



COMMERCIAL REAL ESTATE TRENDS IN 2022

Although, the current economic environment presents unique challenges for real estate and the climate is anything but certain, current conditions still appear to be favorable. Historically, commercial real estate has provided a buffer against inflation as stock-focused investors diversify through real estate and monetary policy appears to support economic growth. The Capital Region has always had steady growth and weathered economic storms pretty well. To date, Schenectady commercial growth remains strong. Here are some significant trends that are playing out in Q12022.



MIGRATION FROM GATEWAY CITIES TO SMALLER MARKETS

In recent years, we have been seeing a migration from gateway cities to smaller markets. In 2022 smaller markets continue to show the strongest rise in growth, as jobs, population migration and attractive market dynamics contribute to appreciating prices across major asset types. Each one of Schenectady County's five towns saw population gains, led by Niskayuna (+78).



INFLATION

2021 saw a combination of labor shortages, supply chain disruption and economic growth is pushing inflation to its highest rate in decades. And it has just been announced that interest rates are expected to remain high. In commercial real estate, the impact is largely felt in new construction, where materials are driving project costs up significantly. Sources report that Inflationary pressures will continue to impact construction costs. As a result, replacement costs are going to continue to rise.

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LEADING THE PACK



Despite rising inflation, major players are signaling to yet another strong year in commercial real estate. In addition to demand and available debt, \$152.2 billion in commercial real estate funds collected are waiting to be deployed on growth opportunities. If source data is true, commercial real estate projects should see growth across several sectors, driving price appreciation past pre-pandemic levels. Pending changes to the current environment we should find multifamily and industrial leading the pack in 2022.

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OFFICE SPACE RESURRECTION



Commercial reports are showing physical office space *phasing in upgrades* to accommodate hybrid work and employee preferences. Although the office market is still seeing high vacancy rates, according to commercial reports, investors can expect to see occupancy and rent growth stabilize in 2022. Future looks good for employers that move out of high-density gateway buildings to more hybrid larger cost-effective locations. There is still a demand for spaces with attractive amenities and flexibility.

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Sources: Forbes, Wealth Management, CBRE, NAR, The Business Journals, Schenectady Economic Development, Metroplex