



1Q24 Fear and Greed Survey

 **JOHN BURNS** **CRE Daily**
RESEARCH & CONSULTING

May 24, 2024

About this report

Conducted jointly by John Burns Research and Consulting and CRE Daily, the Fear and Greed Index examines current commercial real estate investor sentiment and expectations over the next six months, as well as changes in access to capital and asset values. The 1Q24 report is based on findings from 1,451 members of the commercial real estate community across four primary sectors:



Multifamily



Industrial



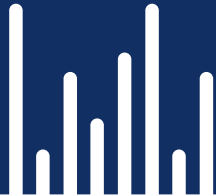
Retail



Office

The 1Q24 Fear and Greed Index survey ran from April 15–29, so responses, commentary, and sentiment reflect the latest shifts across commercial real estate.

Fear and Greed Survey



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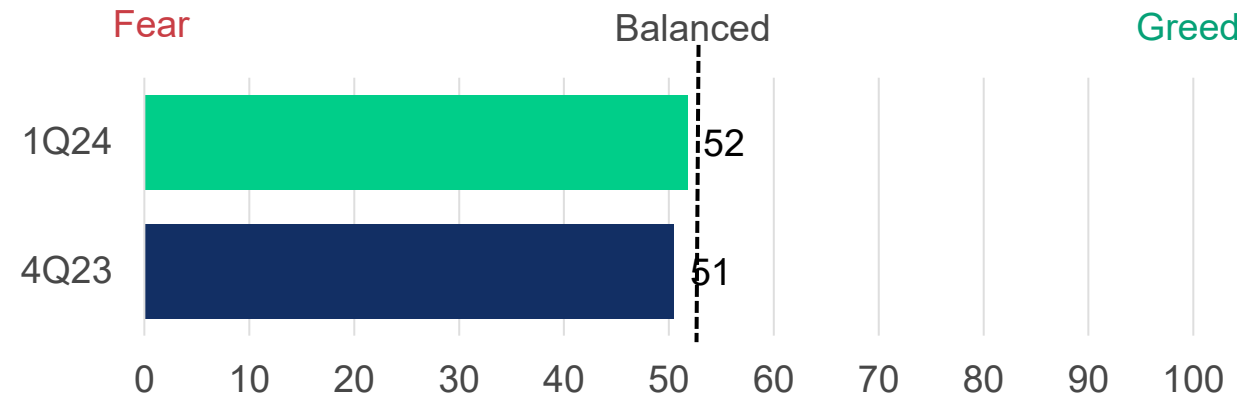
Kathy Lyford
Editor

The Fear and Greed Index measures investor sentiment across commercial real estate sectors.

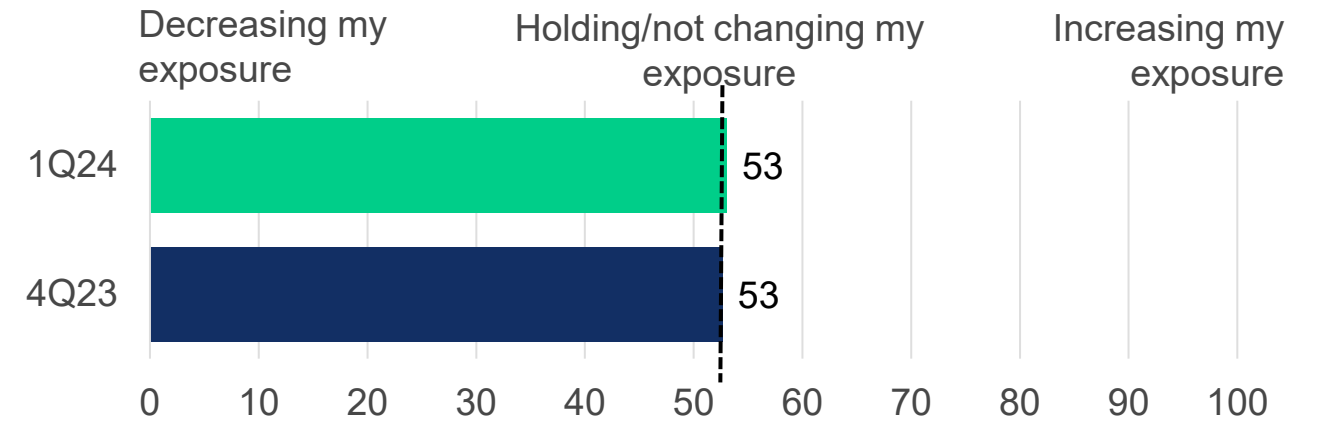
On a diffusion index, a value above 55 indicates expansion, while a value below 45 implies contraction.



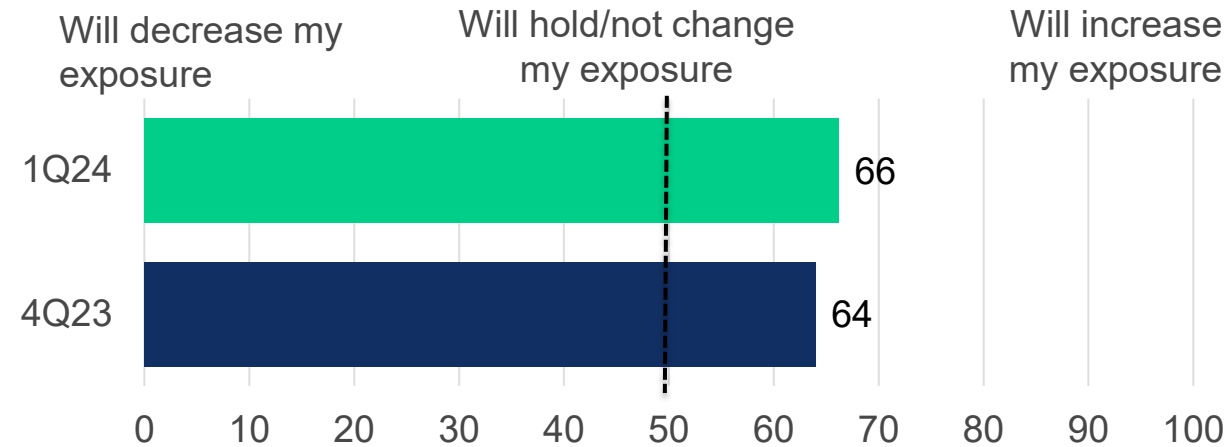
Burns + CRE Daily Fear and Greed Index



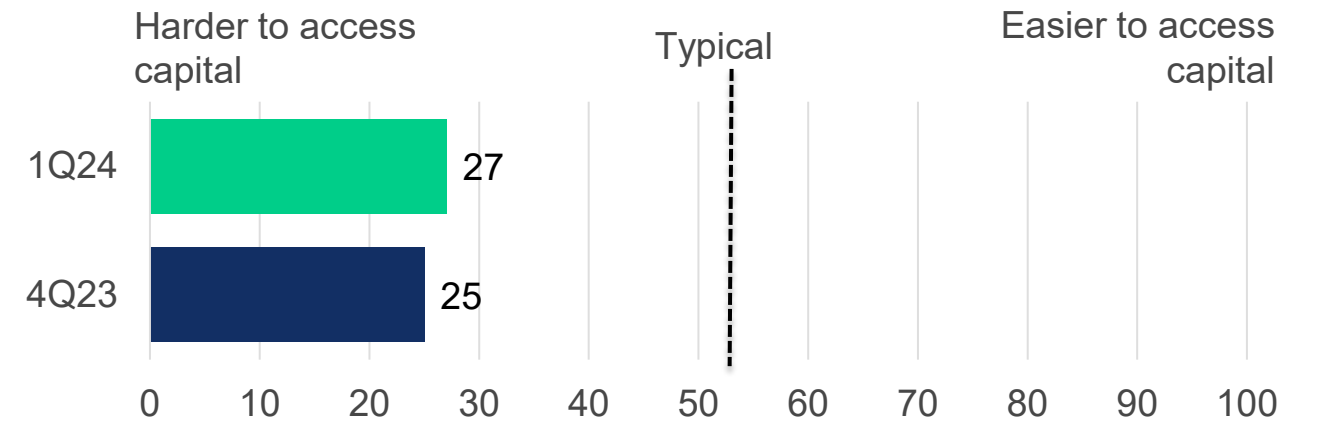
Current CRE Investment Strategy Index



Expected CRE Investment Strategy Index: Next 6 Months



Access to CRE Capital Index (vs. prior quarter)



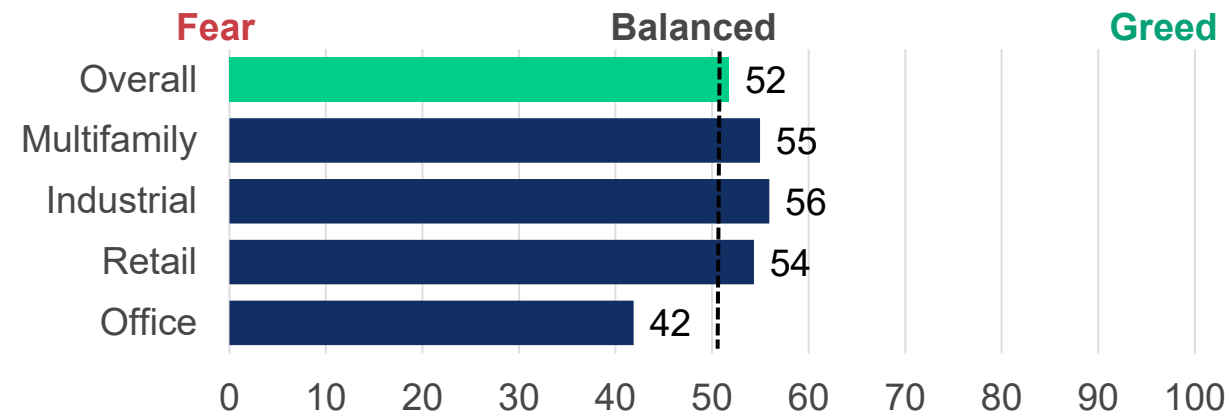
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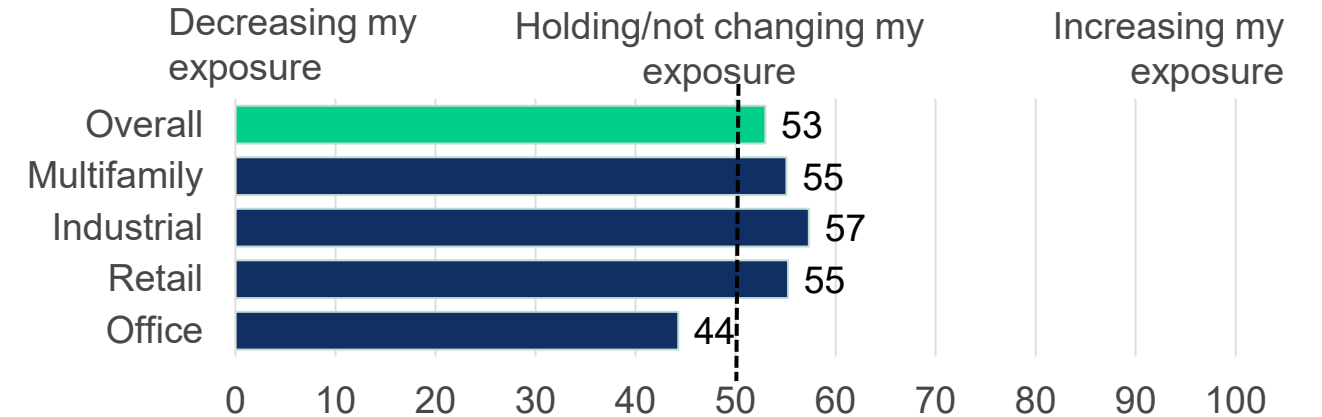
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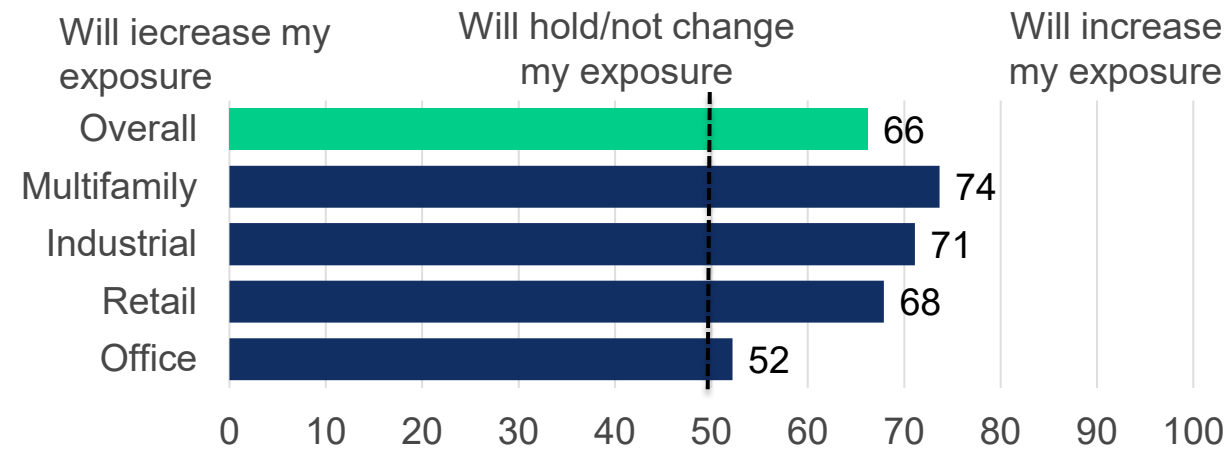
Burns + CRE Daily Fear and Greed Index (1Q24)



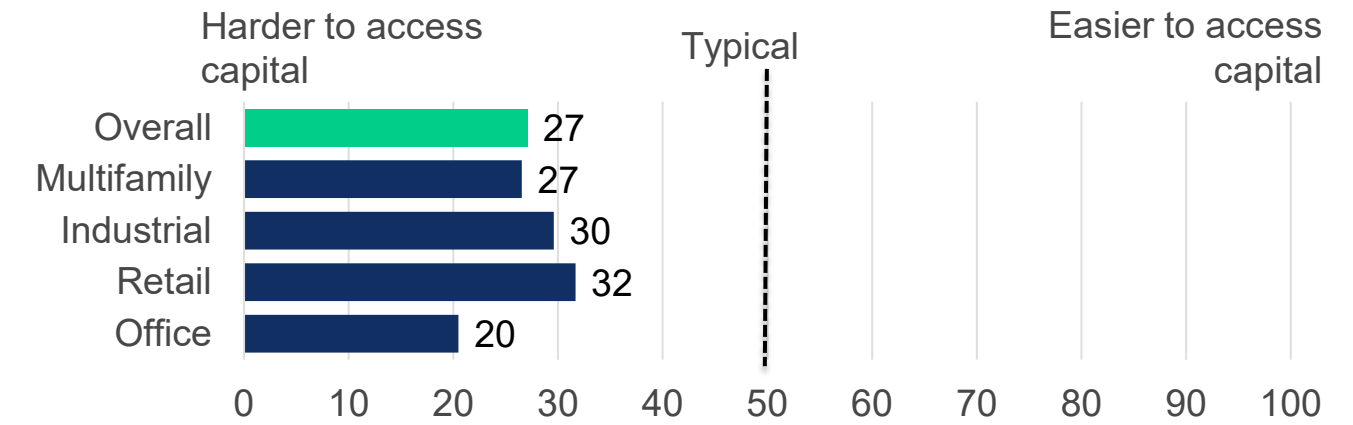
Current CRE Investment Strategy Index (1Q24)



Expected CRE Investment Strategy Index: Next 6 Months (1Q24)



Access to CRE Capital Index (1Q24 vs. 4Q23)

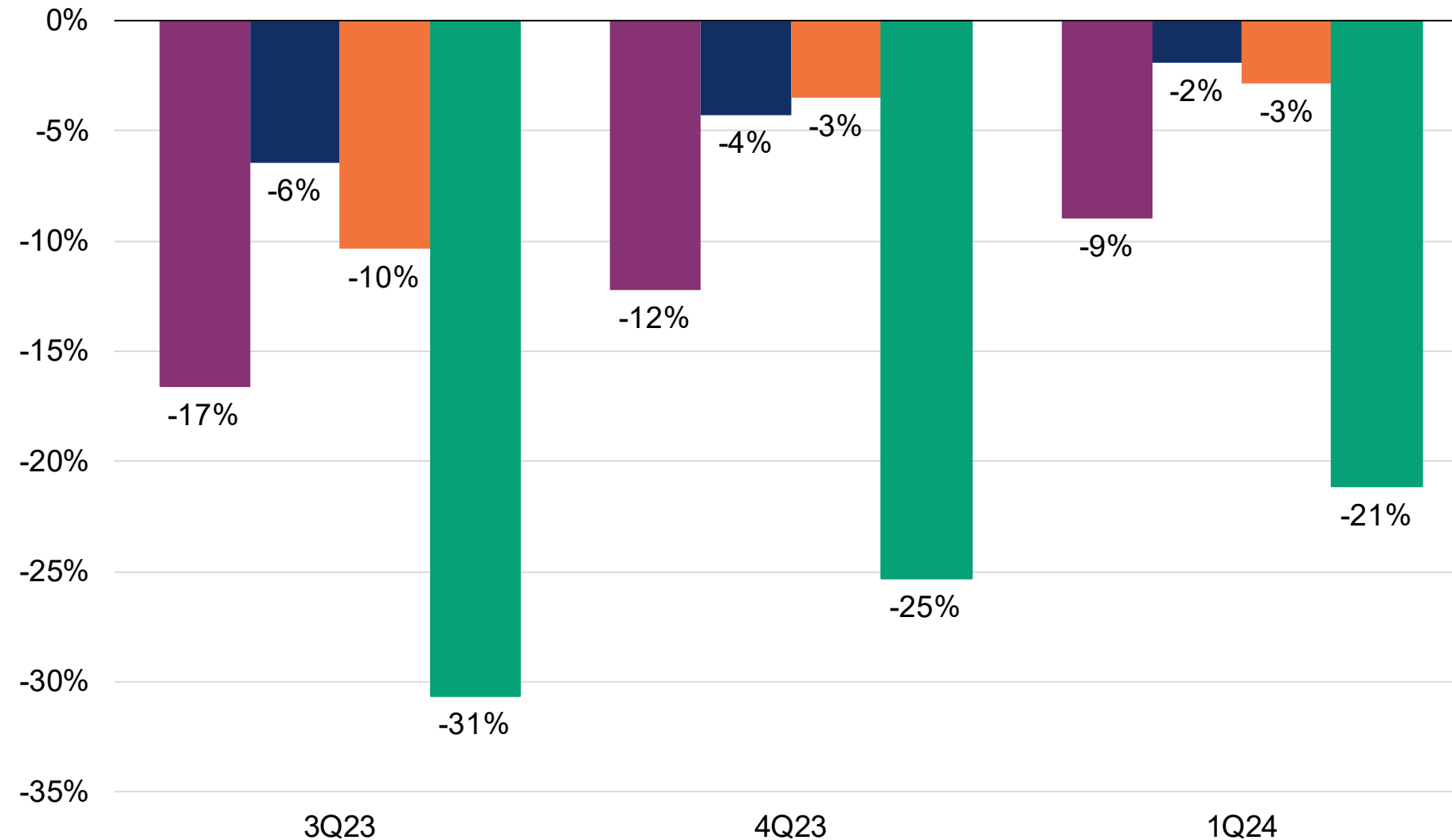


Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

Investors believe asset values have fallen YOY in every major CRE sector.

Change in Commercial Real Estate Asset Values by Sector

% change YOY ■ Multifamily ■ Industrial ■ Retail ■ Office



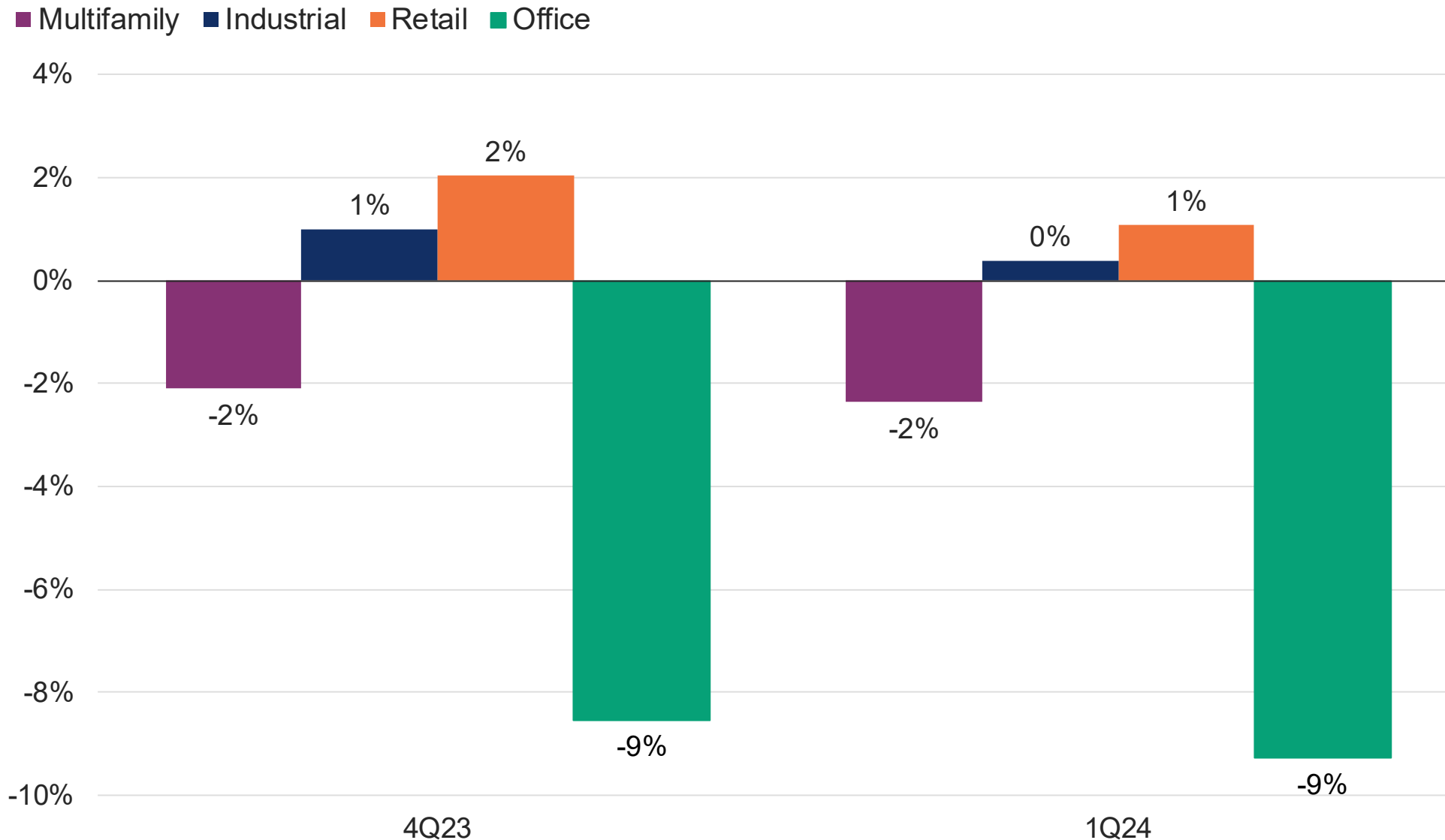
Investors believe values fell most in the **office** sector (-21% YOY) and least in the **retail** and **industrial** sectors (-2% YOY).

However, investors across sectors believe YOY asset value declines in 1Q24 are less severe than in prior quarters—a sign of improvement.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

Investors believe that multifamily and office asset values have further to fall in 2024.

Expected Change in Commercial Real Estate Asset Values by Sector



Industrial and retail investors expect asset values to remain flat over the next six months, tame from last quarter's +1% to +2% growth.

"Retail supply is still too low in general for there to be a decrease in prices. In prime locations, it is extremely scarce." - Florida investor

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

We are pleased to share the 1Q24 Burns + CRE Daily Fear and Greed Index.



Overview of the Fear and Greed Index

The Fear and Greed Index measures investor sentiment across the US commercial real estate industry. As a composite diffusion index, ratings above 55 indicate industry **expansion (greed)**; ratings below 45 indicate industry **contraction (fear)**. Ratings between 45 and 55 indicate a more balanced market.

The Fear and Greed Index is calculated as a weighted average of three sub-indices:



Current Investment Strategy Index

Increasing/holding/decreasing exposure in the **current quarter** vs. the prior quarter



Expected Investment Strategy Index

Expect to increase/hold/decrease exposure over the **next six months**



Access to Capital Index

Easier/similar/harder to access capital in the **current quarter** vs. the prior quarter

Fear and Greed Index Rating

52
out of 100

The Fear and Greed Index rates **52** out of 100, indicating a **balanced** commercial real estate market.



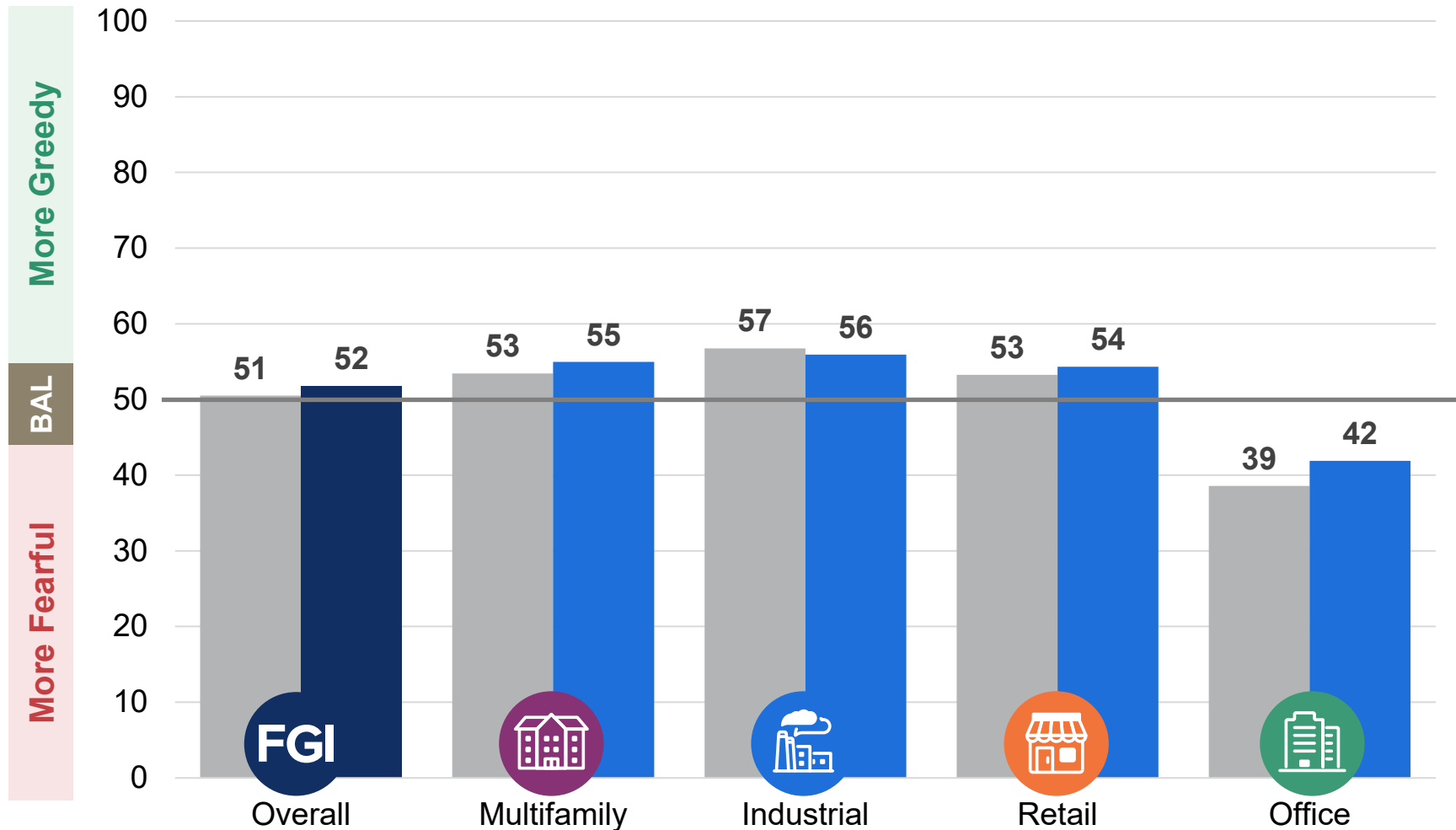
Conducted jointly by John Burns Research and Consulting and CRE Daily, the 1Q24 index reflects findings from 1,451 commercial real estate investors across four main sectors: **multifamily, industrial, retail, and office.**



Burns + CRE Daily Fear and Greed Index (1Q24)

The Burns + CRE Daily Fear and Greed Index is a composite diffusion index, which is a weighted rollup of three index questions that ask about investors' current investment strategy, expected investment strategy over the next six months, and the availability of capital for CRE investments.

■ 4Q23 ■ 1Q24



The Fear and Greed Index—a leading indicator for commercial real estate investment activity—rated 52 on a 100-point scale in 1Q24, indicating a market that is balanced between excessive fear and exuberance.

Industrial real estate investors are slightly more greedy than fearful, while **office** investors are much more cautious than other sectors.

Note: Ratings above 55 indicate more “greed” among commercial real estate investors (expanding CRE market), while ratings below 45 indicate more “fear” among CRE investors (contracting CRE market). A rating between 55 and 45 indicates a balanced market (denoted by BAL in the graph’s y-axis labels).

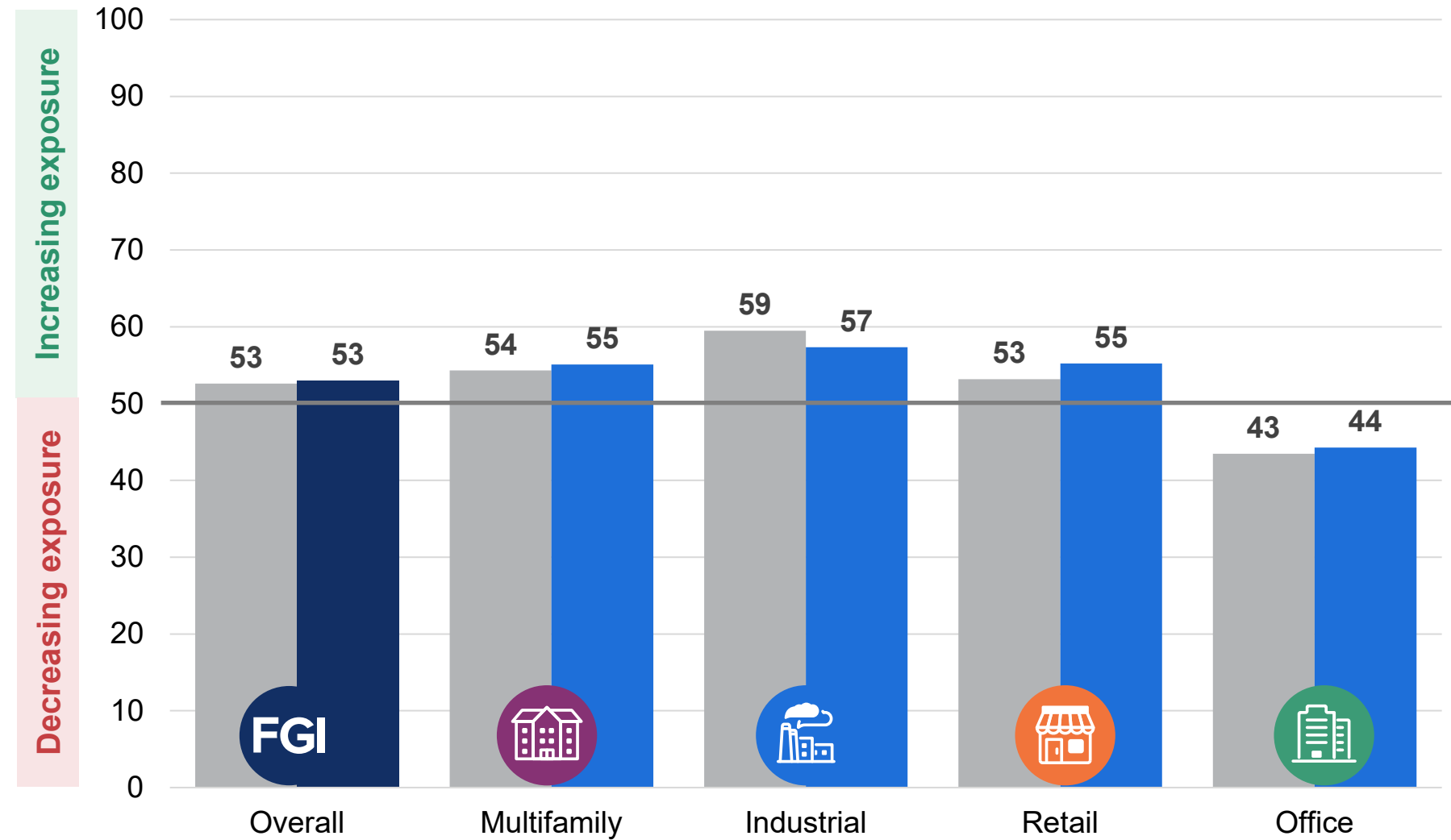
Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)



Current CRE Investment Strategy Index (1Q24)

Rates the share of commercial real estate investors increasing, decreasing, or holding their investment exposure to commercial real estate sectors during the most recent quarter

■ 4Q23 ■ 1Q24



A greater share of investors are currently increasing their investment exposure vs. decreasing in most sectors.

The **office** sector is the exception, though conditions improved slightly in 1Q24 relative to 4Q23.

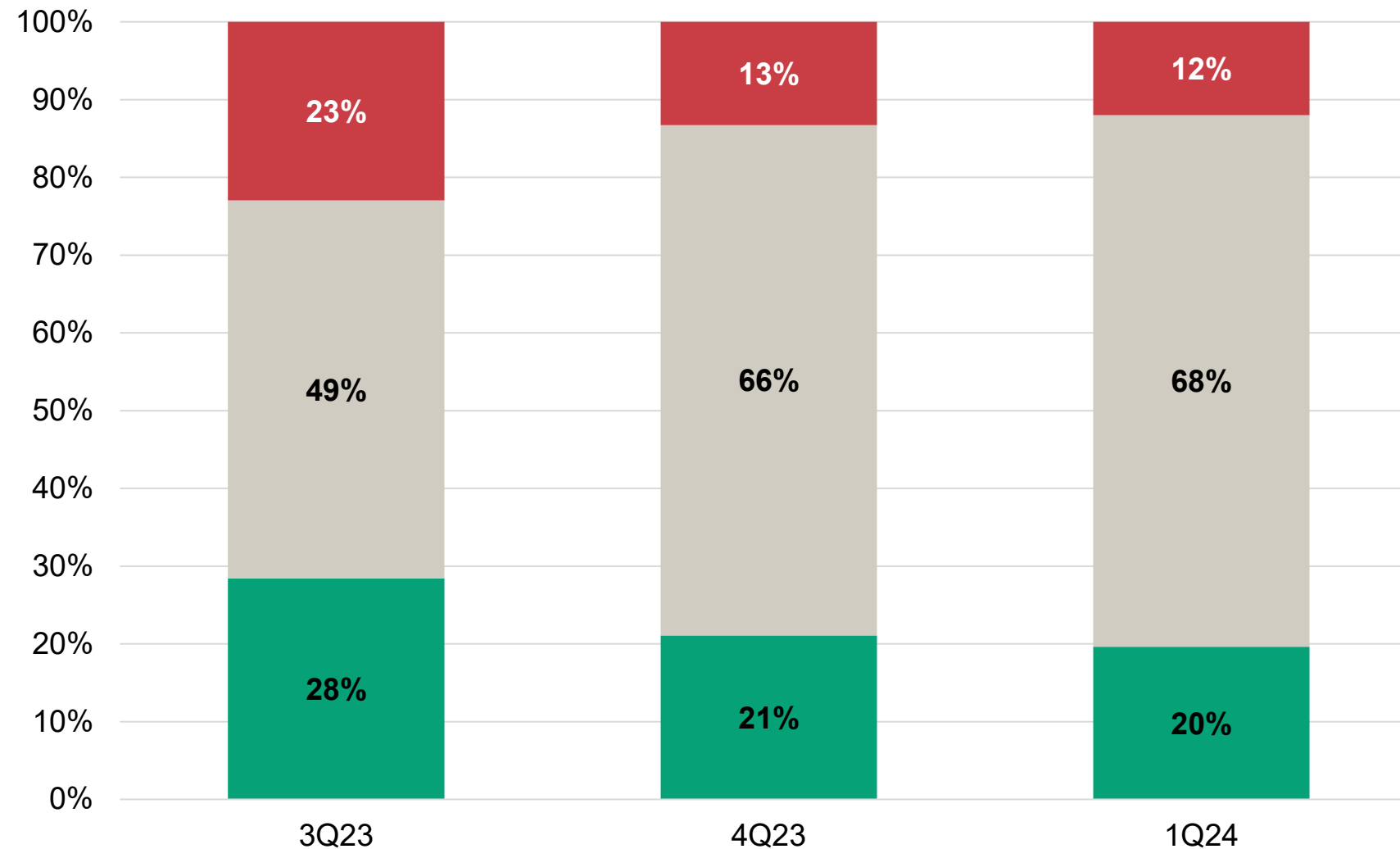
Note: Ratings above 55 indicate that more investors are increasing than decreasing their investment exposure, while ratings below 45 indicate that more investors are decreasing than increasing their investment exposure.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

68% of commercial real estate investors are holding tight in 1Q24, up from 66% in 4Q23.

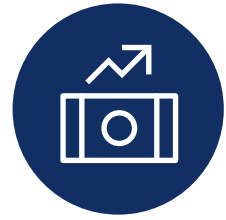
Current Commercial Real Estate Investment Strategy

■ Increasing exposure ■ Holding / not changing exposure ■ Decreasing exposure



Most commercial real estate investors are in wait-and-see mode due to uncertainty.

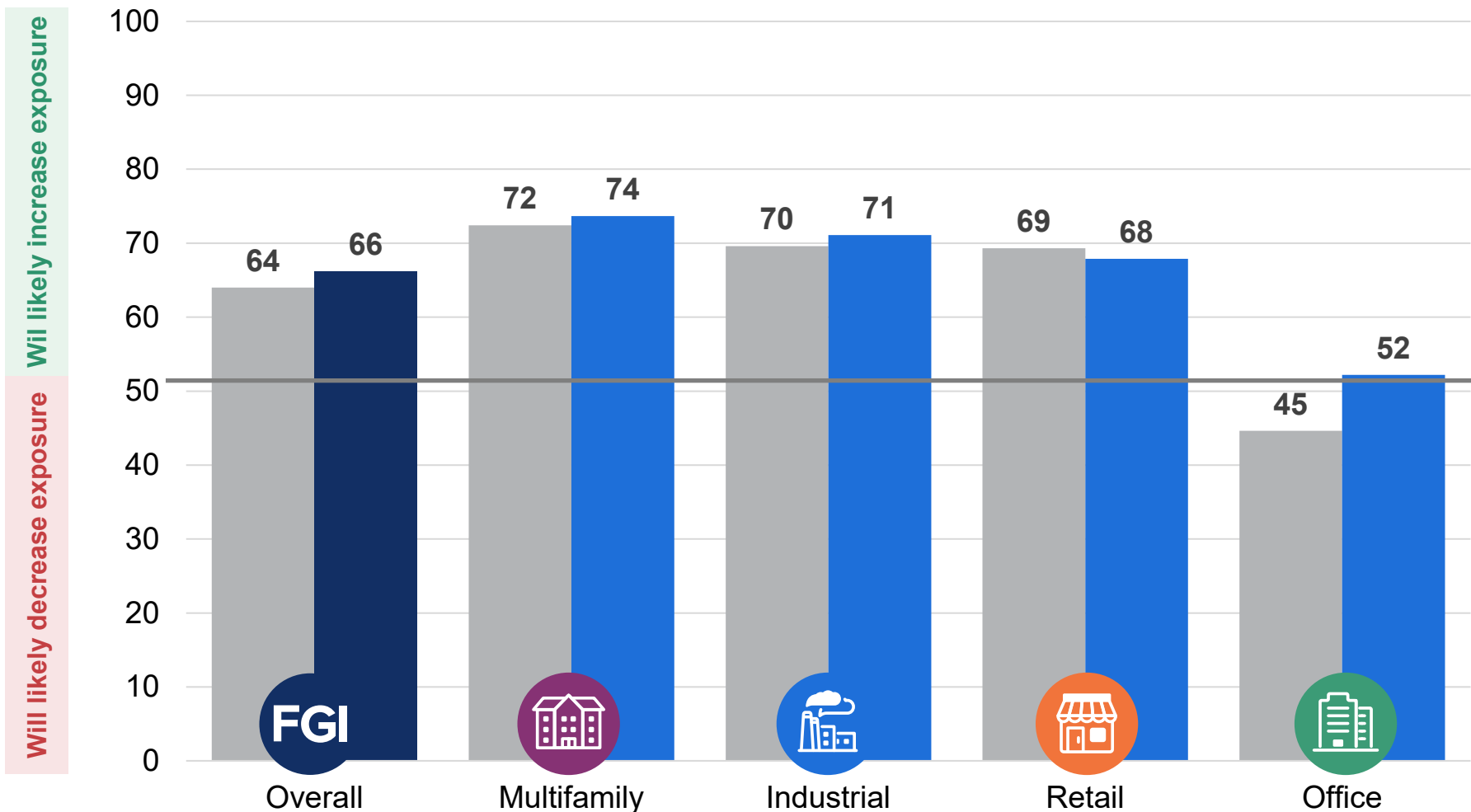
Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)



Expected CRE Investment Strategy Index: Next 6 Months (1Q24)

Rates the share of commercial real estate investors that expect to increase, decrease, or hold their investment exposure to commercial real estate sectors over the next six months

■ 4Q23 ■ 1Q24



In all sectors, more investors expect to increase than decrease their CRE exposure over the next six months.

The QOQ increase in index values reflects increased optimism from CRE investors regarding conditions over the next six months.

More **office** investors now plan to increase investment exposure vs. decrease—a notable uptick from 4Q23.

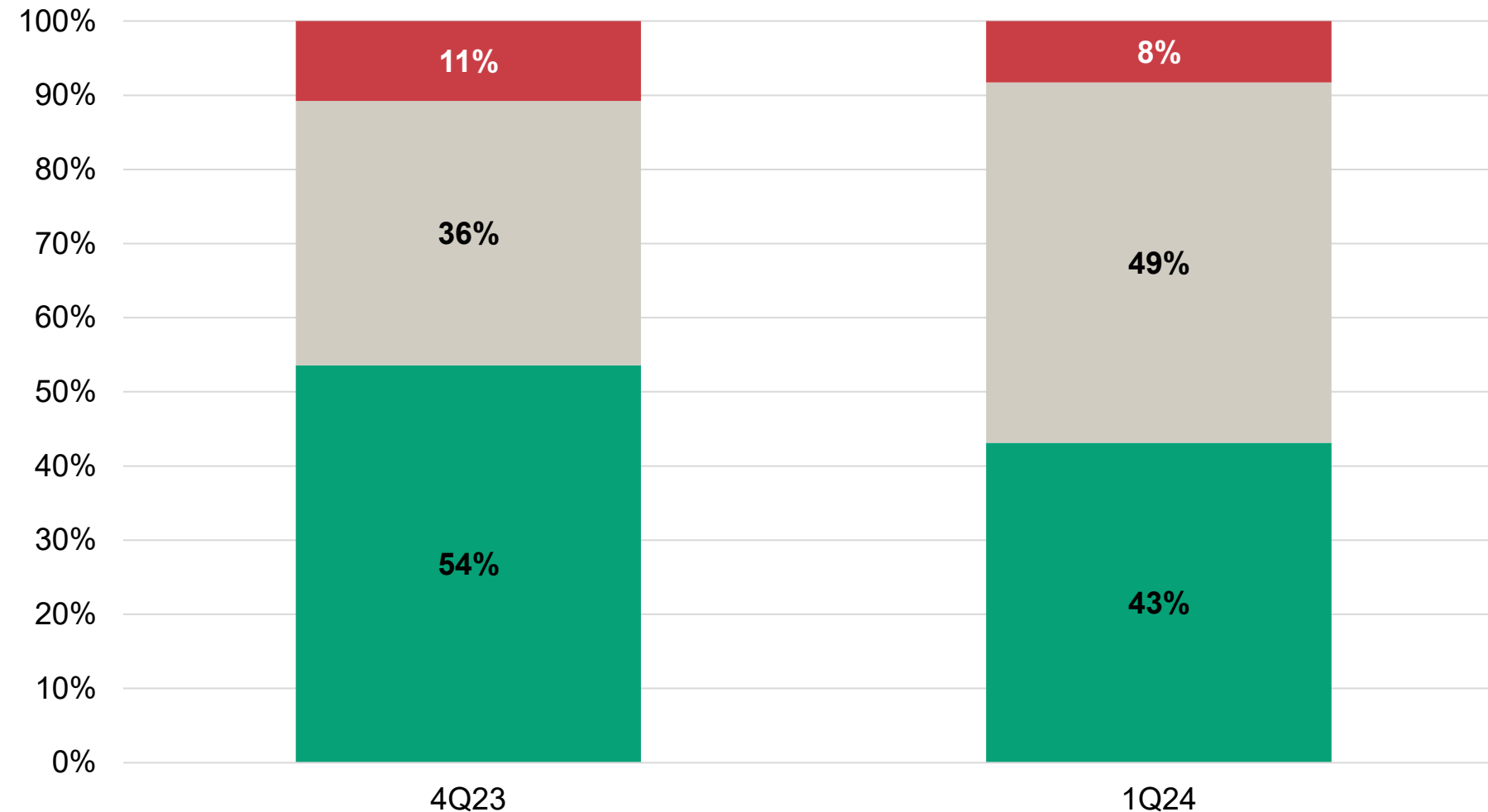
Note: Ratings above 50 indicate that more investors expect to increase than decrease their investment exposure over the next 6 months, while ratings below 50 indicate that more investors expect to decrease rather than increase their investment exposure over the next 6 months.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

49% of CRE investors expect to hold / not change their investment exposure over the next 6 months.

Expected Commercial Real Estate Investment Strategy (Next 6 Months)

- I expect to decrease my investment exposure
- I expect to hold / not change my investment exposure
- I expect to increase my investment exposure



Fewer investors expect to increase or decrease their exposure to CRE relative to the last quarter.

Recent Fed messaging implying in 1Q24 “higher for longer” rates has likely convinced some investors to refrain from increasing their exposure in the near term—a shift from 4Q23, when Fed messaging was more dovish.

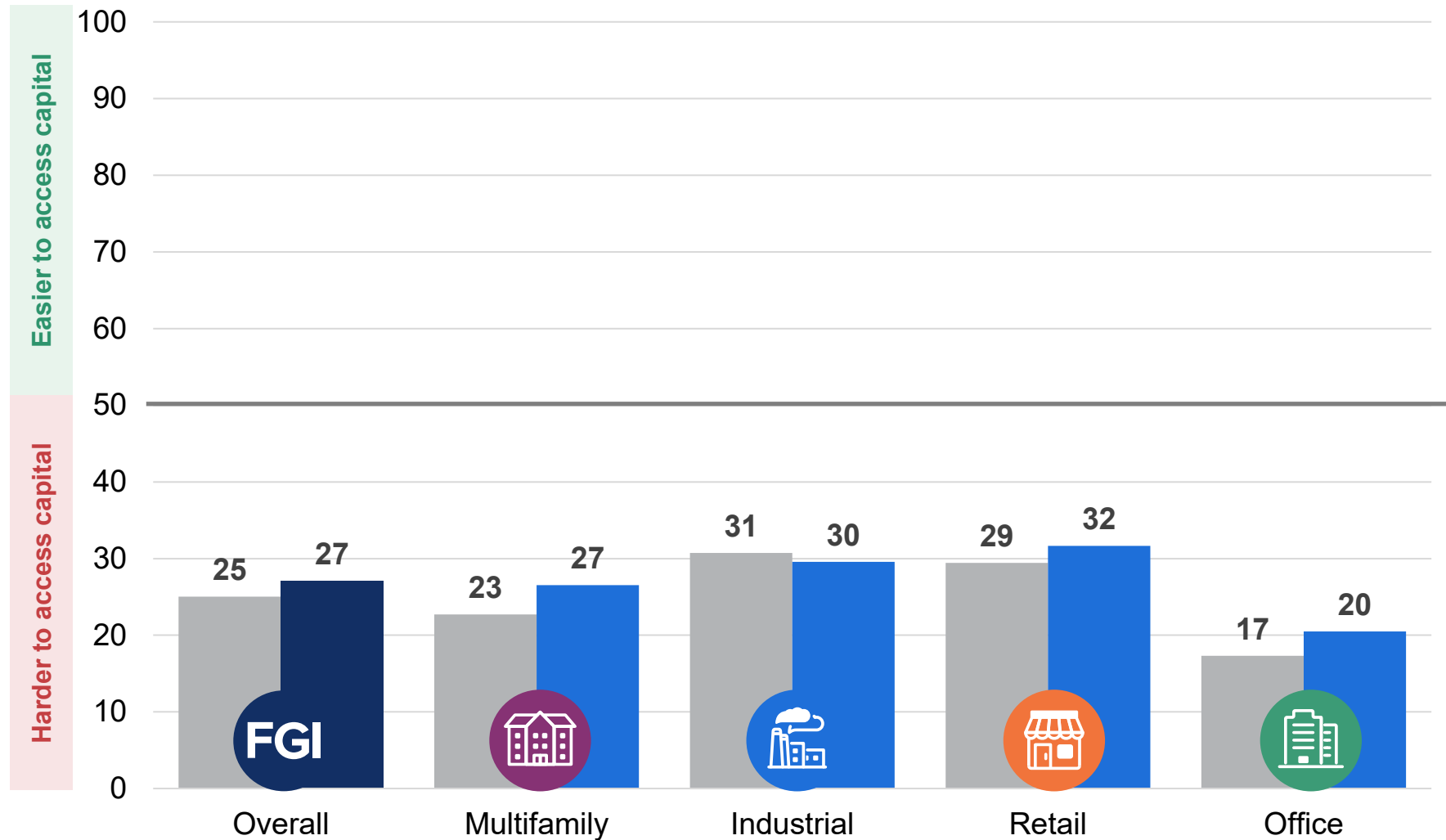
Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)



Access to CRE Capital Index (1Q24)

Rates the share of commercial real estate investors who found it easier, harder, or roughly the same to access capital in the current quarter versus the prior quarter

■ 4Q23 ■ 1Q24



Credit conditions are tight across all CRE sectors. Capital is especially difficult for **office** investors to access.

However, investors note a slight improvement in their ability to access capital in 1Q24 relative to 4Q23.

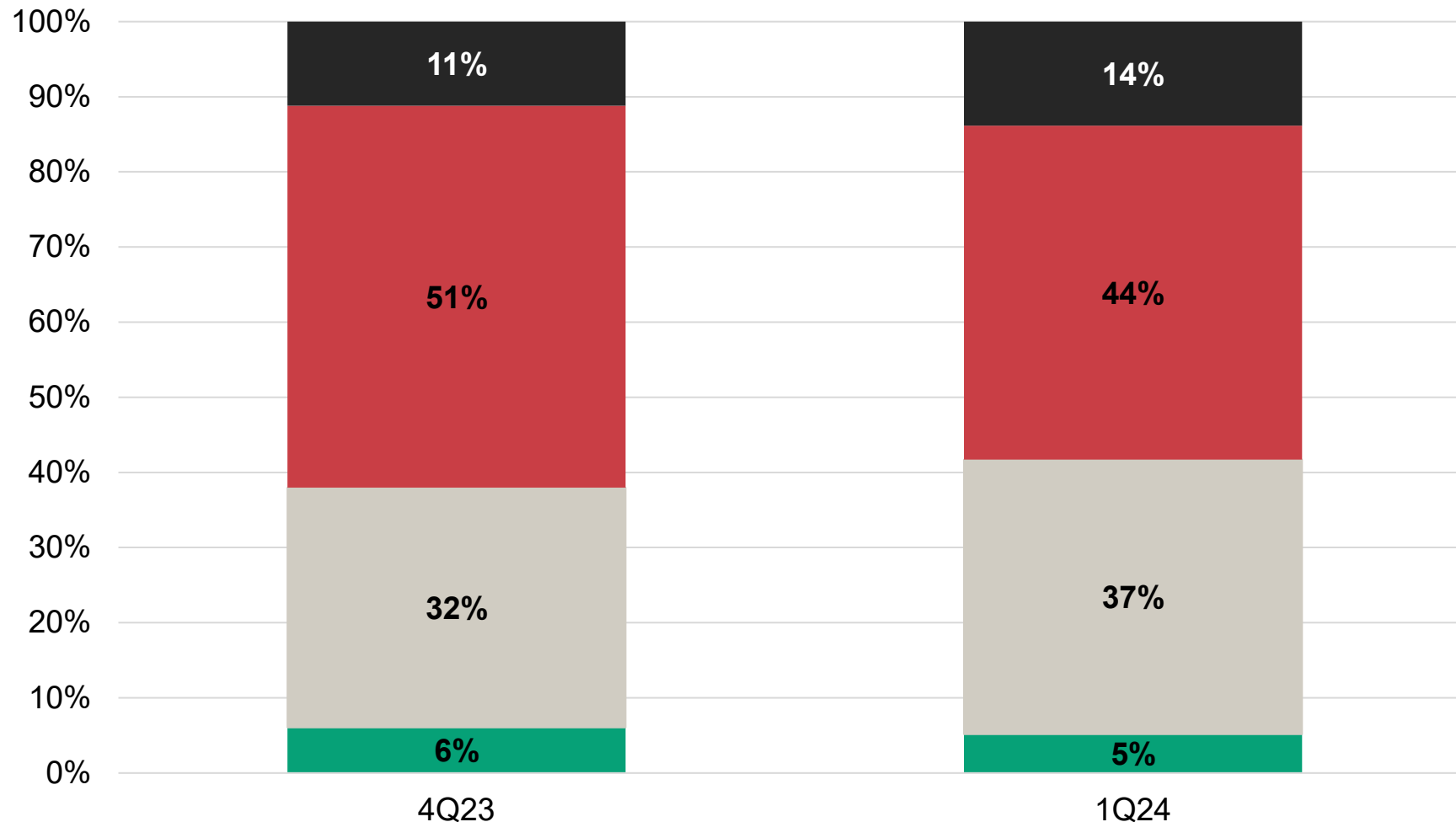
Note: Ratings above 50 indicate that more investors found it easier to access capital in the current quarter vs. the prior quarter, while ratings below 50 indicate that more investors found it harder to access capital in the current quarter vs. the prior quarter.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

Most investors (44%) tell us credit tightened between 1Q24 and 4Q23.

Access to Capital for Commercial Real Estate vs. Prior Quarter

- I do not use outside capital
- Harder to access capital today
- Similar/unchanged today
- Easier to access capital today

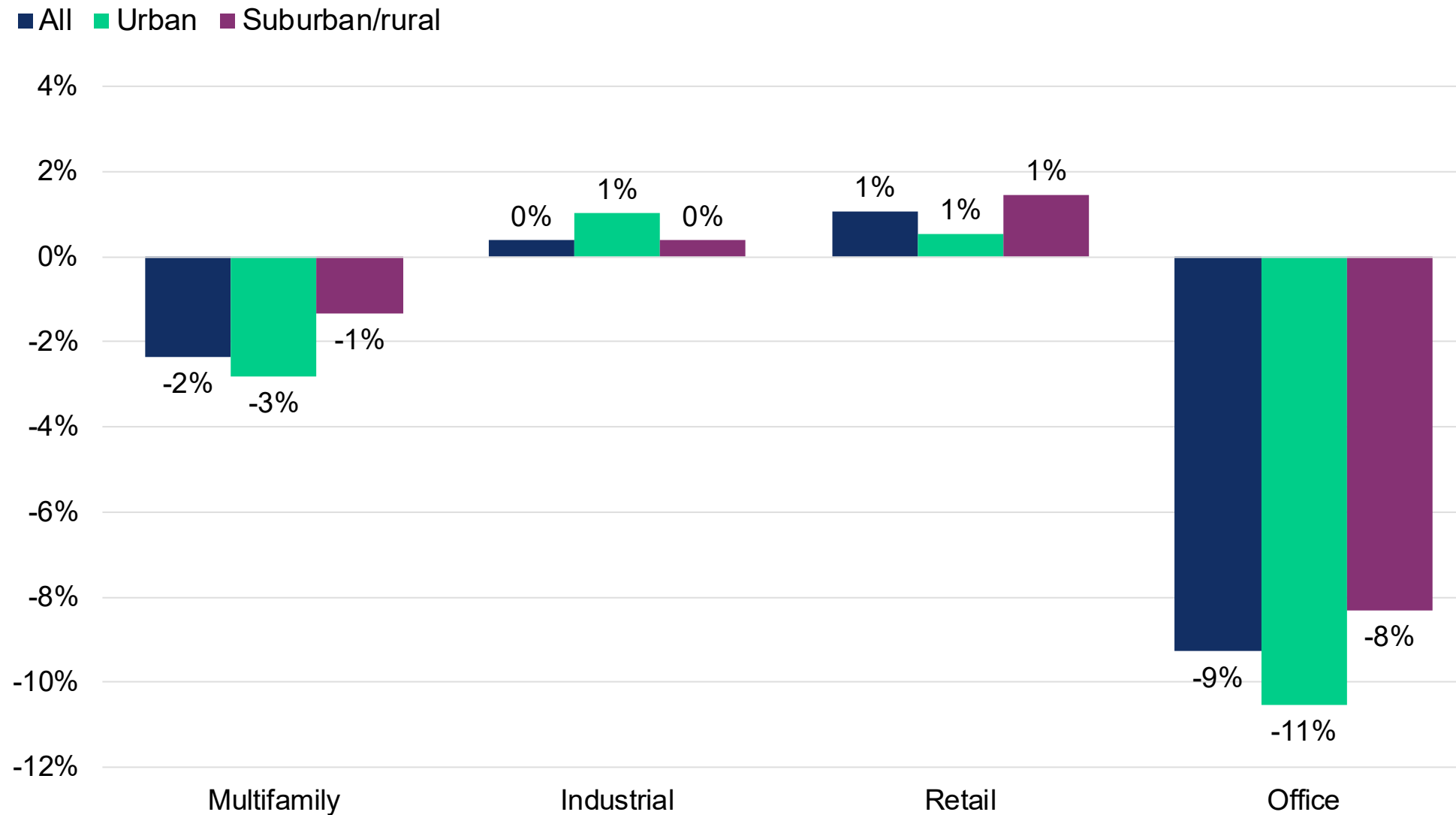


14% of CRE investors did not use outside capital in 1Q24, a slight increase from 4Q23.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

Most investors expect asset values in urban and suburban locations to fall at similar rates over the next 6 months.

Expected Change in Asset Values by Sector, Next 6 Months



Investors expect urban **office** values will fall faster than suburban **office** values over the next six months.

Investors expect +1% growth in urban **industrial** asset values, compared to flat values for their suburban counterparts.

Note that investors were asked to self-categorize urban/suburban/rural properties; definitions may be subjective.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

Selected commentary from participants


FGI

General market commentary

“Access to financing for development projects is still a big hurdle. I am seeing more bank activity for cash flow and pre-leased deals. The buy side is making low offers, maybe because people want to believe there is distress outside of the office sector when we really haven’t seen any significant dislocations outside of office.”

“Higher-for-longer rates are going to continue to impact valuations. Lenders may give up on the notion of ‘extend and pretend’ if the market comes to realize rates won’t go down as much or as soon as expected. This may increase forced distressed sales, which will provide distressed comps for appraisals. Also, even if rates do go down a little bit, I don’t think it will impact the 10-year treasury yield, so any loans benchmarked off that will remain high (also not great for residential mortgage rates).”



Multifamily

“I believe there are a lot of opportunities still available. I do not think 2024 will be a strong year for new developments, but there will be a lot more acquisitions in 2024 as the year progresses.”

“There’s nothing to buy for the mid and low market right now, which is less about value than availability. The few sellers are trying to hold on to pandemic prices, so nobody is buying. The market is frozen.”

“The multifamily market is challenged on either end of the spectrum. On the ‘A’ end, it is stressed from overbuilding and concessions. On the ‘C’ end, it is suffering from lack of qualified tenants, high levels of rent defaults, and depressed occupancy. The middle ‘B’ market is doing better occupancy-wise

but not finding enough demand to start raising rents. Financing is a challenge for all parts of the market.”

“Insurance costs have jumped on the latest renewals, especially in coastal areas. A lot of lenders are still in denial about the value of their collateral. We are still in the early innings of the major debt refinancing bulge that will loom in the market over the next 18 months or so. It is not clear how things will turn out yet, but investors are losing hope that interest rates will come down in time to save them. A lot of owners are in negotiation with their lenders for additional time. The lenders do not want most of the properties back (especially the C and D deals) and are trying to keep sponsors in place to keep the property afloat.”

Selected commentary from participants



Industrial



“There is stress in larger industrial buildings of 500,000 square feet and larger, while demand from tenants for 30,000–150,000 square feet is still very strong as a result of on-shoring and population growth, especially in some areas of the US.”

“The industrial market is clogged. Sellers want to wait for interest rates or cap rates to come back down. Buyers want to buy at high cap rates.”



Retail



“Retail supply is still too low in general for there to be a decrease in prices. In prime locations, it is extremely scarce. We will continue to see growth for the next 1–2 years before we feel like it is equalizing.”

“Not enough retail is being delivered to keep up with demand. I have concerns that retailers cannot thrive in the high cost of occupancy and high cost of construction environment without constant price increases exasperating inflation.”



Office



“The office pain hasn't really started. Owner-occupied commercial property is about to be hit very hard as many loans were fixed for five years in 2019–2022.”

“Pricing has not changed quite yet. You do not have comps data to support the decline. What you have is a standoff between sellers and buyers. Once things start to transact, you will see the declines come.”

“Office is struggling in all classes, despite what reports say.”

Burns + CRE Daily Fear and Greed Index

This report gauges the pulse of the commercial real estate industry in the United States. Conducted jointly by **CRE Daily** and **John Burns Research and Consulting**, the Fear and Greed report is based on a quarterly survey of commercial real estate investors primarily involved in **multifamily**, **industrial**, **retail**, and **office** sectors.

The Fear and Greed Index is a proprietary **diffusion index** that compares three key aspects of commercial investors' business:

- 1) **Current investment strategy** (currently increasing or decreasing CRE exposure)
- 2) **Expected investment strategy** (next six months)
- 3) **Access to capital** (easier or harder vs. prior quarter)

Survey Responses

Sector	Responses	% of Sample
Multifamily	585	40%
Industrial	260	18%
Retail	270	19%
Office	219	15%
Other*	117	8%
Total:	1,451	

*Investors who rated a sector other than multifamily/industrial/retail/office (captured in Other) are excluded from index values.

Note: % of the total may not add to 100% due to rounding.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

In survey work, a **diffusion index** is used to highlight the main results on how a market, field, or industry is generally performing within a given time frame.

Our Fear and Greed diffusion index value (ranging from 0 to 100) demonstrates how far responses vary from the baseline (50). A value not far from the baseline indicates little change, whereas a value far from the baseline indicates great change. **For example, a value less than 45 indicates a tendency toward contraction, and a value over 55 indicates a tendency toward expansion.**

Index Components

Metric

Current CRE investment strategy

Expected CRE investment strategy (next 6 months)

Access to capital for CRE

Note: investment strategy refers to increasing, decreasing, or holding investment exposure to each commercial real estate sector.

Sample details

Conducted jointly by **John Burns Research and Consulting** and **CRE Daily**, the **Fear and Greed Index** measures investor sentiment across the US commercial real estate industry.

Responses by segment:

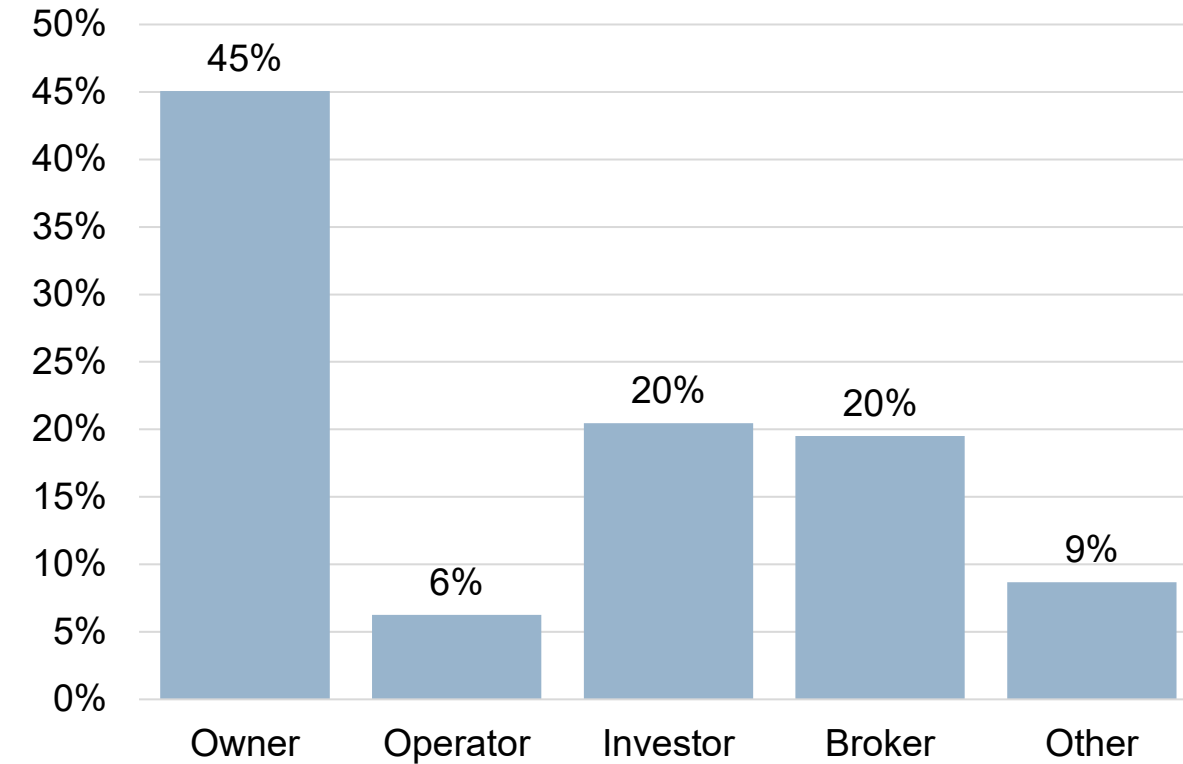


Responses by region:

Note that participants could select more than one region in which they are active. The total will not add to 100%.

- **California:** 24%
- **Florida:** 41%
- **Midwest:** 29%
- **Northeast:** 31%
- **Northwest:** 15%
- **Southeast:** 38%
- **Southwest:** 29%
- **Texas:** 37%

Primary Role



Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Apr-24, Pub: May-24)

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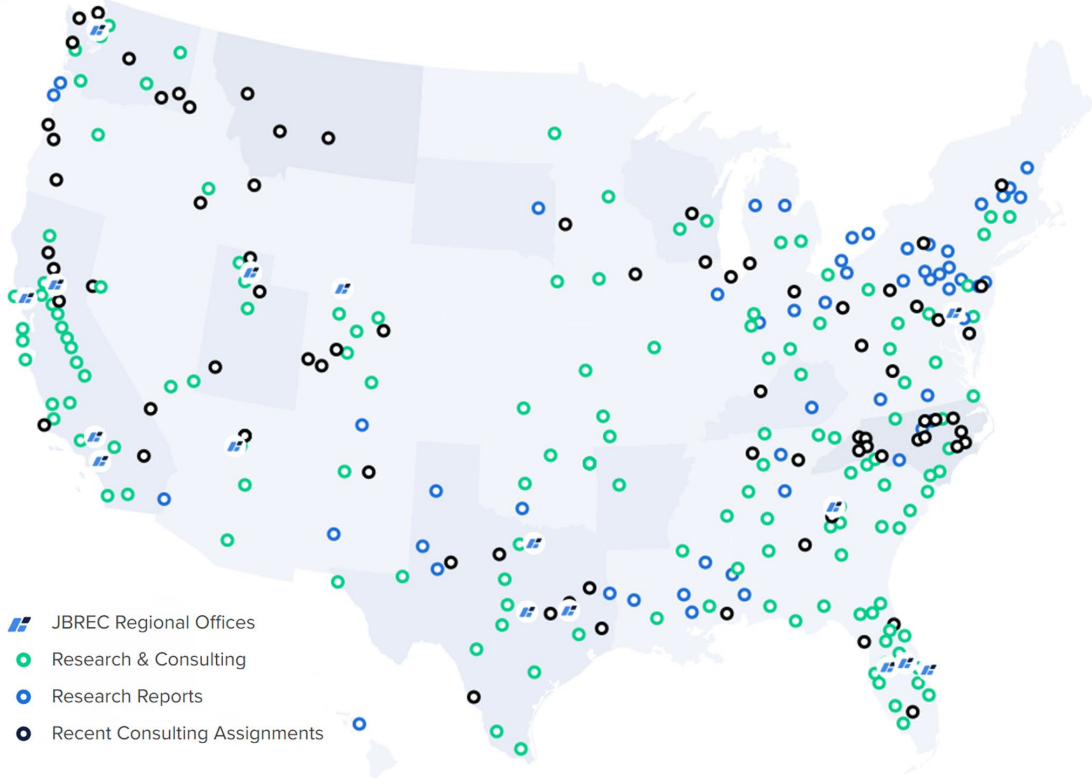
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