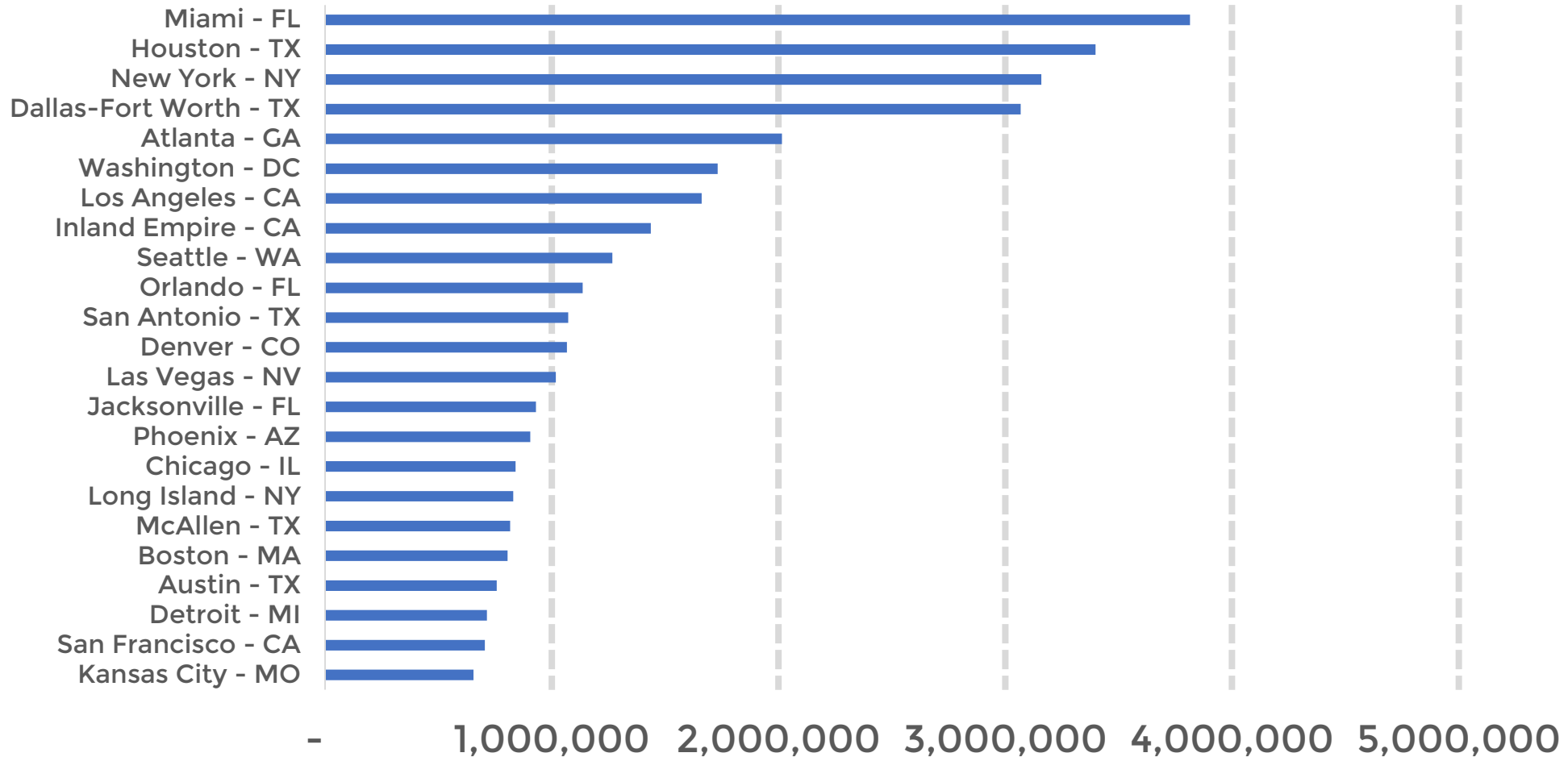
# Occupancy is rising in retail brick and mortar stores



Source: NAR analysis of CoStar data

# Top metros where retail space is under construction

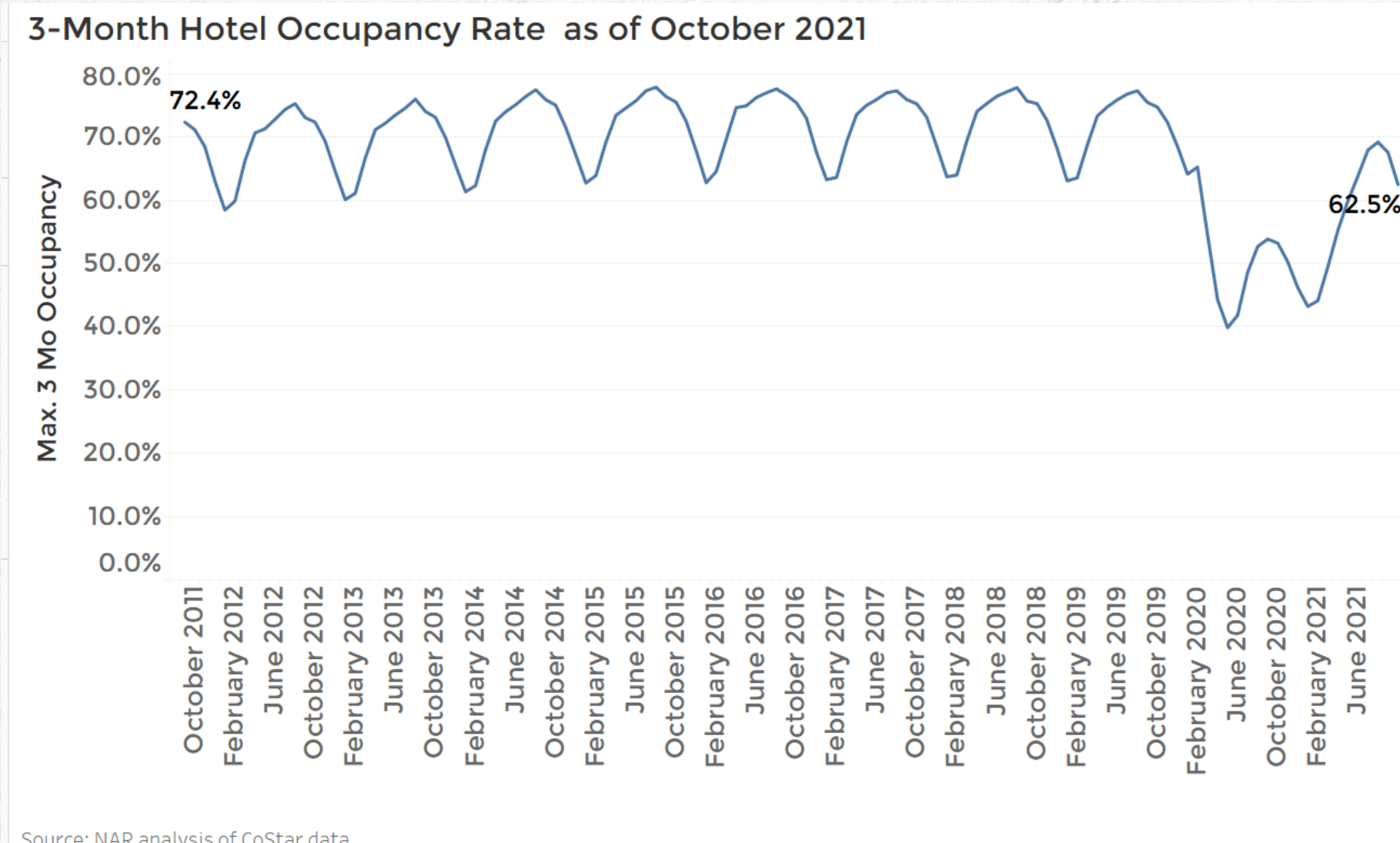
Retail Space Under Construction as of Q3 2021



Source: NAR analysis of CoStar data

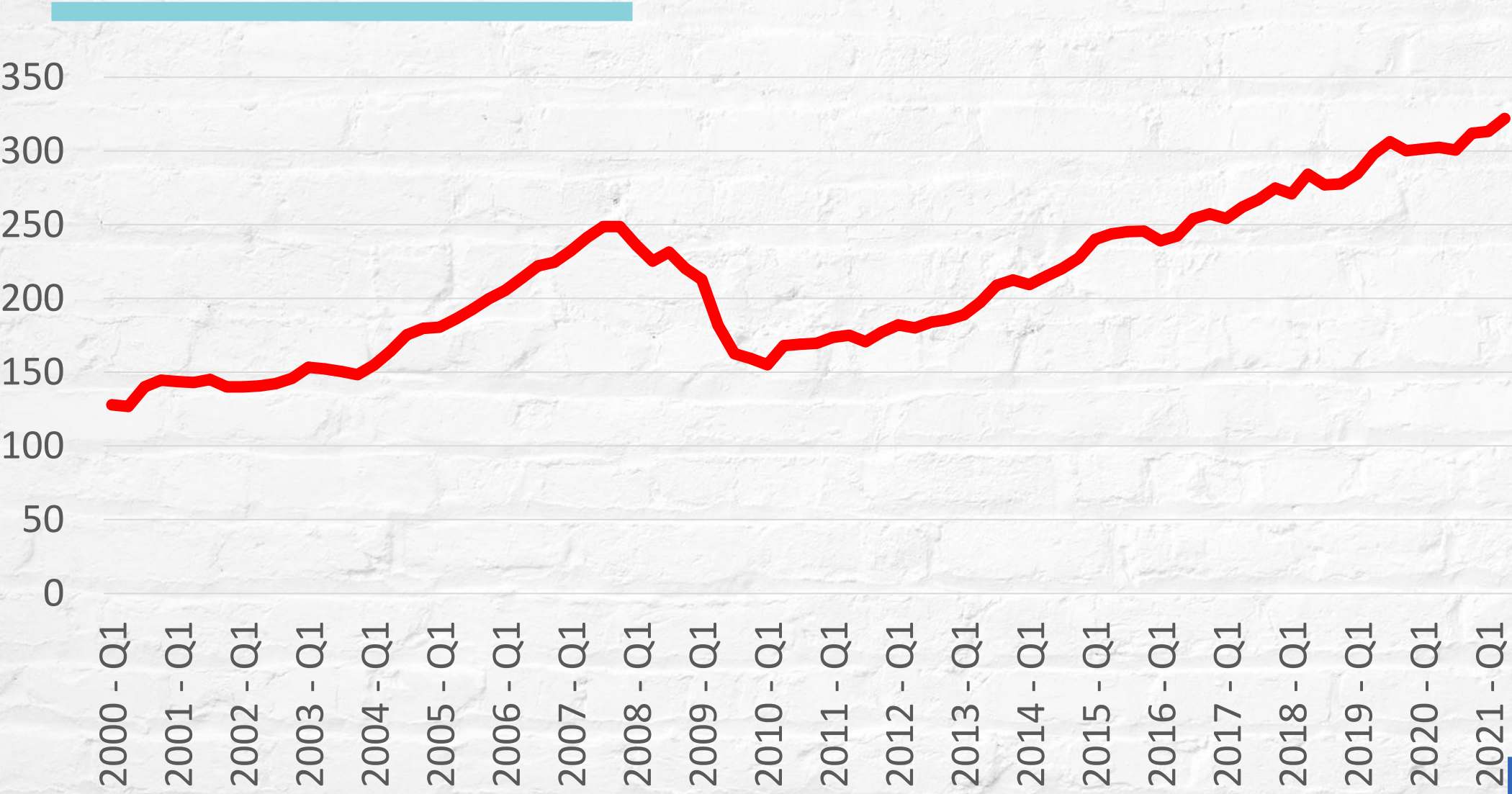


# Hotel sector recovery stalled by rising COVID cases



Source: NAR analysis of CoStar data

# Aggregate Commercial Real Estate Price



Source: Federal Reserve



# Economic Forecast

## U.S. Economic Outlook: November 2021

	2019	2020	2021F	2022F
<b>U.S. Economy</b>				
<i>Annualized Growth Rate</i>				
Real GDP	2.3	-3.4	5.1	2.6
Unemployment	3.7	8.1	5.6	4.9
<i>Interest Rates, Percent</i>				
Fed Funds Rate	2.2	0.4	0.1	0.3
10-Year Government Bond	2.1	0.9	1.5	2.0
30-Year Fixed Rate	3.9	3.1	3.0	3.5

# Commercial Outlook

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	2019	2020	2021F	2022F
<b>Vacancy Rates</b>				
Multifamily	6.3%	6.7%	5.1%	4.8%
Office	9.6%	10.4%	12.2%	13.5%
Industrial	5.0%	5.5%	4.9%	5.0%
Retail	4.5%	4.9%	4.9%	4.6%



# THANK YOU!

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THAT'S WHO WE  REALTOR

 NATIONAL ASSOCIATION OF REALTORS®