



The Real Estate Roundtable

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Rising Interest Rates, Tighter Liquidity, Hybrid Work, and Cost Cutting Reflected in Real Estate Roundtable's Q4 Sentiment Index

(WASHINGTON, D.C.) — The Real Estate Roundtable's Q4 Economic Sentiment Index dropped to an overall score of 39, five points lower than the previous quarter. Commercial real estate executives cited a reduction in available equity and debt capital, changes in post-pandemic office use, general business cost cutting, and employee layoffs among the contributing factors causing market uncertainty and a decrease in transactions.

Roundtable President and CEO Jeffrey DeBoer said, "Industry executives report that asset valuation difficulties, coupled with the tightened availability and cost of capital, have caused a slowdown in commercial real estate investment and overall transactions. This situation, magnified by steep inflation and interest rate hikes, is leading to investor hesitancy. Additionally, while some businesses are instituting greater return-to-the-workplace policies, many are not, partially due to employee reluctance. Ultimately, greater clarity on businesses' future post-pandemic workspace demands is needed to provide a more reliable window into asset valuations, particularly in the office sector."

"As an industry, we're working with tenants to provide attractive building safety and use amenities—and where possible, converting underutilized property types to other uses, including housing. We continue to urge policymakers and business leaders to push for the safe return of workers to their shared, physical workspace. A back-to-the-workplace movement would increase overall economic productivity and competitiveness, help preserve urban small businesses, and lower the threat to the property tax base of municipalities throughout the nation," DeBoer added.

The Roundtable's Economic Sentiment Index—a measure of senior executives' confidence and expectations about the commercial real estate market environment—is scored on a scale of 1 to 100 by averaging the scores of Current and Future Economic Sentiment Indices. Any score over 50 is viewed as positive.

The Q4 Sentiment Index topline findings include:

- The Q4 2022 Real Estate Roundtable Sentiment Index registered an overall score of 39, a decrease of five points from the previous quarter. The Current Index registered 29, a nine-point drop from Q3 2022, and the Future Index posted a score of 48 points, a dip of three points from the previous quarter.
- Seventy-eight percent of respondents believe that general market conditions today are "somewhat worse or much worse" versus one year ago, while 70 percent anticipate current conditions will continue or get worse one year from now.

- Survey respondents noted a reduced number of transactions across all asset classes, including multifamily and industrial. However, some specialty assets such as logistics and biomanufacturing are seen as rising stars emerging from this period of economic uncertainty.
- Survey respondents found it difficult to comment on pricing due to fewer transactions. However, 92 percent believe that real estate asset values compared to one year ago are “somewhat lower or much lower” as investors cautiously eye the economy.
- In comparison with last year, 76 percent of participants said equity availability was “somewhat worse or much worse”—and 97 percent said availability of debt capital was worse.
- While current capital availability is sparse, real estate industry leaders reported some optimism about future availability of capital. Forty-eight percent expect debt financing will be somewhat better this time next year, whereas 43 percent said the availability of equity will be somewhat better one year from now.

Data for the Q4 survey was gathered in October by Chicago-based Ferguson Partners on The Roundtable’s behalf. See the [full Q4 report](#).

The Real Estate Roundtable brings together leaders of the nation’s top publicly-held and privately-owned real estate ownership, development, lending and management firms with the leaders of [major national real estate trade associations](#) to jointly address key national policy issues relating to real estate and the overall economy.

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