



Commercial real estate marketing may see slight decline in prices in 2023 - National Assocs. of Realtors

December 13, 2022 - Upstate New York

Orlando, FL Although commercial real estate prices may see a slight decrease nationwide, strong job growth will continue to drive demand in many markets, according to NAR chief economist Lawrence Yun.

Yun joined other commercial real estate experts at the 2022 NAR NXT, The Realtor Experience, in Orlando, Florida, to discuss economic trends and issues affecting the commercial real estate industry.

“Nationwide, we are beginning to see some decline in commercial appraisal values,” Yun said. “Cap rates simply cannot match up with higher borrowing costs, especially among people who need to refinance their properties. However, strong job growth is supporting prices in many markets.”

Yun explained that the recent spike in interest rates, combined with high borrowing rates, have forced up cap rates and caused property values to adjust downward.

“Offices are the most vulnerable to these price decreases,” he said. “We are seeing a rise in office vacancies in many cities, driven by a preference for remote work. San Francisco, for example, saw a 6% office vacancy rate before the pandemic. Now, it’s more than 15%.”

Matt Vance, senior director and America’s head of multifamily research and senior economist for CBRE, estimates that employees will spend 25-35% less time in the office than they did pre-pandemic.

“That’s about a day to a day and a half less in the office,” Vance said. “We believe this will translate to a 15% reduction in office space demand per employee.”

Vance said that multifamily properties have provided an annual average total return of 8.8% over the last five years. He added that multifamily also offers critical benefits beyond returns.

“It’s easier to place large amounts of capital [in multifamily],” he said. “It’s also the best inflation hedge among these sectors and it’s been the most stable sector over the past 40 to 50 years.”

Danny Nix, Jr., CCIM, a commercial broker with The Nix team with Coldwell Banker SunStar Commercial, spoke to the crowd about natural disasters and their economic effect on commercial

real estate. He said natural disasters bring in many groups to provide aid and services – such as restoration companies, electricians, and disaster relief teams – and these groups will need help finding commercial properties.

“If you know in advance that a big storm or natural disaster is coming to your area, it’s important to get ahead of the ballgame,” he said. “After a disaster strikes, Realtors become an important resource for these groups.”

The National Association of Realtors is America’s largest trade association, representing more than 1.5 million members involved in all aspects of the residential and commercial real estate industries.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540