



# MARKET REPORT

**Baldwin**  
PROPERTIES

SEPTEMBER 2024



*Current Market Update*

# MARKET SHIFTS, AND TRENDS

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The commercial real estate market plays a crucial role in the overall economy, reflecting the health of businesses and investor sentiment. As of the present, the market has experienced palpable shifts that impact the industry as a whole. External factors like the Fed's rate decisions, vacancies, lending rates, jobs, and the presidential election are playing a significant part in the overall state of the real estate market. These factors may cause pull-backs in certain asset classes but, the market remains strong and poised for long term growth. In this article, we will explore the current status of the commercial real estate market, key trends, and areas of focus.

## ECONOMICS & RATES

The commercial real estate outlook for 2024 is largely positive. Everyone's eyes are on the Federal Reserve and the upcoming Presidential Election. The Fed has been adamant about returning inflation to 2%. According to the Federal Reserve, *"Inflation has eased over the past year... In recent months, there has been some further progress toward the 2 percent inflation objective."* For now, this means maintaining the current rates at least until Q4. In an interview with JPMorgan Chase, Victor Calanog, Global Head of Research and Strategy, Real Estate Private Markets at Manulife Investment Management said, *"In this higher-for-longer rate environment, buyers, sellers and capital sources are going to come to the table ready to do deals."* With the Presidential Election just ahead there will be some added clarity for the market as a whole. The impact of uncontrollable geopolitical tensions are hard to quantify but generally create market volatility. However, provided that economic growth remains on track there's little reason to discount or downgrade forecasts.

## MULTI-FAMILY

There is a steady need for affordable and workforce housing. According to Moody's Analytics CRE, B and C class properties saw lower vacancy rates than luxury properties. While the biggest wave of new apartment supply in decades will temper rent growth and improve affordability for renters, we still expect to see average rent growth of 1.2% thru the end of 2024. Multi-family real estate is playing a significant role in alleviating the severe shortage (at least 3.1 million) of single-family homes which is driving homeownership challenges, especially with high-interest-rates. Additionally, though multi-family construction is slowing, this slow down in new construction is ultimately building the foundation for a strong recovery in both occupancy and rent growth.



# Baldwin Properties OVERVIEW

Baldwin Properties is a full service commercial and investment real estate sales, leasing, and property management agency headquartered in Winston-Salem, North Carolina.


## DISTRIBUTION & MANUFACTURING


Overall the Industrial asset class has seen a slight cooling off so far in 2024. However, distribution and manufacturing properties still shows signs of strength. New development is likely to remain low for the near term due to lending conditions, current economic variables and an oversupply of large warehouse and distribution facilities in various markets. Strong demand for manufacturing and distribution facilities will be sustained by a projected 7.5% increase in U.S. industrial production over the next five years, according to Oxford Economics. Well-trained and affordable workforce will remain an important factor in site selection for companies seeking such properties. Additionally, e-commerce will continue to grow steadily over the next decade, which is likely to lead retailers and suppliers to add more warehouse and distribution space--especially in the U.S. South, due to the growing population.

## RETAIL RESILIENCE

So far in 2024, retail has performed well and has shown notable resilience as the space has evolved over the past year. This evolution has been driven by hybrid work. Although e-commerce continues to grow, urban retail and neighborhood shopping centers are booming. Thanks to hybrid work, consumers are shopping closer to home. According to Tom LaSalvia, Head of Commercial Real Estate Economics at Moody's Analytics CRE, "Year over year, national level effective rent for neighborhood and community shopping centers is the highest it has been since before the onset of the pandemic in early 2020," LaSalvia also notes, "The vacancy rate has fallen to 10.2% from its 10.6% high in early 2020." Furthermore, according to the Census Advanced Monthly Retail Trade Survey, total sales for August 2023 through October 2023 were up 3.1% from the same period a year ago.

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## CONCLUSION


The commercial real estate market is undergoing a dynamic transformation driven by factors like hybrid work, e-commerce, economic uncertainty, geopolitics, and Fed rates. While these variables may seem alarming, there are key indicators and underlying strength that provide clarity and direction. The retail revival is in full effect, there's a boon in the distribution and manufacturing space. Multi-family is performing strong, led in part by the housing shortage and ever growing population. While there may be some near term turbulence, the long term outlook looks strong for commercial real estate in the US and especially the Southeast. By understanding these market shifts and trends, real estate investors can better focus on innovative approaches to diversifying and maximizing their portfolios successfully.

## ABOUT BALDWIN PROPERTIES

Baldwin Properties is a full service commercial and investment real estate sales, leasing, and property management agency headquartered in Winston-Salem, North Carolina. Our forward-thinking mindset is a key part of our growth and success over the past 95 years. At Baldwin Properties, we help our clients maximize their investments and reach their portfolio goals. We do this by delivering on our core values— community, leadership, generosity, excellence, and growth.

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