

Cap Market Analysis: Housing on the Up, Office and Retail Stable



The latest statistics from analysts at Moody's indicate many reasons for positivity in the second half of 2021, based on figures from through the second quarter of the year.

According to the economic data specialists, multifamily property is showing the strongest health across the US, while office and retail spaces are projecting "stability".

Rent levels in multifamily have "bounced back" after "bottoming out earlier in the year", achieving a growth rate of 0.6% - in both asking and effective rent. This does not put them at record levels, as they remain some 2.5% lower than the levels seen at the beginning of 2020 which was a record-breaking quarter.

"This recent bump in rent levels combined with a rosy economic outlook for the remainder of the year places a full recovery within the next 12 months firmly in reach," reads the preliminary trend report.

Stable, not Stressed

Although the headlines for commercial office and retail spaces are less ebullient, Moody's says the data "shows a lack of stress", and they say this may be the actual big news "considering the context".

The report author and senior economist Thomas P LaSalvia cautiously offers: "While we are not yet ready to take future large scale declines off the table, the modest 0.3% effective rent decline in office and somewhat surprising effective rent growth of 0.1% for retail has, at least temporarily, moderated the glut of negative sentiments across analysts and industry stakeholders".

LaSalvia is a commercial real estate specialist, curing CRE models and managing credit risk analysis for Moody's. He also wrote the Q1 analysis for the company.

Regional Variations

This is largely in keeping with reporting we are seeing from other sources, and for regionally specific outlooks such as Orlando and LA, as well as growth in individual investment vehicles with a focus on multifamily.

Multifamily also continues to be a sphere for innovative living solutions, such as multi-generational living which may be why they seem to be courting the favor of analysts currently.