The Real Estate Roundtable

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Q3 Survey: Commercial Real Estate Leaders Report Improving Market Conditions Amid Uncertain Return-to-Office Trends

Current Market Conditions Register at Historic High

(WASHINGTON, D.C.) — Commercial real estate executives report improving market conditions, through consistent growth of various asset classes, despite uncertainty surrounding employees returning to the office, according to The Real Estate Roundtable's Q3 2021 Economic Sentiment Survey released today. The report shows the continued positive momentum for industrial, multifamily and single-family assets, with hospitality continuing to improve with increased travel.

"As the commercial real estate industry continues to adapt in the face of the global pandemic, we recognize the changing demands and expectations for hospitality, shopping centers, office buildings, travel and convening spaces," said Real Estate Roundtable President and CEO Jeffrey DeBoer. "Strong, stable and growing real estate markets can be a driving force for the nation's economic recovery, and contribute productively to a world struggling to overcome COVID and its variants. Investment in these reimagined spaces presents the opportunity to move the economy forward for the benefit of all Americans."

The Roundtable's Q3 *Current Conditions Index* of 85 increased 7 points from the previous quarter, the highest index recorded in its thirteen year history.

The Economic Sentiment *Overall Index* is scored on a scale of 1 to 100 by averaging Current and Future Indices; any score over 50 is viewed as positive. The Roundtable's Overall Q3 2021 Sentiment Index registered at 78 – a one-point increase from the previous quarter.

The Roundtable's quarterly survey shows that 89 percent of respondents believe that general market conditions today are "much better or somewhat better" versus one year ago – with an abundance of available capital compared to one year ago.

However, this quarter's *Future Conditions Index* of 71 decreased 4 points compared to last quarter, indicating uncertainty still remains while the country continues to recover from the COVID-19 crisis.

The report's Topline Findings include:

- The Q3 2021 Real Estate Roundtable Sentiment Index registered a score of 78, an increase of 1 point from the second quarter of 2021 and a 36-point increase over Q3 2020. The speed of the economic recovery compared to only 6 months ago has provided more clarity and certainty for specific asset classes, with the biggest looming question marks being the impact of employees returning to the office and rising inflation risk.

- Industrial performed exceptionally well throughout the pandemic and has maintained positive momentum through the first half of 2021. Additionally, multifamily and single-family suburban assets continue to attract strong demand. Previously challenged assets such as hospitality have rebounded and remain hopeful to reach pre-pandemic levels with increased travel and employees returning to the office.

- Assets classes with durability or the perception of durability such as high-quality multifamily, long-term net lease office, and industrial have all hit record levels, all while certain sectors and regional markets (in particular, those relying heavily on mass transit) have yet to fully recover.

- Respondents cited a continued abundance of available debt and equity capital, which has led to significant amounts of capital sitting on the sidelines waiting for attractive deployment opportunities.

DeBoer also noted, "Historically, the real estate industry has played a pivotal role in catalyzing economic recovery following national and worldwide events, and we have the opportunity to play that role again. With the recent infrastructure policy developments in Washington, it is a once-in-a-generation opportunity to rebuild cleaner, safer, and more climate-friendly buildings. With private capital readily available for investment, we are hopeful federal and public private partnerships will continue to fuel job creation and equitable economic development needed to continue the progress made in the economic recovery."

Data for the Q3 survey was gathered in July by Chicago-based Ferguson Partners on The Roundtable's behalf. For the full Q3 report, visit here.

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