Commercial Market Insights

February 2022

National Association of REALTORS®
Research Group

NATIONAL ASSOCIATION OF REALTORS®

Summary

The recovery in the commercial real estate market that started in the second half of 2021 is continuing into the first quarter of 2022. All core commercial sectors —multifamily, office, industrial, and retail —experienced net positive absorption during the last three months through February. As such, rents and property valuations continue to increase across the four core property markets.

In the multifamily market, apartment demand is still outpacing supply, even as net absorption has slowed to 575,857 units compared to the 12-month absorption of 700,000 units in 2021. However, net absorption (demand) is outpacing the number of net delivered units (supply) of 417,000 units. Apartment vacancy rate remains low, with a vacancy rate of 5%, pushing up the average asking rent to 11.1% year-over-year in 390 markets tracked by CoStar®.

Office occupancy continues to rise, with 4.9 million square feet absorbed in the three months through February, bringing the total absorption to 24.1 million square feet since 2021 Q3. However, total occupied space is still 110 million square feet below the level of 2020 Q1 as New York, Chicago, Washington DC, and Los Angeles continued to shed office space. Nationally, office asking rents rose 0.7% year-over-year, but this modest rent growth is masking the strong rent growth in the South and West regions (Mountain states), particularly in Florida which has eight of the 40 top metro areas with the fastest rent growth of over 3%. Office rents are rising in 97% of 390 markets.

In the U.S. industrial sector, net absorption outpaced supply in 2021 and as of the past three months ending February 28, with 92.6 million square feet absorbed in comparison to the 90.3 million square feet supplied. The average asking rent across 390 markets increased by 10.1% year-over-year as of February. Asking rents continue to face upward pressure amid very tight industrial space conditions, with positive rent growth in all 390 covered metros.

In the U.S. retail sector, net absorption continues to outpace supply. Despite dampened overall U.S. consumer spending and continued supply chain issues, retail is continuing to power through these obstacles. As of the three months ending in February, 27.3 million square feet has been absorbed while supply totaled just 11.5 million square feet, with the retail vacancy rate declining to 4.5% while the overall asking rent rose 3.5% year-over-year.

While the hotel property market has improved compared to one year ago, the emergence of the omicron variant in November stalled the recover of hotel property market. Hotel occupancy was just at 52.2% in February, which is still below the occupancy of 56.9% prior to the pandemic in February 2020.

Barring severe economic fallout arising from the Russia-Ukraine crisis, the outlook for the commercial real estate market remains positive even amid rising interest rates. Rising mortgage rates increase rental demand that will sustain the ongoing rent growth. Worker re-entry, even if on a hybrid mode, will increase office absorption. Slower inflation that will head towards 5% by the end of the year will encourage consumer spending. Markets with rising population and migration such as the Sunbelt and Mountain states are better poised to see sustained rent growth and rising commercial valuations. Market trends could take on a different course depending on the economic impact of the Russia-Ukraine crisis and the ensuing monetary response.

Enjoy this month's issue!

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Economic Conditions

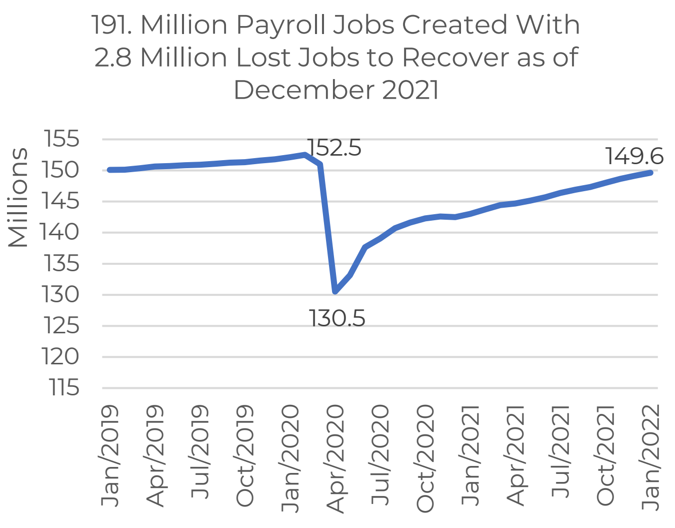
Tightening labor market and rising inflation

19.1 million jobs created since the May 2020

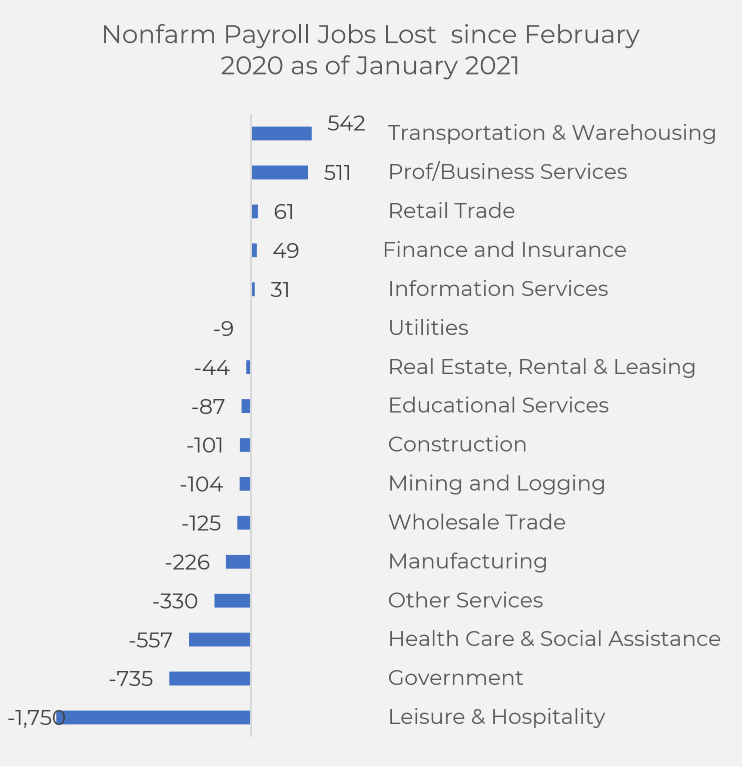
As of January 2022, the economy has created 19.1 million net nonfarm payroll jobs, or 87% of the 22.4 million jobs lost during March and April 2020. There are just 2.8 million nonfarm payroll jobs still to be recovered.

The largest job creation is in the transportation and warehousing industry and professional and business services, which are supporting the demand for industrial and office space. Employment in the retail trade industry has also increased, driving up demand for retail space.

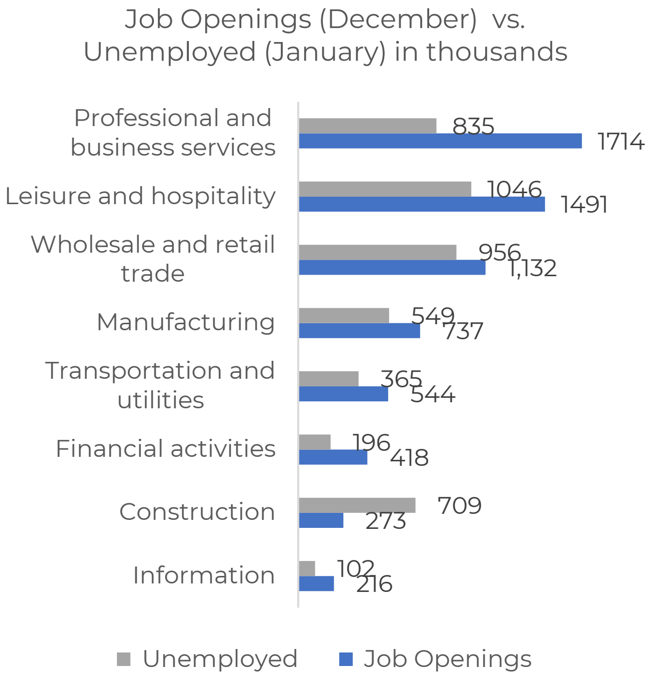
However, a tight labor market is constraining further economic expansion and therefore the demand for commercial real estate. As of the end of December, there were about 3 million more job openings than job seekers (as of January), or 1.5 job openings per job seeker. There were more job openings than job seekers in nearly all industries, except in the construction and information industry.



Source: BLS Establishment Survey



Source: BLS Establishment Survey



Source: BLS

Economic Conditions

Tightening labor market and rising inflation

Six states and 35% of 401 metro areas have higher employment as of December compared to February 2020

As of December, six states have more nonfarm employment compared to February 2020: Utah (+4%), Idaho (+2.3%), Arizona (+1.1%), Montana (+0.1%), Texas (+1.2%), and Georgia (0.2%).

By metro area, 142 markets, or 35% of 401 markets, have surpassed the level of nonfarm employment compared to February 2020. The job leaders are Salt Lake City, Tampa-St. Petersburg-Clearwater, Provo-Orem, Jacksonville, San Antonio, Nashville, Atlanta, Kansas City. Fayetteville, and Ogden.

The gateway metro areas of New York-Newark-Jersey City, Los Angeles-Long-Beach-Anaheim, San Francisco-Oakland-Hayward, and Chicago-Naperville-Elgin have lost the most jobs, each at over 100,000.

142 of 401 metro areas and submarkets (35%) have net job gains as of December 2021 compared to pre-pandemic peak employment (February 2020)

Highest net job gains ('000)	
Salt Lake City, UT	33.3
Tampa-St. Petersburg-Clearwater, FL	30.1
Provo-Orem, UT	22.8
Jacksonville, FL	20.5
San Antonio-New Braunfels, TX	15.0
Nashville-Davidson-Murfreesboro-Franklin, TN	14.8
Atlanta-Sandy Springs-Roswell, GA	14.8
Kansas City, MO-KS	13.2
Fayetteville-Springdale-Rogers, AR-MO	12.9
Ogden-Clearfield, UT	12.8
Lakeland-Winter Haven, FL	12.2
Baltimore City MD	12.1
Indianapolis-Carmel-Anderson, IN	11.7
Raleigh, NC	11.7
Elkhart-Goshen, IN	9.5
Memphis, TN-MS-AR	9.4
Denver-Aurora-Lakewood, CO	8.2
Colorado Springs, CO	8.1
St. George, UT	7.8
Savannah, GA	7.8
Tyler, TX	7.4
Logan, UT-ID	5.8

Highest net job losses ('000)	
New York-Newark-Jersey City, NY-NJ-PA	-504.2
New York City NY	-329.6
Los Angeles-Long Beach-Anaheim, CA	-287.8
San Francisco-Oakland-Hayward, CA	-123.8
Chicago-Naperville-Elgin, IL-IN-WI	-123.1
Boston-Cambridge-Nashua, MA-NH Metro NECTA	-79.5
Minneapolis-St. Paul-Bloomington, MN-WI	-73.8
Orlando-Kissimmee-Sanford, FL	-68.7
Miami-Fort Lauderdale-West Palm Beach, FL	-62.1
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	-58.6
Las Vegas-Henderson-Paradise, NV	-58.2
San Diego-Carlsbad, CA	-58.1
Washington-Arlington-Alexandria, DC-VA-MD-WV	-52.5
Philadelphia City, PA	-50.8
New Orleans-Metairie, LA	-48.8
Detroit-Warren-Dearborn, MI	-48.4
Houston-The Woodlands-Sugar Land, TX	-44.7
Urban Honolulu, HI	-44.6
Bergen-Hudson-Passaic, NJ	-40.5
Pittsburgh, PA	-39.3
St. Louis, MO-IL	-34.1
Cleveland-Elyria, OH	-33.0
Putnam-Rockland-Westchester, NY	-31.9
Milwaukee-Waukesha-West Allis, WI	-28.6

Economic Conditions

Tightening labor market and rising inflation

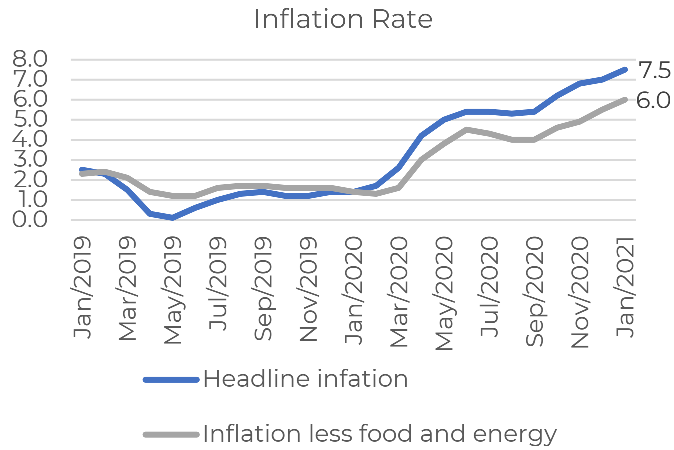
Fraction of those working from home increases to 15%

The fraction of employed workers 16 years old or over who teleworked sharply rose to 15% in January, from 11.3% in December. Among management, professional, and related occupations and office support services, the fraction of workers who teleworked rose to 25% from 19% in December. As of January, 23.9 million teleworked, or 6.6 million more than in December. However, compared to one year ago, there were 10.5 million fewer workers that teleworked. As omicron cases rose in November, tech, finance, and media companies* announced delaying their office re-entry schedules.

Source: BLS COVID-19 Supplemental Survey

Inflation accelerates to 7.5% in January

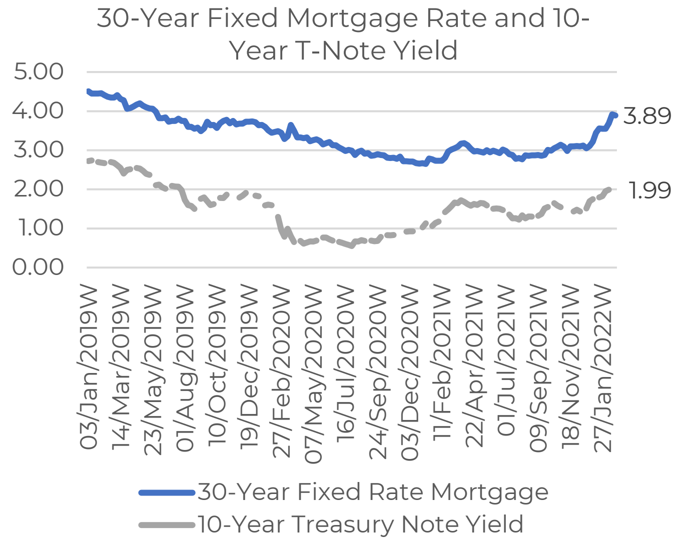
Inflation accelerated to 7.5% in January while core inflation (inflation excluding food and energy) also accelerated to 6%, indicating inflation is becoming persistent. In its January 26 meeting, the Federal Open Market Committee stated it will end its asset purchases program in March and expects to raise the federal funds rate target "soon" which it kept at 0 to 0.25% in the January 26 meeting to bring back inflation to 2%.



Source: US Bureau of Labor Statistics

10-year T-Note rises to 1.99%

As of the week of February 17, the 10-year T-note yield has increased to 1.99%, pushing up the 30-year fixed mortgage rate to 3.89%. Higher interest rates generally translate into higher cap rates which puts downward pressure on commercial sales prices as investors try to preserve their risk-free yields (cap rate less 10-year yield).



Source: Freddie Mac, US Treasury

*such as Apple®, Alphabet®, Uber®, Lyft®, Blackstone, Carlyle, CNN, and NBC

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Commercial Market Overview

Rising occupancy and rent growth across all markets

All commercial sectors experienced net positive absorption in the last three months through February 26

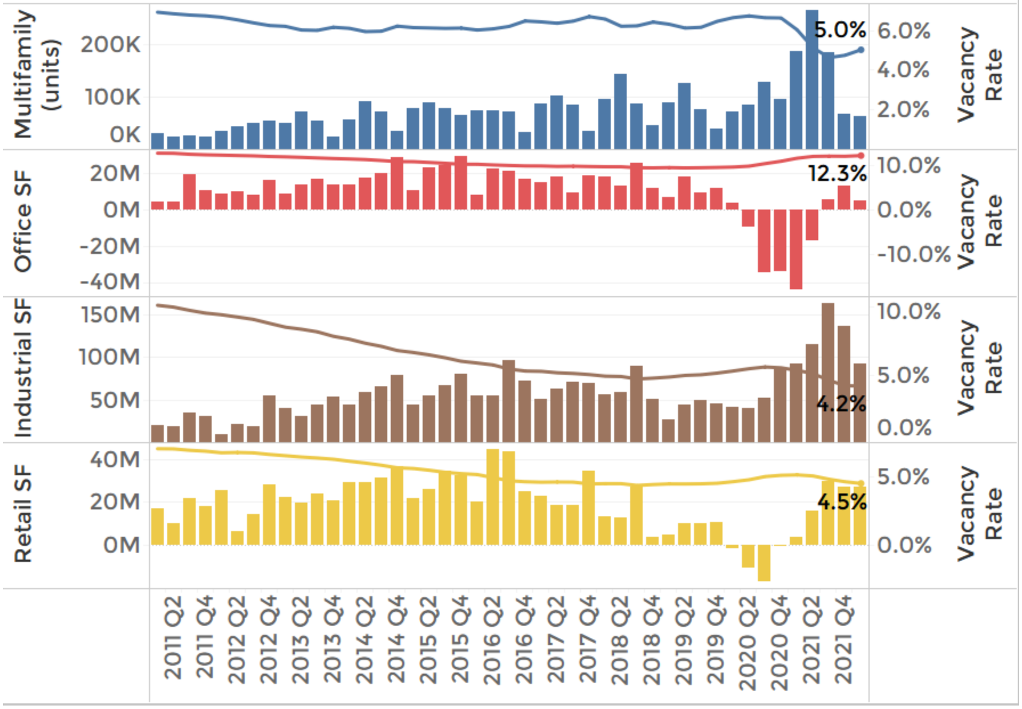
In the multifamily apartment market, 61,936 units were absorbed on a net basis in the past three months as of February 26, a level that is in line with historical levels, but a slower pace compared to the surge in the first three quarters of 2021 when quarterly absorption averaged about 200,000 units. About 1 million apartment units have been absorbed from 2020 Q2 through the first quarter of 2022. The vacancy rate has slightly increased to 5% from 4.9% in the prior quarter, but this is still below the vacancy rate of 6.7% in 2020 Q1.

In the office market, 4.9 million square feet (MSF) has been absorbed on a net basis in the past three months ended February 26. Since the office sector's turnaround in the third quarter of 2021, 24.1 MSF of office space has been absorbed. However, there is still about 110 MSF returned to the market since 2020 Q2, pushing up the vacancy rate to 12.3% as of February 26, from 9.7% in 2020 Q1.

In the industrial market, 92.7 million square feet of industrial space was absorbed in the past three months ended February 26, with 778 MSF absorbed since 2020 Q2. The industrial sector has the lowest vacancy rate among the core property markets, at 4.2%, from 5.3% in 2020 Q1.

In the retail property market, net absorption totaled 27.3 MSF in the past three months ended February 26, with a net absorption of 77 MSF since 2020 Q2. The vacancy rate is at a low 4.5%, slightly lower than the 4.7% vacancy rate in 2020 Q1.

Positive Net Absorption in All Sectors as of February 26



Source of data: NAR analysis of CoStar data

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Commercial Market Overview

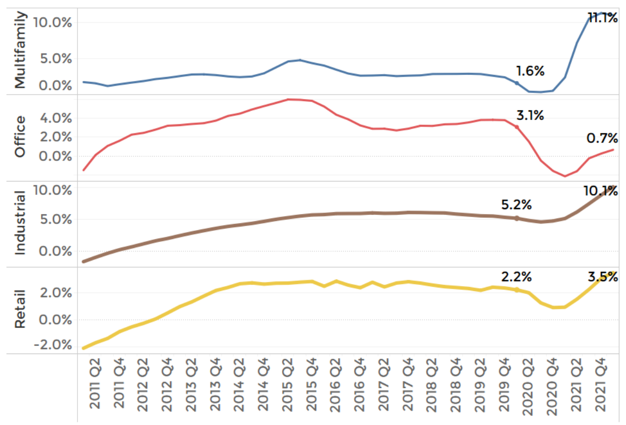
Rising valuations and declining cap rates

Asking rents rose on a year-over-year basis in all core commercial markets. In the multifamily property sector, asking rents are up 11.1% on a year-over-year basis as of February 26. Asking rents for industrial properties also continued to rise steeply, at 10.1%. Even rents were retail properties rose at 3.5%. In the office property market, asking rents are now also trending upwards at 0.7%.

With strong fundamentals, commercial valuations rose across the core property markets. Valuations are up the most on a year-over-year basis for industrial properties, at 15.1%, and multifamily properties, at 10.7%. Prices of retail properties are on average up by 4.9% from one year ago, which is still a negative return net of inflation. With rising net absorption, the office valuations are up 2.4%, also still a negative return net of inflation.

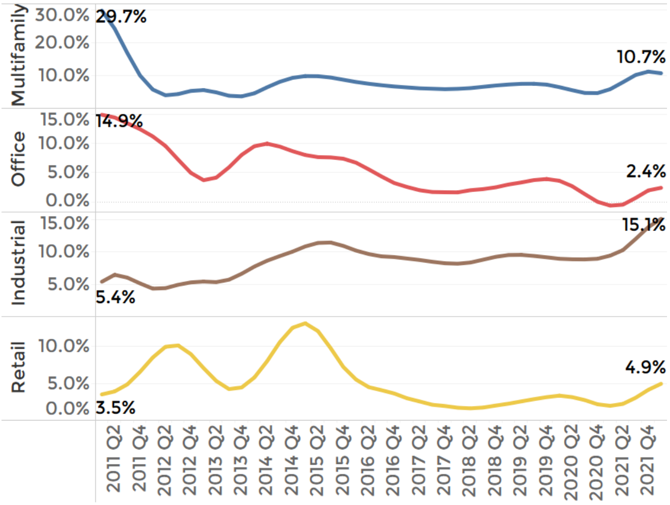
With strong investor demand, cap rents continued to trend downwards according to CoStar estimates, even with the uptick in the 10-year T-note yield to nearly 2%. As of February 26, the multifamily market had the lowest cap rate of 5.2% while the office property market had the highest cap rate of 7.1%. Even as interest rates increase, cap rates won't necessarily increase at the same rate as demand-supply fundamentals will also shift expected rents and therefore property valuations. Rising mortgage rates will tend to shift the demand towards multifamily rentals which increases the expected net income for multifamily properties. More office re-entry will also increase the demand for office space. Markets with rising demand, such as the Sunbelt and Mountain states, are better poised to see sustained prices increases even as interest rates rise.

Rising Asking Rents in All Market as of February 26



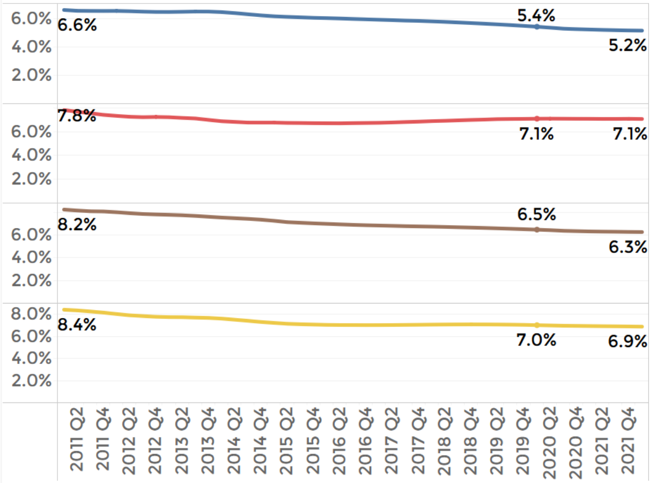
Source of data: NAR analysis of CoStar data

Sales Price 12-Month Percent Change



Source of data: CoStar

Cap Rates Still Trending Down as of February 26



Source of data: CoStar

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Multifamily

Apartment demand is normalizing

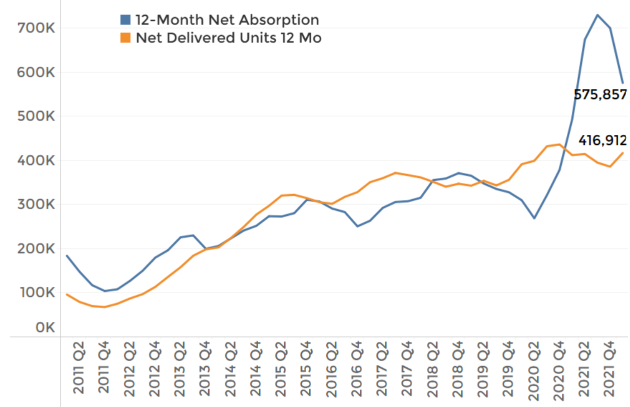
Net absorption of apartment units is normalizing after demand surged in 2021. In the 12 months ending February 26, 575,857 units were absorbed, a slower pace compared to the 12-month absorption of about 700,000 units absorbed in 2021.

But even as net absorption (demand) is normalizing, it is outpacing the number of net delivered units (supply), which totaled nearly 417,000 units. With a vacancy rate at 5%, the average asking rent rose 11.1% year-over-year in 390 markets. Class A units had the highest rent growth of 12.7%,

Compared to 2020 Q1, demand has shifted towards the more affordable Class B and C apartment units. Class A accounted for just 52% of the absorbed units during the past 12 months as of February 26, down from 72% in the past 12 months of 2020 Q1.

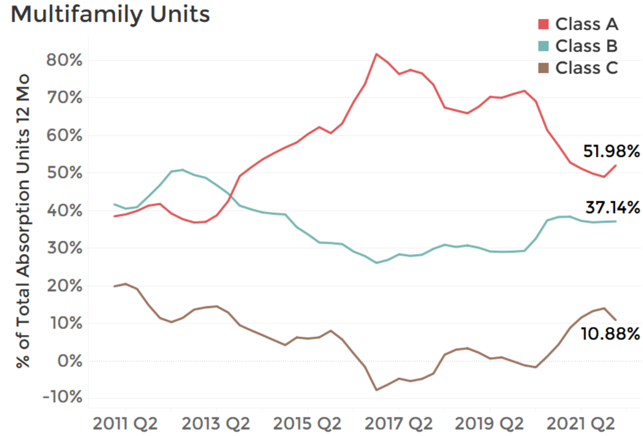
Class B units also accounted for a larger share of the units under construction, accounting for 46% of total units under construction, up from 35% in 2020 Q1 prior to the pandemic. Class B units tend to be found in areas outside of the central business district so the decline in Class A units is an indicator of demand shifting towards the suburbs and outlying areas of central business districts.

Net absorption outpacing net deliveries



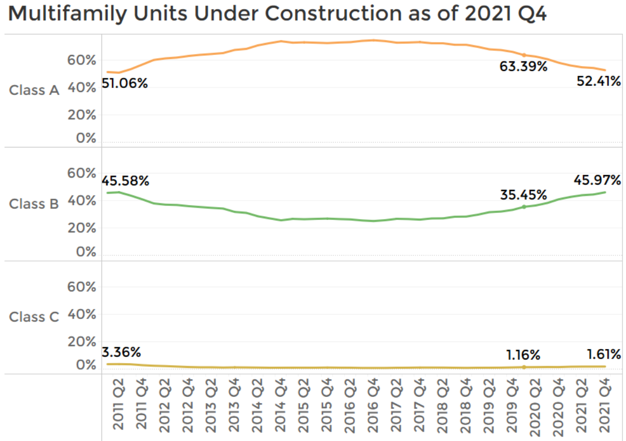
Source: CoStar

Percent Distribution of 12-Month Net Absorption of Multifamily Units



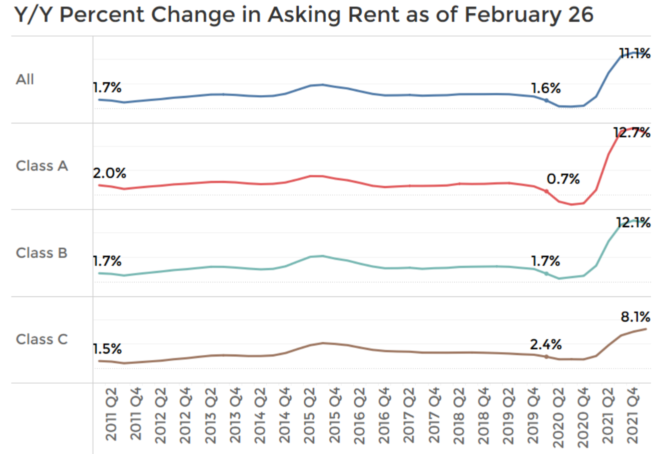
Source: NAR analysis of CoStar data in 390 metros areas or divisions

Multifamily Units Under Construction as of 2021 Q4



Source: NAR analysis of CoStar data

Y/Y Percent Change in Asking Rent as of February 26



Source: NAR analysis of CoStar data

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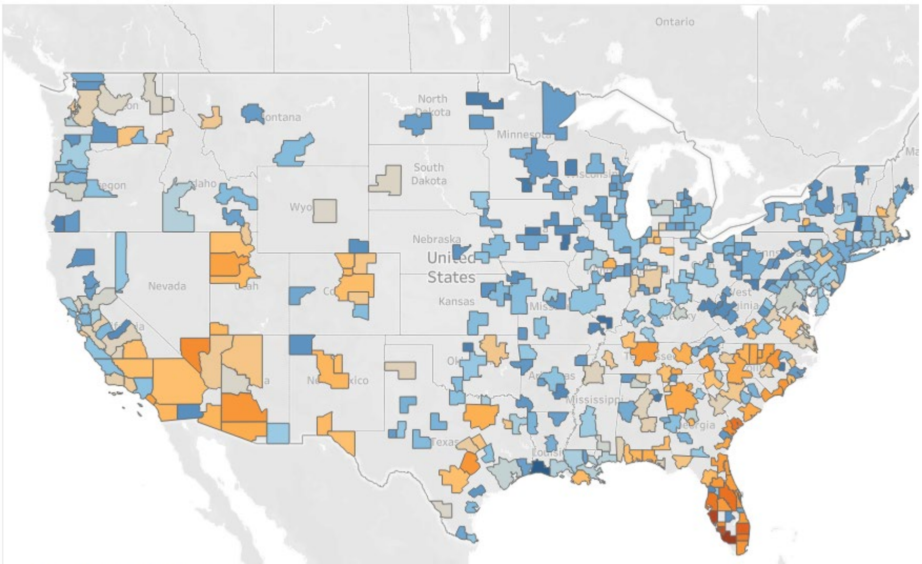
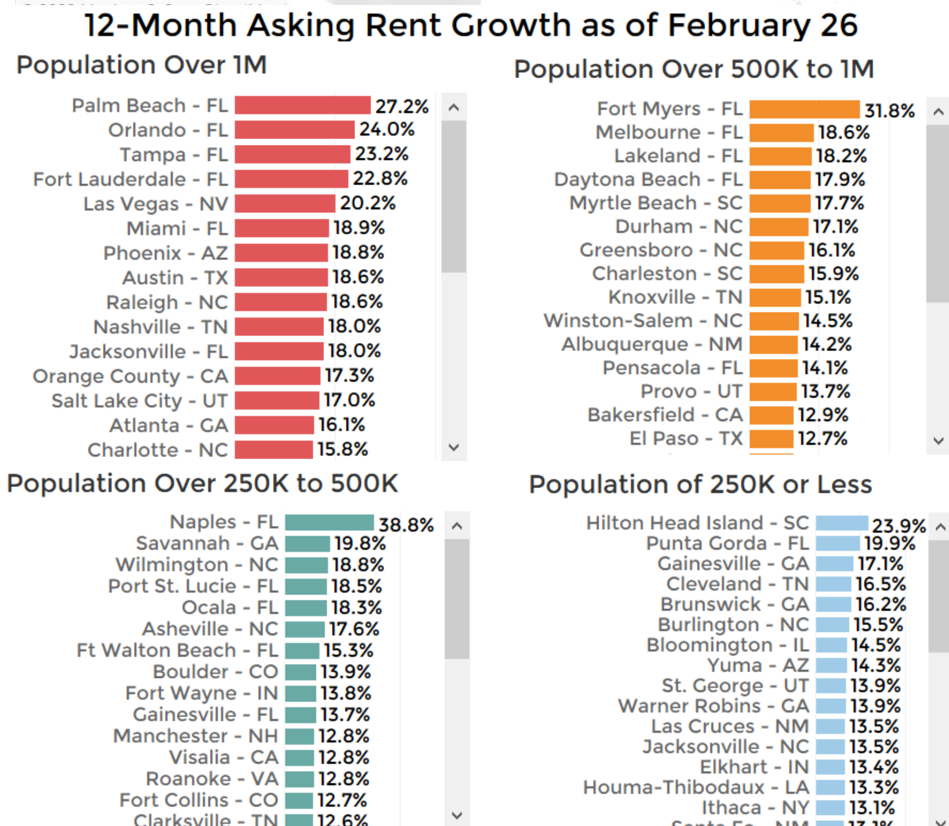
Multifamily

Strongest asking rent growth in Sunbelt and Mountain states

A third of metro areas are experiencing double-digit increases in asking rents. These are mainly metro a areas in the Sunbelt and Mountain areas. Florida metro areas are experiencing the highest rent growth, led by Naples (39%), Fort Myers (32%), Palm Beach (27%), Orlando (24%), Tampa (23%), and Fort Lauderdale (23%).

33% of metro areas have double-digit apartment asking rent growth as of February 26 (orange areas)





Source: NAR analysis of CoStar data

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Multifamily

Intense construction activity in Sunbelt states

The New York metro area is still the top market for developers in terms of the number of units under construction, with about 55,000 units under construction, adding nearly 4% to the current inventory. This will ease the tight supply in the New York metro area which has a vacancy rate of just 2%. Dallas and Washington, DC are the next top markets for developers, with nearly 30,000 units under construction accounting for about 5% of the current stock. The vacancy rate in these metro areas is about 6% to 7% with asking rents rising at nearly 10% to 15%.

Among these metro areas the most construction activity, the intensity of construction—measured by construction activity as a percent of current stock of apartment units — is highest in Nashville (13%). Austin (10%), and Miami (9%), Orlando (8%) and Phoenix (8%).

Apartment Units Under Construction as of 2021 Q4 Among Metros with at least 250,000

	Units	As a Pct of Inventory	Vacancy Rate	Market Asking Rent/Unit	Y/Y Market Asking Rent Growth	Market Cap Rate
New York - NY	55,247	3.8%	2.3%	$2,861	5.6%	4.3%
Dallas-Fort Worth - TX	29,402	3.7%	5.8%	$1,423	15.2%	4.9%
Washington - DC	29,175	5.5%	6.5%	$1,962	9.7%	4.7%
Phoenix - AZ	28,777	8.4%	5.4%	$1,551	21.9%	4.1%
Los Angeles - CA	26,994	2.7%	3.6%	$2,098	6.7%	4.0%
Austin - TX	25,111	10.2%	6.1%	$1,597	20.6%	4.4%
Seattle - WA	23,629	6.6%	5.0%	$1,875	10.6%	4.0%
Atlanta - GA	22,313	4.8%	5.9%	$1,581	18.7%	4.7%
Houston - TX	19,488	3.0%	7.2%	$1,238	9.7%	5.4%
Denver - CO	19,129	7.1%	6.4%	$1,696	12.9%	4.3%
Nashville - TN	18,008	12.7%	5.8%	$1,522	16.9%	4.8%
Miami - FL	15,964	9.2%	3.5%	$2,017	17.6%	4.7%
Orlando - FL	15,266	8.1%	5.4%	$1,659	24.5%	4.5%
Boston - MA	14,776	6.0%	4.3%	$2,519	11.1%	4.4%
Charlotte - NC	14,029	7.3%	6.6%	$1,466	17.7%	4.5%
Minneapolis - MN	13,080	5.3%	5.8%	$1,365	3.6%	5.4%
Philadelphia - PA	12,192	3.7%	3.8%	$1,549	9.9%	5.3%
Tampa - FL	10,396	5.2%	4.6%	$1,662	24.8%	4.7%

Source: NAR analysis of CoStar data

Office

Sustained rise in occupancy and rising rents

In the three months ending February 26, office net absorption tallied to 4.9 million square feet, bringing the total absorption to 24.1 million square feet since 2021 Q3. However, total occupied space is still 110 million square feet below the level of 2020 Q1.

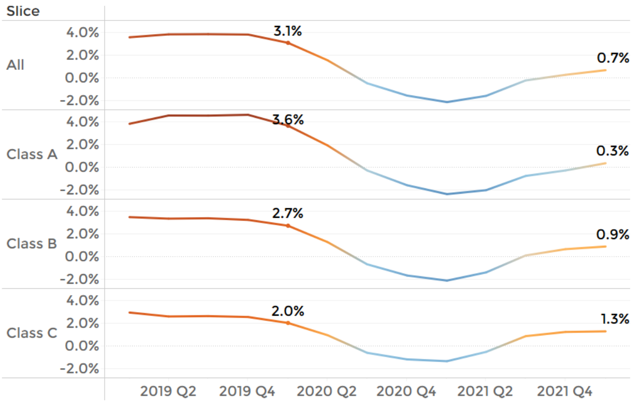
Absorption was positive for Class A and Class B office buildings, while occupancy declined in Class C apartments. Occupiers might have a preference for Class A/B units because newer buildings have facilities and amenities that create safer and healthier working conditions to minimize the transmission of the Covid virus and workspaces that are better suited for a hybrid workstyle (e.g. better air filtration, touchless elevators, mix of dedicated and hot desks).

Class A office buildings have the highest vacancy rate, at 16.6%, while Class C buildings have the lowest vacancy rate at 5.2%.

With high vacancy rates, Class A buildings had the lowest average rent growth in the past 12 months of 0.3% compared to 1.3% for Class C buildings.

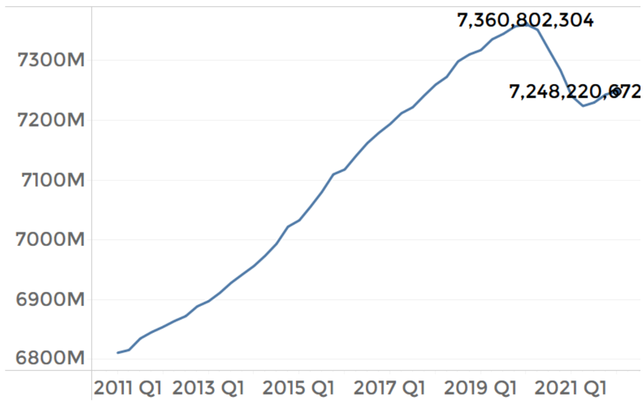
In the office market, 143 million square feet is under construction, which is equivalent to 1.7% of the current inventory, of which 83% is Class A. So expect rent growth to remain modest as the units under construction add to the supply of office space.

Y/Y Percent Change in Asking Rent During 2019 Q1 to 2022 Q1



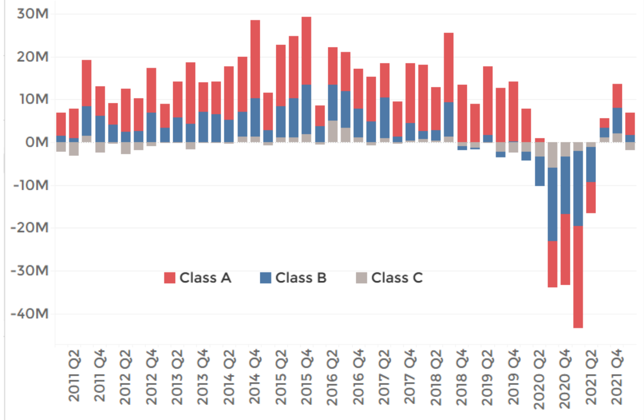
Source: NAR analysis of CoStar data

Occupied Office Space in Square Feet



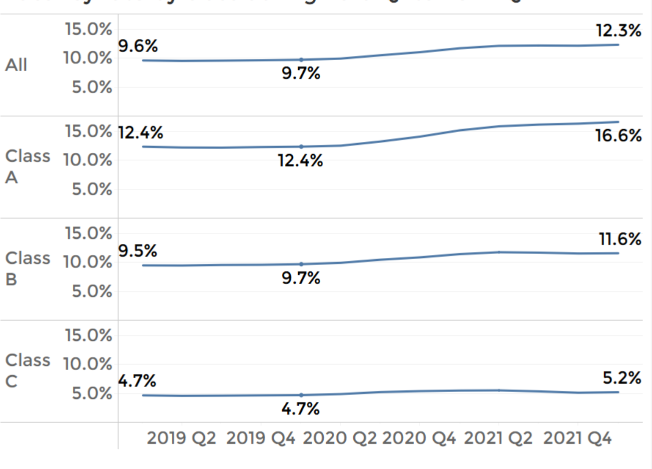
Source: CoStar

Office space absorbed on a quarterly/rolling 3-month period (in square feet)



Source: CoStar

Vacancy rate by class during 2019 Q1 to 2022 Q1



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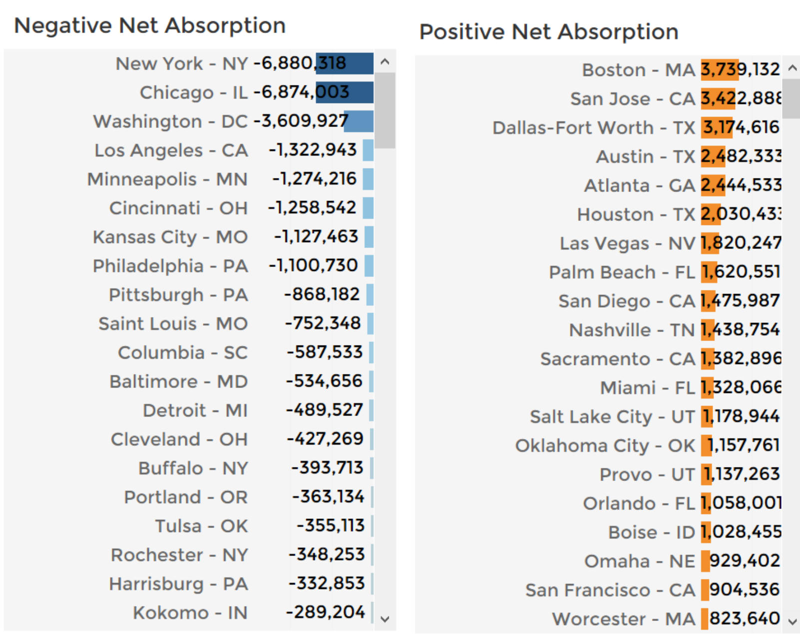
Office

Major metro areas continue to shed office space

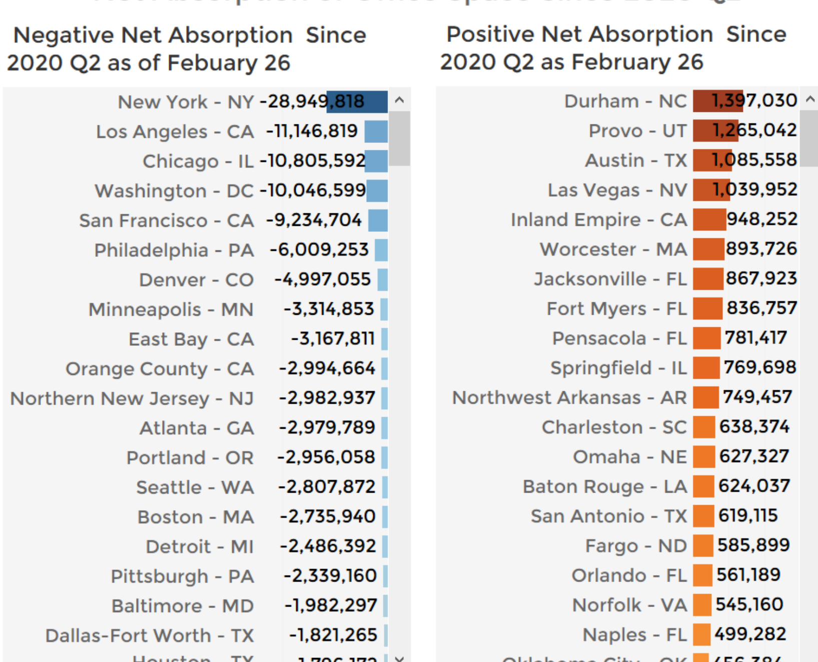
In the past 12 months, the major metro areas of New York, Chicago, Washington DC, and Los Angeles continued to shed office space. Among the major metro areas, only Boston ad San Francisco had net gains in occupancy in the past 12 months. However, occupancy remains below the pre-pandemic level in all major metro areas. In the past 12 months, San Jose and San Francisco experienced rising occupancy, an indication that tech companies are continuing to demand office space as the hybrid work model, rather than a fully remote workstyle, is becoming the norm.

12-Month Net Absorption of Office Space



Source: NAR analysis of CoStar data

Net Absorption of Office Space Since 2020 Q2



Source: NAR analysis of CoStar® data

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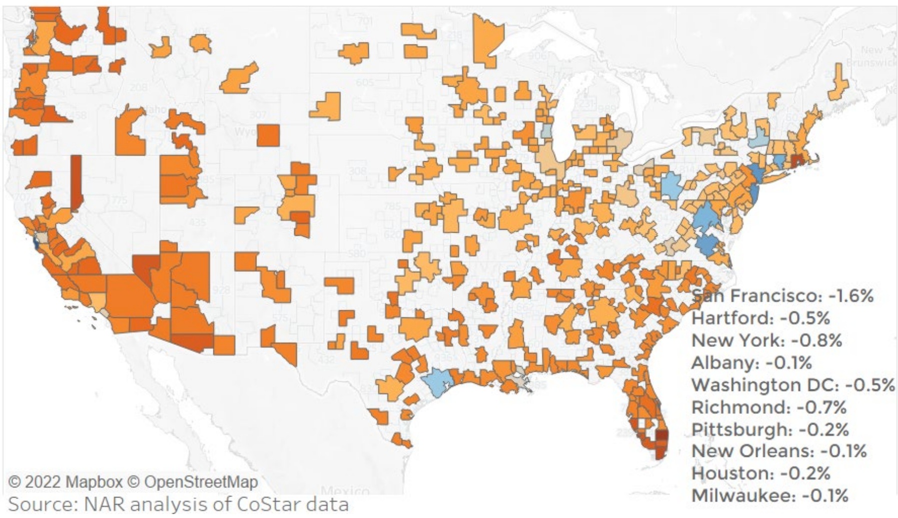
Office

Rents are increasing in 97% of metro areas

Of 390 market areas tracked by CoStar, only ten had declining rents. These include the major markets of San Francisco (-1.63%), New York (-0.8%), and Washington DC (-0.5%). The highest rent growth areas are in the South and West regions (Mountain states), Florida has eight of the 40 top metro areas with the fastest rent growth, with average rent growth in the past 12 months of at least 3% year-over-year: Palm Beach, Miami, Fort Lauderdale, Orlando, Sarasota, Fort Myers, Melbourne, and Naples.

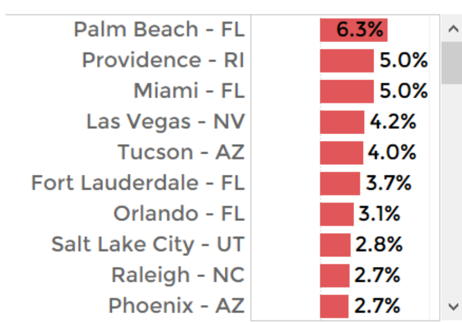
Y/Y percent change in office asking rent growth as of February 26



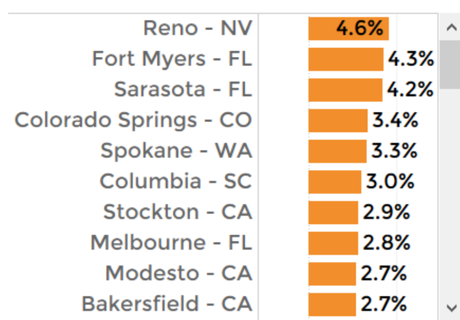
Source: NAR analysis of CoStar data

Average Office Asking Rent Growth in Past 12 Months by Population Size as of February 26

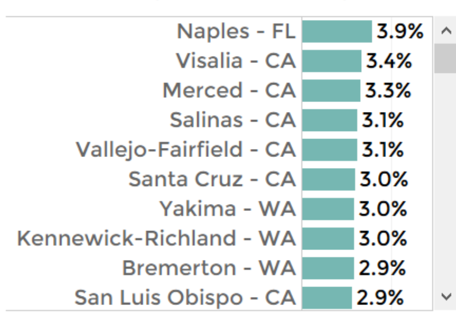
Over 1 Million



Over 500,000 to 1 Million



Over 250,000 to 500,000



Up to 250,000

Source: NAR analysis of CoStar data

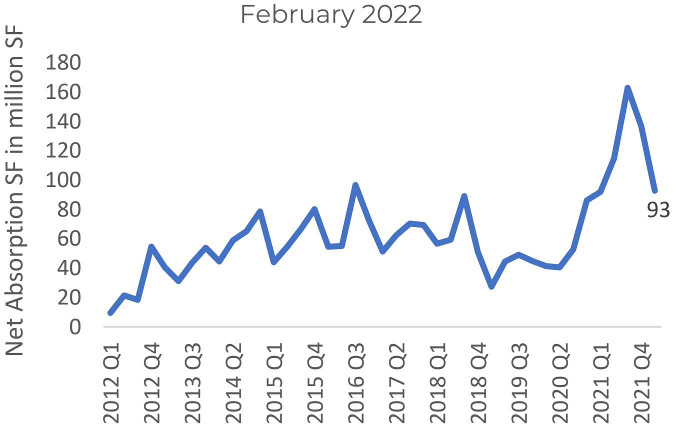
NATIONAL ASSOCIATION OF REALTORS®

Industrial

Absorption continues upward trend especially in Texas

The heat streak that is the U.S. industrial sector is continuing to set the market ablaze as we close out the second month of Q1 2022. This CRE megastar is being driven by a combination of elevated e-commerce sales (albeit, Q4 2021 sales declined from the Q3 2021) in addition to economic growth as U.S. economic growth saw a marginal increase revision in the closing months of 2021.

Industrial Demand: Net Absorption as of February 2022

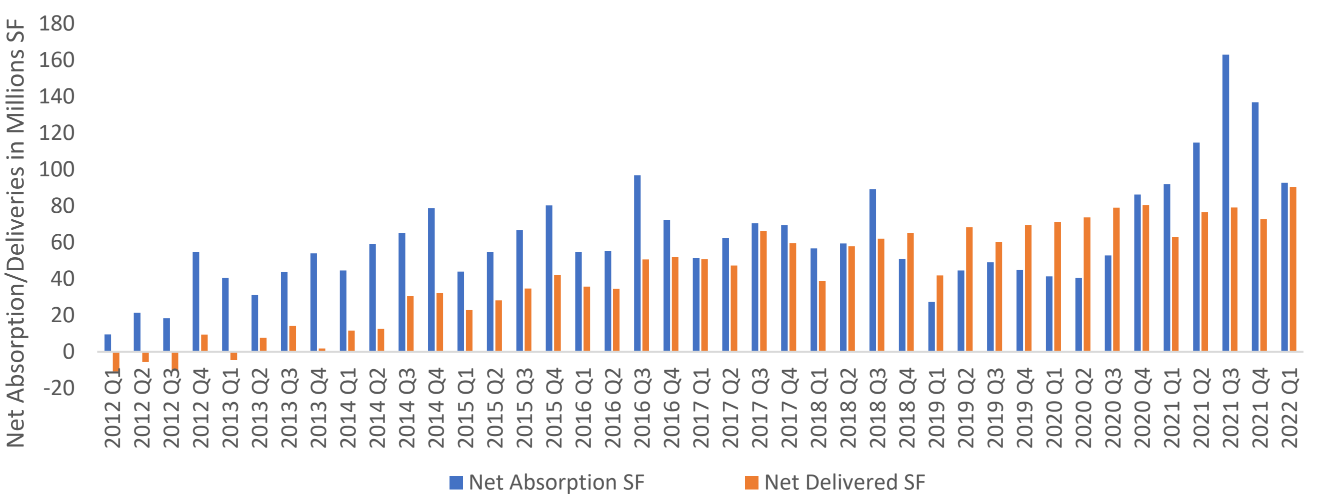


Source: NAR analysis of CoStar data

For the U.S. industrial sector, net absorption continues to outpace supply. In Q4 2021, demand outpaced supply for the 5th consecutive quarter and as of February 28, 2022, that trend continues where the market has absorbed more than 92.6 million sf. in comparison to the 90.3 million sf. supplied. While there is still one month remaining in Q1 2022, the current level of industrial net absorption is in excess of any level of supply recorded over the past decade. But a key is in the difference between demand and supply where supply has been attempting to keep pace with demand as it makes quarter-to-quarter increases over the past year (except the decline in Q4 2021). Current levels are the closest supply has come to meeting demand since outpacing demand in Q3 2020. Currently, the industrial vacancy rate remains at 4.2% , the same as Q4 2021.

The market leaders in industrial occupancy are Chicago, Dallas-Fort Worth, Indianapolis, Phoenix, Austin, San Antonio and Charlotte each with net absorption over 4 msf as of Q1 2022.

Industrial Net Absorption and Net Deliveries



Source: NAR analysis of CoStar data

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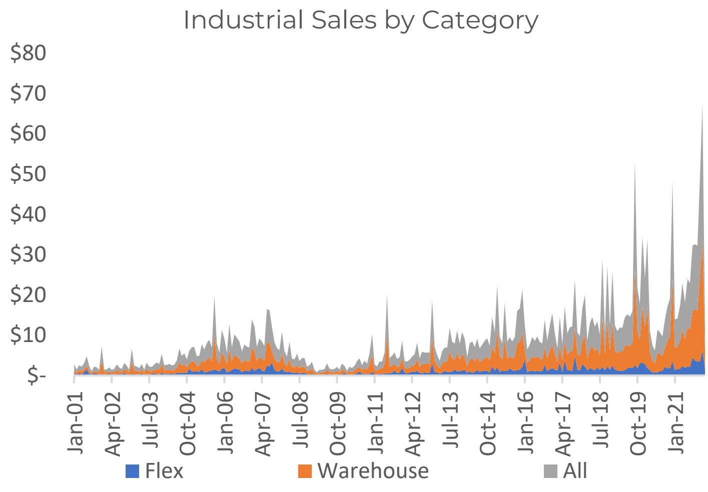
Industrial

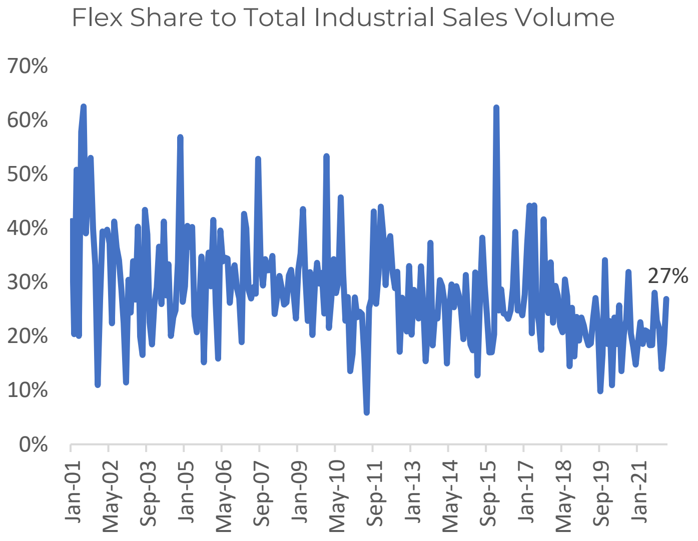
Florida markets (Miami and Fort Lauderdale) lead 12-month rent growth

Industrial transactions declined 9% on a year-over-year basis after a remarkable December outing in January 2022. Despite the decline in deal volume, transaction sales totaled $6.3 billion where sales for warehouse properties declined by 18% from a year ago to $4.6 billion according to RCA. Conversely, flex properties saw a 30% year-over-year increase as flex property sales totaled $1.7 billion. For the past 3 months the share of flex properties to total industrial sales has steadily increased to 27% in January 2022. While the share of flex properties has been increasing, the majority of sales still originate from warehouses (73%).

The average asking rent across 390 markets covered by CoStar® increased by 10.1% year-over-year as of February 28, 2022. Asking rents continue to face upward facing pressure amid very tight industrial space conditions. All 390 covered metros have positive rent growth. Across the U.S., the highest industrial rent growth rates are located in the Florida. Florida metro areas such as Miami and Fort Lauderdale had the highest rent growth rates at 18.5% and 16.2% respectively and were ranked number one and two of the top five. Northern New Jersey-NJ (16.1%), Nashville-TN (15.0%) and Providence-RI (14.6%) round out the top five leaders as of February 28, 2022.



Source: RCA



Source: NAR analysis of RCA data

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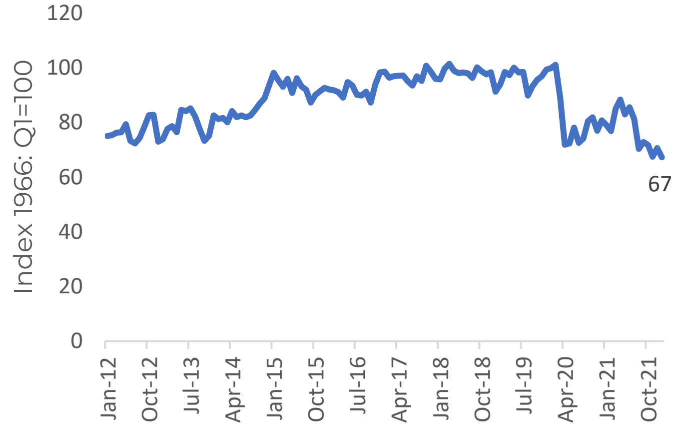
Retail

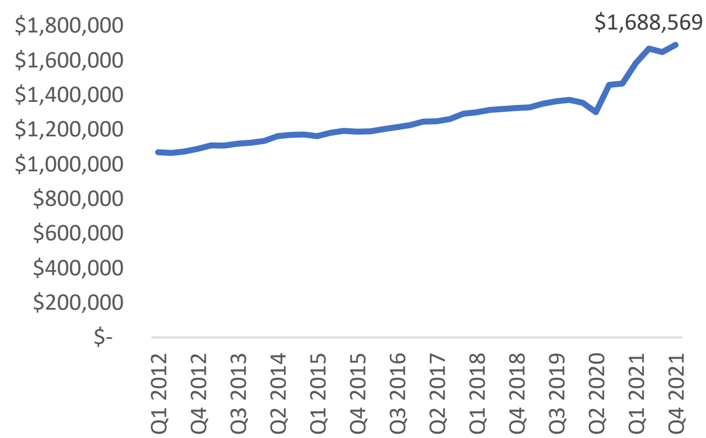
Recovery continues positive momentum

Despite dampened overall U.S. consumer spending, continued supply chain issues, declining consumer sentiment, and omicron, retail is continuing to power through these obstacles. While consumer sentiment continued its downward decent in Q4 2021 and in January 2022 amid increasing inflation and uncertainty in regards to omicron, retail sales had a strong holiday season and solid Q4 2021 as total retail sales totaled $1,688.6 billion, a increase of 2.5% from Q3 2021. Retail sales and food services increased 12.9% year-over-year in January 2022.

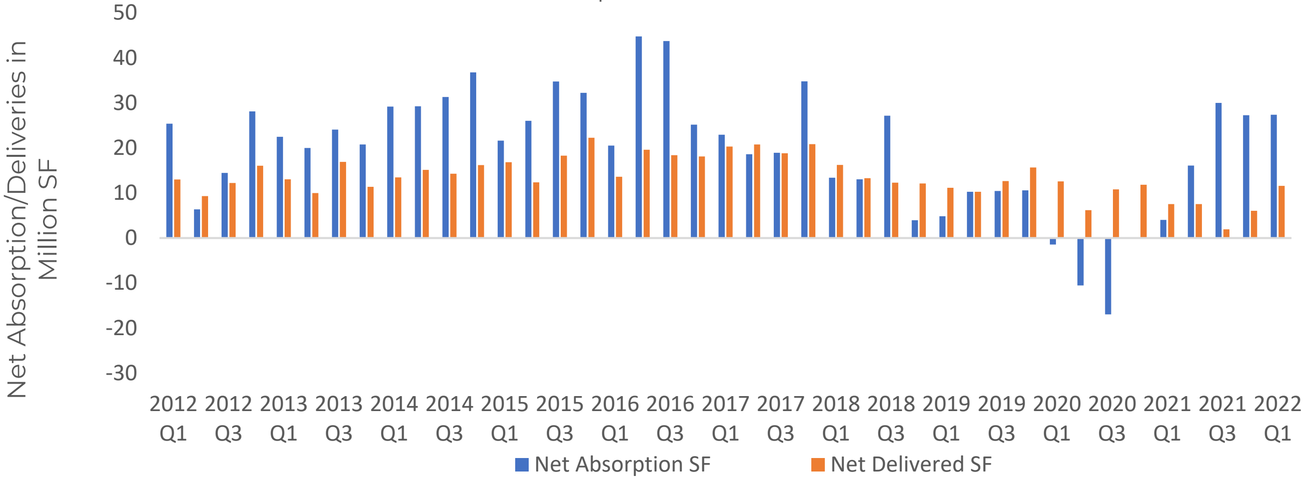
For the U.S. retail sector, net absorption continues to outpace supply. In Q4 2021, demand outpaced supply for the 4th consecutive quarter as the retail sector continues to see further positive demand. As of February 28, 2022, demand continues to exceed supply where more than more than 27.3 million sf has been absorbed. Supply totals 11.5 msf currently whilst the retail vacancy rate continues to decline towards 4.5% as of February 28, 2022, down 0.1% from Q4 2021.



Source: University of Michigan Feb. 28, 2022



Source: Census Bureau



Source: NAR analysis of CoStar data

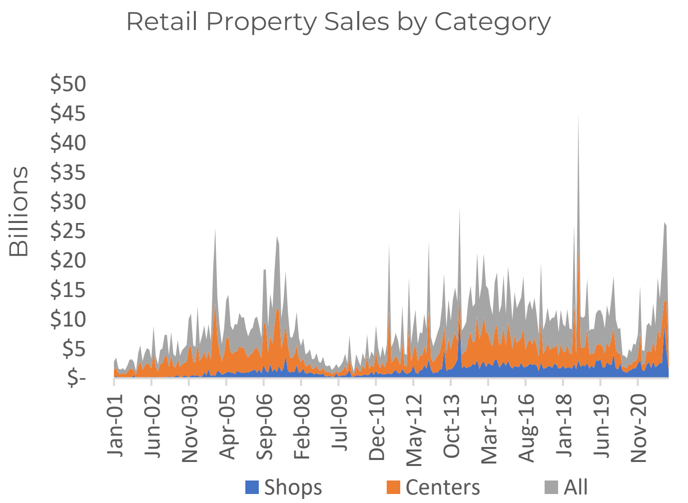
Retail

Asking rents grow, especially in Florida markets

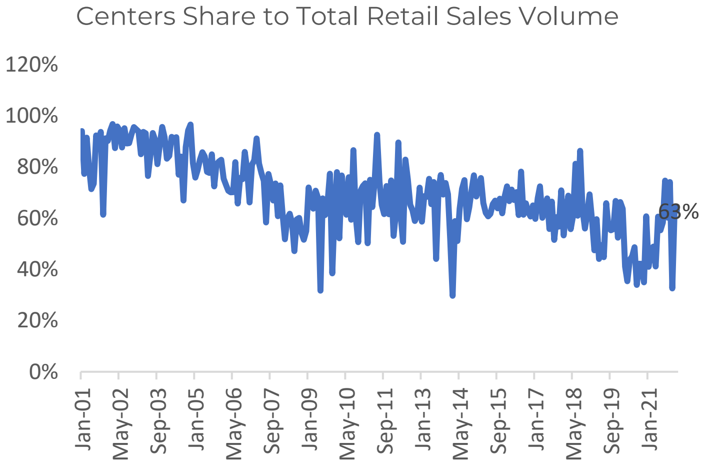
Retail transaction volume increased by 44% on a year-over-year basis after sales moderated in January 2022. Retail sales' year-over-year pace declined from 65% in December and the very high triple-digit year-over-year increases seen in prior months. Regardless, transaction sales totaled $3.5 billion where sales for centers properties increased by 122% from a year ago to $2.2 billion according to RCA. On the other hand, shop properties saw a 10% year-over-year decline as shop property sales totaled $1.3 billion in January 2022. Although, center property sales continue to make up the majority of total retail sales volume as they account for 63% of sales in January 2022 which is down marginally from the prior month.

The average asking rent across 390 markets covered by CoStar® continued to rise and increased by 3.5% year-over-year as of February 28, 2022. Retail asking rents increased across all of 2021 and continue as a result of a lack of new supply which increased occupancy and thus supported increased asking rents. With the lack of new supply continuing, retail rent growth should continue being pushed up. Strip centers currently have the highest year-over-year percent increase at 4.2% followed by neighborhood centers (4.1%), power centers (3.7%), malls (3.3%) and general retail (3.1%).

Of the 390 covered metros, 98% have positive 12-month rent growth with the highest retail rent growth rate being located in the Las Vegas-NV (10.8%). But, the majority of metros with 12-month asking rent growth within the top 10 are located in Florida: Jacksonville (10.3%, Fort Lauderdale (8.6%) and Miami (8.0%).



Source: RCA



Source: NAR analysis of RCA data

Hotel

Hotel sector recovery stalls

While the hotel property market has improved compared to one year ago, the emergence of the omicron variant in November stalled the hotel property market's recovery. Hotel occupancy was just at 52.2% in February, which is still below the occupancy of 56.9% seen prior to the pandemic in February 2020. The upscale and upper midscale have the highest occupancy rates, with lower occupancy for the luxury and midscale submarkets.

The revenue per available room (RevPAR) , which takes into account occupancy, fell to $68/room, which is also below the pre-pandemic rate of $73.

The highest occupancy rates are in the metro areas of Florida, led by Florida Keys, Fort Myers, and Miami. The Hawaii/Kauai Islands also have an occupancy rate of above 70%.

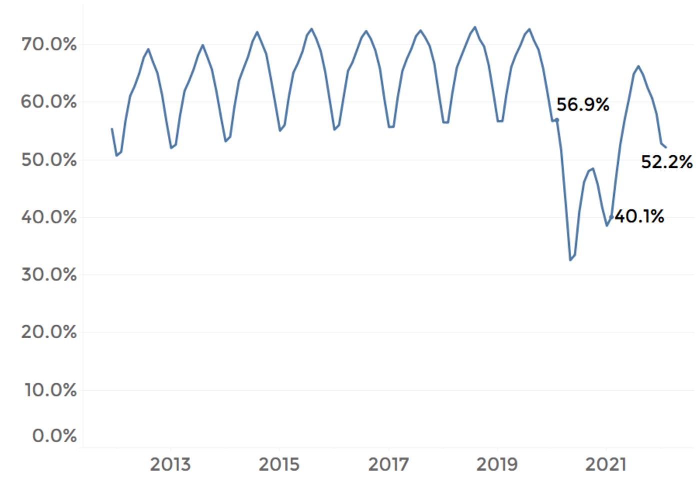
Hotel Occupancy as of 2/28/2022

Florida Keys	82.5%
Fort Myers - FL	74.6%
Hawaii/Kauai Islands	72.9%
Miami - FL	71.7%
Tampa - FL	71.1%
Palm Beach - FL	70.8%
Sarasota - FL	70.7%
Oahu Island - HI	70.6%
Fort Lauderdale - FL	70.4%
McAllen/Brownsville - TX	70.0%
Maui Island - HI	68.3%
Phoenix - AZ	67.4%
Florida Central	67.3%
Los Angeles - CA	65.2%
Jacksonville - FL	65.0%
Orlando - FL	64.8%
Inland Empire - CA	64.2%
Tucson - AZ	63.4%
Salt Lake City/Ogden - UT	61.7%
Melbourne - FL	61.6%

Source: NAR analysis of CoStar data

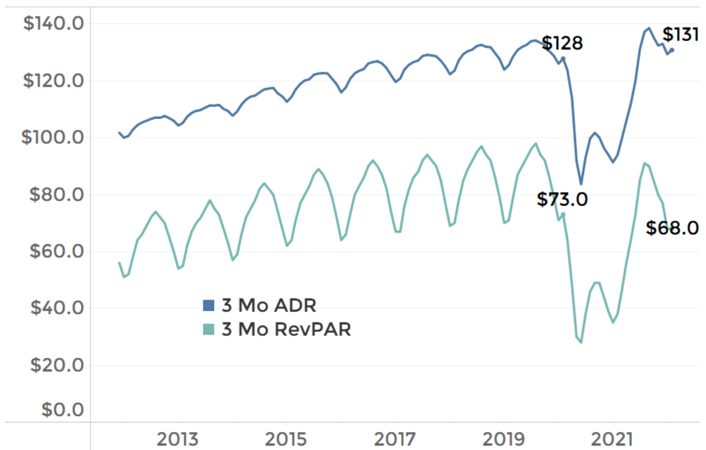
ADR is the total revenue/number of rooms.
RevPAR is ADR x occupancy rate.

3-Month Hotel Occupancy Rate as of February 2022



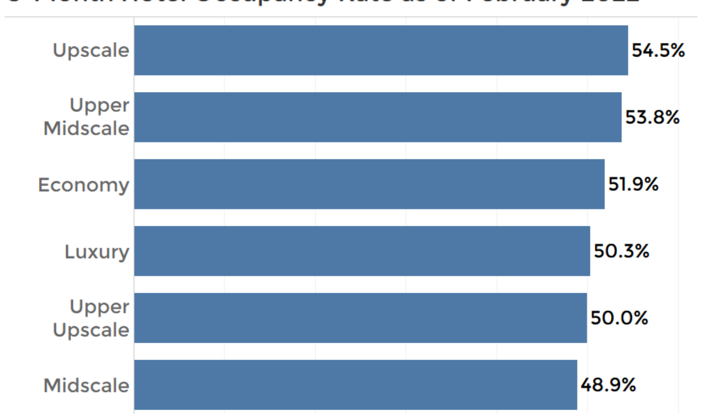
Source: NAR analysis of CoStar data

3-Month Average Daily Revenue and Revenue Per Available Room as of February 2022



Source: NAR analysis of CoStar data

3-Month Hotel Occupancy Rate as of February 2022



Source: NAR analysis of CoStar data

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February 2022

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