

2024 Commercial Real Estate Outlook: Recovery & Opportunities

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MIAMI REALTORS®

National Tax Lien Association
March 5, 2024

2024 
NTLA ANNUAL
CONFERENCE & MEETING

 6-8
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Navigating the Commercial Real Estate Market Amidst Economic Challenges

Get data and insights on the economic, CRE financing, and local market drivers of commercial real estate to help you hone your investment strategy in 2024 on assets and geographic markets to target.



Gay Cororaton
Chief Economist
Miami Association of Realtors

SPEAKERS


National Tax Lien Association

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Economic Trends

- Fed rate cut appears imminent, June most likely
- Inflation is slowing, but above 2%
- Economy is cruising towards a soft landing

“We believe that our policy rate is likely at its peak for this tightening cycle....The Committee does not expect that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.”

[-Chair Powell's Testimony, Semi-annual testimony to Congress, March 6, 2024](#)



Federal Reserve Chair Jerome Powell testifies to the House Financial Services Committee on the first of two days of semi-annual testimony to Congress Washington on March 6, 2024.
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10-Year Rate Fell as Market Expects Imminent Rate Cut



Interest Rate Outlook: Higher for Longer?

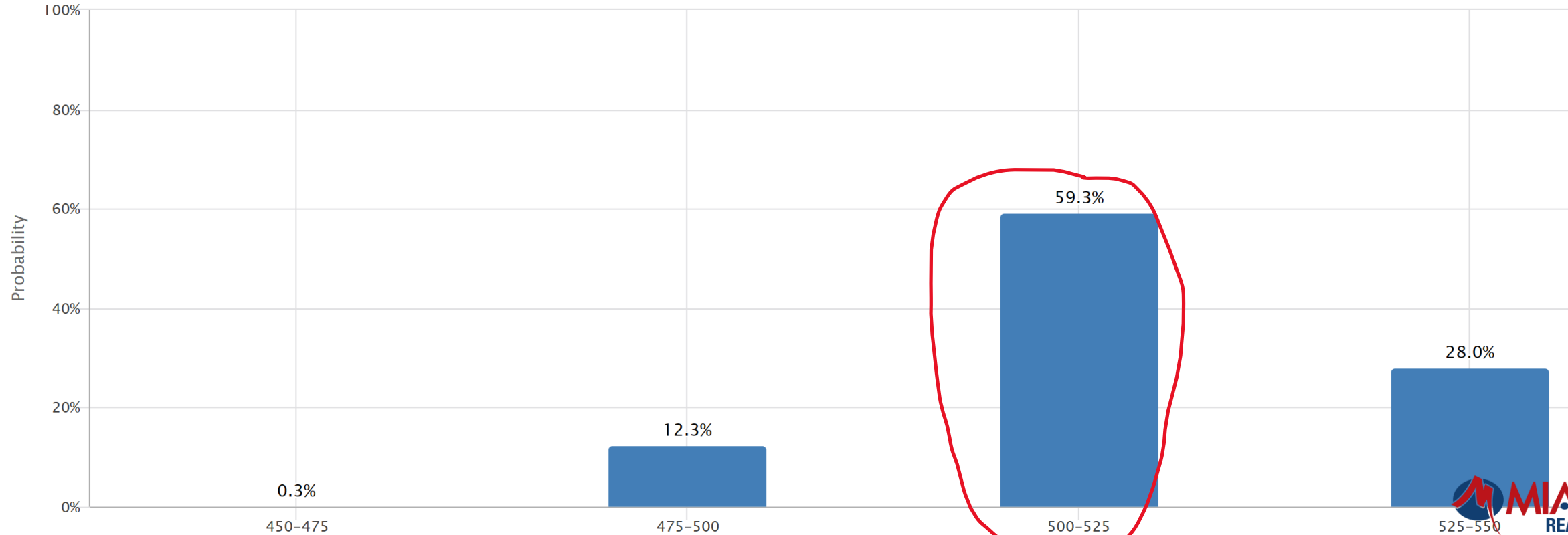
Potential FOMC Rate Cut in the June Meeting

20 Mar24	1 May24	12 Jun24	31 Jul24	18 Sep24	7 Nov24	18 Dec24	29 Jan25	12 Mar25	23 Apr25	4 Jun25	16 Jul25
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MEETING INFORMATION						PROBABILITIES	
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE
12 Jun 2024	ZQM4	28 Jun 2024	94.8225	12,477	66,731	72.0 %	28.0 %

TARGET RATE PROBABILITIES FOR 12 JUN 2024 FED MEETING

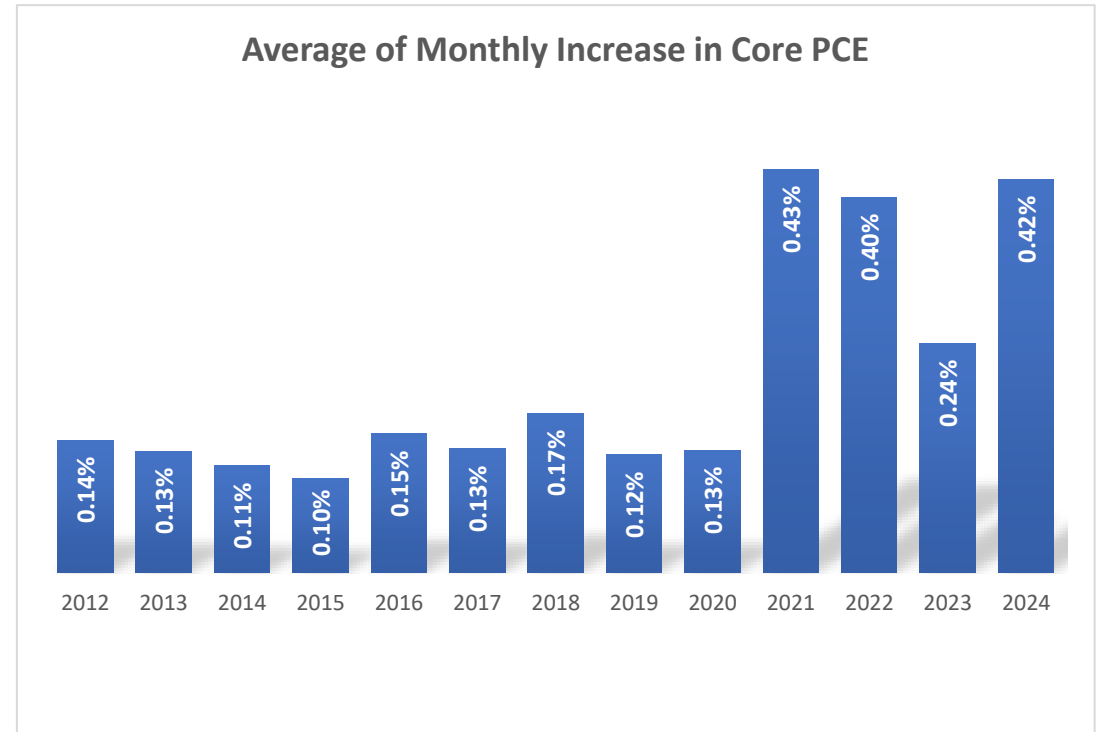
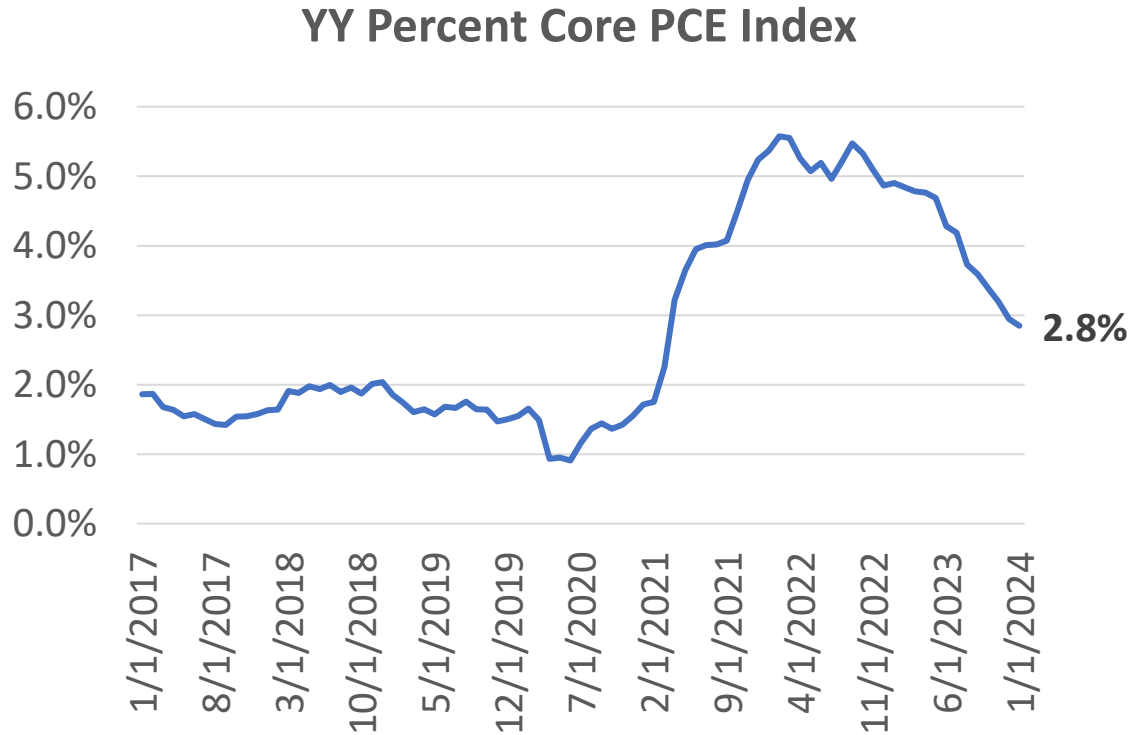
Current target rate is 525-550



Source: [CME FedWatch Tool - CME Group](#)

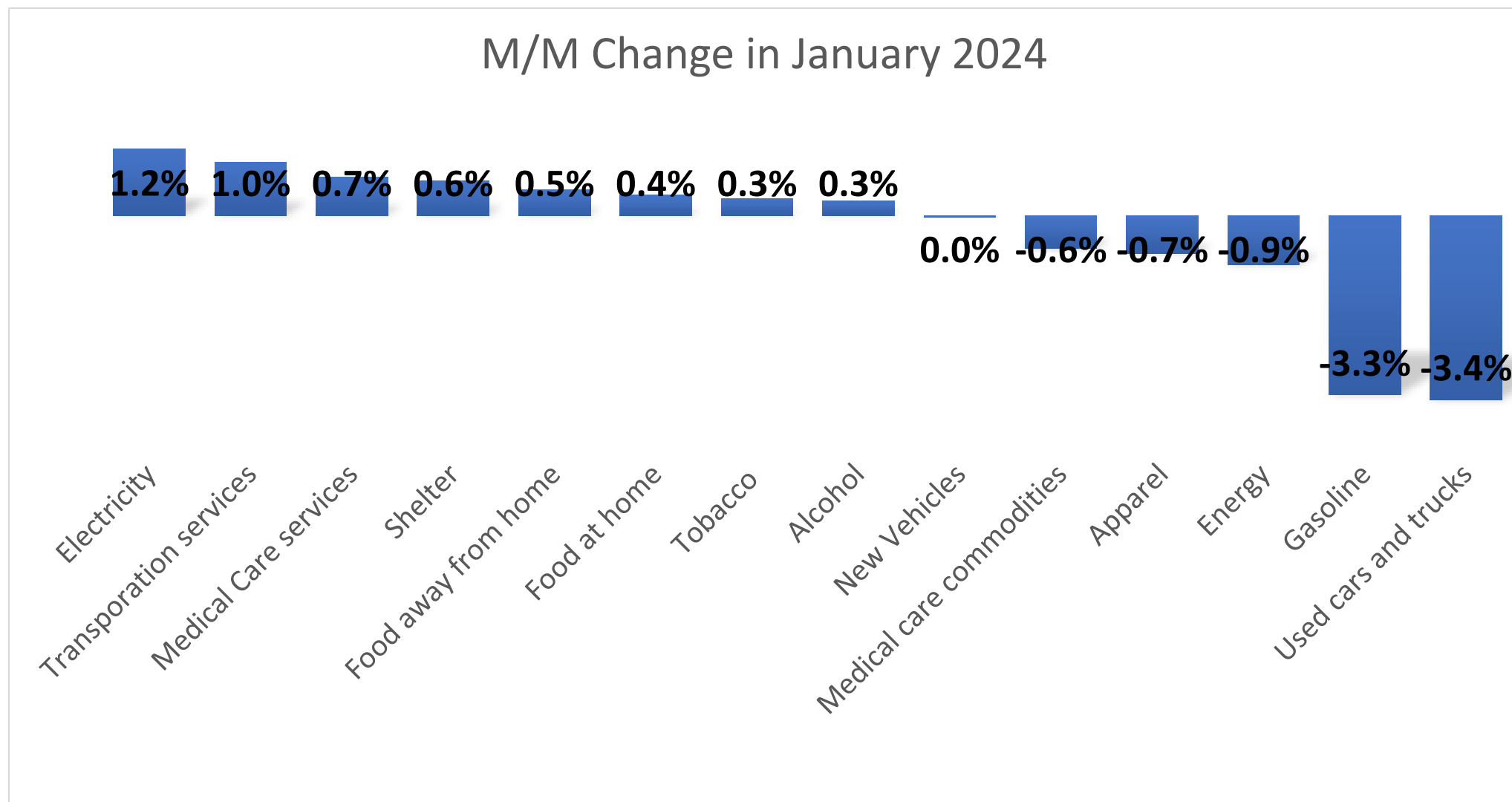


Inflation Still Elevated



Source: BLS

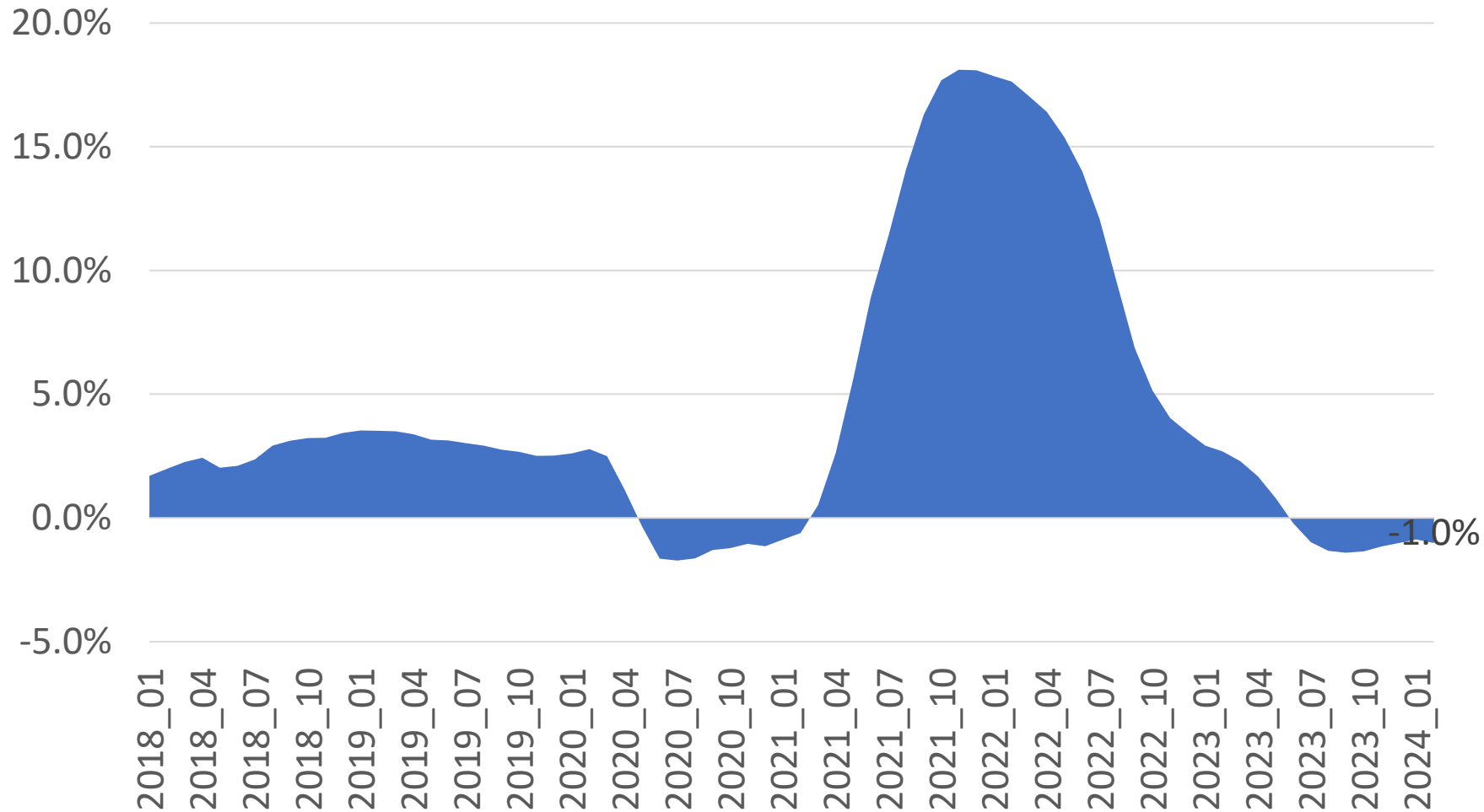
Shelter and Transportation as Main Core Inflation Drivers



Source: BLS

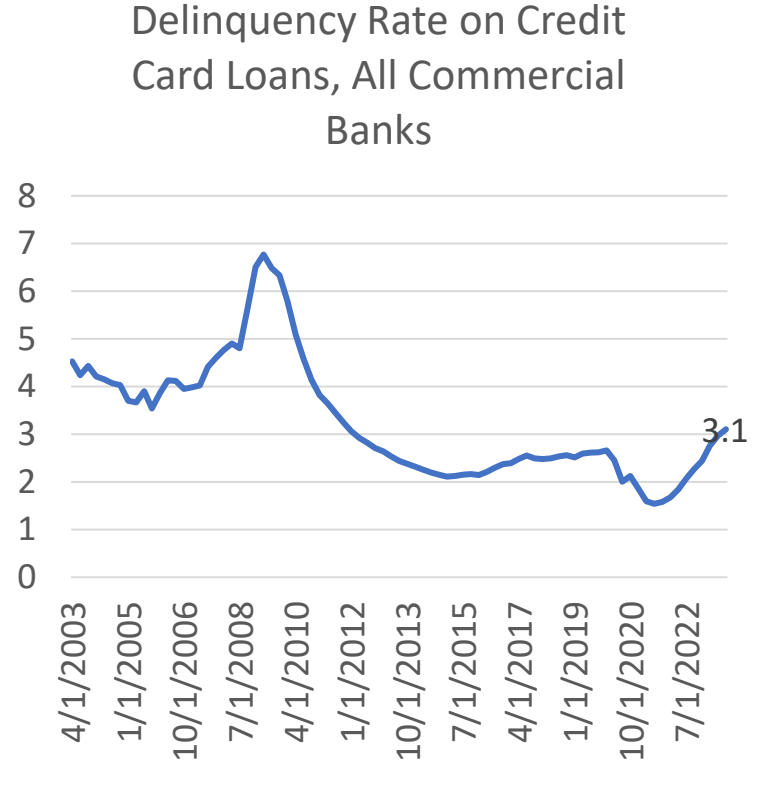
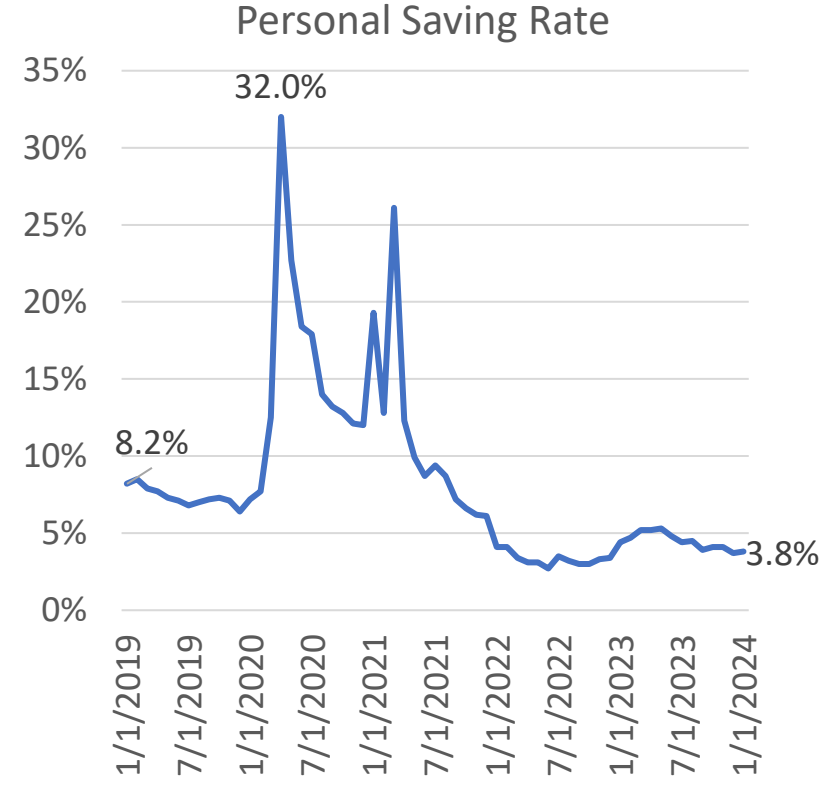
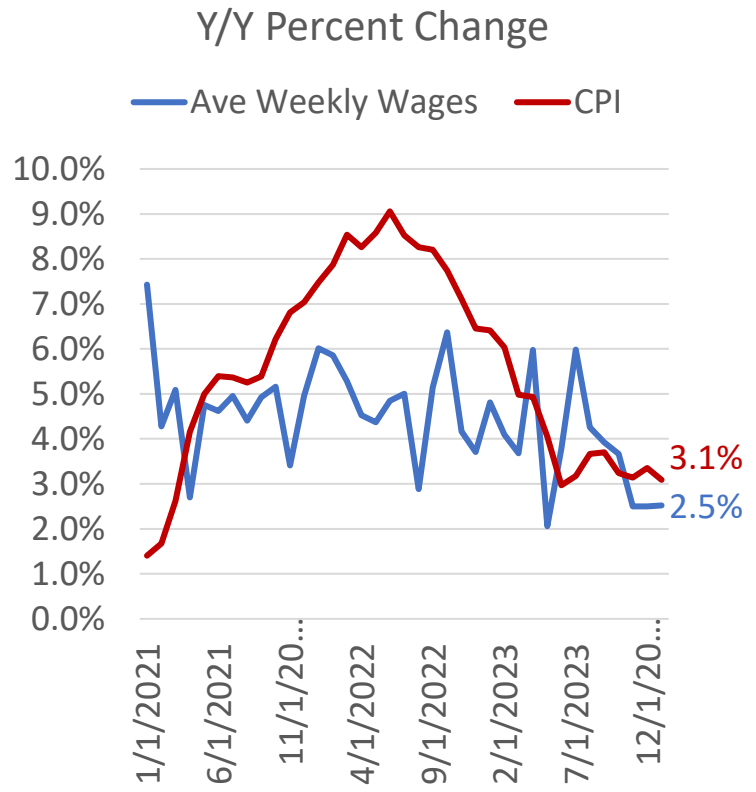
Falling Apartment Rents Will Help Tamp Down Inflation

Y/Y Percent Change in the Median Rent Paid for New Leases



Source: ApartmentList.com

Households Becoming More Financially Strained

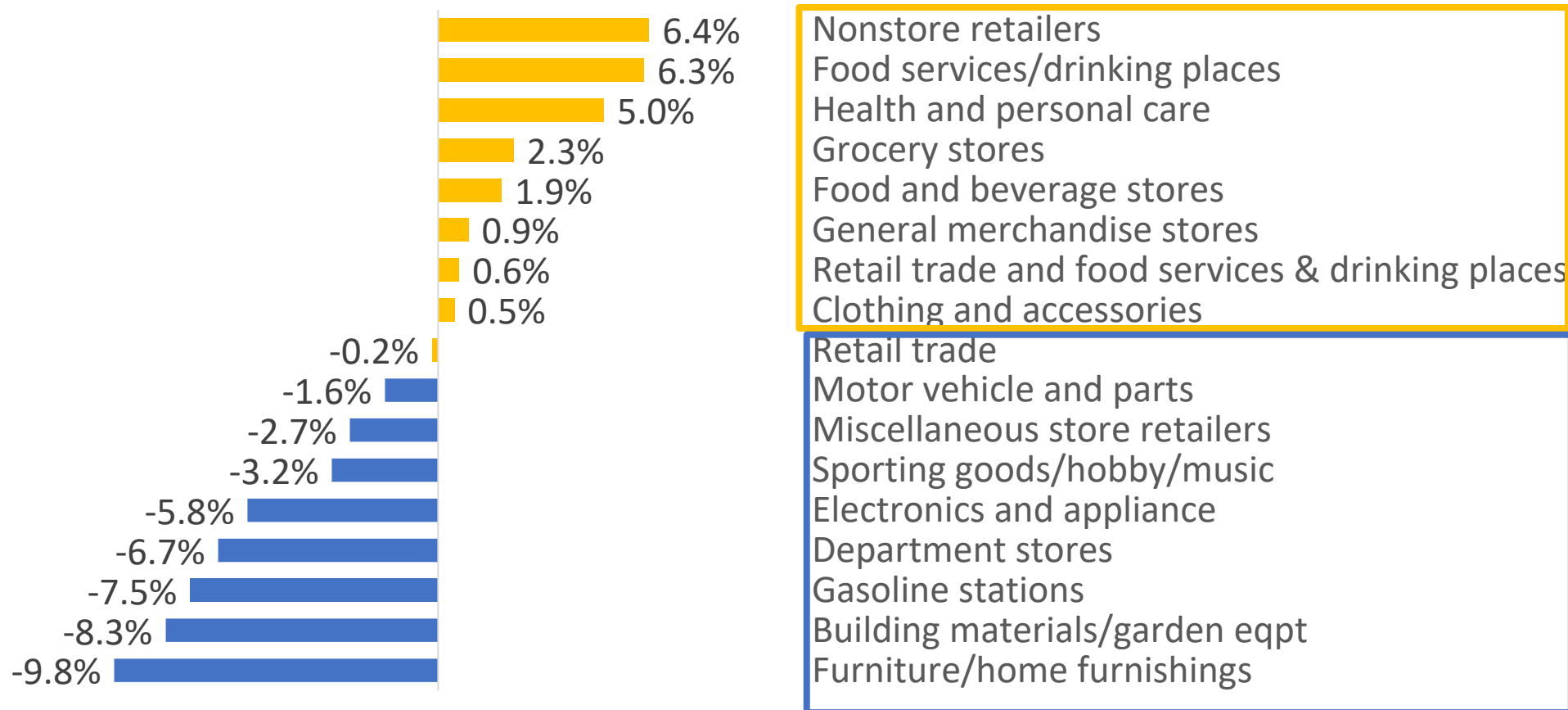


Source: Bureau of Economic Analysis



Households Cutting Back on Non-essential Spending

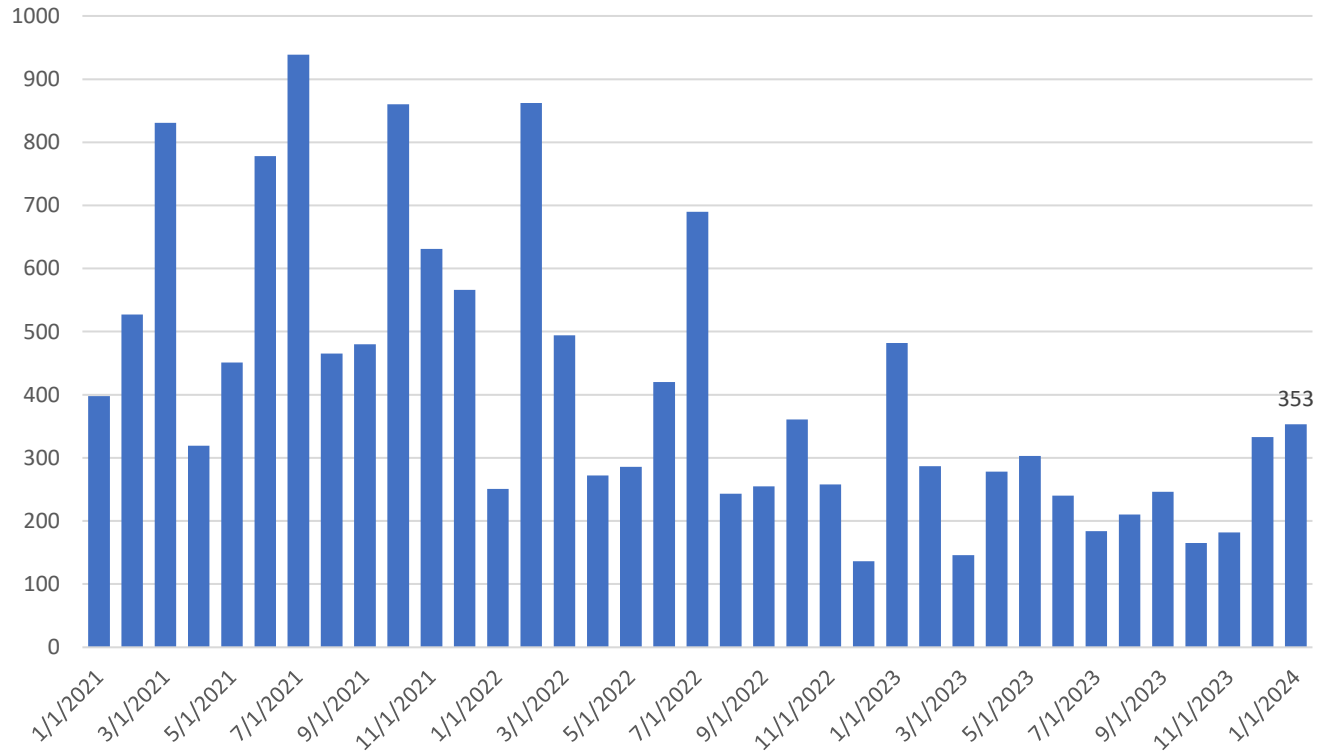
Y/Y Percent Change Retail Sales in January 2024



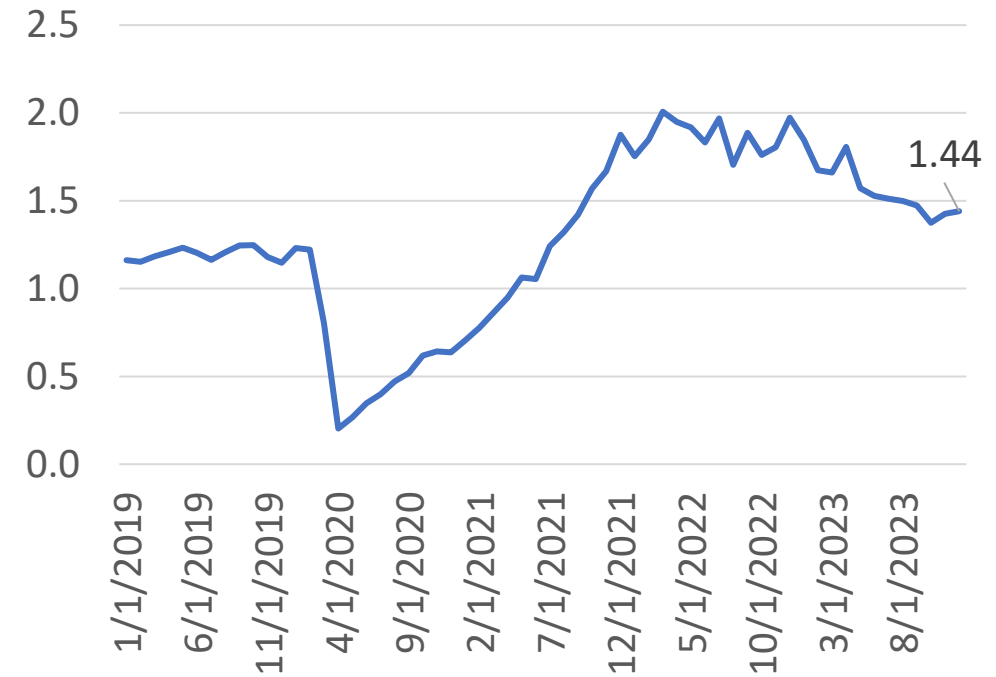
-15. (Source: US Census Bureau, Advance Retail Sales based on seasonally adjusted data

Job Growth is Still Strong, but Slowing

Change in Non-farm Employment from Prior Month

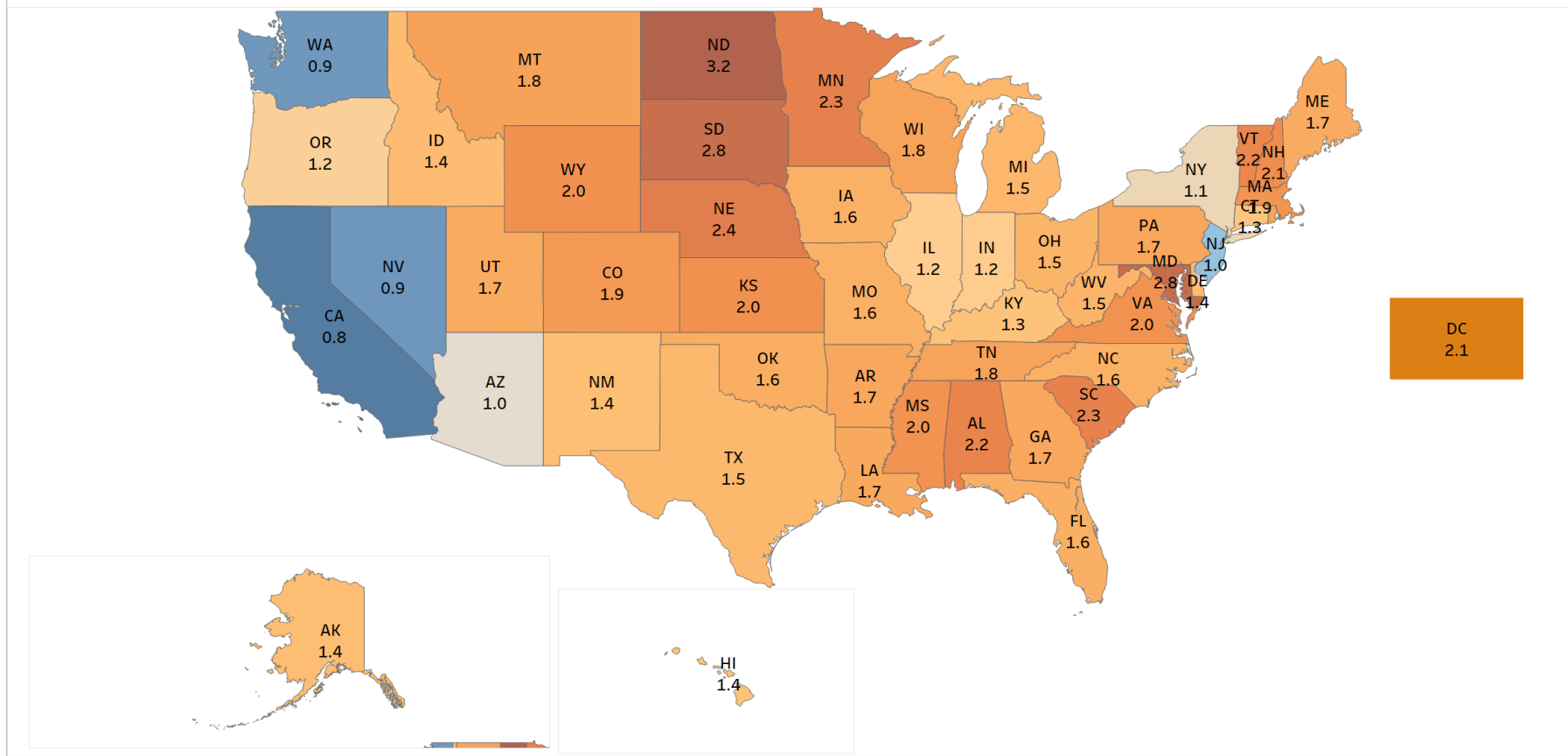


Job Openings Per Unemployed

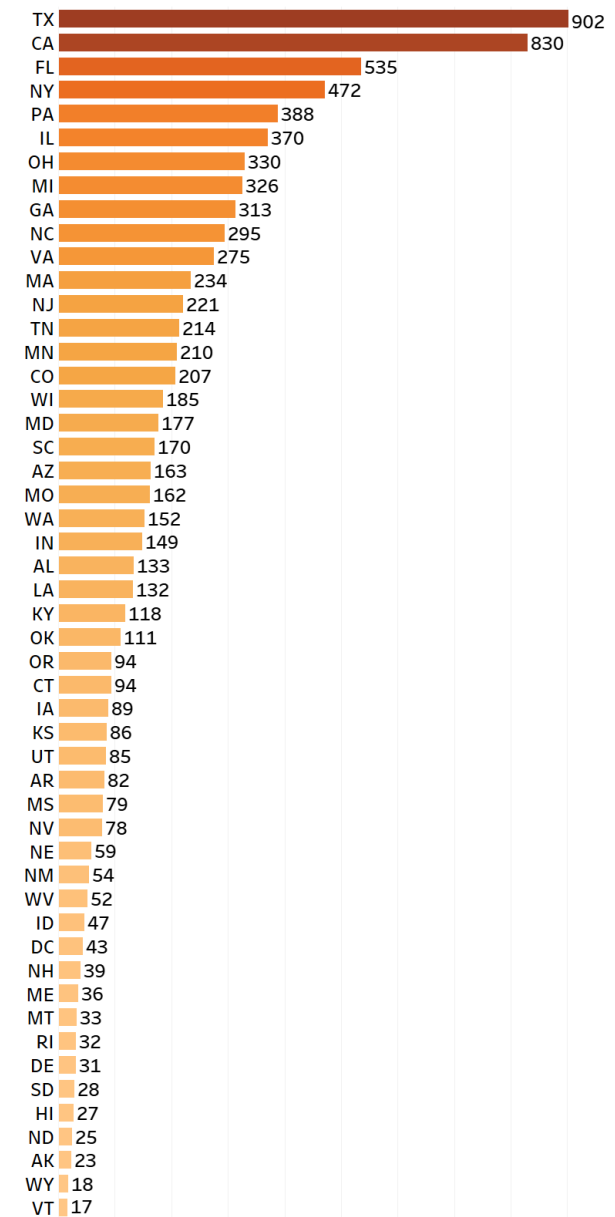


Source: Bureau of Economic Analysis

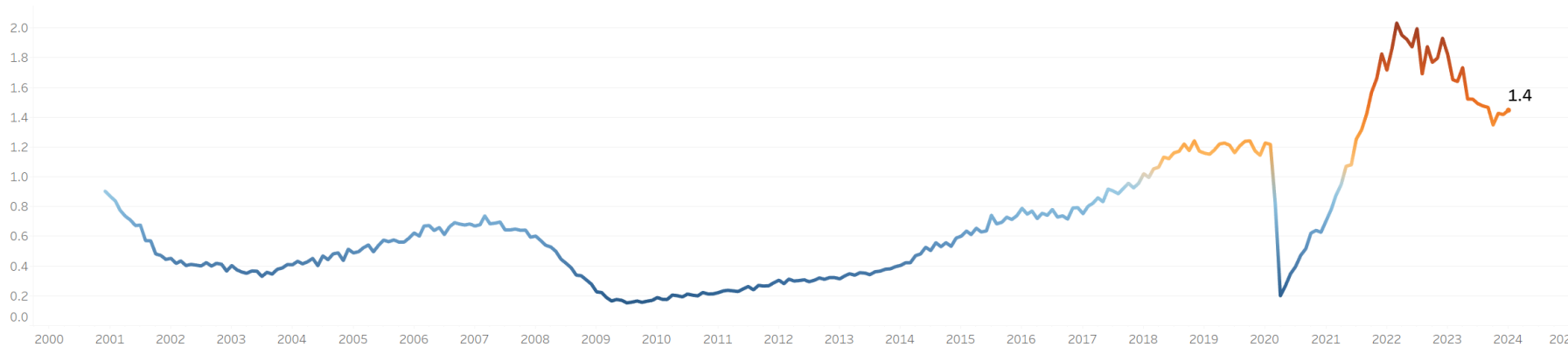
Number of Job Openings Per Job Seeker as of December 2023



Number of Job Openings as of December 2023 (thousands)



US Number of Job Openings Per Job Seeker as of January 2024

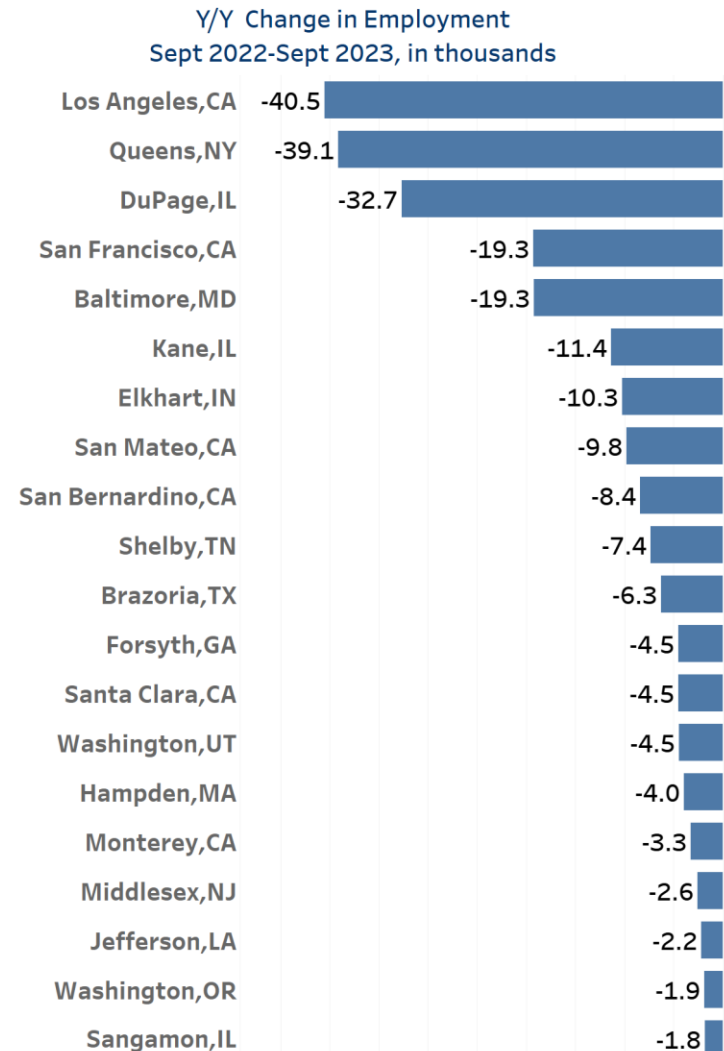
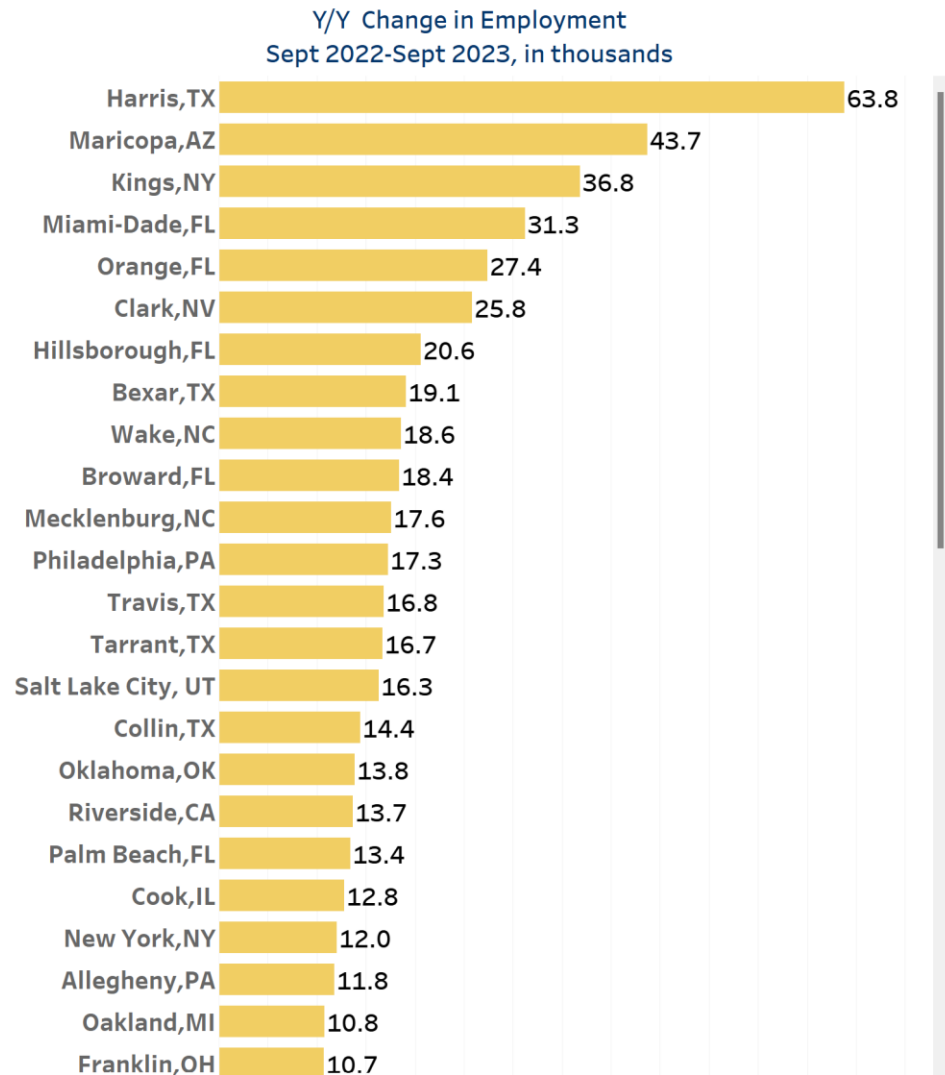


Source of data: MIAMI REALTORS analysis of BLS data



Top County Job Gainers and Losers, Sept 2022-Sept 2023

Top Counties that Gained and Lost Jobs Among 360 Largest Counties from September 2022-September 2023

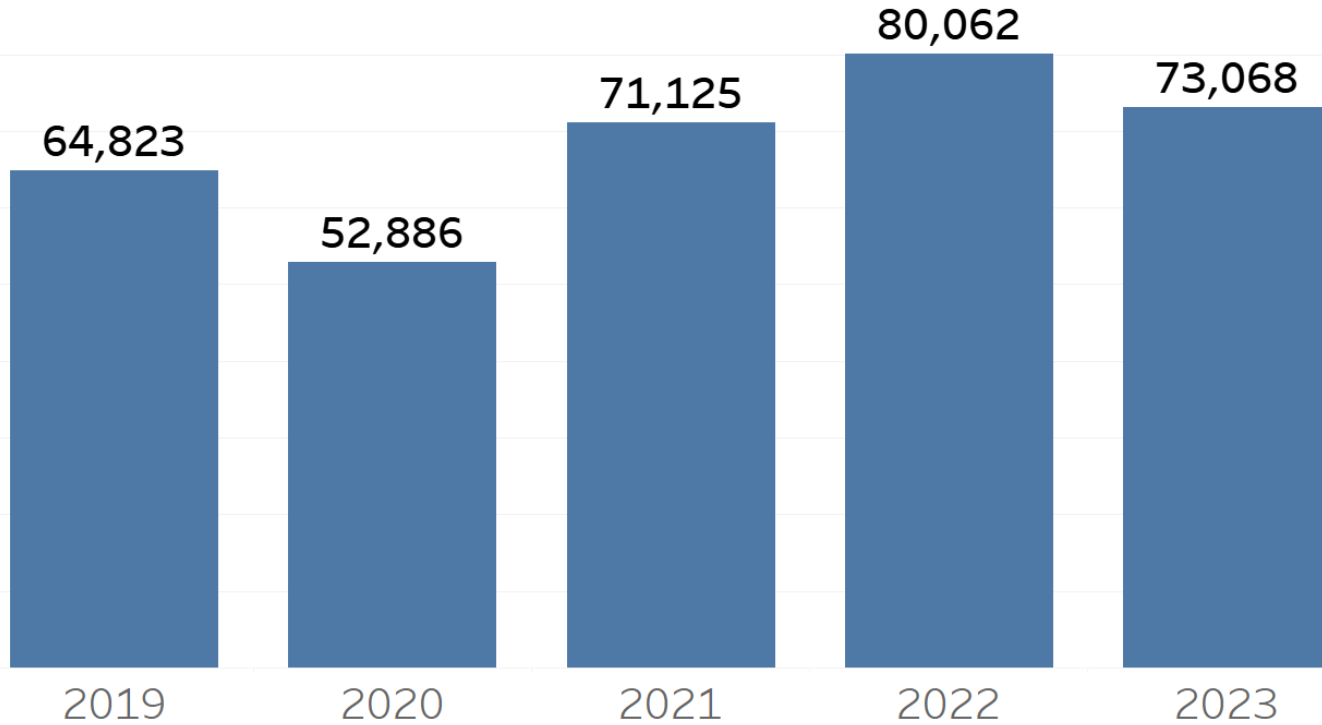


Source: Bureau of Labor Statistics

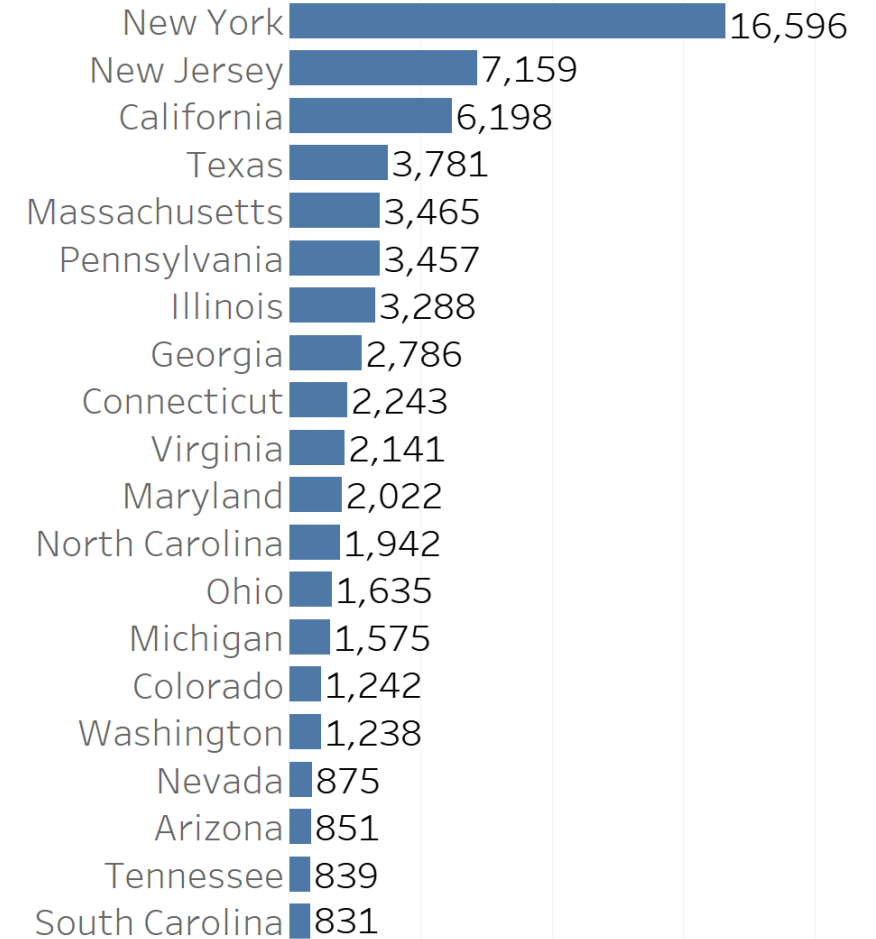


Elevated Migration in Southeast Florida vs. Pre-Pandemic

Out-of-State Driver License Exchanges in Southeast Florida

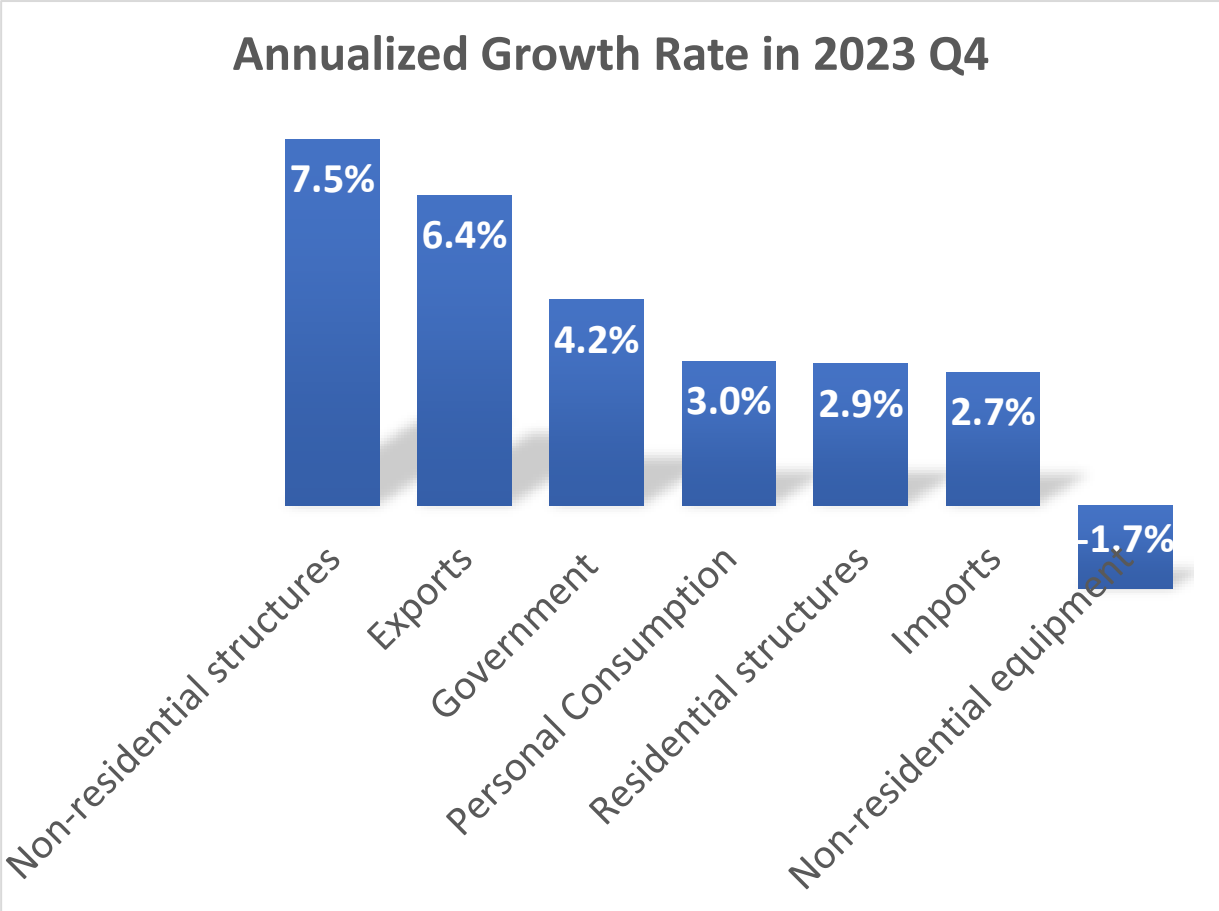
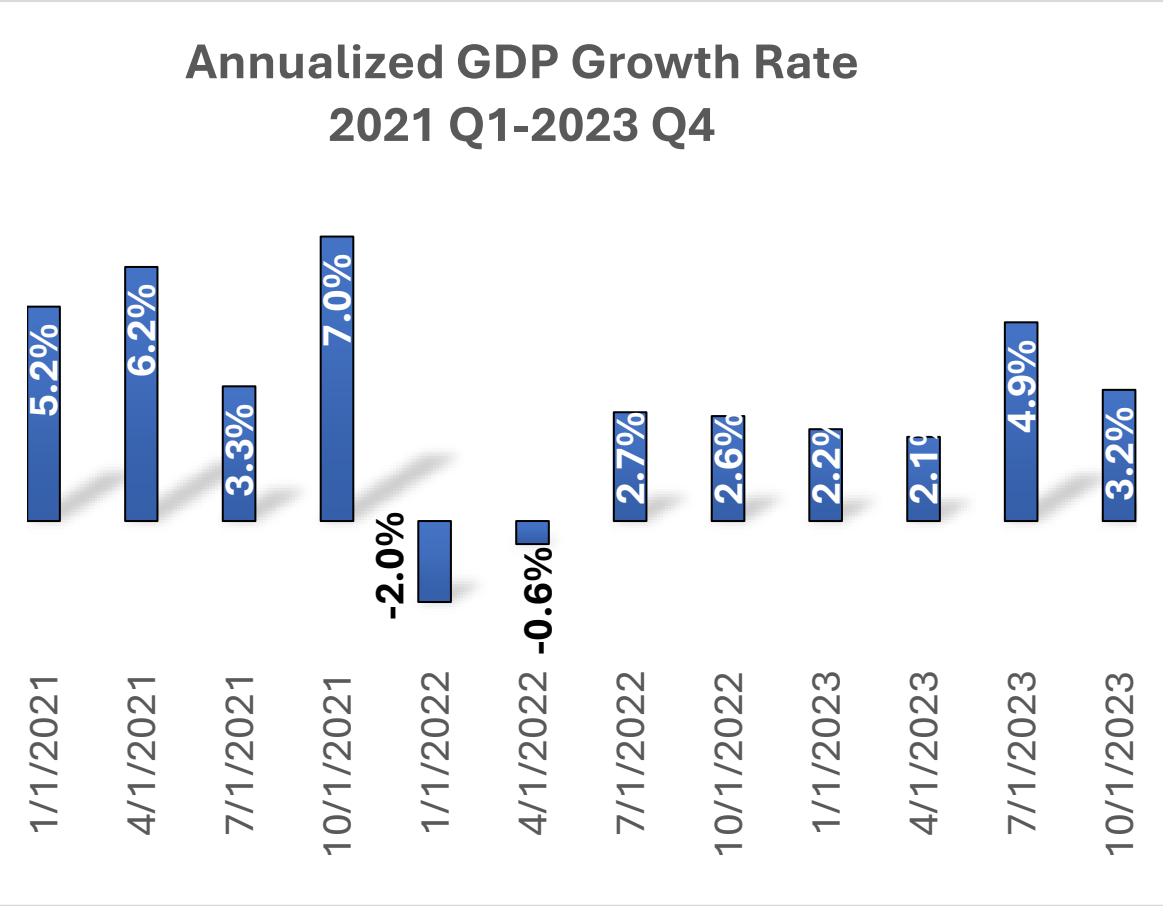


Top Out-of-State Driver License Exchanges in 2023 in Southeast Florida



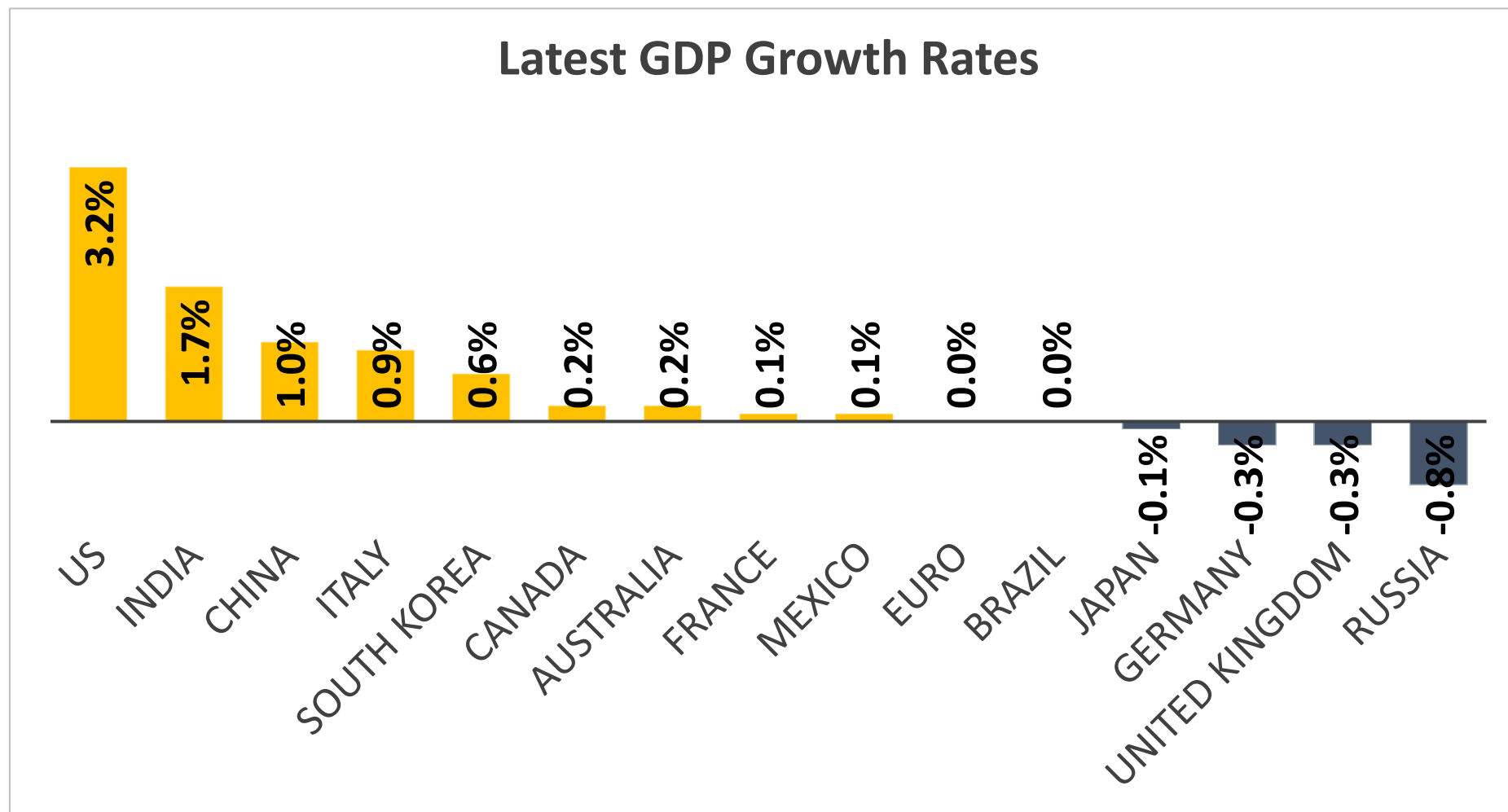
*Source: FLHMSV data for Miami-Dade, Broward, Palm Beach, and Martin counties

“Soft Landing” Rather than a Recession



Source: Bureau of Economic Analysis

US Economy is Growth Leader



Source: Trading Economics

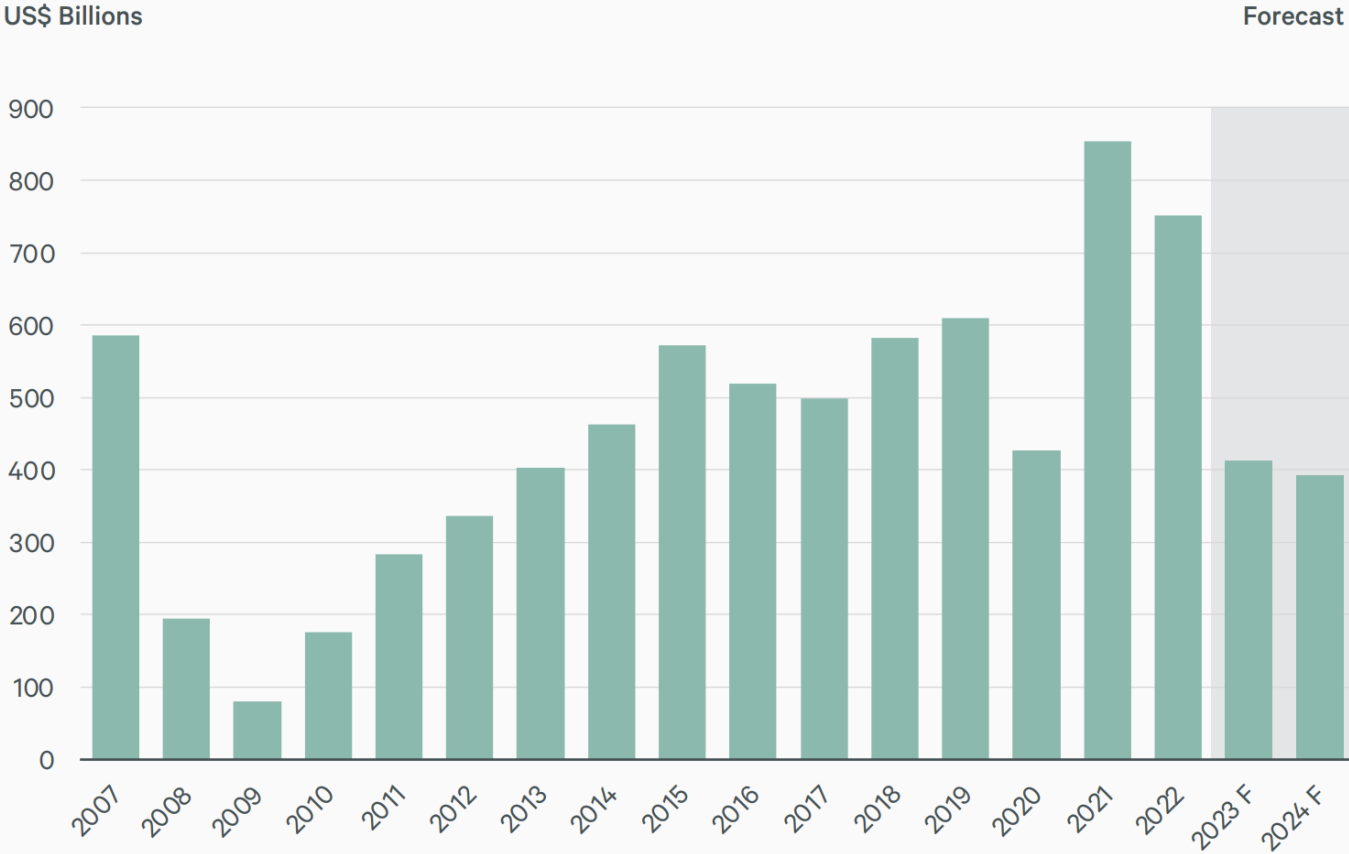
CRE Financing Trends

- Decline in CRE bank lending is stabilizing
- Office is main cause of loan delinquencies
- Financing is available for the right project
 - \$250~\$400 Bn in dry powder



Investment Volume: -45% in 2023

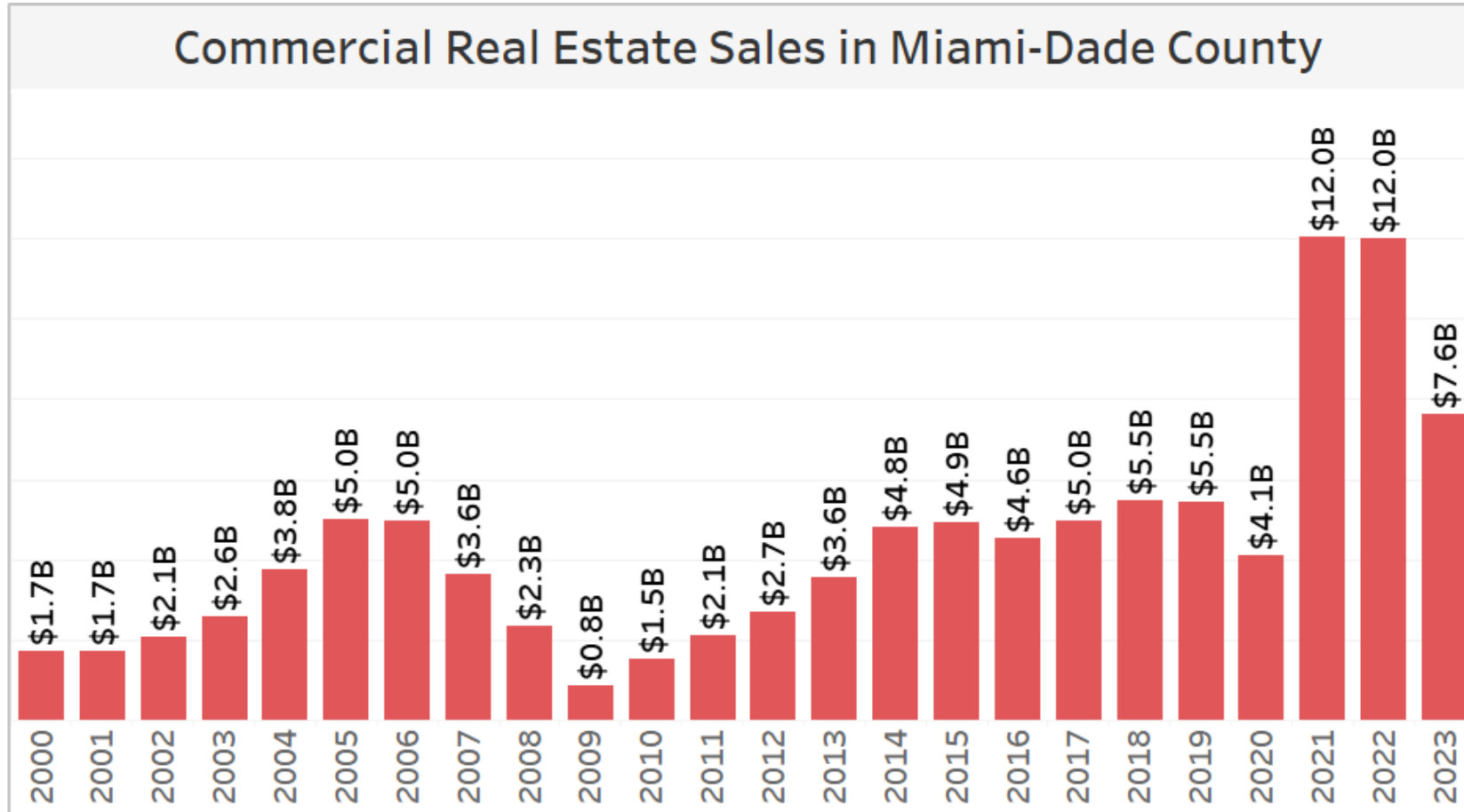
Figure 7: U.S. Historical & Forecast Investment Volume, 2007 to 2024



Source: CBRE Research, MSCI Real Assets, Q3 2023.

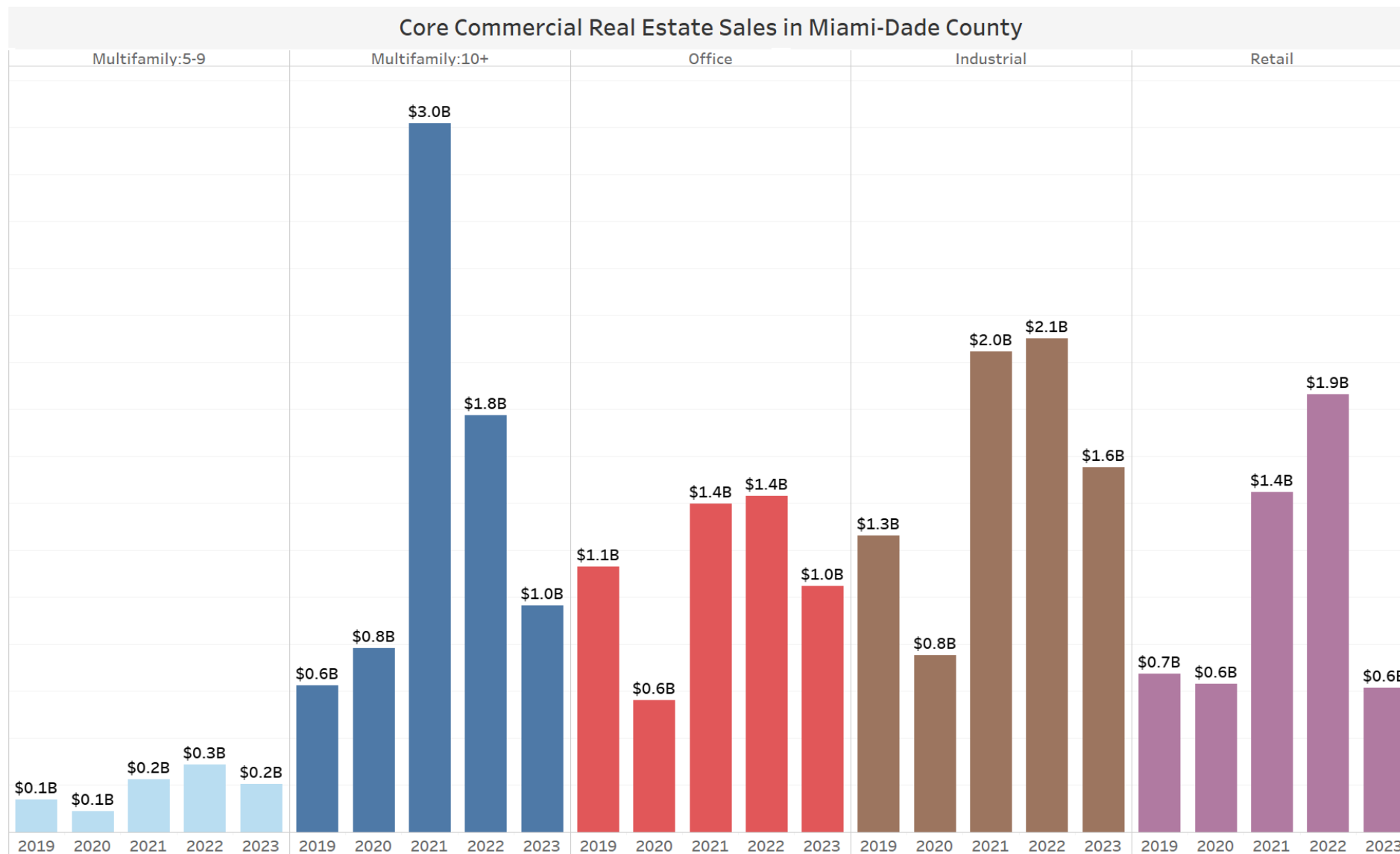


Miami-Dade County CRE Sales Volume: -37% in 2023

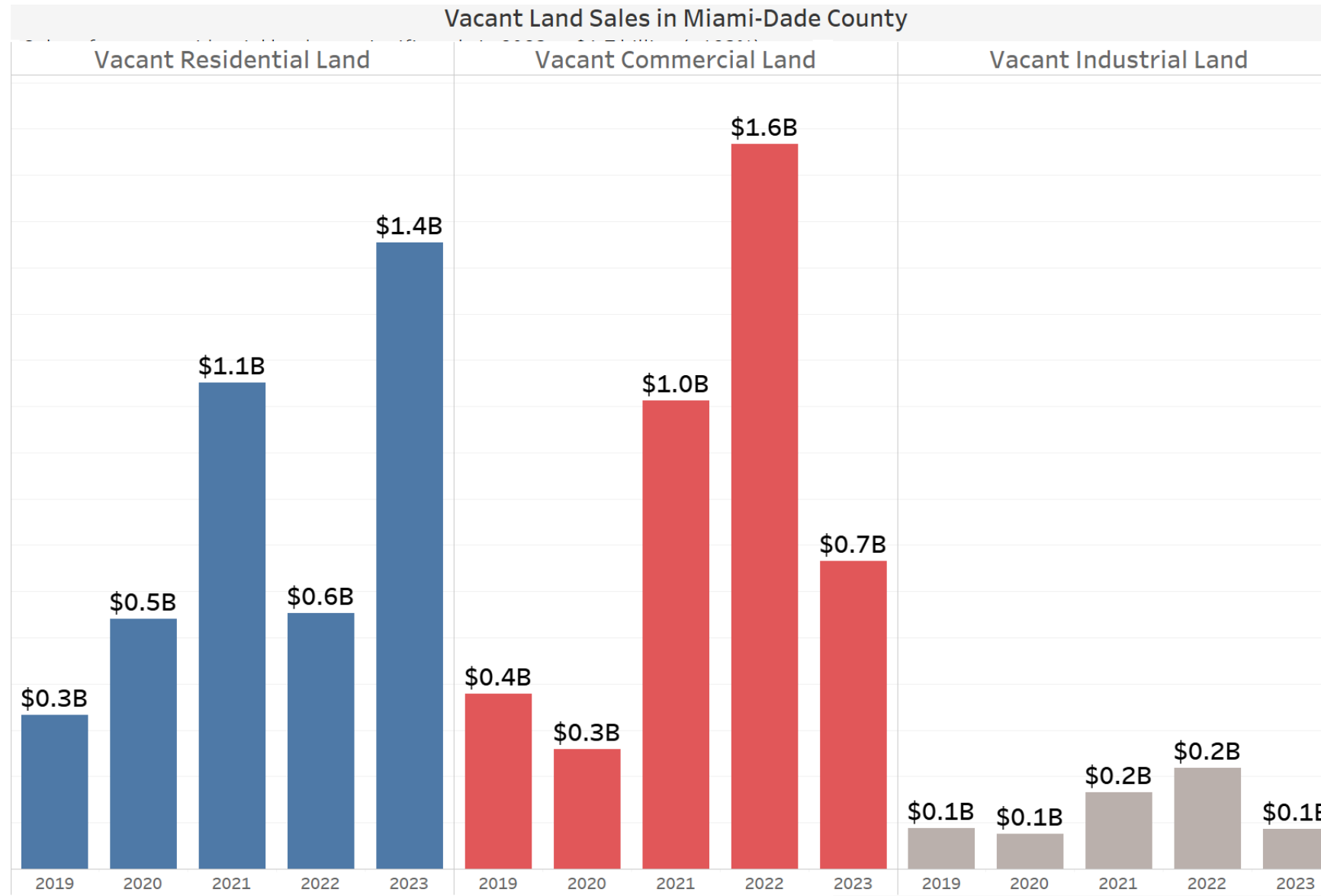


Source: MIAMI Realtors® analysis of county records obtained from the Miami-Dade County Office of the Property Appraiser. Commercial sales include 23 categories covering multifamily buildings (5-9, 10 or more); industrial; retail; office; hospitality; mixed use; senior living; educational, medical, special purpose (e.g., docks, marinas, religious buildings); vacant land (residential, commercial, industrial, institutional, agricultural); agricultural (e.g. cropland, orchard, pastures, nurseries); improved agricultural properties (not homesites); parking lot/mobile home park; golf course or driving range; race tracks, burial grounds, and campsites.

Miami-Dade County Core CRE Sales

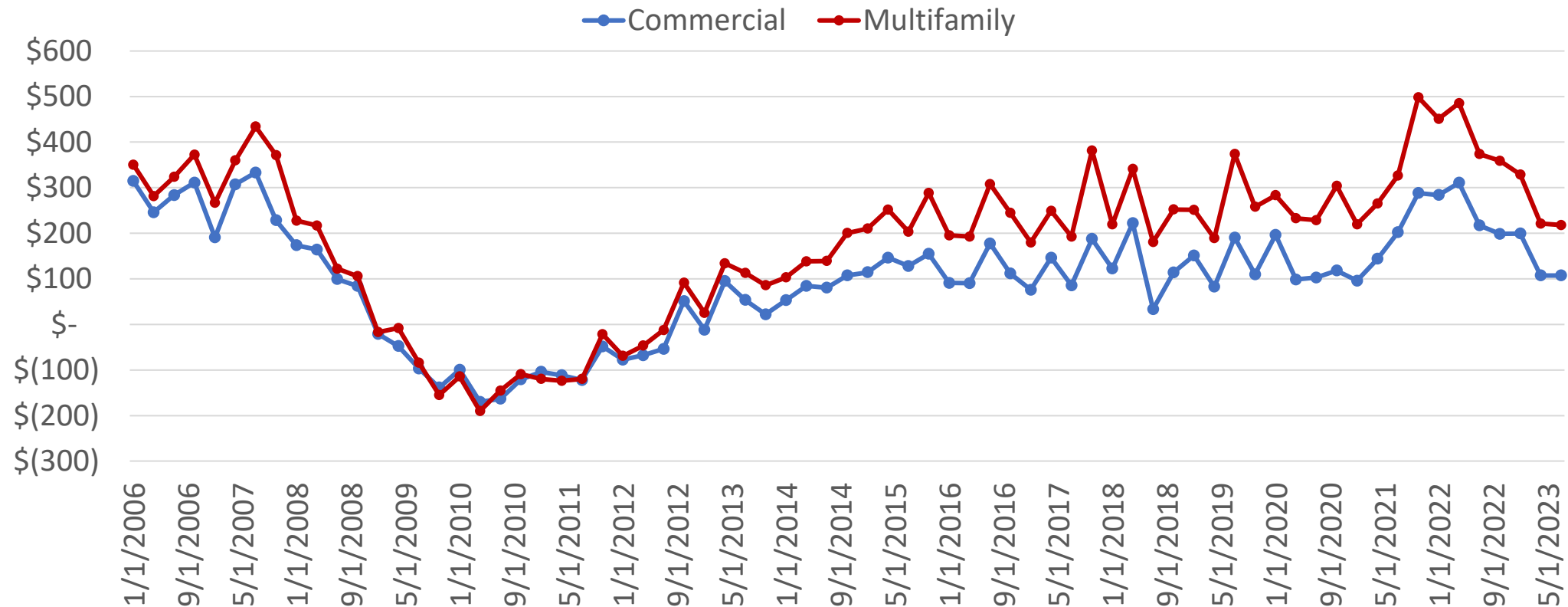


Miami-Dade County Vacant Land Sales: -8% in 2023



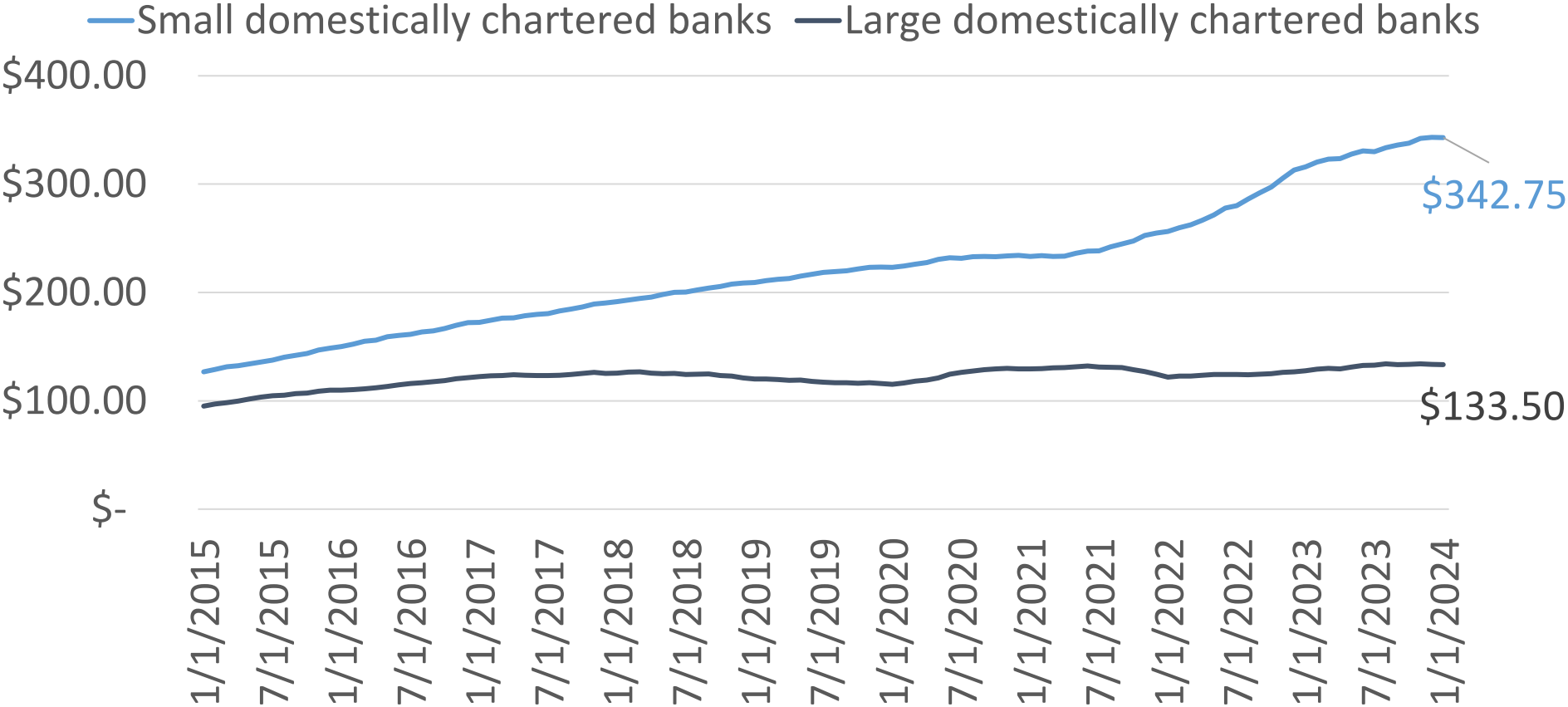
Mortgage Lending Decline Appears to Be Stabilizing

All Commercial and Multifamily Mortgages (Transactions)
Seasonally Adjusted Annual Rate, \$Bill as of July 2023



C&D Loans (Assets) Held by Small Banks are Rising

Construction and Land Development Loans, Billion Dollars
as of July 2023

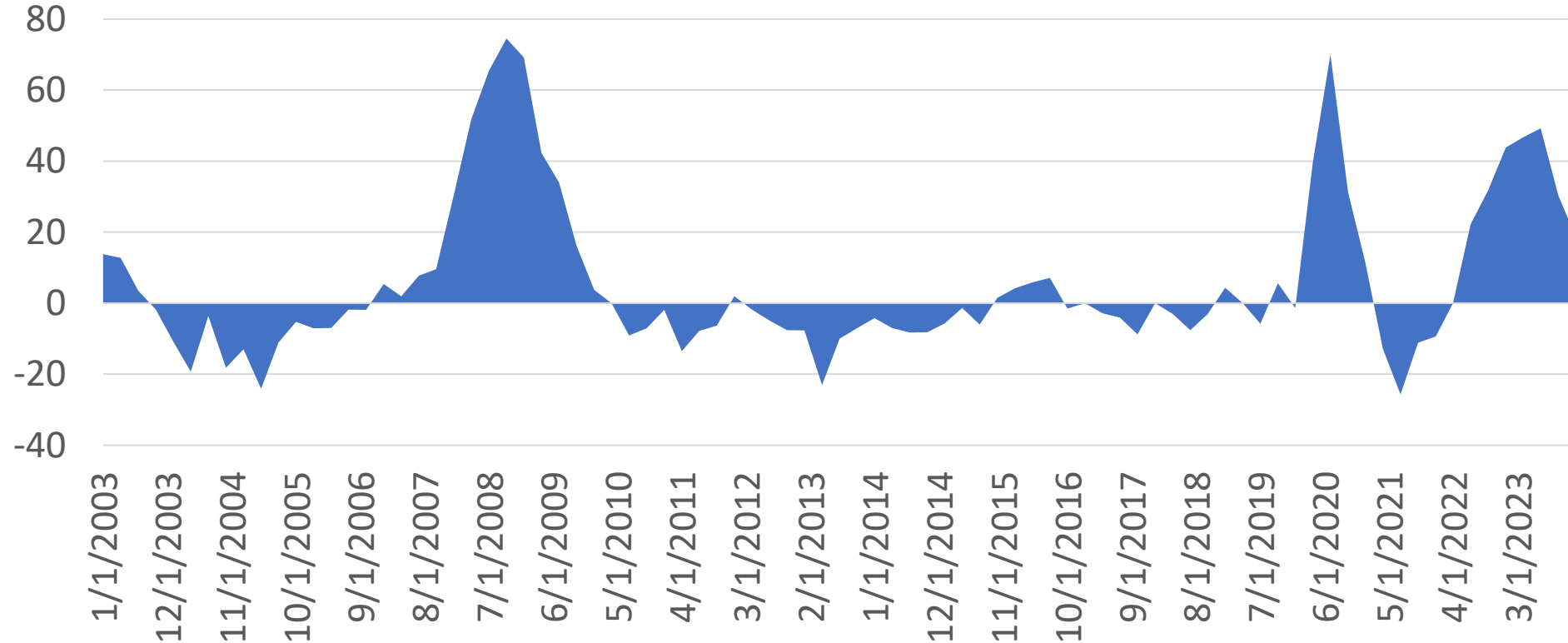


FRB, H8 Commercial Banks Assets and Liabilities



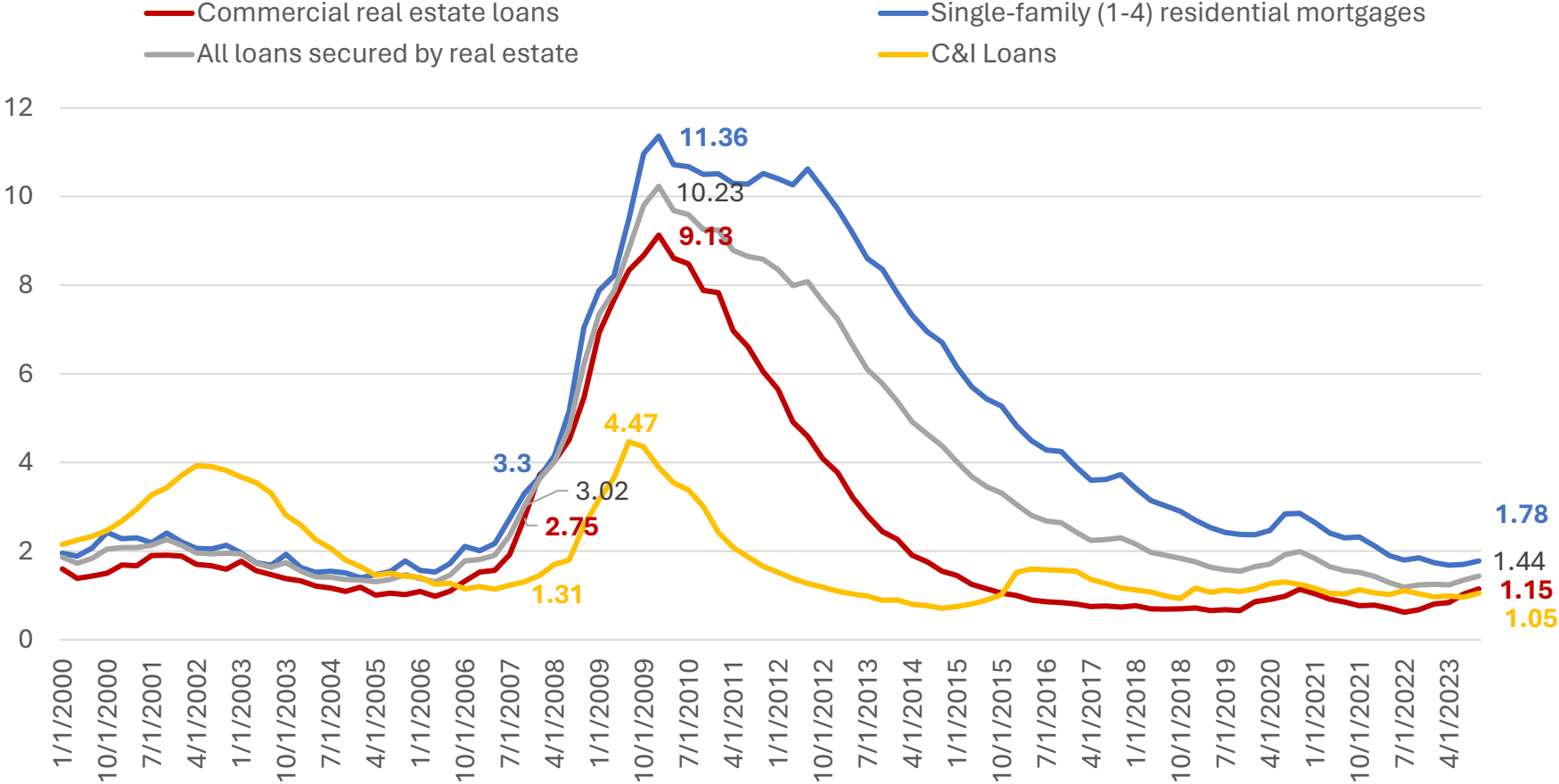
Tight Credit Standards in Commercial Banks is Easing

Net Percentage of Domestic Banks Tightening Standards for Commercial and Industrial Loans to Small Firms as of October 2023



Modest But Rising Delinquent Commercial Bank

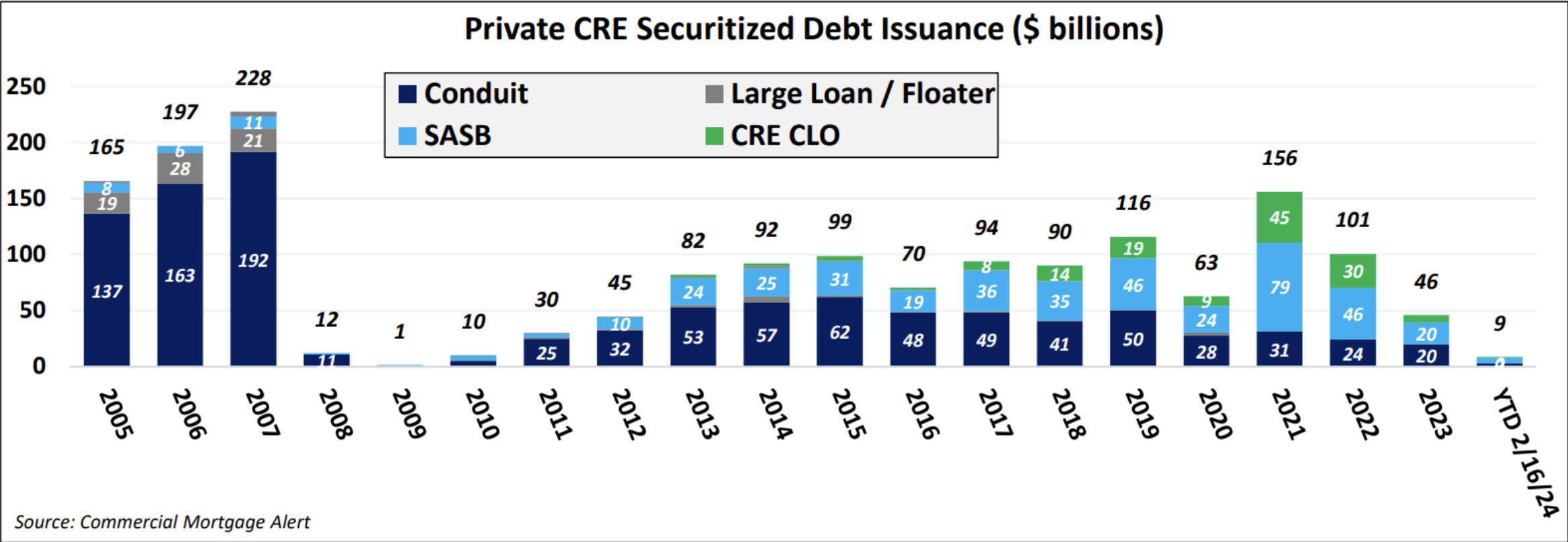
Delinquency Rates on Loans at Commercial Banks as of October 2023



Residential real estate loans include loans secured by one- to four-family properties, including home equity lines of credit. Commercial real estate loans include construction and land development loans, loans secured by multifamily residences, and loans secured by nonfarm, nonresidential real estate. Delinquent loans are those past due thirty days or more and still accruing interest as well as those in nonaccrual status. They are measured as a percentage of end-of-period loans.



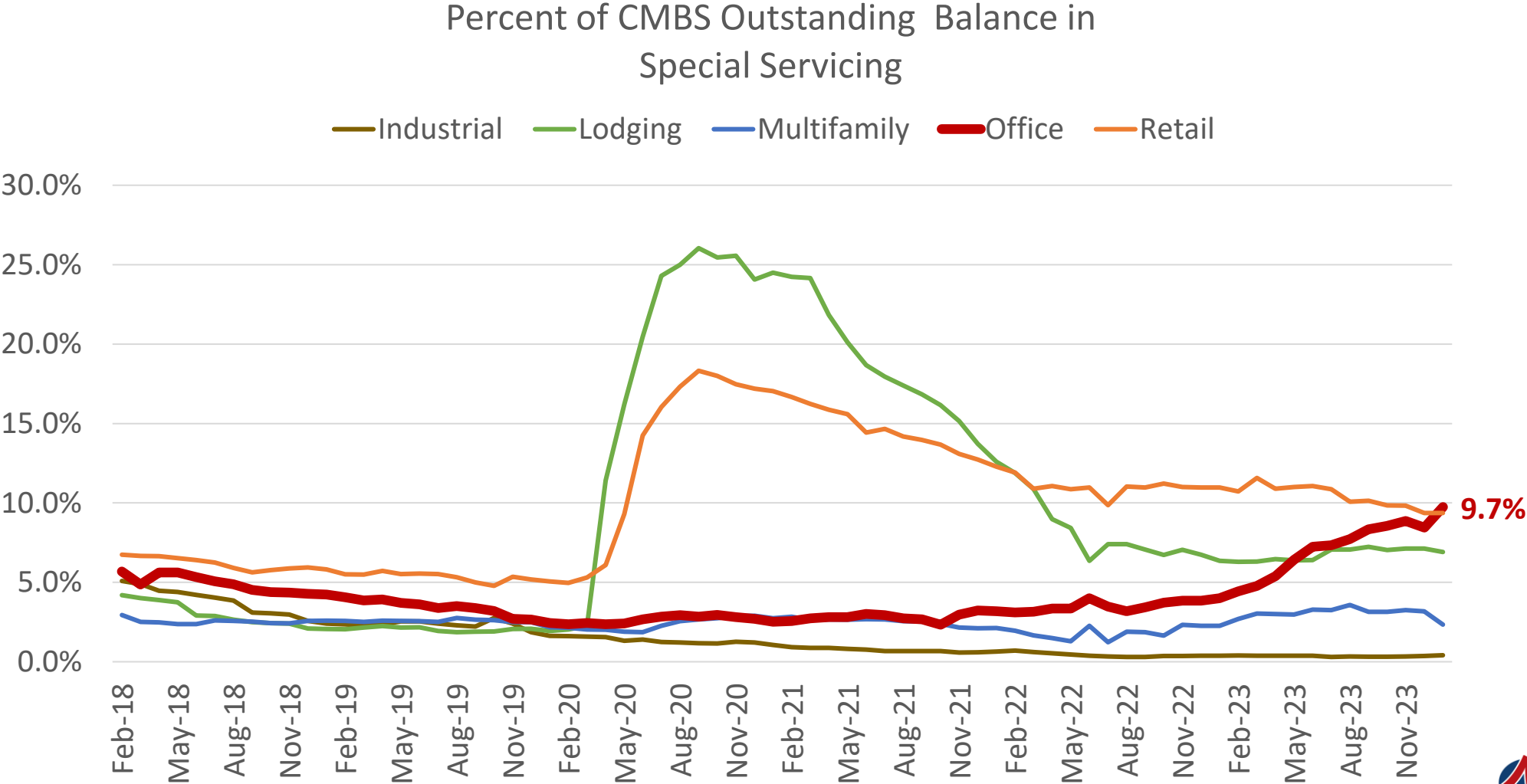
CMBS: -54% in 2023



Source: CRE Finance Council January 2024 Report

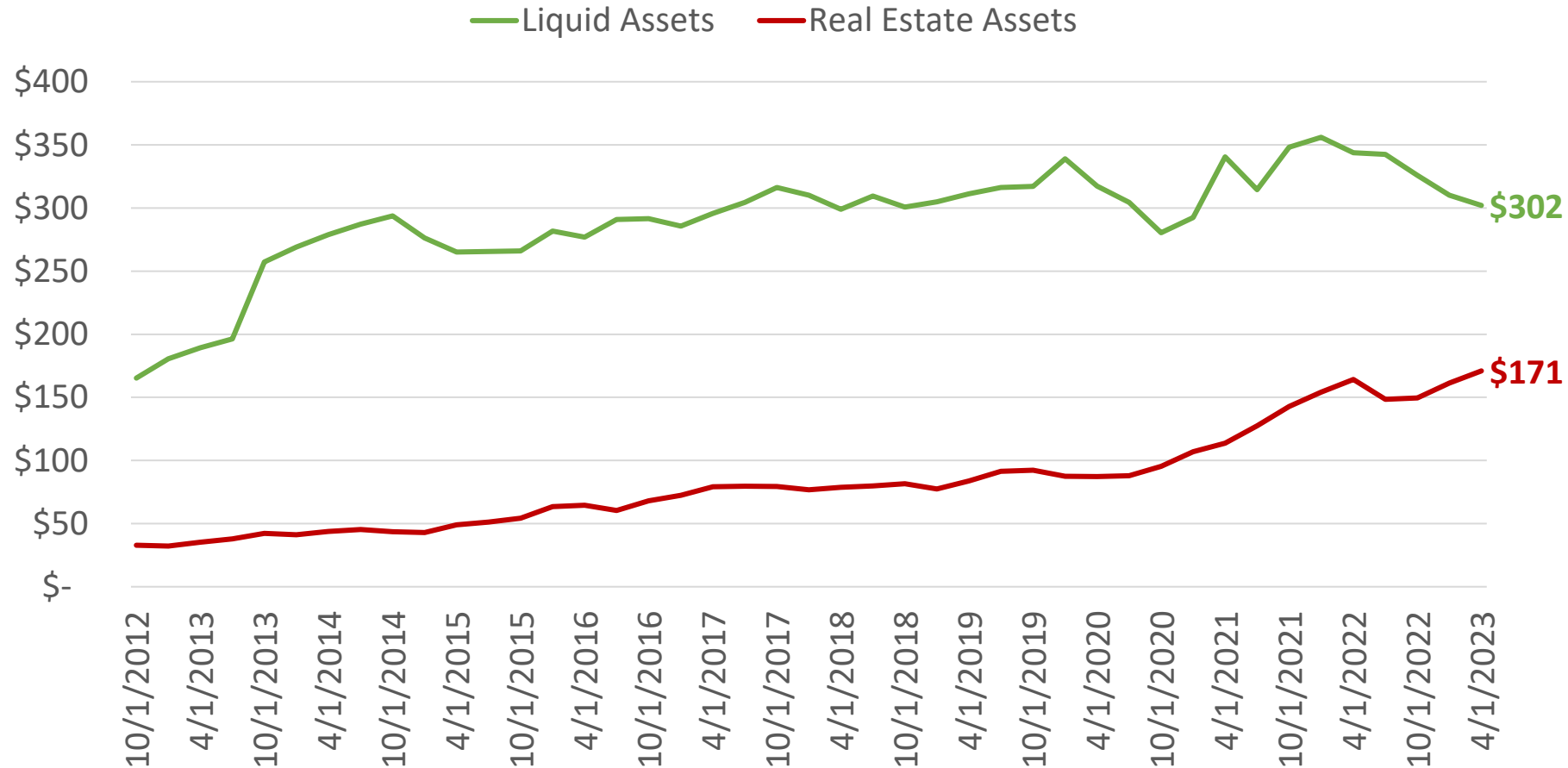


Office Accounts for Rising CMBS Special Servicing Loans



Hedge Funds are Investing More in Real Estate, with \$300 Bn in Liquid Assets

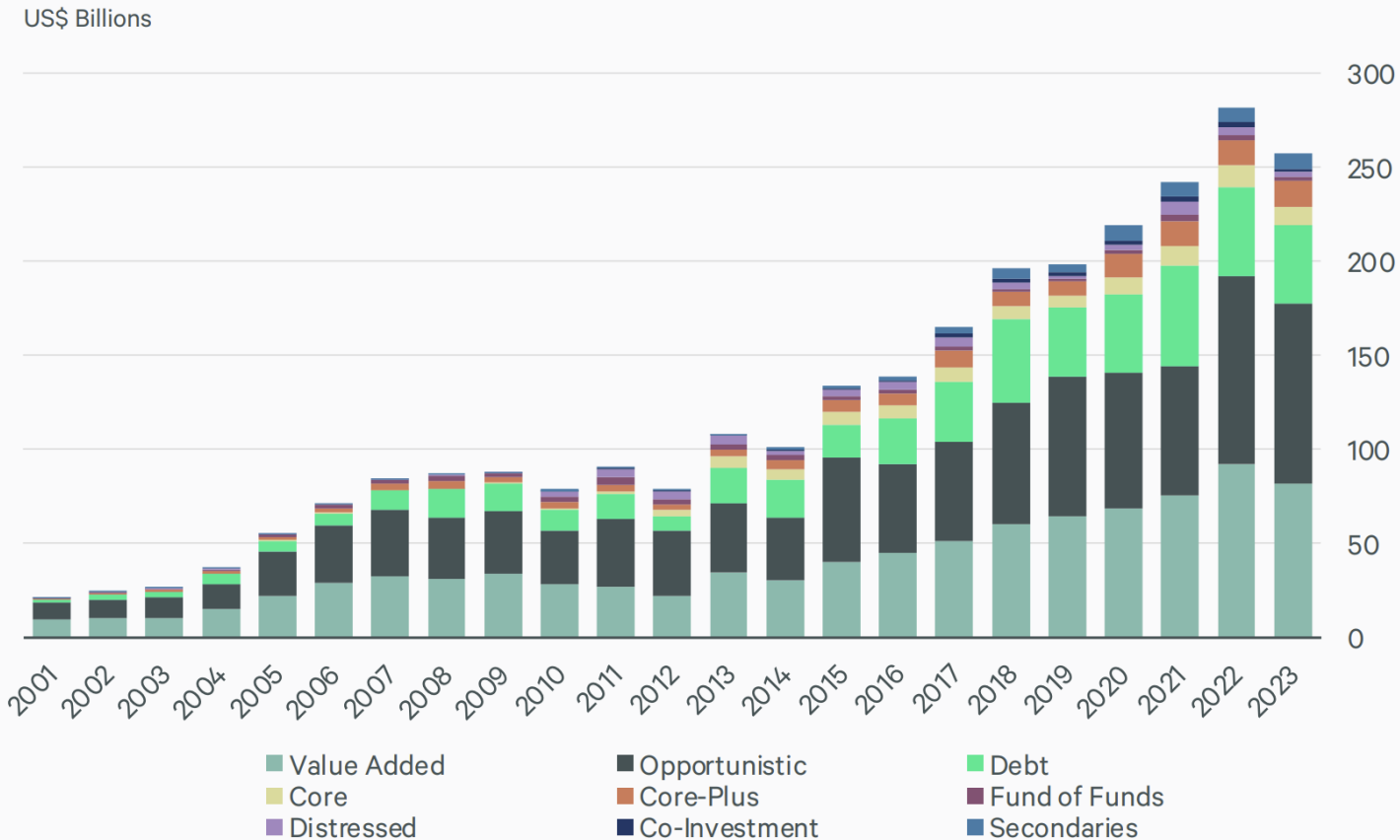
Hedge Funds Liquid Assets and Real Estate Assets in Billion Dollars



FRB, Z.B101. Liquid assets are deposits, other cash, money market fund shares, security repurchase agreements

\$250 Bn in Dry Powder that Can Be Deployed

Figure 5: North America Dry Powder by Strategy



Source: Preqin, CBRE Research, November 2023.

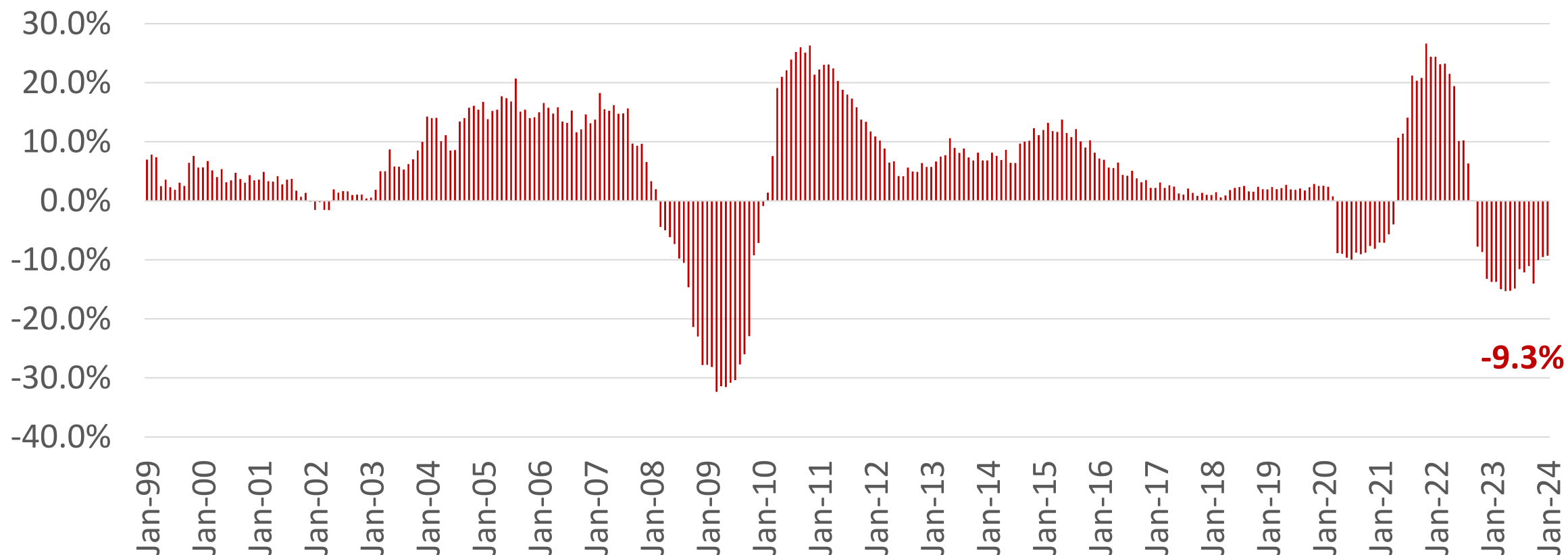
CRE Market Fundamentals and Outlook

- **Recovery in transactions and modest uptick in valuations, except for office**
- **Office prices in high-vacancy metros could continue to soften**
- **Retail fallout from high office vacancy**
- **Demographic shifts' impact on consumer trends**
- **Modest rent growth in multifamily**



CRE Prices Broadly Down 9% Y/Y In January 2024

Y/Y Percent Change- Green Street Price Index, Core Properties



Source: Green Street, price index is appraisal-based and of investment-grade properties [CPPI | Commercial Property Price Index | Green Street](#)
Core property price index covers apartment, office, industrial, retail

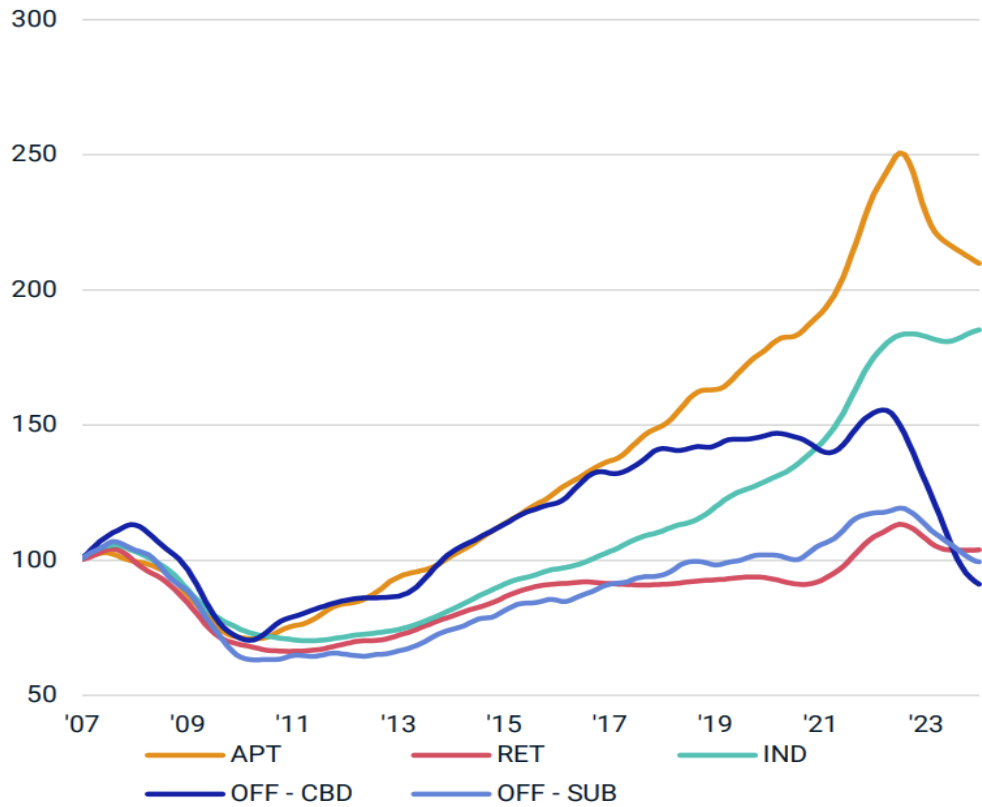


Office CBD: Largest Valuation Declines

MSCI **RCA CPPI™ US**

	1-yr
Office	-15.1%
Office - CBD	-28.9%
Office - Sub	-11.9%
Industrial	1.4%
Retail	-3.6%
Commercial	-3.3%
Apartment	-7.9%
All Types	-4.7%
6 Major Metros All Types	-5.0%
Non-Major Metros All Types	-4.6%

National Property Types

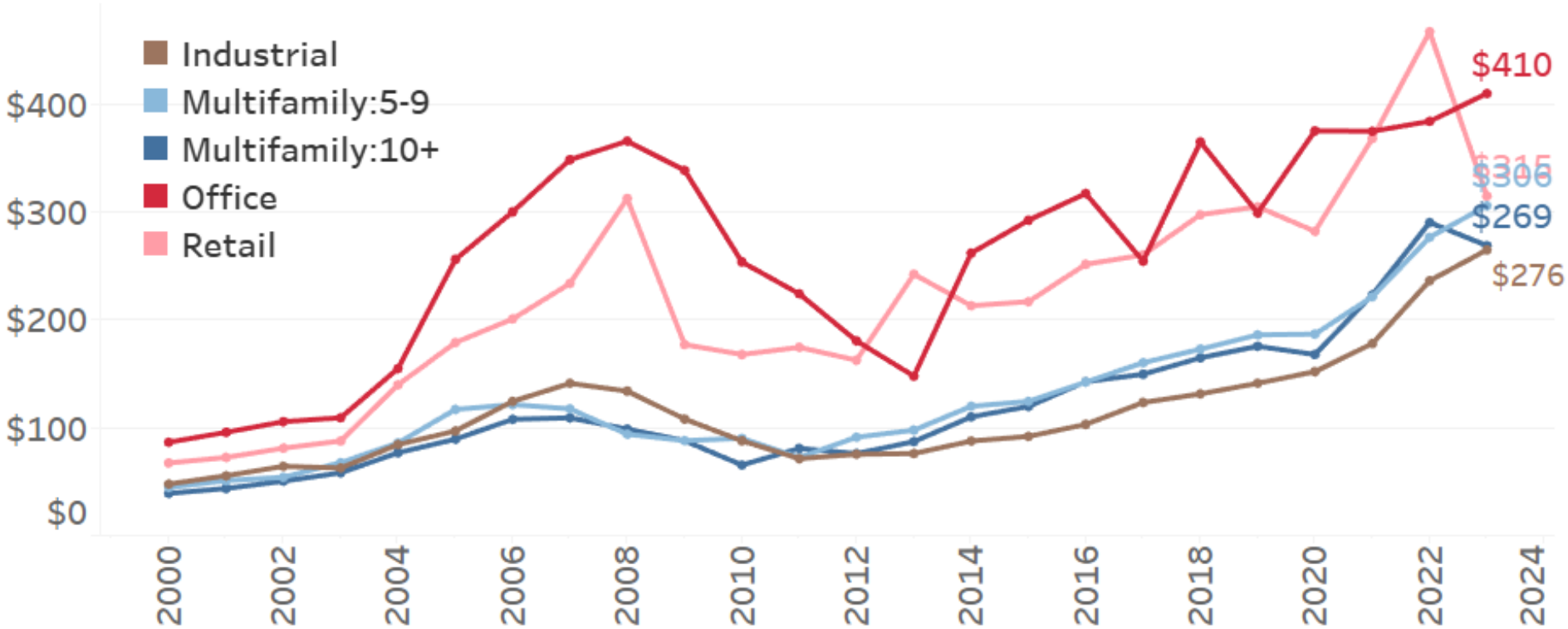


The RCA CPPI is based on repeat-sales (RS) transactions that occurred at any time up through the month of the current report for at least \$2.5 M transactions. The 6 Major Metros (6MM) are Boston, Chicago, Los Angeles, New York, San Francisco and Washington DC



Miami-Dade County Median Sales Price

Median Sales Price Per Building Sq. Ft of Commercial Properties in Miami-Dade County

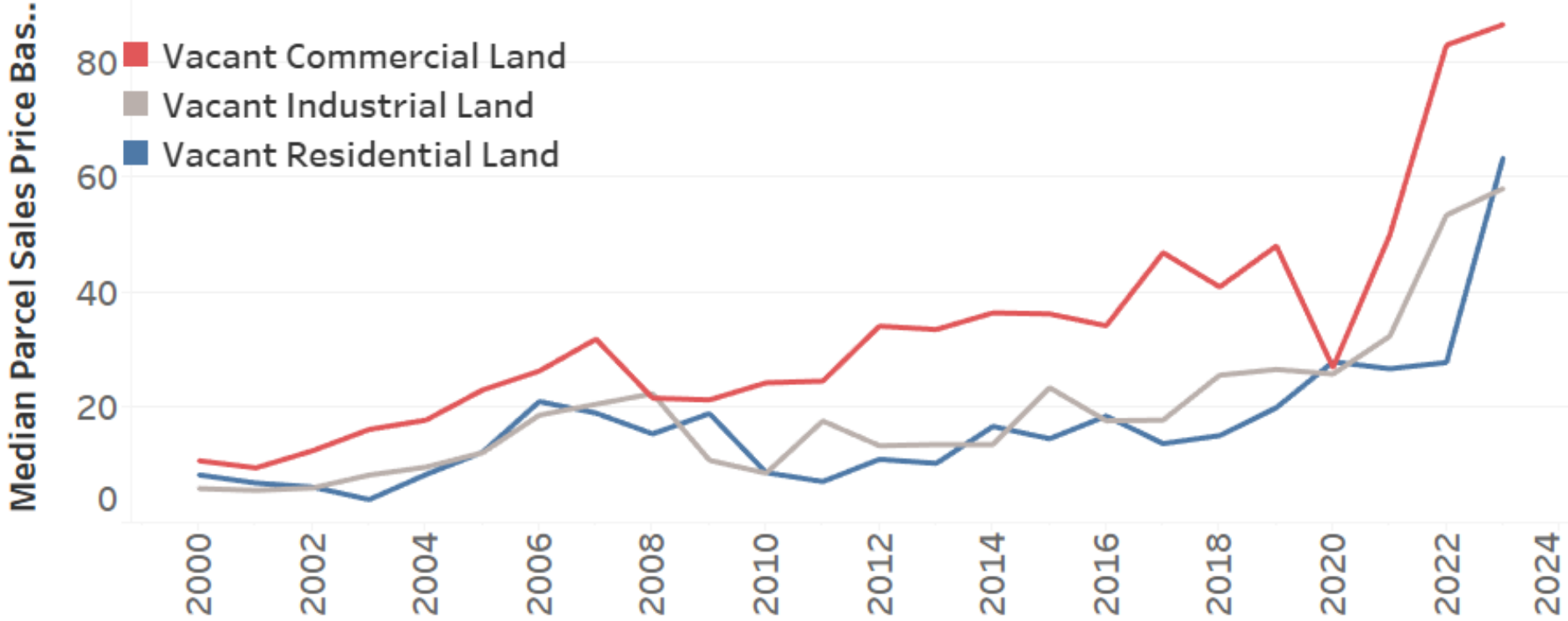


Source: MIAMI REALTORS analysis of county records



Miami-Dade County Median Vacant Land PPSF

Median Sales Price Per Lot Sq. Ft of Vacant Land in Miami-Dade County

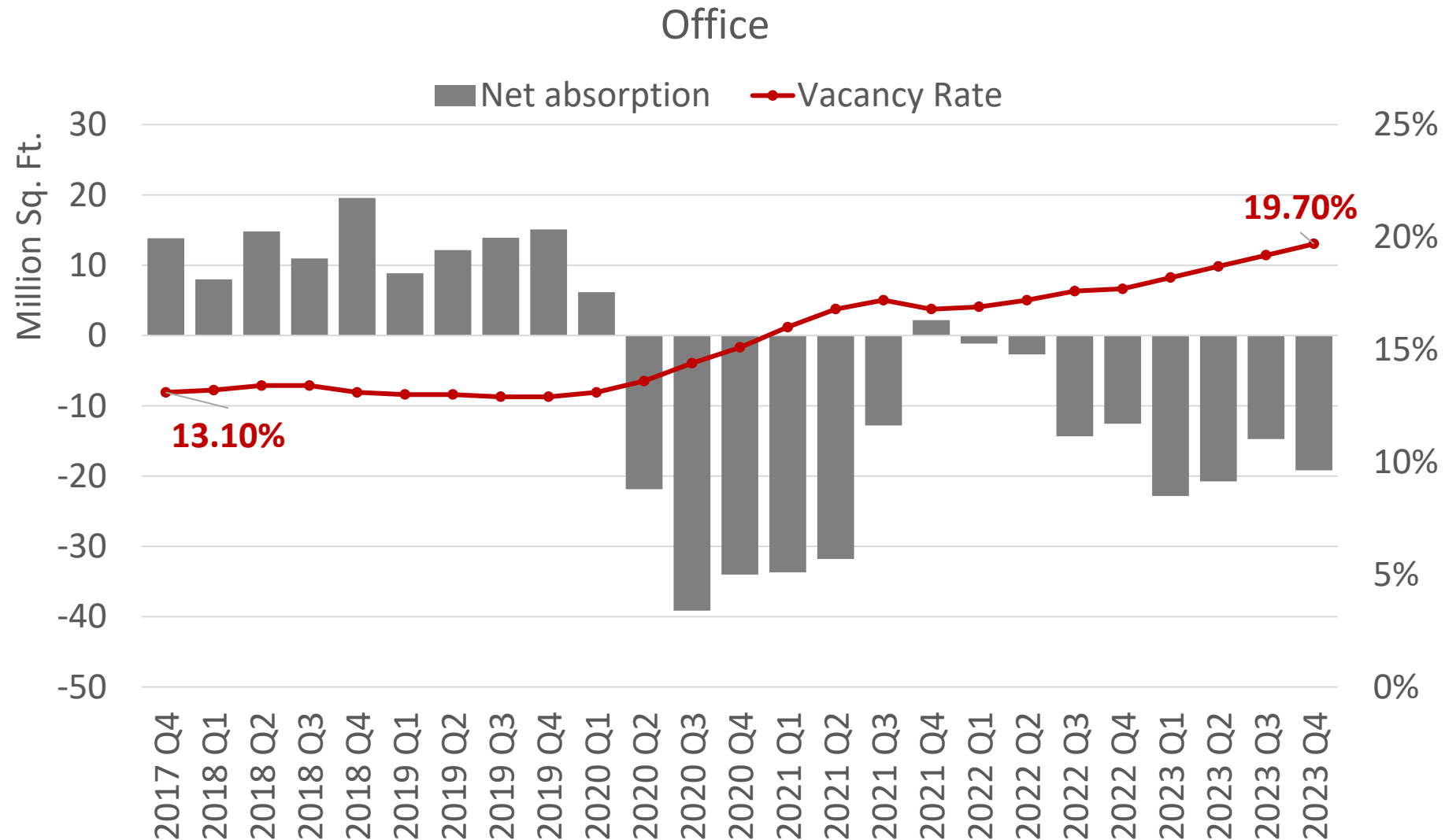


Source: MIAMI Realtors® analysis of county records obtained from the Miami-Dade County Office of the Property Appraiser.

Source: MIAMI REALTORS analysis of county records



~300 MSF loss in office occupancy since 2020

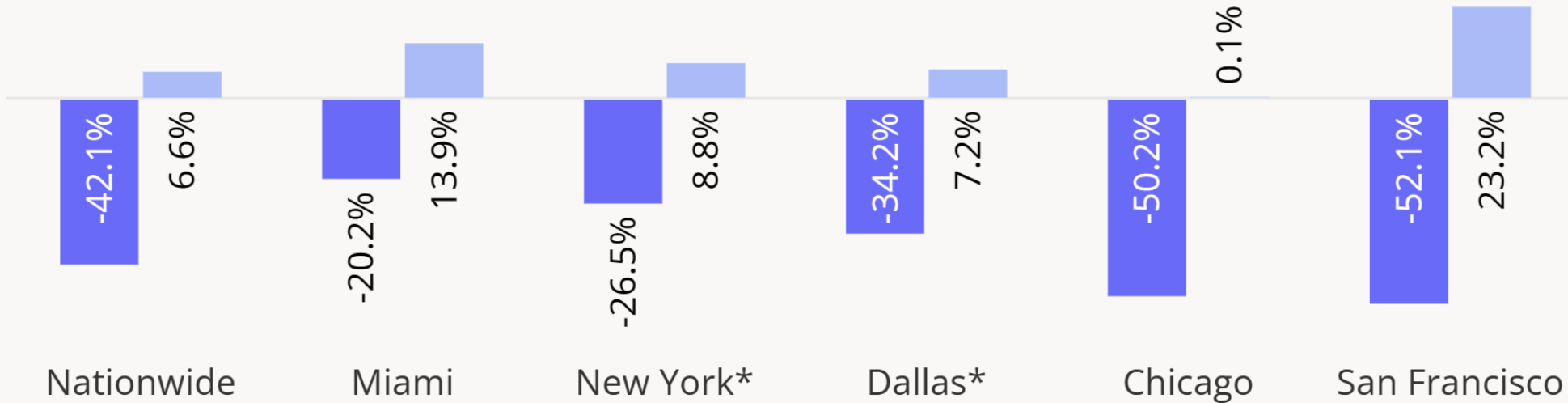


Source: Cushman and Wakefield

Hybrid remains an entrenched work mode

In January 2024, Nationwide Office Visits Continued to Hover Around 60% of Pre-COVID Levels – With Significant Variation between Markets

January 2024 Visits, Compared to 2020 and 2023

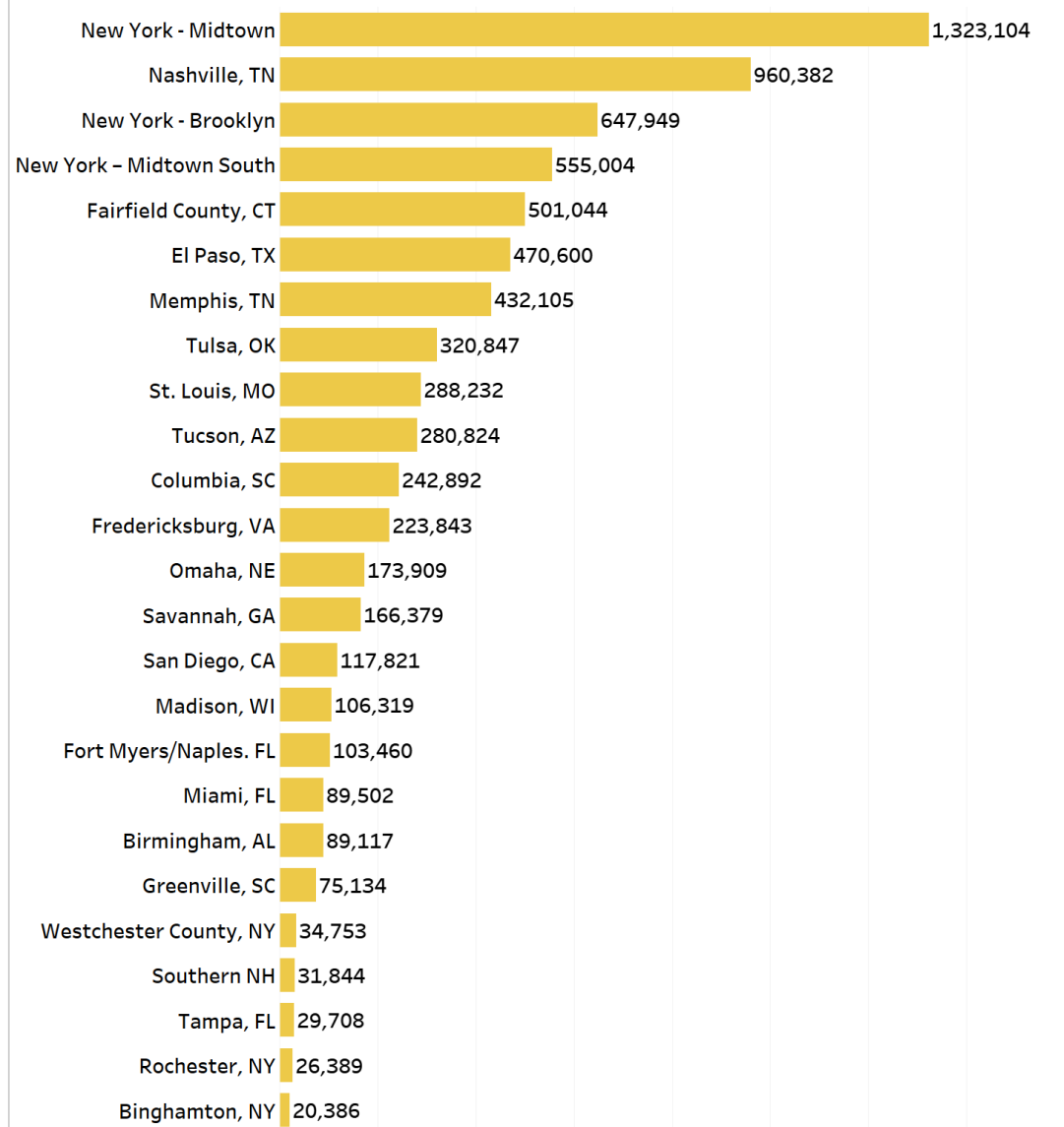


● Compared to January 2020 ● Compared to January 2023

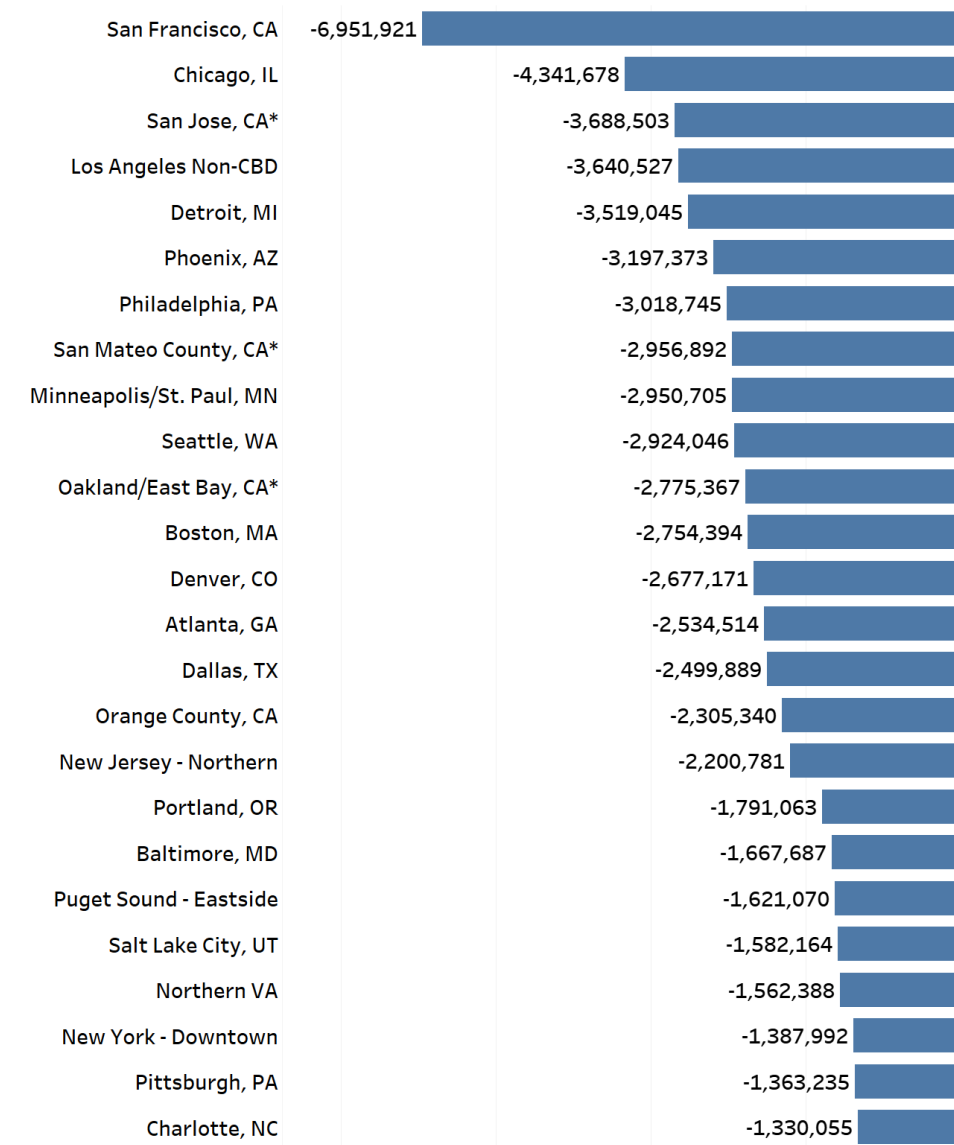
**Including some offices located in the greater New York/Dallas region.*

Office CRE Net Absorption

Positive Net Absorption of Office Space, 2023



Negative Net Absorption of Office Space, 2023



Source: Cushman and Wakefield



Office Market Fundamentals

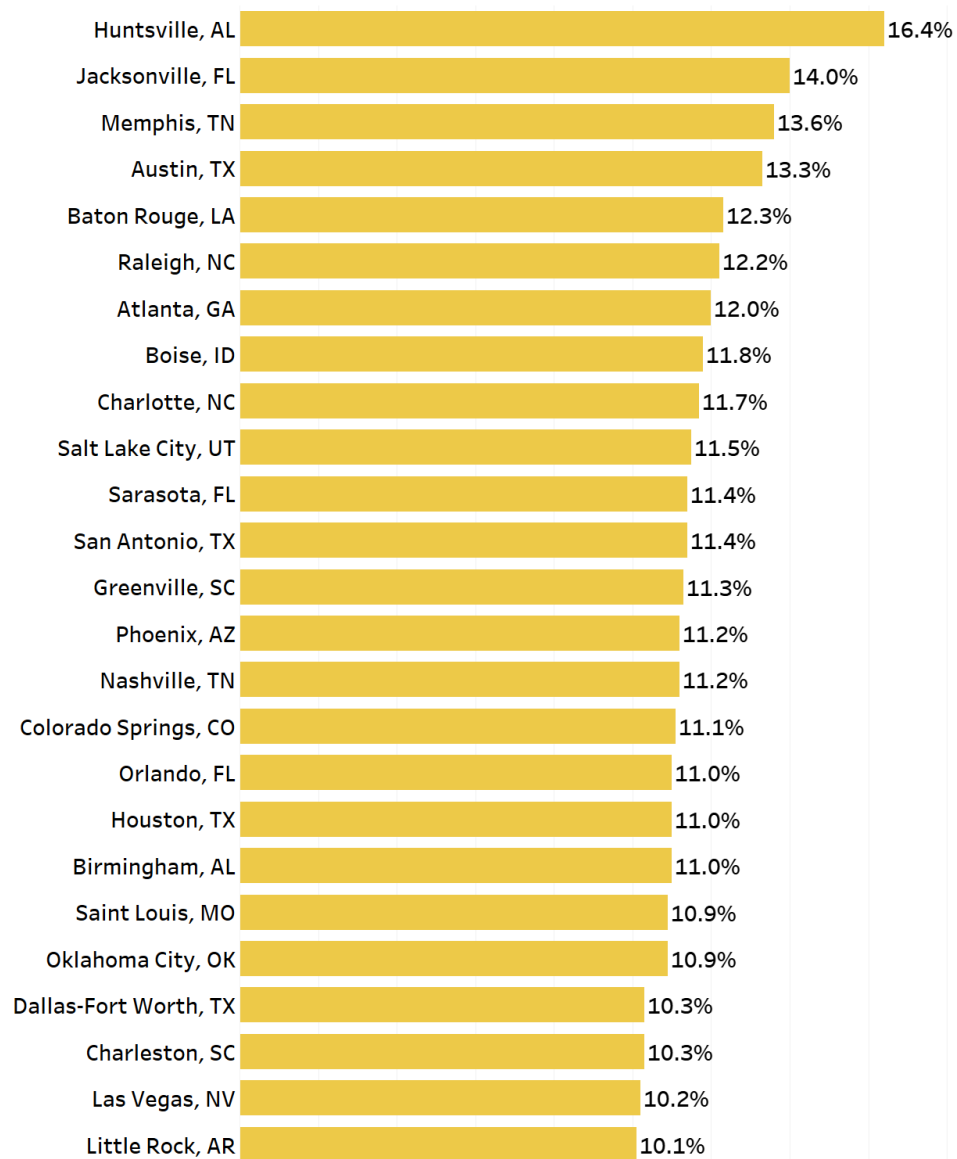
Market	Net Absorption	Vacancy Rate	Asking Rent	Y/Y Asking Rent	Under Construction as Percent of Inventory
US	-77,510,897	19.7%	\$37.7	1.2%	1.1%
San Francisco	-6,951,921	32.5%	\$69.9	-5.5%	0.0%
Chicago	-4,341,678	23.3%	\$34.6	1.6%	0.4%
Boston	-2,754,394	15.1%	\$45.7	5.0%	1.6%
Denver	-2,677,171	23.0%	\$32.6	2.8%	1.9%
Atlanta	-2,534,514	23.8%	\$31.7	1.0%	1.5%
Dallas	-2,499,889	22.6%	\$29.7	3.2%	2.6%
New York Downtown	-1,387,992	23.7%	\$55.7	-0.4%	0.0%
Washington DC	-935,881	20.7%	\$54.8	-2.1%	0.6%
Los Angeles CBD	-912,192	26.2%	\$44.5	-1.4%	0.0%
Palm Beach	-360,775	11.6%	\$46.2	5.9%	2.9%
Fort Lauderdale	-33,909	17.6%	\$40.0	2.7%	0.0%
Miami	89,502	15.0%	\$51.2	7.4%	4.2%

Source: Cushman and Wakefield

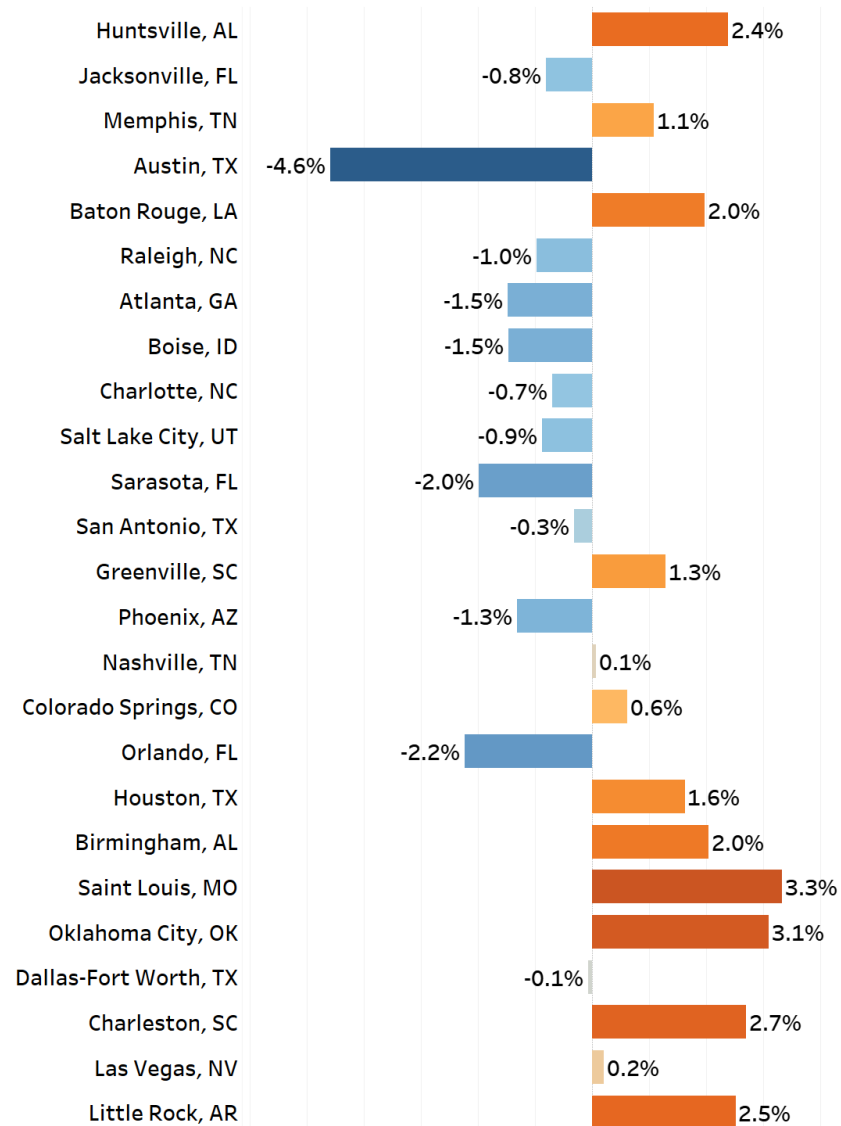


Multifamily Vacancy Rates

Highest Vacancy Rate (Buildings with 50+ Units)



Y/Y Percent Asking Rent



Source: Cushman and Wakefield



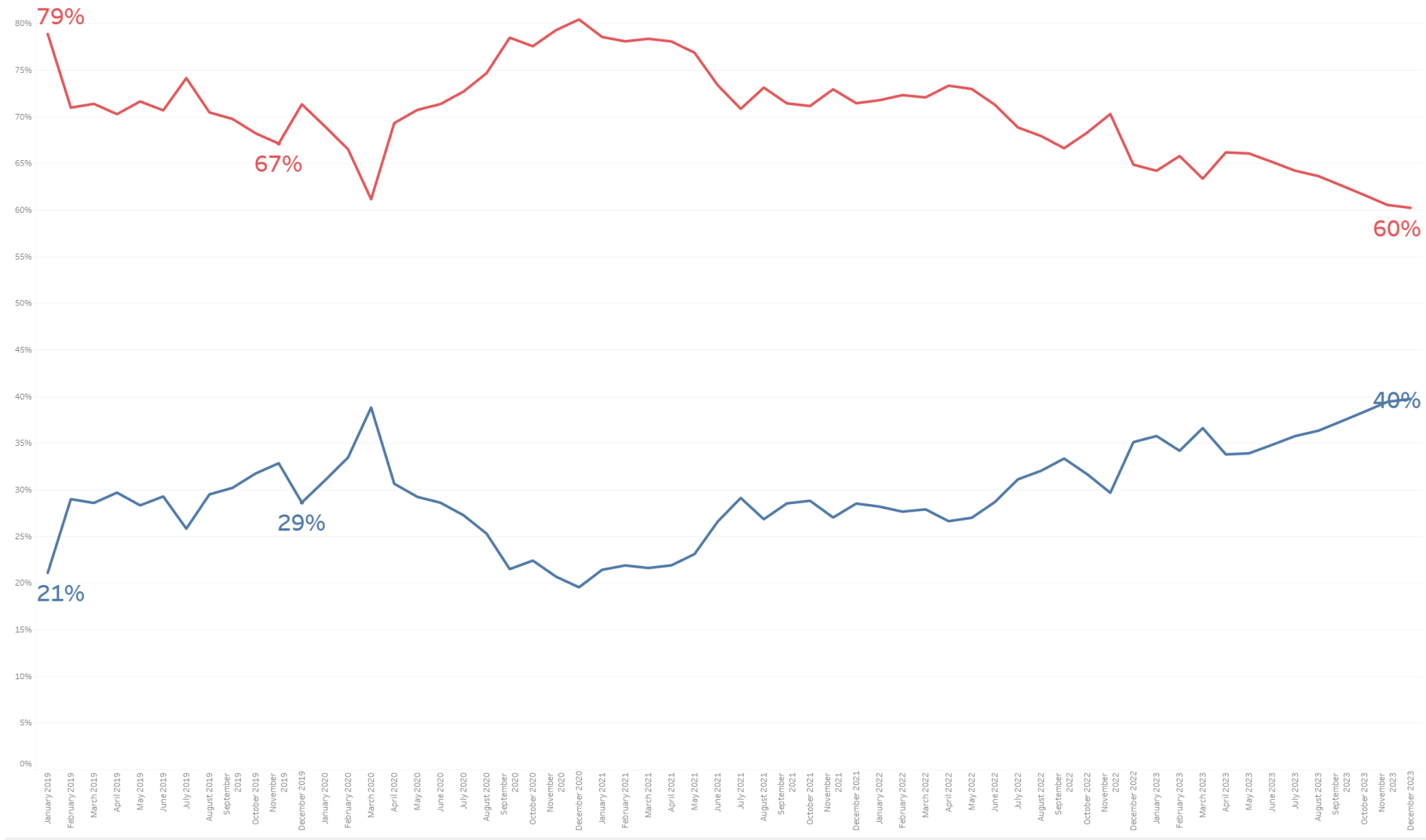
Multifamily Market Fundamentals

Market	Net Absorption	Vacancy Rate	Asking Rent	Y/Y Asking Rent	Under Construction as Percent of Inventory
US	261,018	8.3%	\$1,797	1.6%	6.5%
New York	17,869	2.9%	\$3,061	2.8%	7.5%
Washington DC	12,733	7.1%	\$2,129	4.3%	5.5%
Dallas-Fort Worth	12,462	10.3%	\$1,513	0.0%	6.7%
Denver	7,761	8.8%	\$1,865	2.0%	11.3%
Chicago	7,318	6.0%	\$1,819	4.5%	3.2%
Boston	6,765	6.5%	\$2,807	3.1%	5.6%
Atlanta	5,782	12.0%	\$1,603	-1.5%	6.2%
Miami	4,896	6.6%	\$2,433	2.4%	22.6%
Fort Lauderdale	1,933	7.8%	\$2,334	0.5%	10.0%
Palm Beach	1,661	8.2%	\$2,474	2.7%	9.2%
San Francisco	1,371	7.6%	\$3,049	0.0%	5.0%

Source: Cushman and Wakefield

Rising Demand for Single-family Rentals in SE Florida

Percentage Distribution of Listings During the Month

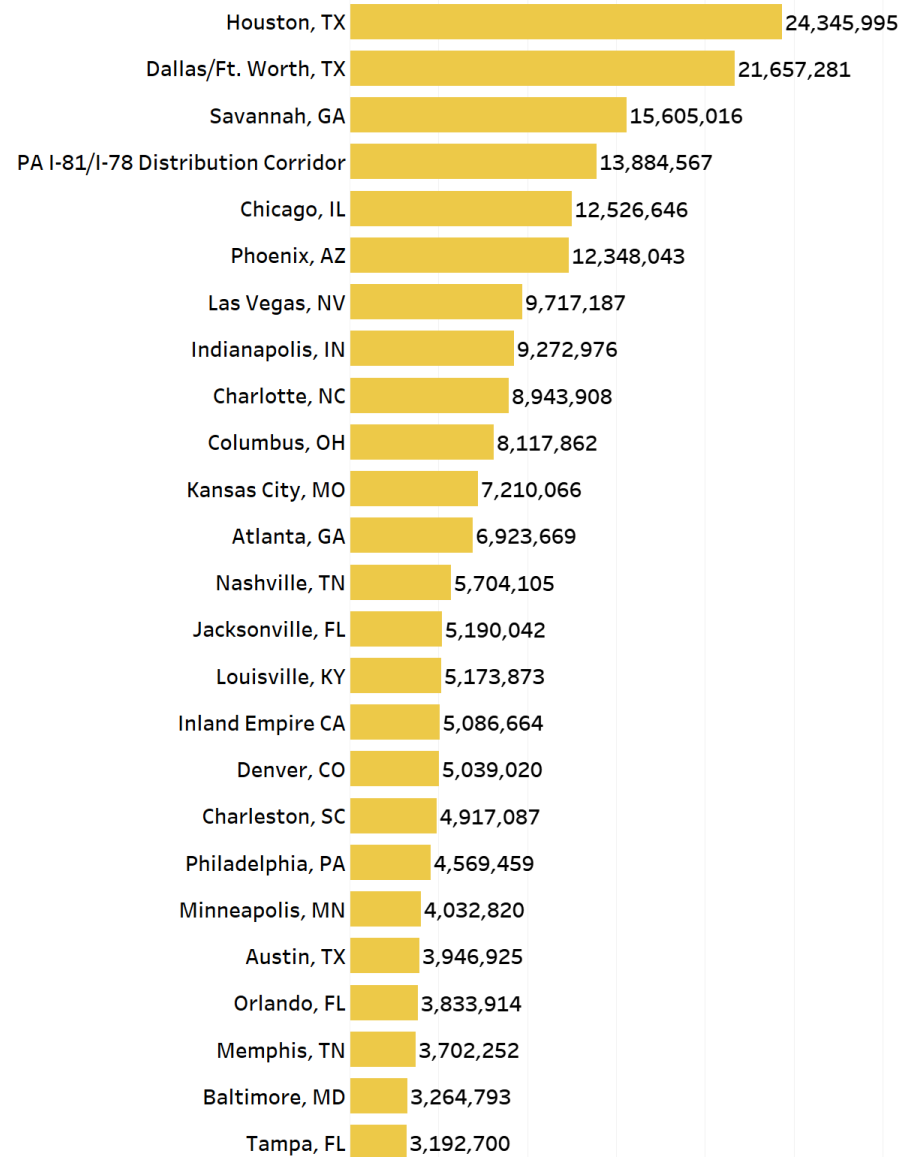


Source: [Rental Beast](#), MIAMI Realtors, SE Florida in this report covers Miami-Dade, Broward, Palm Beach, Martin, St. Lucie

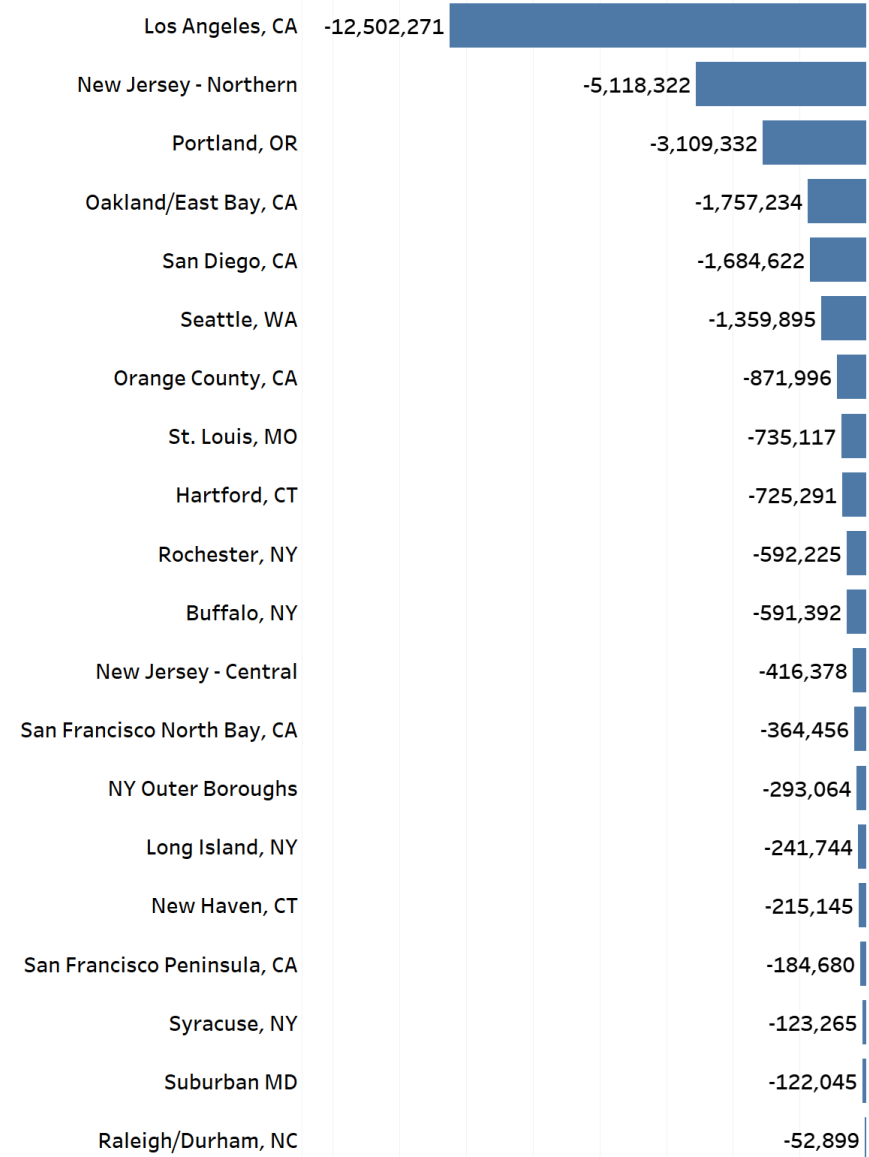


Industrial CRE Net Absorption in 2023

Positive Net Absorption of Industrial Space, 2023



Negative Net Absorption of Industrial Space, 2023



Source: Cushman and Wakefield



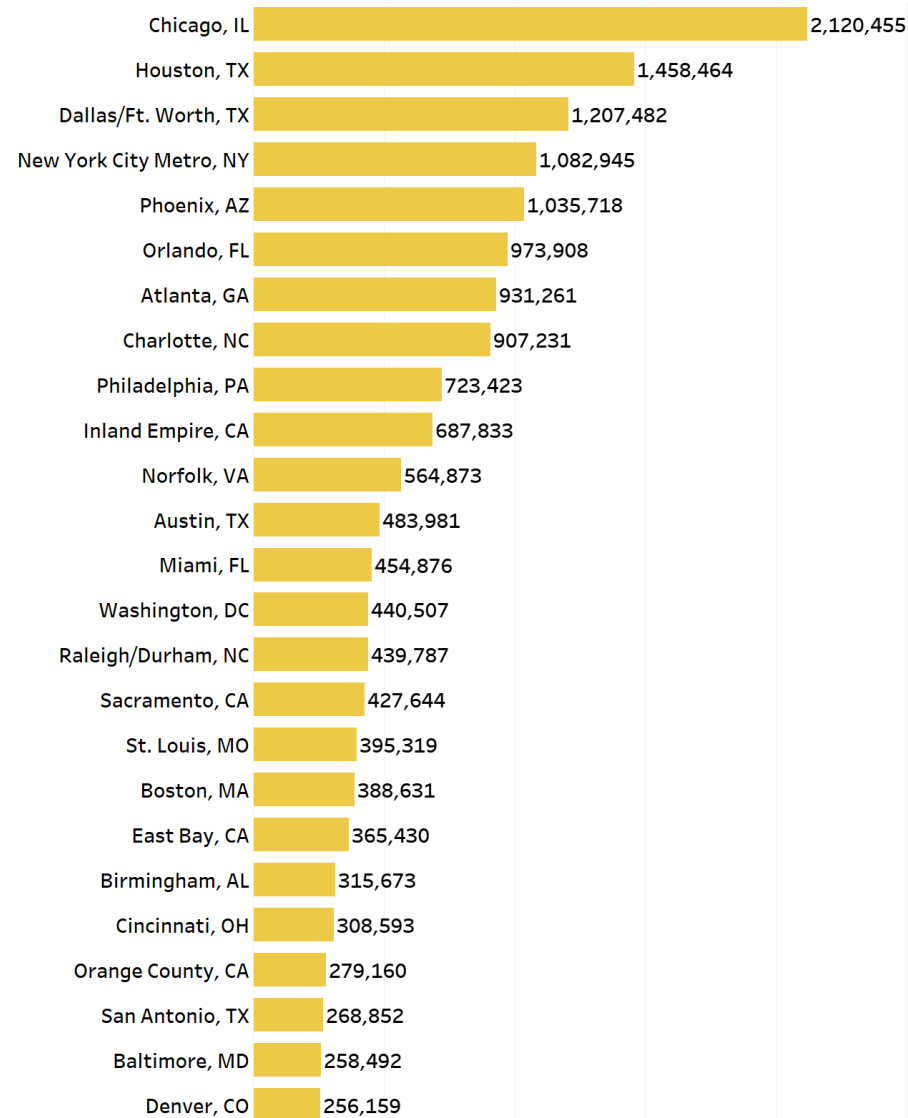
Industrial Market Fundamentals

Market	Net Absorption	Vacancy Rate	Asking Rent	Y/Y Asking Rent	Under Construction as Percent of Inventory
US	224,292,355	5.2%	\$9.8	10.0%	2.6%
Dallas-Fort Worth	21,657,281	8.3%	\$8.0	18.1%	3.9%
Chicago	12,526,646	4.5%	\$7.2	7.2%	1.2%
Atlanta	6,923,669	6.4%	\$6.9	-2.5%	2.8%
Denver	5,039,020	7.0%	\$9.7	2.4%	2.7%
Boston	2,560,969	7.1%	\$15.5	33.4%	2.3%
Miami	1,542,626	2.4%	\$15.7	3.8%	4.1%
Fort Lauderdale	1,158,710	2.9%	\$15.3	12.0%	0.7%
Northern VA	651,407	4.2%	\$16.2	7.6%	1.0%
Palm Beach	164,976	4.3%	\$14.7	1.6%	4.4%
San Francisco North Bay	-364,456	6.6%	\$13.5	0.4%	0.9%
Northern NJ	-5,118,322	5.6%	\$18.3	13.4%	0.8%
Los Angeles	-12,502,271	3.0%	\$18.9	-6.7%	0.9%

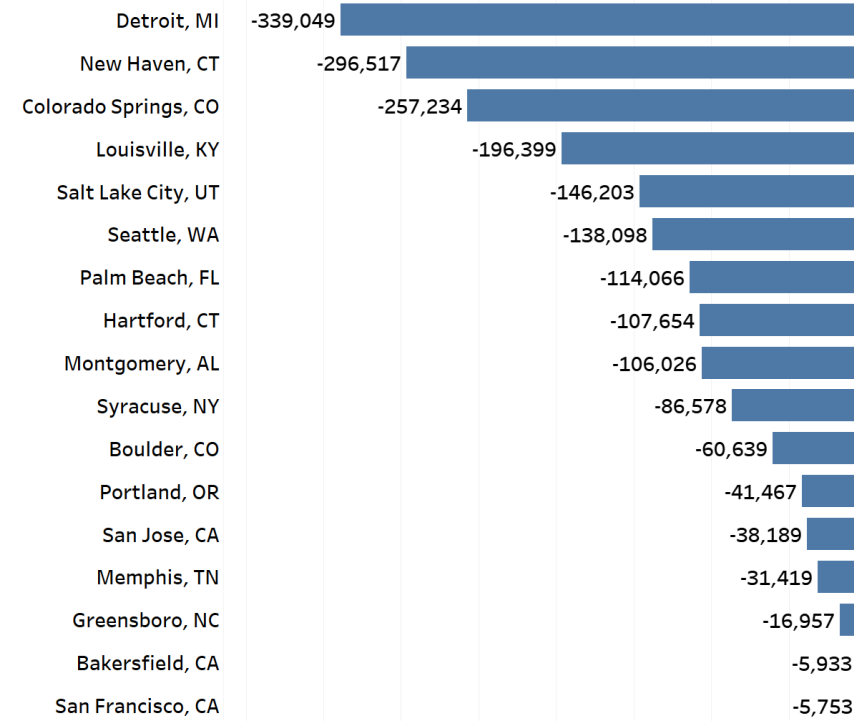
Source: Cushman and Wakefield

Retail CRE Net Absorption in 2023

Positive Net Absorption of Retail Space, 2023



Negative Net Absorption of Retail Space, 2023



Retail CRE Market Fundamentals

Market	Net Absorption	Vacancy Rate	Asking Rent	Y/Y Asking Rent	Under Construction as Percent of Inventory
US	19,672,472	5.3%	\$23.7	4.1%	0.32%
Chicago	2,120,455	7.0%	\$20.5	1.9%	0.10%
Dallas-Fort Worth	1,207,482	6.3%	\$22.8	5.4%	0.71%
New York City Metro	1,082,945	5.4%	\$33.2	2.7%	0.47%
Atlanta	931,261	4.1%	\$21.8	6.6%	0.04%
Miami	454,876	3.1%	\$40.3	5.9%	0.04%
Washington DC	440,507	4.6%	\$31.3	3.3%	0.32%
Boston	388,631	3.5%	\$23.6	0.5%	0.06%
Denver	256,159	5.2%	\$24.6	3.0%	0.01%
Fort Lauderdale	163,387	3.8%	\$33.0	5.1%	0.31%
Los Angeles	124,536	5.6%	\$34.2	1.7%	0.63%
San Francisco	-5,753	6.4%	\$42.6	-0.4%	0.00%
Palm Beach	-114,066	4.2%	\$34.5	10.5%	0.52%

Source: Cushman and Wakefield



Thank You.

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