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JULY 25, 2022

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The challenging-to-predict pros and cons of the economic climate over the past couple years have forced companies to make changes to the way they do business and to the way they approach their workspace and real estate needs.

On July 28th from 2:00 to 3:30pm, the Los Angeles Business Journal will host a free digital virtual event panel discussion titled "Real Estate Trends 2022." The event will feature two digital panel discussions featuring some of the region's leading authorities, thought leaders and experts.

The pair of discussions, focusing on "Industrial Trends" and "Office & the New Workplace" are dedicated to helping C-suite leaders, business owners, managers, and professionals get a pulse on all issues impacting our workspace environments.

To register for the event, please visit labusinessjournal.com/events/re-trends

OFFICE & THE NEW WORKPLACE

Offices and workplaces are evolving faster than ever and keeping up with the latest trends is essential. Our experts will discuss:

- The trends in the new workplace and what it looks like
- What leases are looking like for office spaces in the next six months
- How the office is still changing, and what a 2022 layout looks like
- Whether companies are changing their lease structures and/or becoming more flexible



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Executive Managing Director
Newmark



Matthew Heyn
Vice Chair
Colliers



Bobby Peddicord
Executive Managing Director
CBRE



Andy Ratner Moderator
Executive Managing Director
CBRE

INDUSTRIAL TRENDS

In this comprehensive conversation about the new-look industrial market, the experts will take a deep dive into:

- What kinds of companies are expanding or downsizing their industrial space
- How interest rates are impacting leases with building owners and businesses
- What trends are happening now and what we can expect to see in the next few months



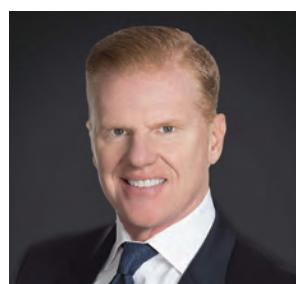
Phil Bond Moderator
Executive Vice President,
Chief Credit Officer
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Alon Kraft
Chief Operating Officer
Dedeaux Properties



Tunde Ogunwole
VP, Development Officer
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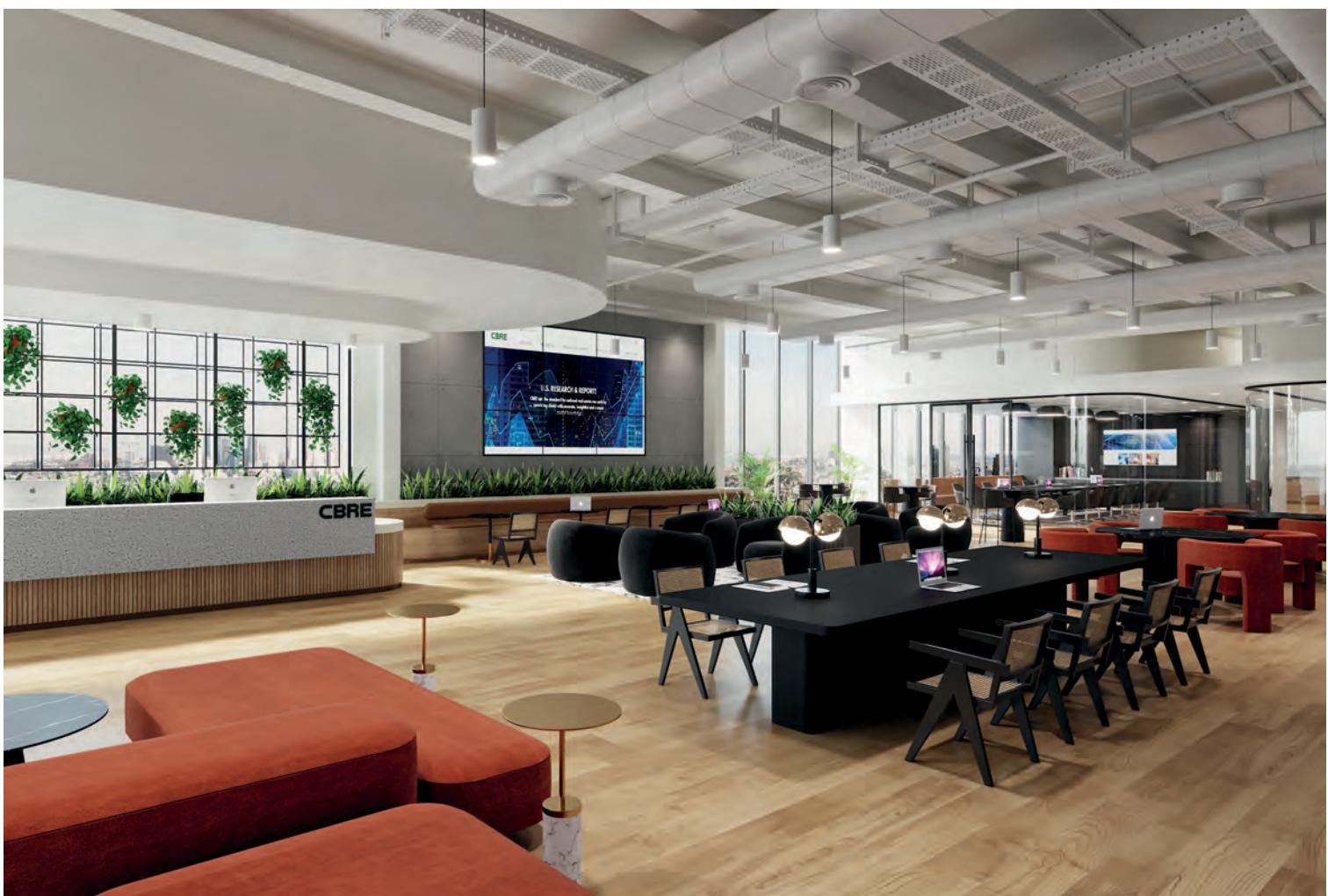
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Blazing a Path for a Bright Future in Industrial Real Estate

Following up on one of the most active periods in company history with over \$1 billion in transaction activity in the past two years, Dedeaux Properties continues to be one of the most active industrial real estate developers and investors in Southern California.

In addition to more than \$400 million in industrial real estate transactions that have

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SPOTLIGHT**
closed in the first half of 2022 alone, Dedeaux Properties continues to manage

its 11-million-square-foot portfolio of high velocity distribution, cold storage facilities, and truck terminals throughout California, of which over 4 million square feet are actively under various stages of development.

“We are building off the incredible momentum of the past two years,” said principal and manager Brett Dedeaux. “Alongside our growing list of strong institutional capital partners, we continue to enter new markets, investing in and developing facilities that meet the challenges of an

increasingly complex and evolving supply chain. We expect 2022 to be yet another historic year for us.”

Last year Dedeaux, whose portfolio is primarily located in the Inland Empire, Los Angeles County and Bay area, entered the Orange County market with the acquisition of a 15-acre site in San Juan Capistrano for the development of a 91,500-square foot facility. The firm also made its first investment in the Santa Clarita Valley, joint venturing with Stockbridge Capital on a vacant 214,436-square foot warehouse and distribution center that was revitalized, leased, then sold in February of this year.

Earlier this year, Dedeaux made its entry into Kern County’s Tejon Ranch, approximately 75 miles north of downtown Los Angeles with the acquisition of a 12-acre land parcel entitled for development of up to 250,000 square feet of high velocity warehouse.

In recognition of their roles for the firm’s steady and risk-managed growth trajectory, Dedeaux announced the following promotions and new team members:

Alex Filler was promoted from director of acquisitions to senior director. Filler is

responsible for the acquisition, underwriting, due-diligence, and general debt & equity duties at Dedeaux Properties. Since joining the firm in 2012, he has been involved in more than \$500 million of acquisitions, dispositions, and development. He earned his MBA and a Master in Real Estate Development (MRED) from the University of Southern California.

Brandon Bank was promoted to director of acquisitions. Bank joined Dedeaux Properties in 2020 where he initially assisted with underwriting and project management duties. Previously, Bank was a broker at CBRE where he sold \$520,000,000 in office, industrial, and entitled land sites. He graduated from Indiana University with a degree in Management and a minor in Business.

The firm also announced that Ted Evans has joined Dedeaux Properties as director of asset management. Evans has more than 12 years of commercial real estate and finance experience. Previously, he was a vice president, asset management at American Realty Advisors overseeing a three-million-square-foot national portfolio of retail, office, and industrial assets. He has a BS in Business Administration from Bucknell University and

an MBA from the University of Southern California.

Lastly, Andres Meave and Victor Alia have joined Dedeaux Properties as analyst and development manager, respectively. Meave earned a BS in Business Administration with an emphasis in Finance, Real Estate, and Law from California State Polytechnic University, Pomona where he was president of The Real Estate Association of Cal Poly Pomona. Meave joined Dedeaux Properties in January of 2022 and currently leads the effort in underwriting new deal flow at Dedeaux Properties. Alia is joining the team, bringing over 10 years of real estate and development experience, from project management to sales and acquisitions.

Dedeaux Properties has grown exponentially since its conception, both in deal volume and team size, and continues to be one of the most active players in logistics-oriented facilities in Southern California. The mission of the company remains consistent: create property value for the aligned benefit of the community, investors, partners, shareholders, tenants, and team members.

Learn more at dedeauxproperties.com.



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The Office Evolves To Better Serve Hybrid Employees

Hotels and shopping centers long have strived to foster an ideal experience of their space for their users. It's now the office's turn.

The advent of widespread hybrid work has provided people multiple options of where to do their work on a given day. In turn, this shift has nudged employers to revamp their offices to make them more inviting, productive venues for their workers.

Fading into obsolescence are decades-old office staples like cubicle farms, rows of private offices and mandatory, five-day-a-week office attendance. Eclipsing them are features such as shared workstations, "residential" office design and multiple technologies that support hybrid work.

The end goal is for the office to provide an experience – much like hotels, restaurants and shopping centers do – that not only helps in recruitment of new hires but also entices employees to gather and collaborate there. Underpinning that effort is technology that supports the experience by, among other things, allowing companies to efficiently manage shared workspaces and helping in-person and remote workers to work together as if they're in the same room.

"Organizations now are thinking about their employees as consumers of an experience they provide," said Lenny Beaudoin, global head of workplace & design at commercial real estate services company CBRE. "They're not thinking of them just as employees who have to fit into a fixed number of seats but as colleagues they need to attract back to a more dynamic and flexible office with highly differentiated experiences than where they are."

Many of these trends have become increasingly common in the past two years. A CBRE survey earlier this year of 185 companies with offices in the U.S. found that 73 percent intend to support various types of hybrid work formats for their employees. Still, 85 percent of respondents want their employees to spend at least half their work week in the office as part of their hybrid schedule.

To do so, companies plan to make the office more livable and efficient. Seventy-six percent of respondents are using or plan to install enhanced video conferencing technology such as a program that tracks and presents on the screen each participant – in-person and remote – as if they're together. Fifty-three percent favor occupancy sensors to help them track, analyze and adapt to employees' use of their workplace.

Further, 45 percent of respondents use or plan to add employee-experience apps that can allow employees to reserve desks and meetings rooms, check who plans to be in the office that day, and order various services, among other things.

These types of technologies and services are incorporated into a state-of-the-art, 30,794 square foot office that CBRE plans to open in Los Angeles' South Bay area in August. There is history here; CBRE has highlighted workplace features such as unassigned seating, residential-type furniture and natural light since launching its Workplace360 office-design program in 2012. Now, the new South Bay office in El Segundo adds and enhances various workplace features inspired by analyzing hybrid work as it has evolved since the pandemic.

Case in point: the South Bay office offers 14 different workplaces, ranging from acoustically enclosed, single-person focus pods for individual work, to huddle rooms for small teams, to project rooms



The library in CBRE's South Bay office offers various formats of quiet spaces for work separate from meetings and videoconferencing.

with a horseshoe couch, large screens and interactive whiteboards. Other examples include residential-style living rooms for casual meetings, a library for quiet work, and an outdoor patio equipped with WiFi, seating and shade umbrellas.

The concept behind the 14 work zones is neurodiversity. People work in different ways on different projects on different days.

"It's not a matter of coming back to a cubicle," said Robert Peddicord, executive managing director of CBRE's South Bay office. "It's coming back into an environment – one in which people can work in different places and in different ways, depending on what they need that day."

The office will provide a seating ratio of one workstation per 1.5 employees, a nod to hybrid work. It takes technology to manage such a shared workspace while continuing to study and improve employees' experience in it. CBRE will use sensors to track the office's overall occupancy and patterns of how often people use each area, room, desk and furniture. It then can adjust the office's layout and other features to better match those work patterns.

"No one knows exactly what the future holds or exactly how people will use their office in the years ahead," said Peter Van Emburgh, CBRE's global head of real estate. "But now companies finally have access to real-time data to guide their strategy going forward on how to design and program their post-pandemic workplaces."

Other technologies installed in the South



Bay office, such as the enhanced video conferencing system, support hybrid work. Interactive whiteboards allow people in the conference room and those working remotely to write on the board at the same time.

Attention is paid to decidedly non-tech features as well. The office's second-floor windows can be opened to allow a free flow of outdoor air. Full-height glass doors provide wide visibility and natural light.

All of these features can be enticing. But they need to be enticing enough to help people overcome one of the biggest barriers to the return to the office: The commute. Steven Davis, a University of Chicago business and economics professor who studies work trends, cites his ongoing survey of workers around the globe in reporting that people save an average of 65 minutes a day by foregoing their commute

to instead work from home.

Many CBRE employees who work in the South Bay office live in the area, so their commutes aren't lengthy. However, the new South Bay office is likely to influence other employees who normally take longer commutes to other CBRE's offices in West Los Angeles and downtown to work in South Bay instead.

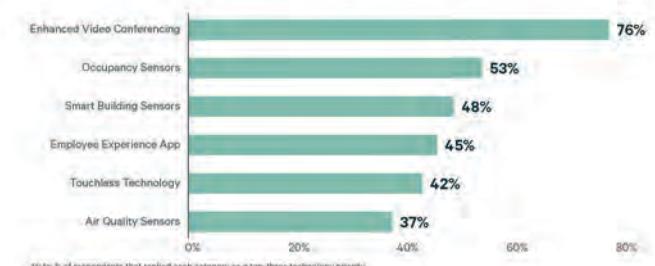
"The most effective, long-lasting way to change behavior is to provide people a superior option," said Kasey Garcia, senior director of CBRE's Workplace practice in the Southwest. "People will drive past multiple shopping centers to visit a better center. Some will even forego shopping online to go to their favorite center. Now the office is fully embracing consumer experience in the same way."

Learn more at CBRE.com.

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Survey Finds 98% of Investors Plan to Put Significant Funds in Commercial Real Estate

Even before the war in Ukraine brought more uncertainty to an already turbulent stock market, 2022 held great promise for online property investing platform CrowdStreet. Its 2022 Investor Benchmark Survey found 98% of respondents plan to make at least one private equity real estate investment in 2022, while 65% plan to invest less in stocks and bonds. While CrowdStreet raised \$1.2 billion from retail investors last year—twice as much as ever before in a single year—funds raised since January 1 show it will likely outpace its 2021 performance.

CrowdStreet, the nation's largest online private equity real estate investing platform, drew respondents from its network of accredited investors. All 1,111 survey participants were in complete agreement on their plans to invest in private equity real estate enthusiastically this year. Key survey findings showed:

- 66% plan to allocate more of their investment portfolios to CRE,
- 32% plan to make four or more CRE investments,
- More than 25% would like to invest \$200,000 in CRE, and
- 82% are interested in investing at least \$50,000 in CRE.

Enthusiasm for commercial real estate investing stems in part from the conventional wisdom that Wall Street faces a bumpy ride this year as evidenced by pervasive first-quarter volatility. "Clearly, investors aren't expecting outsize stock market gains another year in a row," CrowdStreet's CEO Tore Steen said. "They're diversifying their portfolios—and balancing risk—with commercial real estate."

Most Investor Benchmark Survey respondents had at least one year of private equity real estate investing experience, while a quarter had five or more. A plurality of these investors have made at least one investment in CRE projects, while an impressive three-quarters of those who self-identified as experienced investors have made seven or more.

One survey participant expressed forward-looking optimism that captures the mood among many high-net-worth investors regarding their portfolios: "If it proves to be a way to grow wealth beyond stock returns, I will invest more."

WHAT ARE INVESTORS' TOP REASONS FOR ADDING PRIVATE REAL ESTATE TO THEIR PORTFOLIOS?

CrowdStreet's survey responses revealed three key reasons investors are increasingly turning to real estate investing: the desire for portfolio diversification, the passive income it can offer and the ability to earn above-market returns. Investors also cited investing for the long-term and wealth preservation as further relevant reasons for investing in CRE.

But an underlying concern motivating real estate investing came from investors' desire to temper stock market exposure "by allocating more of their portfolios to alternative investments, including real estate," Steen said. "Given current market volatility, it's not surprising that 35% of respondents ranked portfolio diversification first among the reasons they invest in CRE."



WHAT DO INVESTORS VALUE ABOUT COMMERCIAL REAL ESTATE INVESTING?

When asked to rank which factors matter most when they evaluate a commercial investment opportunity, investors named the following:

- **Cash flow.** Commercial real estate properties, which can include anything from multifamily apartment buildings to medical office space to industrial warehouses, are often attractive to investors since they can potentially generate returns in two ways: through monthly rental income that may be shared with investors as ongoing cash flow, and from any appreciation when a property is refinanced or sold.
- **Business plan.** Here, CrowdStreet's deal review process plays an essential role, resting on an uncompromising three-step evaluation process that concentrates on the firm, the asset and how the deal is structured. Before accepting deals for inclusion on the Marketplace, sponsors must meet CrowdStreet's criteria that run the gamut from background checks on the firm and principals to evaluating the asset

and the legal documents for discrepancies. Complete business plans for each deal are also described when CrowdStreet lists the project in its Marketplace.

• **Risk profile.** Like any investment, there is a balance between risk and reward. CrowdStreet groups investments into one of four common risk profiles: core, core-plus, value-add and opportunistic. Core and core-plus investments may target lower returns but are generally considered a "safer bet," while "riskier" deals may target potentially greater rewards to compensate for the additional risk. As of March 4, 2022, CrowdStreet CRE investors since 2014 have successfully funded more than 615 deals; 98 of those realized have earned a 18.5% IRR and 1.49 equity multiple.

• **Geography.** The 2022 Investor Benchmark Survey indicates a staggering 90% of investors are likely to invest in the Southeast and/or Southwest regions, which points to a shift from 24-hour city living and into mid-sized, but growing, markets.

There is a noteworthy difference between

'Given current market volatility, it's not surprising that 35% of respondents ranked portfolio diversification first among the reasons they invest in CRE.'

how new and experienced investors evaluate their deals. While potential cash flow was the top factor for both, "experienced investors know the value of a proven track record, and thus placed a stronger emphasis on sponsor experience, ranking it as their second most important factor," Steen noted. That compares to a 6th place ranking for newer investors.

WHAT TYPES OF CRE DEALS INTEREST INVESTORS MOST?

The Investor Benchmark Survey shows that investors in 2022 will take these priorities into account:

• **What and where count.** Breaking down the numbers above, investor preference puts the Southeast at 92% and Southwest at 89% as "somewhat" or "very likely." This aligns with where investors can expect to see opportunity in 2022, as reflected in the top 20 markets nationwide in the 2022 Best Places to Invest report.

• **Solid performance in 2021.** Investors favor property types that performed well last year. Their top picks were multifamily housing (94%), industrial real estate (84%), build-to-rent (72%), medical offices (71%) and life sciences (68%).

• **Making individual deals.** Investors are most interested in these (93%), although 74% indicated they are "somewhat" or "very likely" to invest in CRE funds at the same time. Interest in REITs has gone down slightly to 55%, compared to 65% last year.

PUTTING IT ALL TOGETHER: WHAT'S NEXT IN 2022?

CrowdStreet sees the U.S. in the early phase of a rapidly expanding growth cycle. The recently updated Investment Thesis breaks down where the company sees opportunity across ten property types including multifamily, life sciences, student housing, and more. Overall, with less polarization in 2022, they view the market as more balanced and better positioned for broader, albeit moderated, growth across the board.

"While the recovery isn't taking hold at the same pace in every asset class or market, we see more reasons to be optimistic than not," Steen said. "Given that 98% of respondents are planning to make at least one CRE investment in 2022, survey respondents seem to agree with us and see commercial real estate investing as an informed, smart option this year."

Learn more at crowdstreet.com.

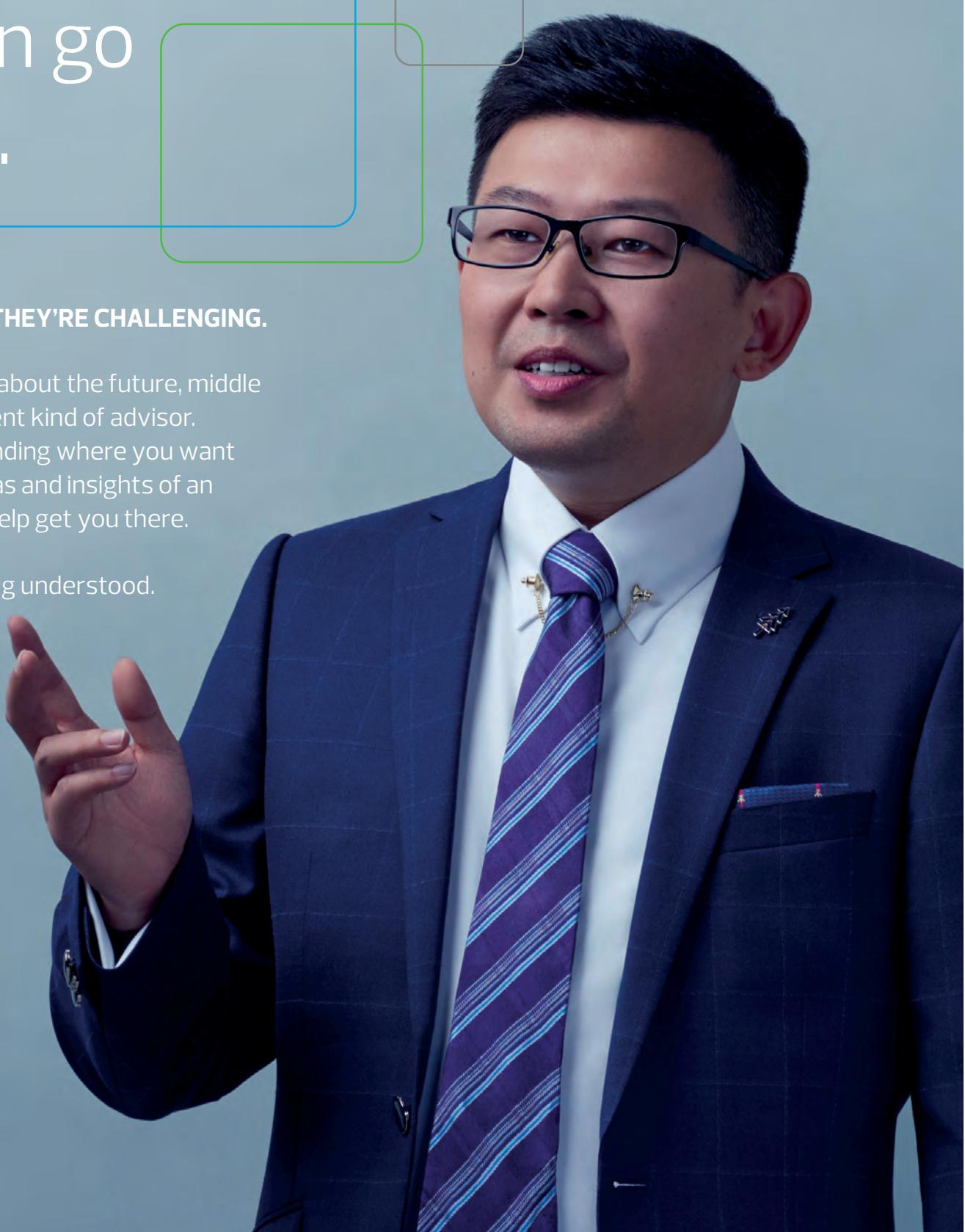
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Commercial Real Estate Sentiment Index Predicts that Conditions Will Continue to Improve

The spring edition of the NAIOP CRE Sentiment Index revealed that sentiment was down slightly from fall 2021, but still suggests improving conditions for the industry over the next 12 months.

The NAIOP CRE Sentiment Index is designed to predict general conditions in the commercial real estate industry over the next 12 months by surveying industry professionals on the future conditions of their projects and markets. The survey includes questions about jobs, space markets, construction costs, capital markets and other real estate development fundamentals. If every participant in the survey selected the most optimistic answer to every question, the index would be 100. Conversely, if all the participants chose the most pessimistic response to every question, the index would be 0.

The current index is 53, down slightly from 56 in fall 2021 and very close to the level one year ago (54). Just prior to the pandemic, the index was 57, before sinking to a low of 45 in March 2020.

Among the key findings:

- Respondents are concerned about the effect of rising interest rates on capital markets and real estate valuations.



- They also expect the cost of construction labor and materials to continue to rise at a record pace.
- Increased respondent optimism about rents and employment within their own firms has kept the index in positive territory.
- Respondents now expect a slight deterioration in general industry conditions over the next 12 months, in contrast to their general optimism in September 2021.
- A large majority (59.5%) of respondents expect to be most active in projects or transac-

tions related to industrial properties over the next year.

"The most significant factor since our last survey has been the rapid pace of inflation and rising interest rates," said Thomas J. Bisacquino, president and CEO of NAIOP. "Rising costs are affecting every economic sector, and in addition to the increases for labor and construction materials, respondents are now concerned about capitalization rates and the financial markets. However, overall optimism remains strong, particularly in the industrial sector, in which supply is still trying to catch up to demand."

NAIOP, the Commercial Real Estate Development Association is the leading organization for developers, owners, investors and related professionals in office, industrial, retail and mixed-use real estate. NAIOP provides unparalleled industry networking and education and advocates for effective legislation on behalf of our members. NAIOP advances responsible, sustainable development that creates jobs and benefits the communities in which our members work and live.

For more information, visit naiop.org.

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PHIL BOND: Commercial Loan Market Thriving Despite Uncertain Economy



Phil Bond
F&M Bank EVP/Chief Credit Officer

F&M Bank Chief Credit Officer on how the market is reacting to higher interest rates.

Q: Describe the commercial lending landscape for the first half of 2022.

A. Demand for commercial lending has increased. Businesses that closed during the pandemic were able to rebound last year, resulting in the highest number of new business applications ever filed in 2021, according to the Census Bureau. Commercial real estate loans, construction and land development loans, and apartment loans also increased year over year. I expect during the second half of 2022, commercial lending will level out.

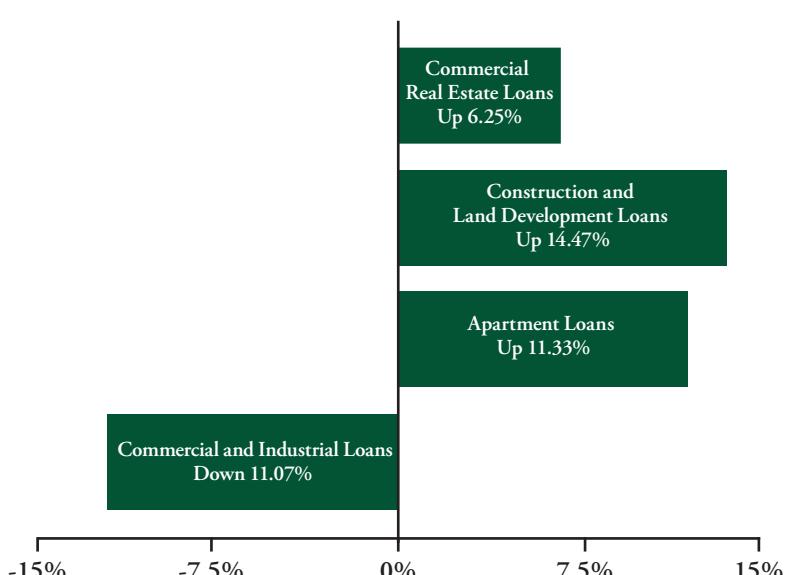
Q: What has been the impact of the Federal Reserve's 0.75% rate increase, the largest increase we've seen in nearly 30 years?

A. The short answer: it's more expensive to borrow money, however, it's much more complicated than that. CRE owners who are selling or refinancing properties are seeing the highest valuations ever. Despite recession concerns, owners still have maturing loans and are considering taking cash out of their properties while values are still high. Many believe that if a recession occurs, rates will have to drop again, so they are opting for shorter-term fixed rates that are relatively attractive.



Q: Any new trends for commercial real estate?

A. One trend we've seen recently is an increase in purchase transactions via 1031 exchanges. Property owners are being offered record high prices from large institutional buyers, including real estate funds looking for commercial space (e.g. retail, distribution, etc.). Sellers are jumping at these opportunities, but then need to find another property due to tax implications related to the original sale. F&M's Relationship Managers are skilled at crafting cash flows and structures amenable to 1031 exchanges.



Q: Has construction activity returned to pre-pandemic levels?

A: Supply chain issues continue to affect developers of ground-up construction and owners desiring to make tenant improvements. However, this should correct itself over time.

Q: Is F&M Bank still making loans?

A: Yes, our Relationship Managers are busy handling commercial loan requests. Unlike other banks whose pricing is tied to the 10-Year Treasury Note, F&M tailors its pricing to the overall relationship, that tends to be better priced in a rising rate environment. Except in rare instances, we do not sell or participate our commercial loans in the secondary market. When a commercial loan client enters into a relationship with F&M, we are in it for the long haul. F&M is still issuing loans and is willing to be creative.



Phil Bond, Executive Vice President and Chief Credit Officer at Farmers & Merchants Bank, a 115 year old regional bank based in Long Beach. For more information, visit FMB.com. All loans are subject to credit approval. • NMLS #537388 • Member FDIC



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Office Market Stabilizes as Companies Again Seek Class A Space

Companies that are seeking top-tier, or Class A, office space are now leading a stabilization of the commercial office real estate market after the shock of the pandemic, according to the newest NAIOP Office Space Demand Forecast, published by the NAIOP Research Foundation.

While office vacancy rates continued to climb for the 10th straight quarter, the completion of new buildings may be part of the reason. NAIOP is projecting that absorption of that space will continue to be positive.

“Class A buildings are driving net absorption rates in many parts of the country, such as the Sun Belt, and firms consider quality office space necessary to attract skilled employees. Suburban markets and life sciences hubs are recovering better than the national average as more employers embrace a return to the office and the pandemic eases. According to Kastle Systems data on office utilization, office occupancy across the 10 U.S. cities that the company tracks reached 43.4% on April 27, a new record since the pandemic began,” according to the report.

The report’s overall projection: net office space absorption in the remaining three quarters of 2022 is forecast to be 46.9 million square feet, essentially unchanged from the previous forecast for these quarters (46.6 mil-



lion square feet). Total net absorption in 2023 is forecast to be 47.3 million square feet, with an additional 6.5 million square feet absorbed in the first quarter of 2024.

The report also found that leasing activity is up year over year, which signals that firms are more comfortable making longer-term commitments to office space. Property owners have been

willing to offer greater tenant improvements to encourage signing, indicating that tenants still have the upper hand in lease negotiations. These signals indicate a move toward a more stable equilibrium as the office market finds its balance.

“We are fortunately seeing that even as the work week gets reshuffled, and fewer employees are in the office at one time, companies

still seek spaces for collaboration and for all employees to be at the office at least part of the week,” said Thomas J. Bisacquino, president and CEO of NAIOP. “This obviously bodes well for the office sector and for the overall commercial real estate industry.”

For more information, visit naiop.org.

Experts Believe Industrial and Retail Real Estate Sectors Will Converge

A new report published by the NAIOP Research Foundation finds that the pandemic and the e-commerce trends that pre-existed it have led to a dramatic confluence of the industrial and retail real estate sectors.

“The COVID-19 pandemic dramatically accelerated demand for e-commerce. Correspondingly, it accelerated demand for distribution space from which to fulfill purchases made online. These conditions have led developers in land-constrained markets to consider new formats for distribution buildings and pursue redevelopment projects that would not have been feasible before 2020,” according to “New Places and New Spaces for E-commerce Distribution: Three Strategies Bringing Industrial and Retail Real Estate Closer Together.”

“At the same time, brick-and-mortar retailers have responded to customer preferences by expanding online order pickup services and shipping orders from retail stores. Together, these trends are contributing to the convergence of industrial and retail real estate, with implications for developers, investors and building owners,” according to the report.

The report examines the risks and opportunities associated with three related strategies:

- Functionally obsolete shopping centers can be attractive targets for conversion to distribution space given their size and location.
- Retailers are adding distribution capacity and online order pickup and return services to



existing retail stores to enhance their customers’ shopping experience.

- Some developers are pioneering mixed-use developments that collocate retail and industrial space.

“No one is certain how quickly bright-line

distinctions between industrial and retail space will disappear, how market participants will react or how ESG initiatives will shape corporate real estate portfolios. However, it stands to reason that all these factors may influence the prospects of retail-to-industrial conversions, micro fulfillment from operational retail out-

‘The COVID-19 pandemic dramatically accelerated demand for e-commerce. Correspondingly, it accelerated demand for distribution space from which to fulfill purchases made online.’

lets, and mixed-use development that includes industrial and retail components. Real estate developers who are mindful of them may therefore succeed in such projects when others fail,” the report said.

The report was written by Dustin C. Read, PhD, J.D., who has two decades of experience conducting real estate research. In addition to holding academic positions at Clemson University, Virginia Tech, and UNC Charlotte over the course of his career, he has consulted with numerous public- and private-sector organizations to promote socially responsible real estate development.

For more information, visit naiop.org.