

# TOP 10 Things to Watch in Commercial Real Estate

The year ahead is likely to see further improvement in commercial real estate markets as the economy continues to recover from the COVID-19 pandemic. There are both upside and downside risks to the outlook.

Trends and predictions ranked in order of increasing importance:

**2022**

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**10**

## Commercial transactions volumes, property prices, and cap rates



Prediction: Property transactions will rise further in 2022 as the economic recovery gains momentum, and CRE prices will maintain growth in the mid-single digits. REIT mergers and acquisitions could top 2021 as well.

**9**

## Senior living and skilled nursing

Prediction: Progress against the pandemic, and especially the high vaccination rates among 65 and older, will drive further recovery in senior housing and skilled nursing in 2022. Full recovery, however, will not occur until 2023. The demographic wave of Baby Boomers will fuel longer-term demand.



**8**

## Apartment and housing markets

Prediction: Limits to new construction will keep both rents and home prices strong. Affordability is creating growing challenges for many households, however, and is likely to limit both rent growth and home price appreciation.



**7**

## Self-storage

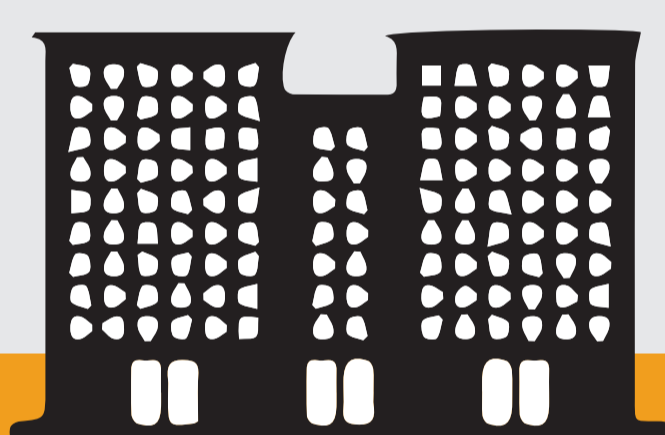
Prediction: Ongoing strength in the housing and apartment markets will support another strong year for self-storage.



**6**

## Business travel and conventions

Prediction: Hotels, restaurants, and entertainment that caters to business travelers will see an accelerating recovery as 2022 progresses.



**5**

## Digital real estate

Prediction: Digital real estate sectors—data centers, communications towers, and industrial REITs—will continue their strong growth in 2022.



**4**

## Interest rates, inflation, and the Fed

Prediction: Inflation will remain above trend during 2022, but will ease gradually as the year progresses. The Federal Reserve will likely begin slow, small increases in its target for short-term interest rates in the latter half of 2022. Long-term interest rates will remain low, providing attractive financing conditions for commercial real estate.



**3**

## Brick-and-mortar retail sales

Prediction: With a choice of online purchases or buying in a brick-and-mortar store, consumers are saying “more of both”. New leases from new tenants will reduce vacancy rates in the brick-and-mortar retail property sector.



**2**

## Return-to-office

Prediction: The office will remain the hub of business activity, but flexible work-from-home will allow many employees the convenience of skipping the commute a few days a week.



**1**

## COVID-19

Prediction: The economy and CRE markets will continue to recover in 2022, and while there will be setbacks from flareups of COVID-19, they will be short-lived.



## Top 10 Things to Watch in Commercial Real Estate in 2022