



Fourth Quarter 2024

The Real Estate Roundtable Sentiment Index

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The Real Estate Roundtable is pleased to announce the results from the Q4 2024 Real Estate Roundtable Sentiment Survey. The quarterly survey is the commercial real estate industry's comprehensive measure of senior executives' confidence and expectations about the commercial real estate market environment. Conducted by Ferguson Partners on behalf of The Roundtable, it measures the views of CEOs, presidents, and other top commercial real estate industry executives regarding current conditions and the future outlook on three topics:

1. Overall real estate conditions
 2. Real estate asset values
 3. Access to capital markets
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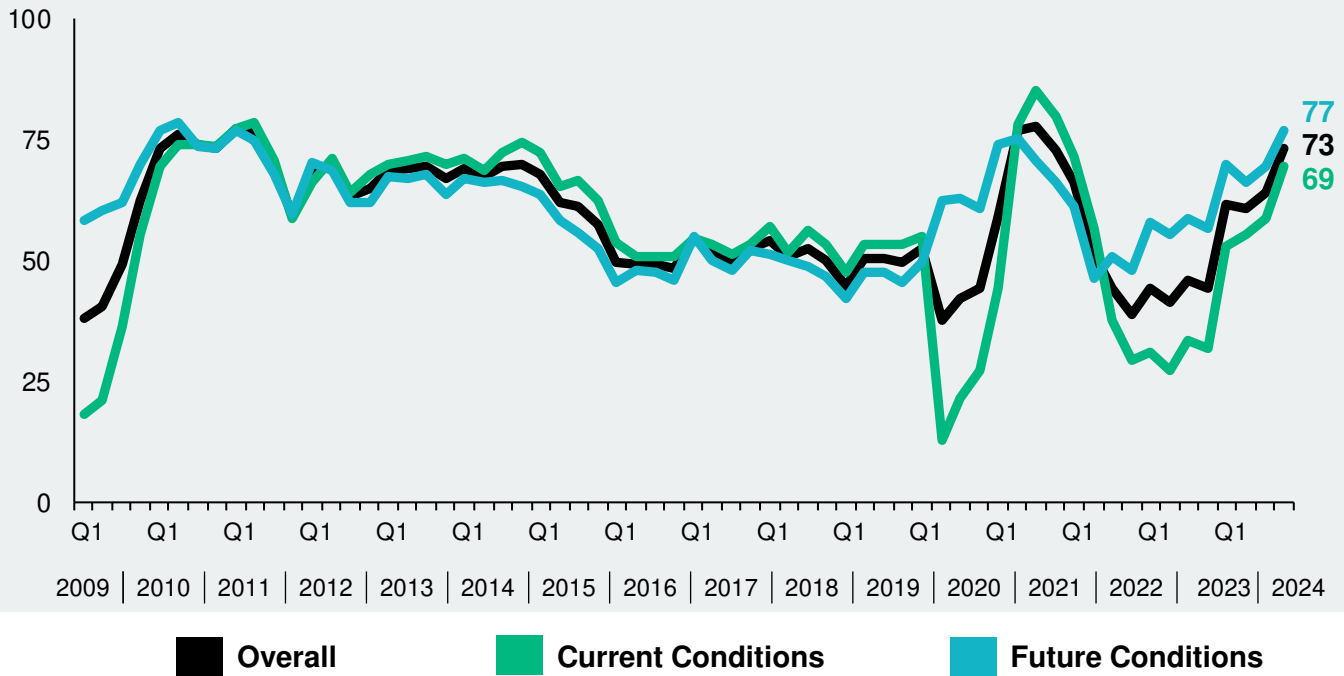
Topline Findings

- The Q4 2024 Real Estate Roundtable Sentiment Index reached an overall score of 73, up 9 points from the previous quarter and marking the highest score since Q4 2021. The Current Index registered 69, rising 10 points from Q3 2024. Meanwhile, the Future Index hit 77, an increase of 7 points from the previous quarter and the highest level seen since 2011. Leaders in the industry are cautiously optimistic that the commercial real estate industry is showing signs of recovery and is well positioned for activity in 2025.
- Over three-quarters (77%) of Q4 survey participants said conditions are better now than compared to this time last year, and 88% of respondents expect general market conditions to improve one year from now. Although there is some concern that multifamily assets will plateau in certain geographic areas, the market is optimistic about industrial development, Class A office, shopping centers, and data centers.
- A significant 98% of Q4 survey participants expressed optimism that asset values will be higher (79%) or the same (19%) one year from now, indicating some semblance of expected stability. 71% of Q4 survey participants believe asset values are higher (38%) or about the same (33%) today compared to a year ago.
- 61% and 66% of respondents believe the availability of equity and debt capital respectively has improved compared to one year ago. There is even more optimism for the future, with 80% and 79% of participants who believe the availability of equity and debt capital, respectively, will be better one year from now. While commentary indicates that the capital markets are starting to open, the cost of capital remains elevated from previous levels.

¹ The Real Estate Roundtable Sentiment Index is measured on a scale of 1–100. It is the average of The Real Estate Roundtable Future Index and The Real Estate Roundtable Current Index. To register an Index of 100, all respondents would have to answer that they believe conditions are “much better” today than one year ago and will be “much better” one year from now.

The Real Estate Roundtable Sentiment Index

Exhibit 1 – Sentiment Index (Aggregate)



- In the Q4 RER Sentiment Survey, participants rated the overall market conditions as a score of 73, current conditions as 69, and future conditions as 77
- Compared to one year ago, sentiments of current conditions are up by 37 points, perceptions of future conditions are up by 20 points, and overall conditions are up by 29 points
- In comparison to last quarter, sentiments on current conditions are up by 10 points, perceptions of future conditions are up by 7 points, and overall conditions are up by 9 points

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General Conditions

The Q4 2024 Real Estate Roundtable Sentiment Index reached an overall score of 73, up 9 points from the previous quarter and marking the highest score since Q4 2021. The Current Index registered 69, rising 10 points from Q3 2024. Meanwhile, the Future Index hit 77, an increase of 7 points from the previous quarter and the highest level seen since 2011. Leaders in the industry are cautiously optimistic that the commercial real estate industry is showing signs of recovery and is well positioned for activity in 2025.

“The broader sentiment feels better, and it feels like we've hit the bottom this year. For me, the overarching headline is that sentiment is improving across all of real estate - except for Class B office.”

“While there's building enthusiasm for the market, if not positive sentiment, we're not sure how bad the damage is. We want to see a few more signs that everything is going well.”

“Recent events like the natural disasters, geopolitical wars, and port strikes reiterate the fragility of commercial real estate outlook. The baseline expectations remain positive, but risks and headwinds persist.”

“The commercial real estate industry continues to recalibrate. Quality assets and their sponsors will do well, while overleveraged, obsolete, and impaired assets will suffer greatly.”

“Until we hit a psychological tipping point, we expect a slow recovery in leasing, capital markets, and transactions activity. Once the herd starts moving en masse, conditions will improve at a faster pace through the end of 2025.”

“Insurance costs will be one of the major issues for real estate in the next few years. Insurers are pulling out of certain markets and banks are talking about starting co-ops to pool their risk for insurance.”

“People want to see more rate cuts and to have more certainty about the US political landscape, but it feels like we're seeing some green shoots.”

General Conditions (continued)

Over three-quarters (77%) of Q4 survey participants said conditions are better now than compared to this time last year, and 88% of respondents expect general market conditions to improve one year from now. Although there is some concern that multifamily assets will plateau in certain geographic areas, the market is optimistic about industrial development, Class A office, shopping centers, and data centers.

“The development pipeline for industrial assets is way down in certain markets, but we're hoping that in a year from now, the dynamics will be better.”

“Over the past few years, multifamily has been one of the most stable asset classes. However, there is an oversupply, and I believe the asset class will become fractured based on geographic factors.”

“News in the office market hasn't changed. The top 10% have little vacancies, but that's if you're a Class A building near transit in good markets.”

“Corporate earnings are growing, and clients are leasing more office space. The East Coast is still ahead of the West Coast in terms of return to office and leasing activity.”

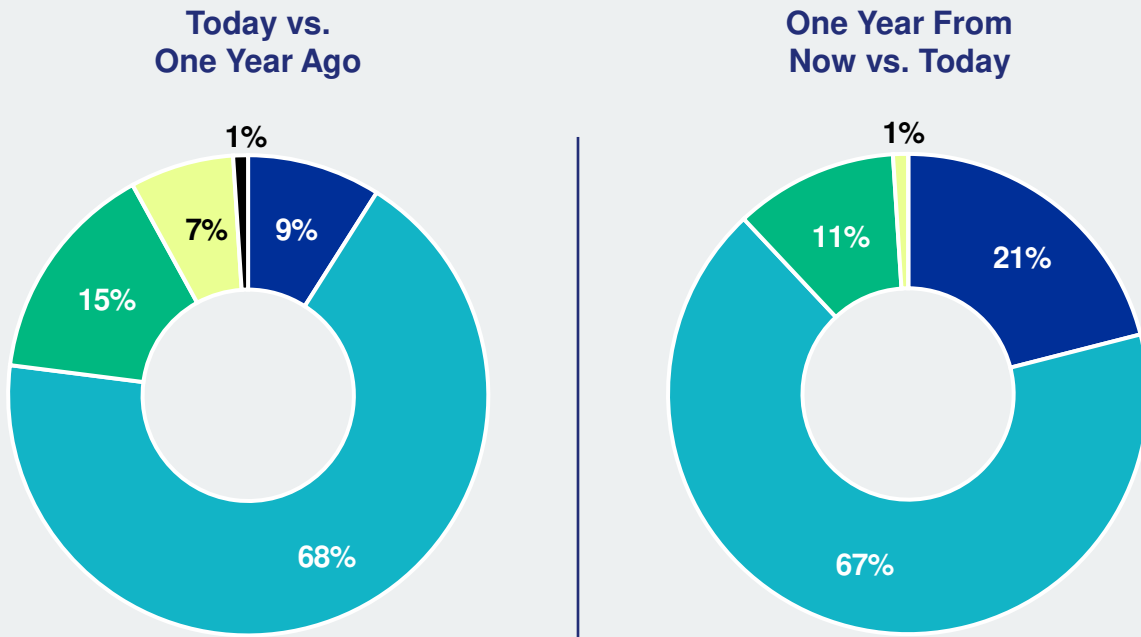
“The fundamentals of retail real estate have improved. Leasing demand is strong in shopping centers, and retailers and restaurants are facing high demand.”

“There has been an influx of entrants into the data center space. Scaled managers with hyperscale data centers will dominate.”

General Market Conditions

% of respondents

Exhibit 2 – Perceptions on General Market Conditions



■ **Much better** ■ **Somewhat better** ■ **About the same** ■ **Somewhat worse** ■ **Much worse**

- Regarding sentiment on current market conditions, 8% believe it is a less favorable environment compared to one year ago, 77% feel it has improved, and 15% believe conditions remain the same
- These results exceed the expectations set in the Q4 2023 RER Sentiment Survey, where only 49% of participants believed that general market conditions would be better in Q4 2024
- Looking towards the future, 88% of participants believe that a year from now will present more favorable market conditions

Asset Values

A significant 98% of Q4 survey participants expressed optimism that asset values will be higher (79%) or the same (19%) one year from now, indicating some semblance of expected stability. 71% of Q4 survey participants believe asset values are higher (38%) or about the same (33%) today compared to a year ago.

“ I don't think prices or cap rates adjusted for the proportionate increase in interest rates, so pricing is relatively strong and resilient.”

“ Asset prices are changing in real time, but I think we've passed the trough. Depending on property type, values are flat to slightly up.”

“ Multifamily asset prices are the worst it has been in a while. If there was a high rise going for a 4.5 cap in 2019, now it's a 6 cap and it can't be sold.”

“ In the office space, the only deals that are getting done are those that are deeply distressed, and on a per square foot basis, they're trading at deep discounts. For premiere, Class A offices, there have not been many significant trades, but we're seeing a huge bid-ask spread.”

“ The difficulty in getting loans has made transactions more challenging, resulting in a large bid/ask spread.”

“ Asset values have increased in the last 12-18 months, and high-quality assets have held their values better.”

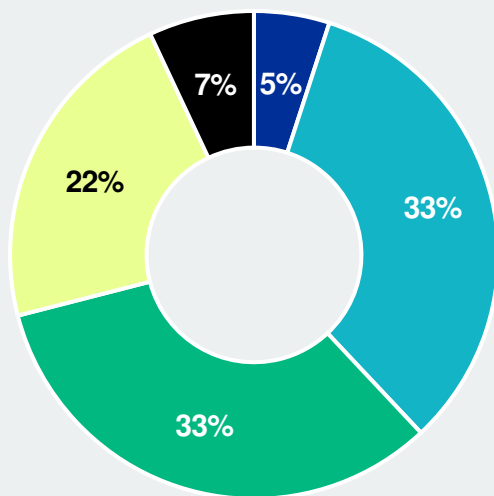
“ There's a big difference between the private companies and public companies on risk, so the private companies are willing to overpay, especially for industrial assets.”

Real Estate Asset Values

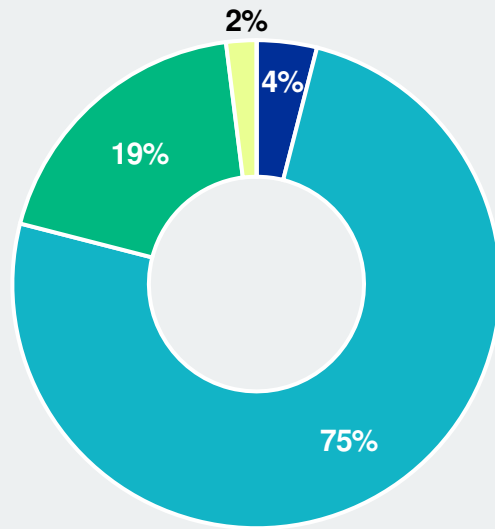
% of respondents

Exhibit 3 – Perceptions on Asset Values

Today vs. One Year Ago



One Year From Now vs. Today



Much Higher
 Somewhat higher
 About the same
 Somewhat lower
 Much lower

- Regarding sentiment on the state of current asset values, 29% believe they are lower than one year ago, 38% feel they are higher, and 33% believe asset values have remained the same compared to a year ago
- Compared to last year’s Q4 Sentiment survey, when only 15% of participants expected asset values would be higher now, indicating a greater-than-anticipated increase in asset values over the past year
- Looking towards the future, 79% of participants believe that a year from now will present more favorable asset values, 19% believe they will remain the same, and only 2% believe we will see lower asset values

Capital Markets

61% and 66% of respondents believe the availability of equity and debt capital respectively has improved compared to one year ago. There is even more optimism for the future, with 80% and 79% of participants who believe the availability of equity and debt capital, respectively, will be better in one year from now. While commentary indicates that the capital markets are starting to open, the cost of capital remains elevated from previous levels.

“It's very hard for new entrants to find equity capital. LPs are scrutinizing your track record and how you've fared over market cycles.”

“Equity capital is not as strong as we would have expected, especially because people went on a shopping spree when rates were at 0%.”

“LPs need to see the return of capital before meaningful, fresh allocations to new investments will commence. The redemption queue and ODCE valuations will inhibit this recycling of capital.”

“Private high net worth and family capital is interested in the space, but their cost is higher. We've also seen an uptick in activity from life insurance companies.”

“Regional banks have started to come back to the marketplace - the capital is there, it's just conservative.”

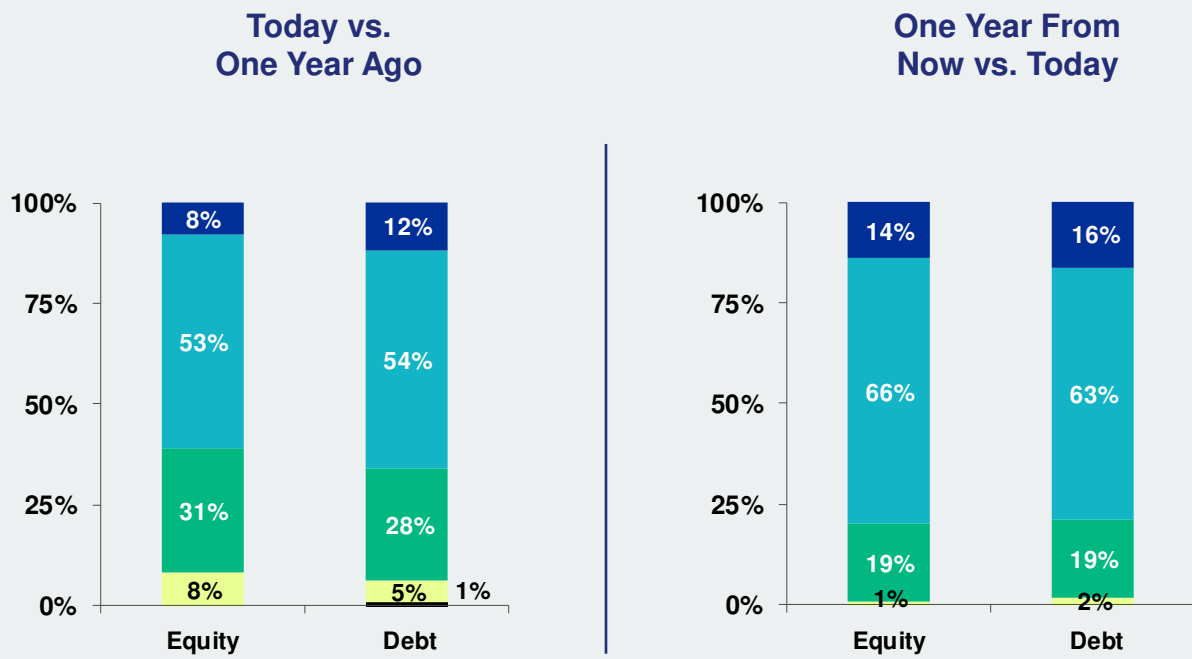
“For smaller industrial and residential deals, the debt capital has recovered somewhat since 2020.”

“The mortgage market for office buildings is currently frozen because lenders aren't receiving loan repayments, leaving them without the capital to issue new loans. As a result, it's difficult to secure a mortgage from banks or insurance companies. Interestingly, however, the CMBS market has reopened for office properties.”

Availability of Capital

% of respondents

Exhibit 4 – Perceptions on the Availability of Debt and Equity Capital



■ **Much better**
 ■ **Somewhat better**
 ■ **About the same**
 ■ **Somewhat worse**
 ■ **Much worse**

- Regarding sentiment on the availability of equity capital, 8% believe it is worse compared to one year ago, 61% feel it has improved, and 31% believe the availability of equity remains the same
- In terms of the availability of debt capital, 6% of participants believe it is worse compared to one year ago, 66% feel it has improved, and 28% believe the availability of debt remains the same
- Looking towards the future, 80% and 79% of participants believe that equity and debt availability respectively will be better one year from now, while only 1% and 2% of participants believe that equity and debt availability respectively will be worse one year from now

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(Please note that this is only a partial list. Not all survey participants elected to be listed.)

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About Ferguson Partners Consulting

We are problem solvers for the real assets industries helping our clients with the strategy, structure, and performance of their businesses, often at times of transition and transformation. Our service offerings include:

- Strategy & Market Positioning – Optimizing business strategy to compete in the market
- Organizational Design – Getting the right structure, roles, and people in place to execute the business plan
- Governance & Succession Planning – Planning around current and future leadership, ownership, governance, and decision making
- Operational Efficiency – Ensuring the performance of the business is optimized through rigorous assessments and benchmarking of staffing and financial results

About The Real Estate Roundtable

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 leaders of major [national real estate trade organizations](#) to jointly address key national policy issues relating to real estate and its important role in the global economy.

The collective value of assets held by Roundtable members exceeds \$4 trillion. The Roundtable's membership represents more than 3 million people working in real estate; 12 billion square feet of office, retail and industrial space; over 4 million apartments; and more than 5 million hotel rooms. It also includes the owners, managers, developers and financiers of senior, student, and manufactured housing—as well as medical offices, life science campuses, data centers, cell towers, and self-storage properties.

The Roundtable's policy news and more are [available on The Roundtable website](#).



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