



## **Q2 2024 CRE market snapshot shows signs of rebound - by Robert Khodadadian**

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In the second quarter of 2024, the commercial real estate (CRE) market displayed encouraging signs of recovery. Despite ongoing challenges such as fluctuating occupancy and rental rates, price uncertainty, and high operational and financing costs, the market demonstrated resilience with approximately \$2.83 billion in dollar volume, representing a 108% increase from the previous quarter.

### Multifamily and Retail Lead the Way

Multifamily and retail properties continue to lead the market. Multifamily properties accounted for 32% of total sales, making them the largest category. Retail and industrial properties each made up 17% of sales. Industrial property sales saw a significant 34% increase from Q1 to Q2, while retail and multifamily sales both experienced a 19% increase. The office sector's share remained flat at 10%.

### Property Fundamentals and Investor Engagement

Property fundamentals vary across segments. Grocery-anchored retail and warehouse/distribution sectors are performing well, while downtown class B/C office spaces struggle with high vacancies and falling values. In the multifamily sector, falling rents in some metros and decreasing construction starts set the stage for rent acceleration, particularly in areas with strong labor markets and housing shortages.

### Outlook for H2 2024

The second half of 2024 is expected to bring continued momentum, albeit with caution. The market has shown resilience, with encouraging signs such as the uptick in big portfolio sales and multiple bidders for distressed office sales. As the Federal Reserve is expected to implement its first rate cut in September, this could further strengthen CRE returns, boost transaction volume, and improve liquidity.

In summary, the Q2 2024 CRE market snapshot reveals a market in recovery, driven by increased property listings, stable investor interest, and a cautious but optimistic outlook for the latter half of the year. The resilience of multifamily and retail sectors, along with the growing momentum in industrial properties, highlights the dynamic nature of the CRE market as it navigates through economic challenges and opportunities.

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