

Report Says CRE Leaders Expect Post Covid Resurgence



In May, law firm DLA Piper released the 2022 edition of their Annual State of the Market Survey report, highlighting that “optimism about the future of commercial real estate (CRE)” remains strong despite the headwinds the industry faces.

The survey on which the report is built was conducted in February and March of 2022, by collating and analyzing input from CRE leaders and professionals in the US – specifically their take on matters including “pandemic recovery, economic outlook, attractiveness of investment markets and overall expectations over the next 12 months”. This input was further contextualized with additional research, producing the report.

Highlights

Overall, the report shows “increased bullishness”, with “more respondents in 2022 [having] a higher level of confidence for the real estate industry’s next 12 months”.

Findings from the report also include that 73 percent of respondents are “expecting a bullish market”. This is consistent with 2021 expectations. “However,” they added, “this year, respondents reported feeling a higher level of confidence in a bull market over the next 12 months; 33 percent described their bullishness as an 8 or higher in 2022, compared to just 16 percent in 2021.”

Top contributing reasons include the apparent availability of capital in the market, with over half of the respondents citing this as the main source of their confidence.

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Viewed per sector, Commercial Property Executive says in their analysis of the report, “Industrial (66 percent) and multifamily (57 percent) remain the property types that investors believe offer the best risk-adjusted returns over the next 12 months.”

Shaping CRE

Inflation and interest rate changes were ranked most likely to have an impact specifically in the CRE market in the coming year, but ecommerce, migration of workers out of city centers and the “redesign/reimagining use of office and other commercial spaces” were also common responses.

Concerns Remain

Top concerns included interest rate increases (cited by 26 percent of respondents), inflation (18 percent) as well as the Russian invasion of Ukraine.

US Gains and Advice

Finally, respondents to the survey said they felt the US would be seen as a safe and stable option, attracting non-US investment. “During times of uncertainty – like the pandemic or the conflict in Ukraine – investors often flock to safe havens,” the report reads, adding “a well-defined legal system, transparency and proven economic resiliency” are among the US’s assets.

In the face of global uncertainty though, the report authors caution that CRE professionals and firms must “remain agile and prioritize adaption, with an eye towards staying ahead of the curve”.

