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CRE 2022: Positive Metrics for the First Six Months

A new report out from JP Morgan Chase provides an interesting mid-year review for commercial real estate (CRE), showing positivity in the first half of 2022, despite the various headwinds the industry faces.

“Despite rising interest rates—with the potential for more hikes in the coming months—commercial real estate has seen success in 2022,” writes Al Brooks, Head of Commercial Real Estate, Commercial Banking at JPMorgan Chase.

Giving Retail a Boost

Even the beleaguered retail space has some standouts, according to JPMorgan. The report highlights a handful of factors that have bolstered strip malls in highly populated residential areas, underpinned by the likes of “grocery stores, fast-casual restaurants, and other retailers offering in-person services”, reads MPAMag’s coverage of the findings.

“JPMorgan observed that walk-in MRIs, testing clinics, and other non-traditional tenants may fill more shopping centers as retail evolves and adapts,” they add.

Class B and C malls, however, “continue to struggle” and the report authors call them “prime candidates for adaptive reuse” – into affordable housing and even industrial use, like fulfillment centers.

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Industrial Still Booming

Given the huge demand for industrial space – a trend that continues unabated – the report posits that we may start to see this category of property maturing in interesting ways. This could include adding the kinds of facilities and amenities which we associate with offices, such as gyms, complimentary snacks, nursing rooms, and so on.

This would fit with the evolution towards “multiple business purposes” within industrial sites, “such as a shipment center with offices or a showroom”, according to the report authors.

Looking Forward

As for the next six months, the report has a tone of tentative positivity, writing: “Multifamily and industrial properties have thrived in 2022. With healthy balance sheets, consumer demand could bolster retail, multifamily and industrial asset classes.”

But, they say, they’re keeping an eye on how “the country navigates hybrid work” and “on interest rate hikes, supply chain issues and geopolitical events, as well as ongoing relationships between public and private entities in affordable housing”.