



4Q23 Fear and Greed Survey

 **JOHN BURNS**
RESEARCH & CONSULTING

 **CRE Daily**

February 27, 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 6 months, as well as changes in access to capital and asset values. The 4Q23 report is based on findings from 972 members of the commercial real estate community across four primary sectors, which are listed below:



Multifamily



Industrial



Retail

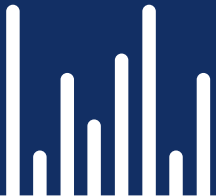


Office

The 4Q23 Fear and Greed Index survey ran from January 8–22, so responses, commentary, and sentiment reflect the latest shifts across commercial real estate.



Fear and Greed Survey



JBREC

Alex Thomas

Senior Research Analyst, Macro

athomas@jbrec.com

(949) 870-1262



JBREC

Alex Shaban

Research Analyst I, Macro

ashaban@jbrec.com

(949) 562-9859



JBREC

Ana Pattera

Manager, Surveys

apaterra@jbrec.com

(949) 341-4676



JBREC

Rick Palacios Jr.

Director of Research, Managing Principal

rpalacios@jbrec.com

(949) 870-1244



CRE Daily

Jordan Berger

Co-Founder

jordan@credaily.com



Publishing

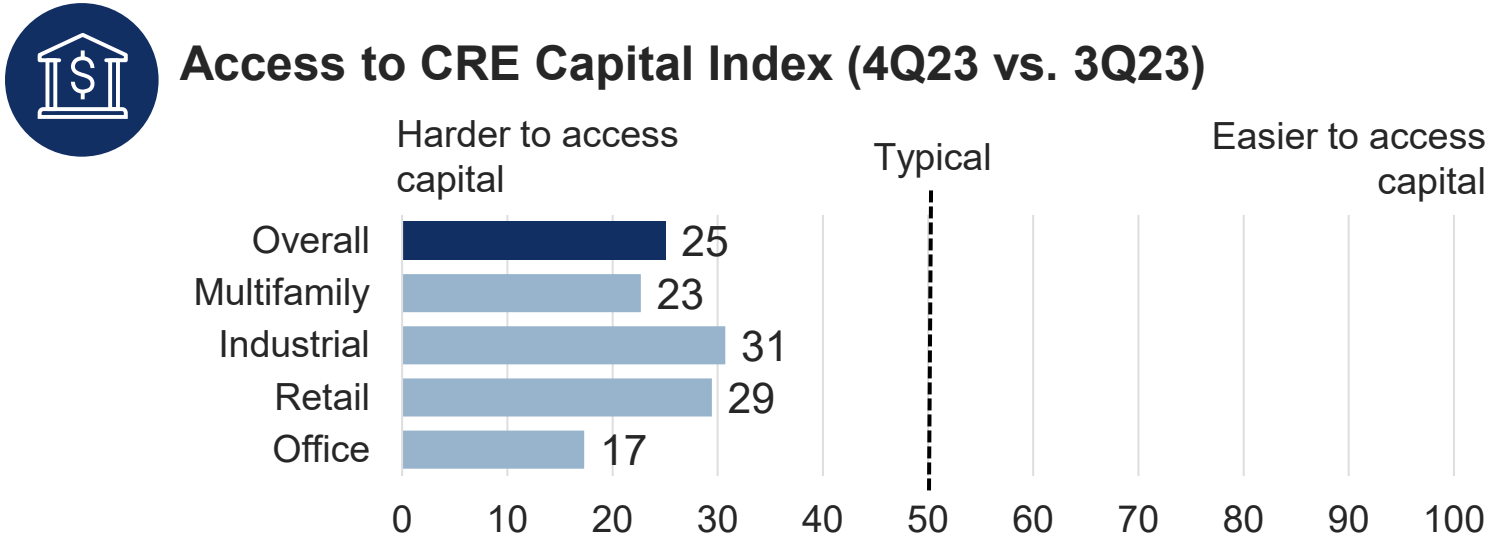
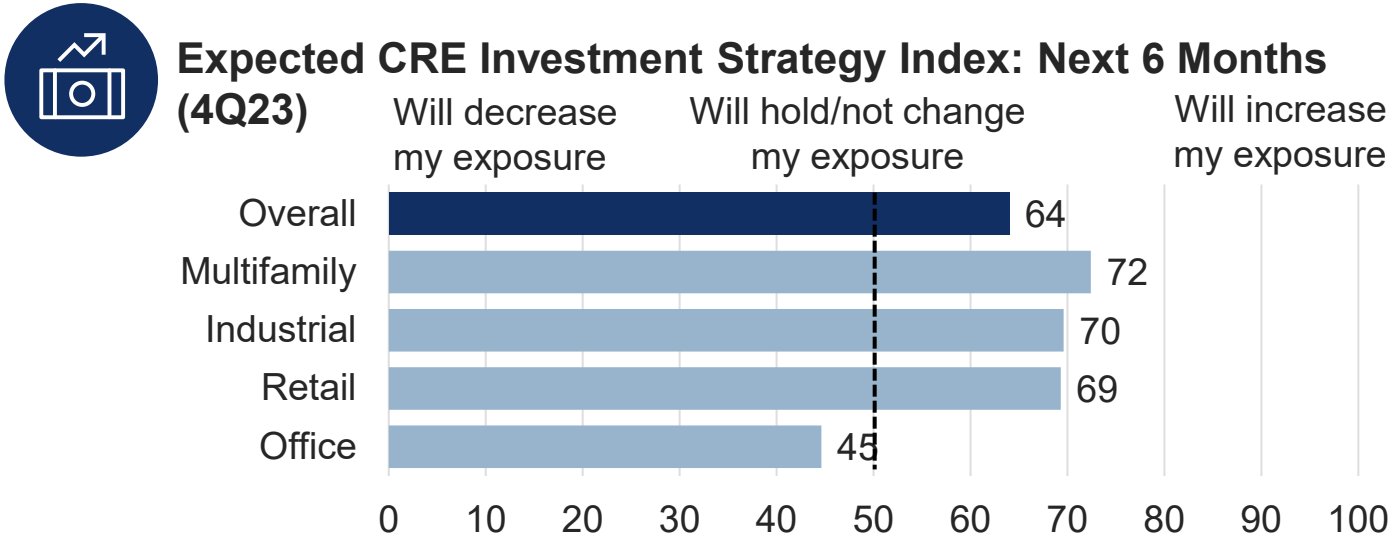
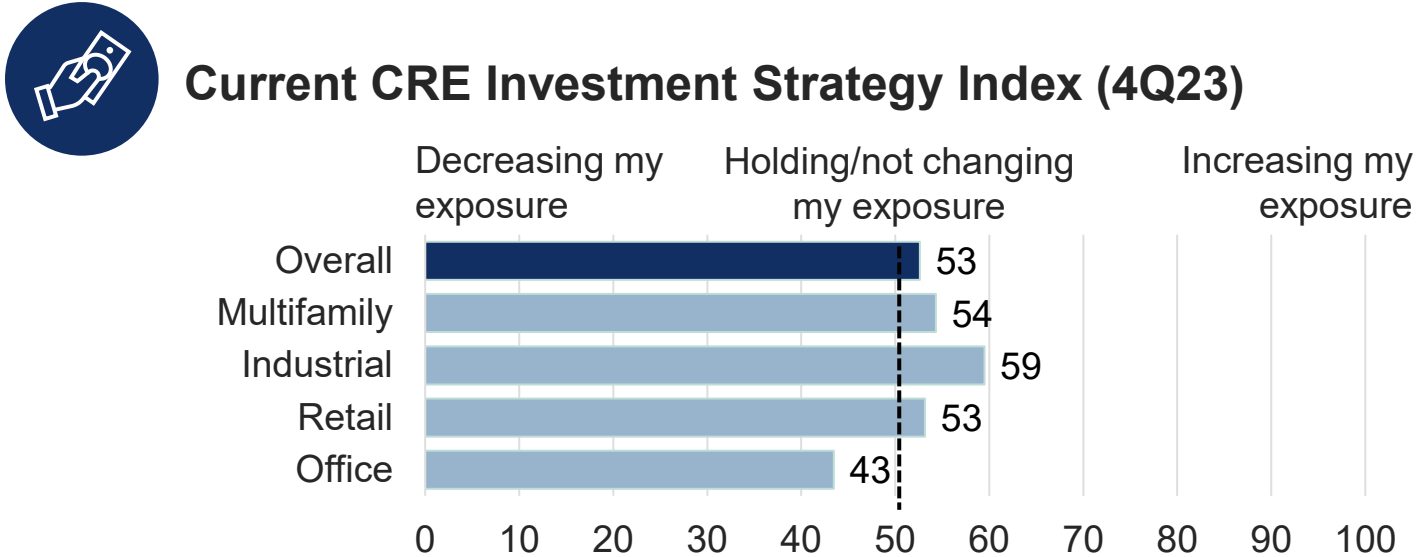
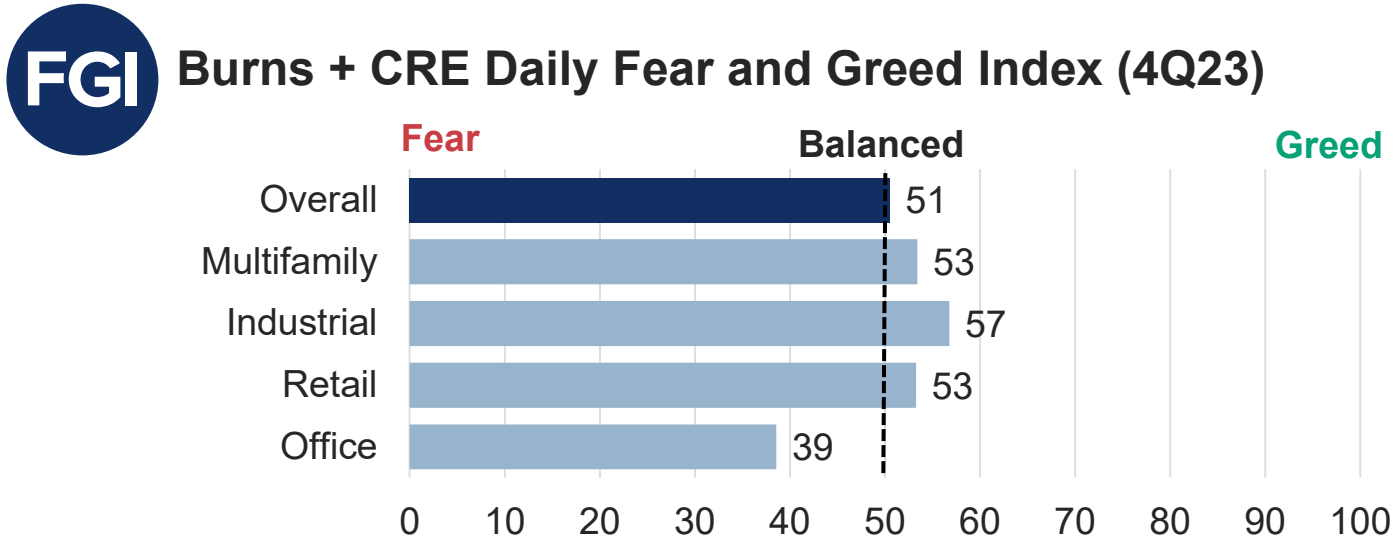
Ted Beam
*Senior Manager,
Publishing Operations*

Derek Stephens
Editor Associate

Kathy Lyford
Editor Associate

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.

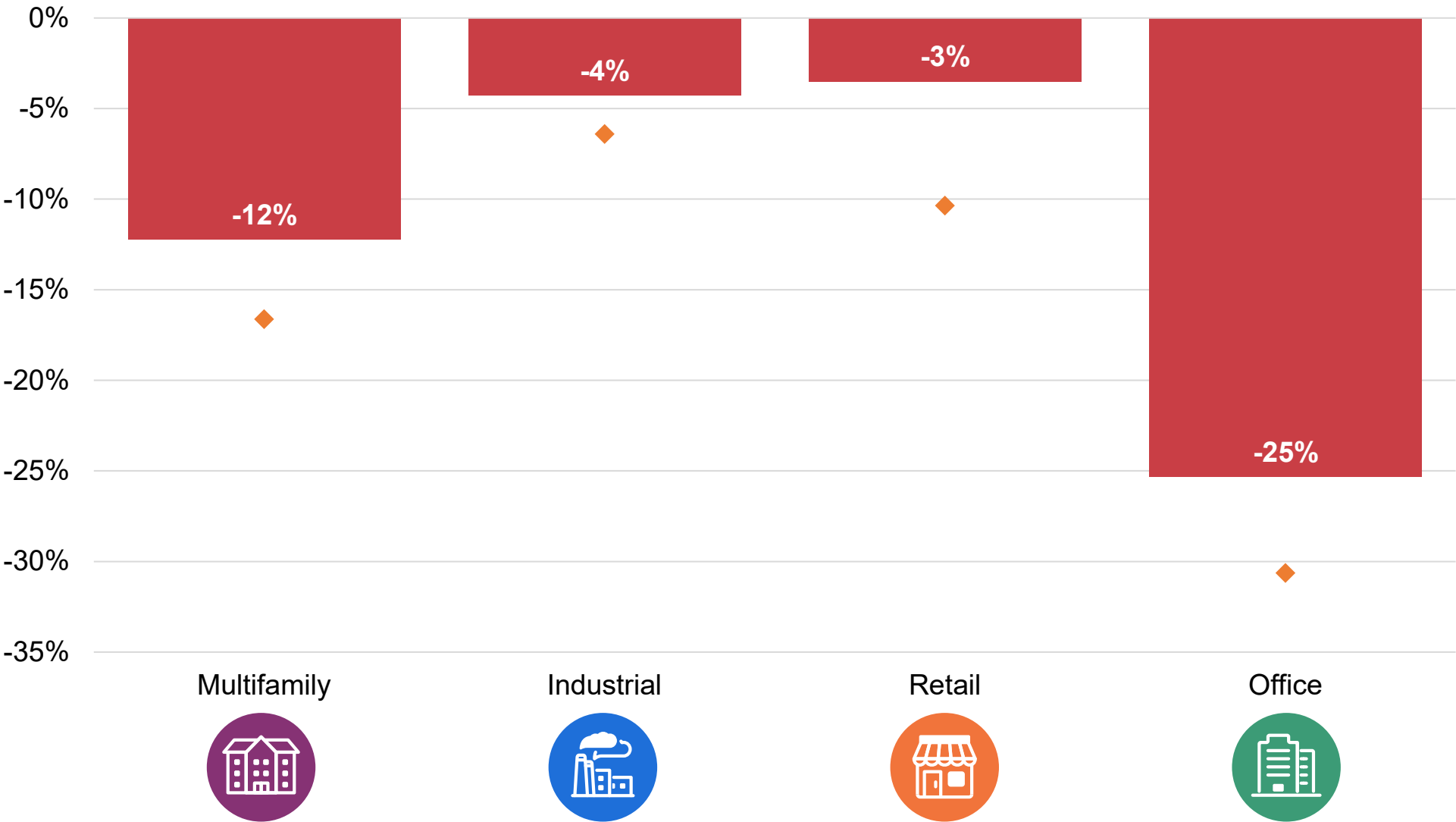


Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Jan-24, Pub: Feb-24)

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

Change in Commercial Real Estate Asset Values by Sector

% change YOY ■ 4Q23 ◆ 3Q23



Investors believe values fell most in the **office** sector and least in the **retail** and **industrial** sectors.

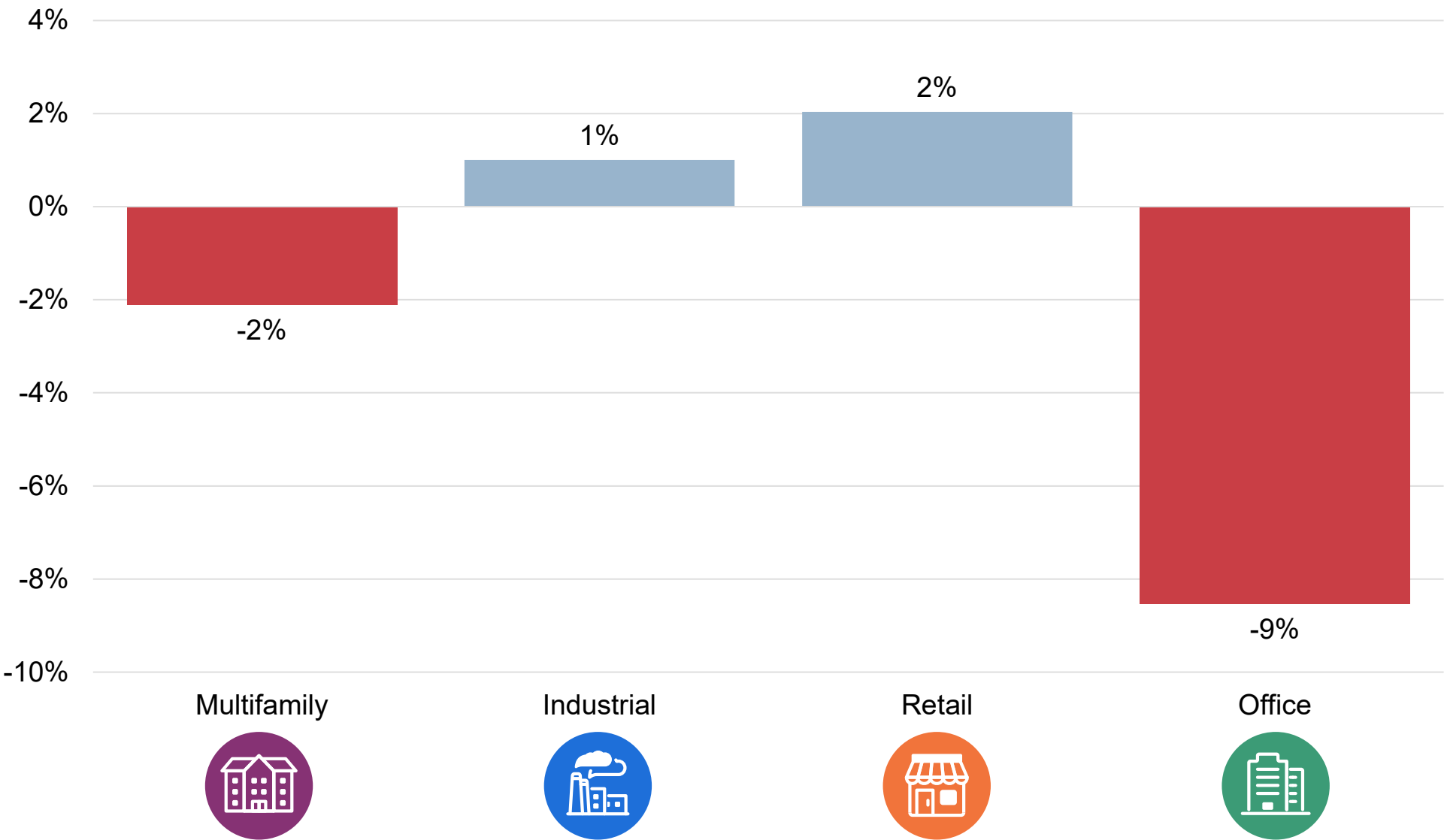
However, investors across sectors believe values are down less on a year-over-year basis in 4Q23 vs. 3Q23—a sign of improvement.

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Jan-24, Pub: Feb-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

Expected % change year-end 2024



Industrial and retail investors are more optimistic and expect growth in asset values by year-end 2024.

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

We are pleased to share the 4Q23 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 (green)**; ratings below 45 indicate industry **contraction (red)**. Ratings between 45 and 55 indicate a more balanced market.

The Fear and Greed Index is calculated as a weighted average of 3 sub-indices (weights in parentheses):



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 6 months**



Access to Capital Index

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

Fear and Greed Index Rating

51
out of 100

The Fear and Greed Index rates **51** out of 100, indicating a **balanced** commercial real estate market.

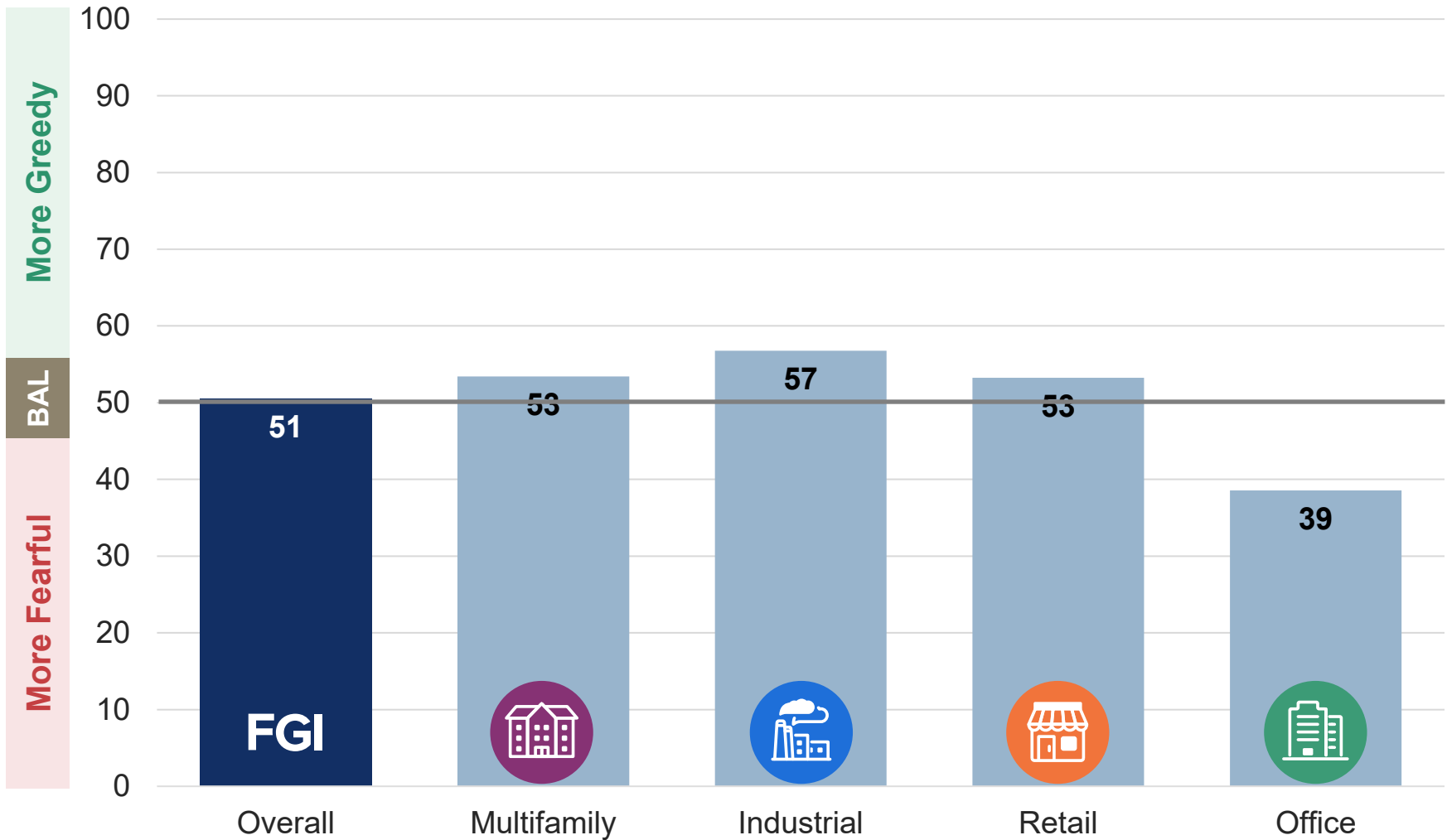


Conducted jointly by John Burns Research and Consulting and CRE Daily, the 4Q23 index reflects findings from 972 commercial real estate investors across four main sectors: multifamily, industrial, retail, and office.



Fear and Greed Index (4Q23)

The Fear and Greed Index is a composite diffusion index, which is a weighted roll-up of our 3 index questions that ask about investors’ current investment strategy, expected investment strategy over the next 6 months, and the availability of capital for CRE investments.



The Fear and Greed Index—a leading indicator for commercial real estate investment activity—rated 51 on a 100-point scale in 4Q23, indicating a balanced market.

Industrial real estate investors are slightly more greedy than fearful, while office investors are more cautious.

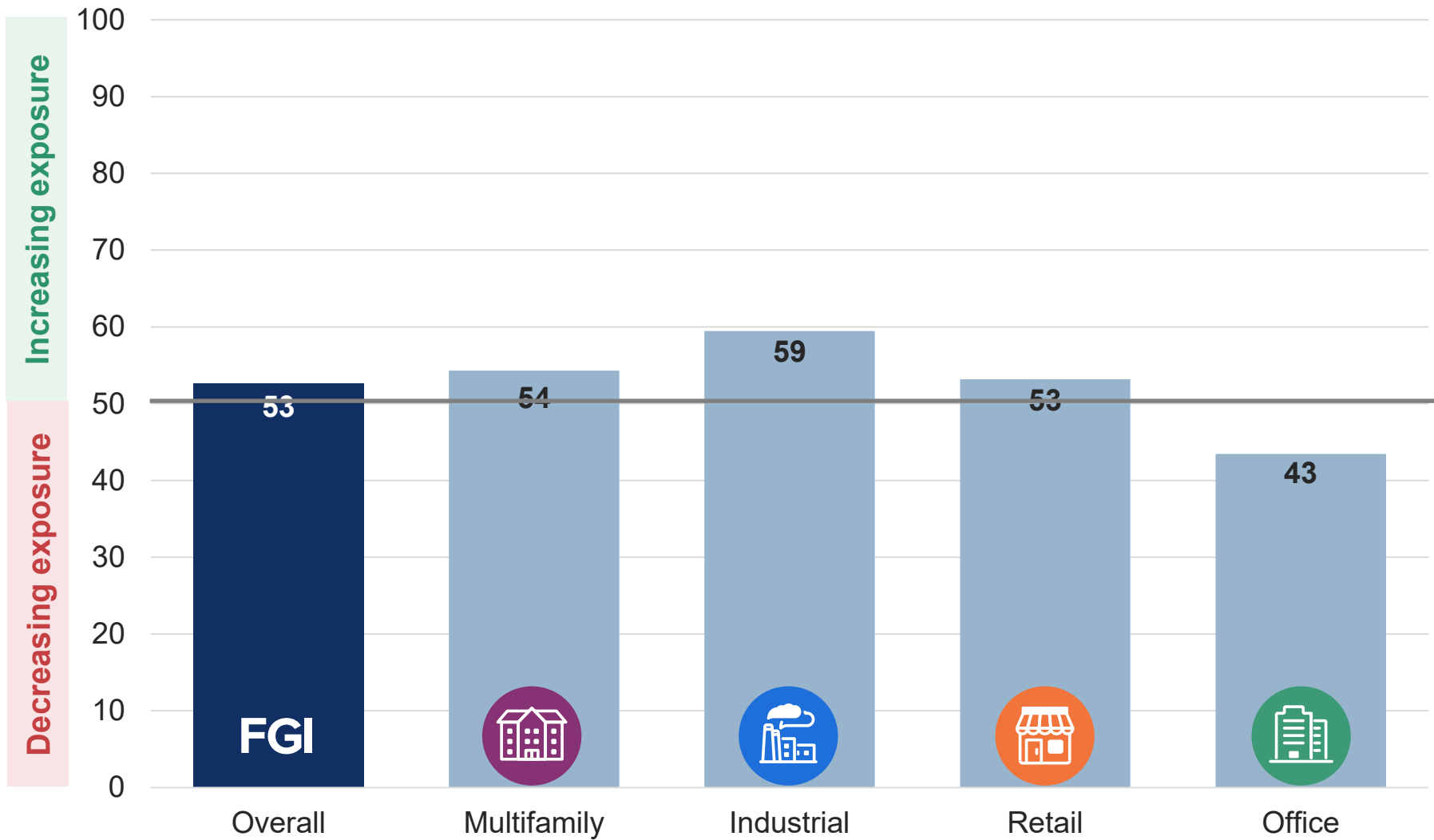
Note: Ratings above 55 indicate more “greed” among commercial real estate investors (expanding CRE market), while ratings below 45 indicate more “fear” among CRE investors (contracting CRE market). A rating between 55 and 45 indicates a balanced market (denoted by BAL in the graph’s y-axis labels).

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



Current Investment Strategy Index (4Q23)

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.



Slightly more investors are currently increasing their investment exposure vs. decreasing in most sectors.

Office is the exception.

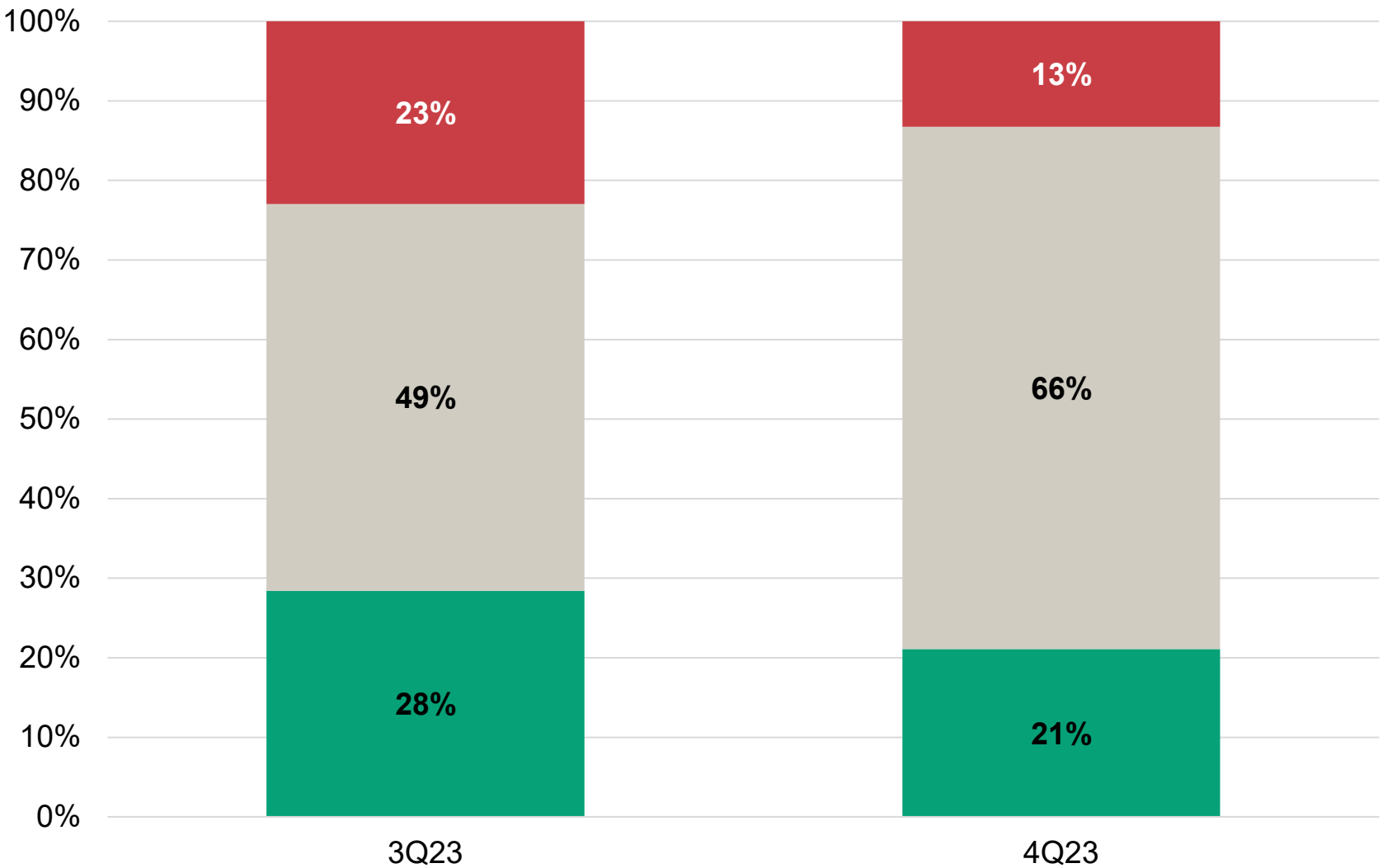
Note: Ratings above 50 indicate that more investors are increasing than decreasing their investment exposure, while ratings below 50 indicate that more investors are decreasing than increasing their investment exposure.

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

66% of commercial real estate investors are holding tight in 4Q23, up from 49% in 3Q23.

Current Commercial Real Estate Investment Strategy

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



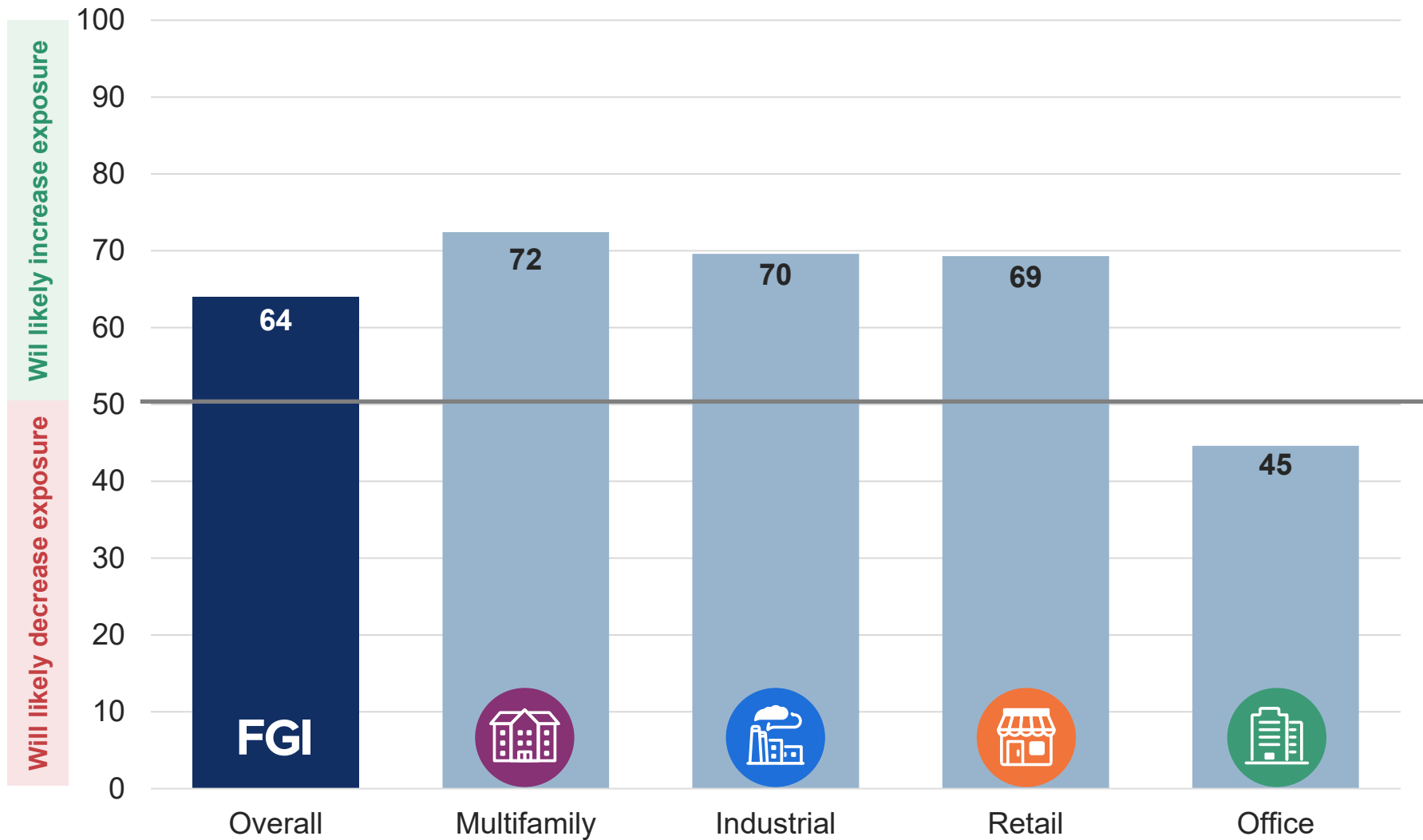
Most commercial real estate investors are in wait-and-see mode due to uncertainty.

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



Expected Investment Strategy Index: Next 6 Months (4Q23)

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 6 months.



In most sectors, more investors expect to increase than decrease their CRE exposure over the next 6 months. **Office** is the exception.

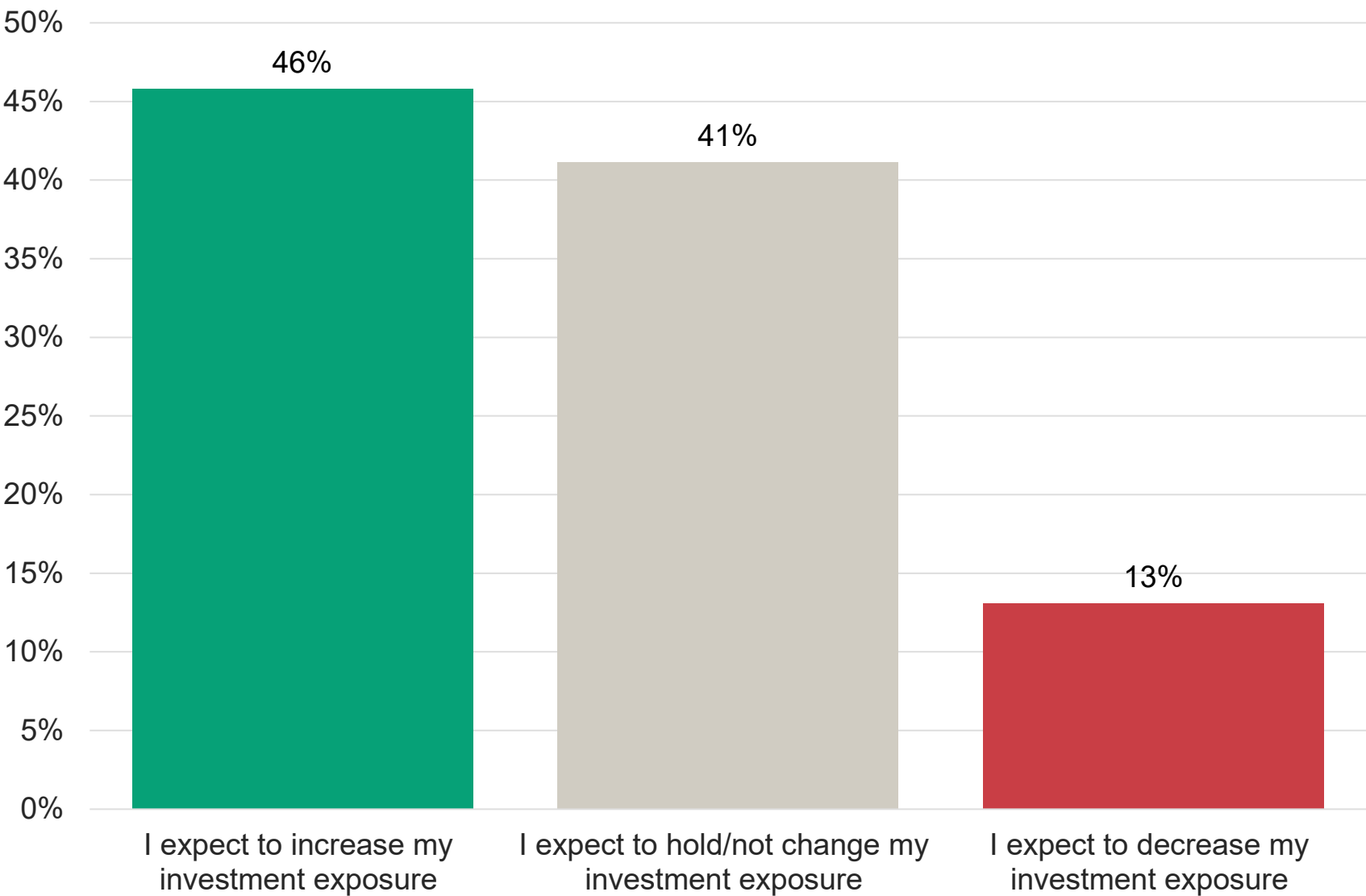
CRE investors broadly are more optimistic about conditions over the next 6 months than current conditions.

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: Jan-24, Pub: Feb-24)

Nearly half (46%) of CRE investors expect to increase their exposure over the next 6 months—a sign of optimism.

Expected Commercial Real Estate Investment Strategy (Next 6 Months)



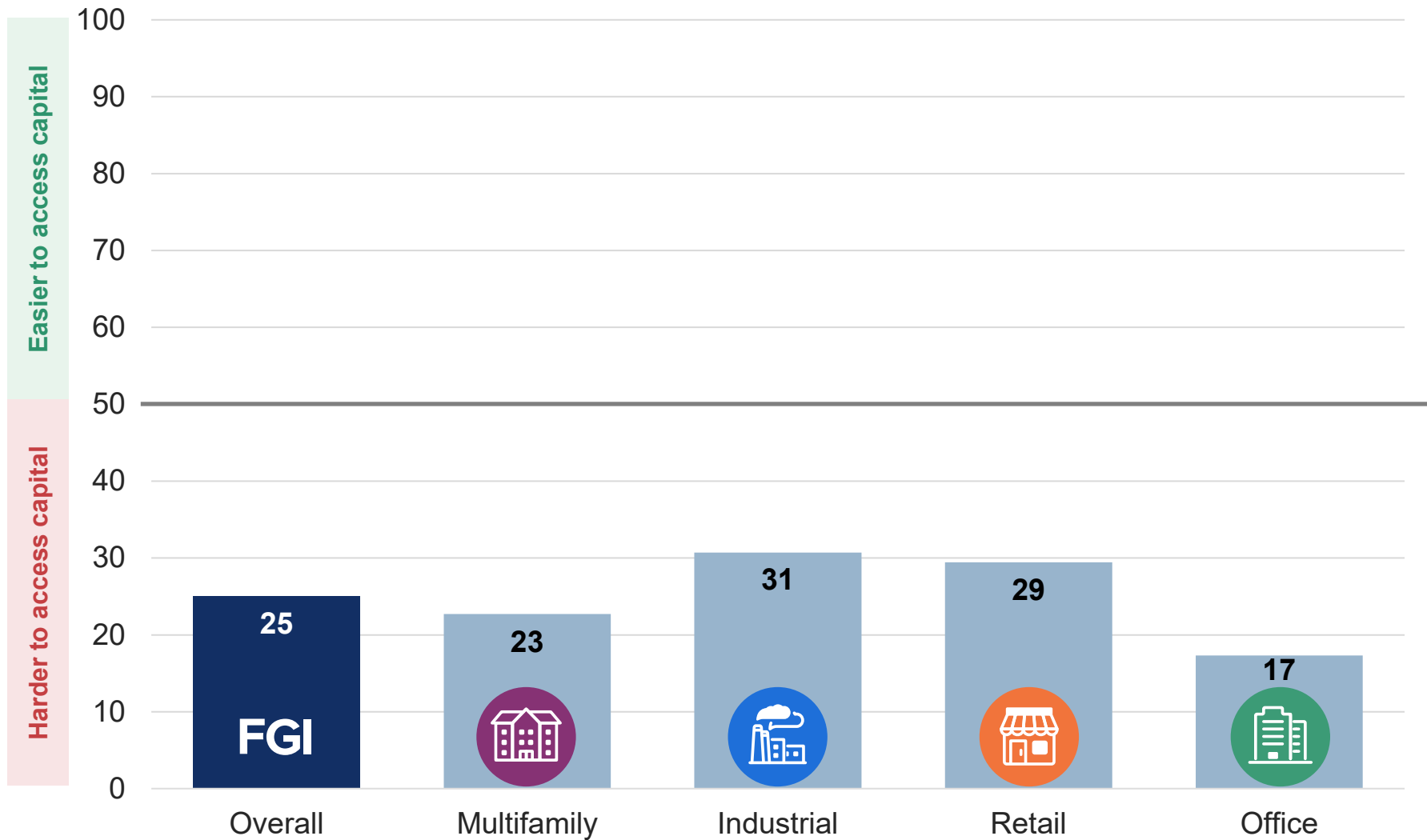
But many investors are still wary. 41% expect to hold their CRE exposure over the next 6 months.

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



Access to Capital Index (4Q23)

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



Credit conditions are tight across all CRE sectors and are getting tighter.

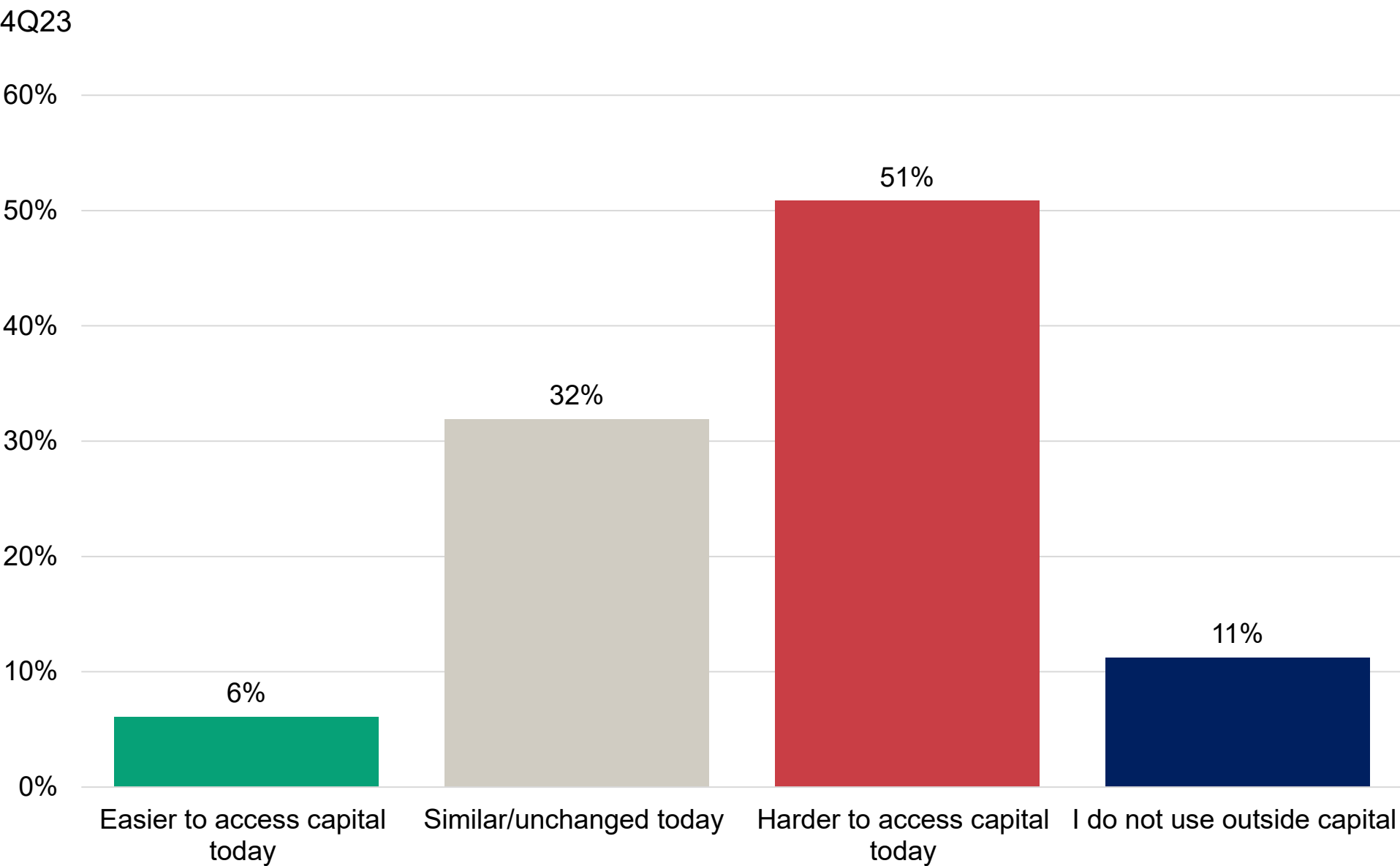
Capital is especially difficult to access for **Office** investors.

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: Jan-24, Pub: Feb-24)

Most investors (51%) tell us credit tightened between 3Q23 and 4Q23.

Access to Capital for Commercial Real Estate vs. Prior Quarter



11% of CRE investors are not using outside capital.

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

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 6 months).
- 3) **Access to capital** (easier or harder vs. prior quarter)

Survey Responses

Sector	Responses	% of Sample
Multifamily	390	40%
Industrial	173	18%
Retail	177	18%
Office	149	15%
Other*	83	9%
Total:	972	

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

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

Sources: John Burns Research and Consulting, LLC; CRE Daily (Data: Jan-24, Pub: Feb-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 point.

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 tendency toward contraction, and a value over 55 indicates 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:

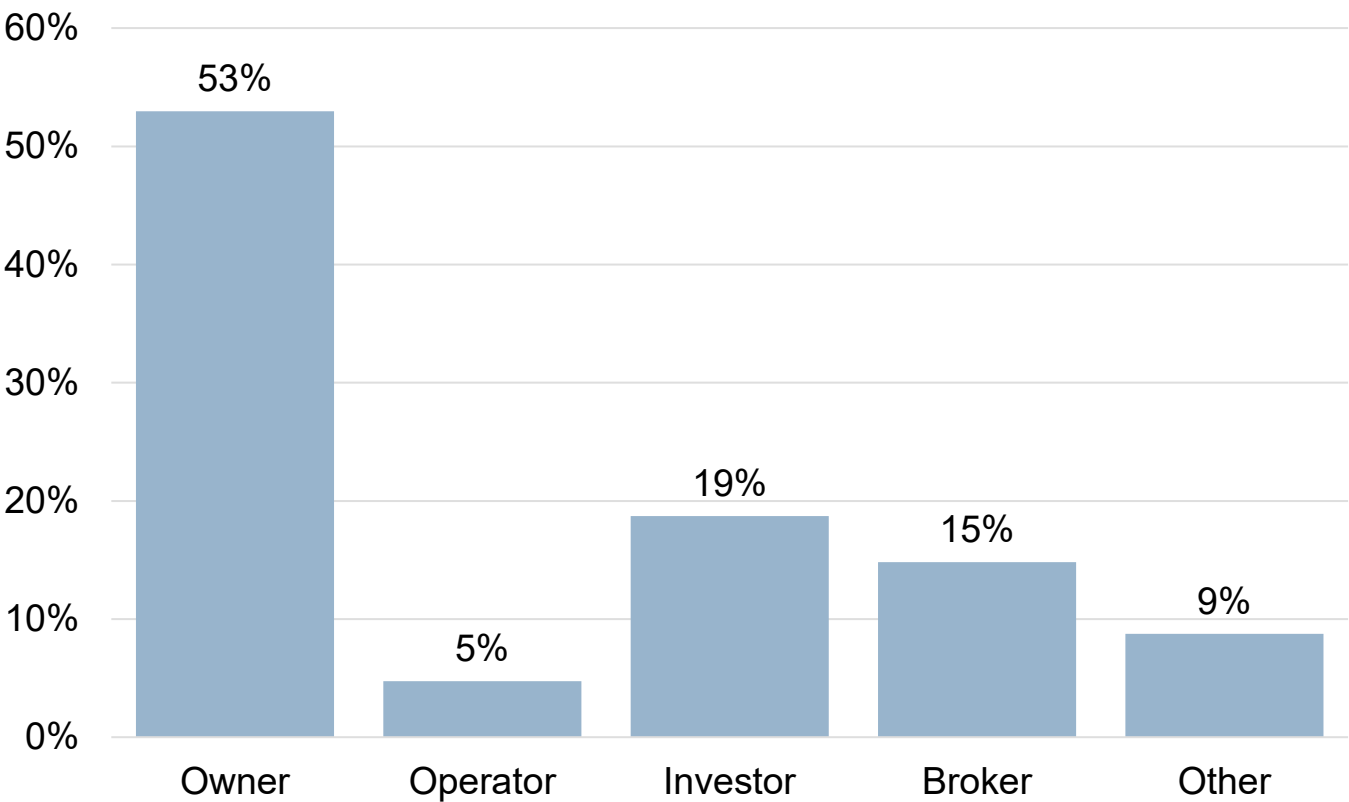


Responses by region:

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

- **California:** 22%
- **Florida:** 44%
- **Midwest:** 30%
- **Northeast:** 29%
- **Northwest:** 12%
- **Southeast:** 37%
- **Southwest:** 28%
- **Texas:** 43%

Primary Role



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

Contact the John Burns team

Report Analysis

Rick Palacios Jr.
rpalacios@jbrec.com
(949) 870-1244

Alex Thomas
athomas@jbrec.com
(949) 870-1262

Alex Shaban
ashaban@jbrec.com
(949) 562-9859

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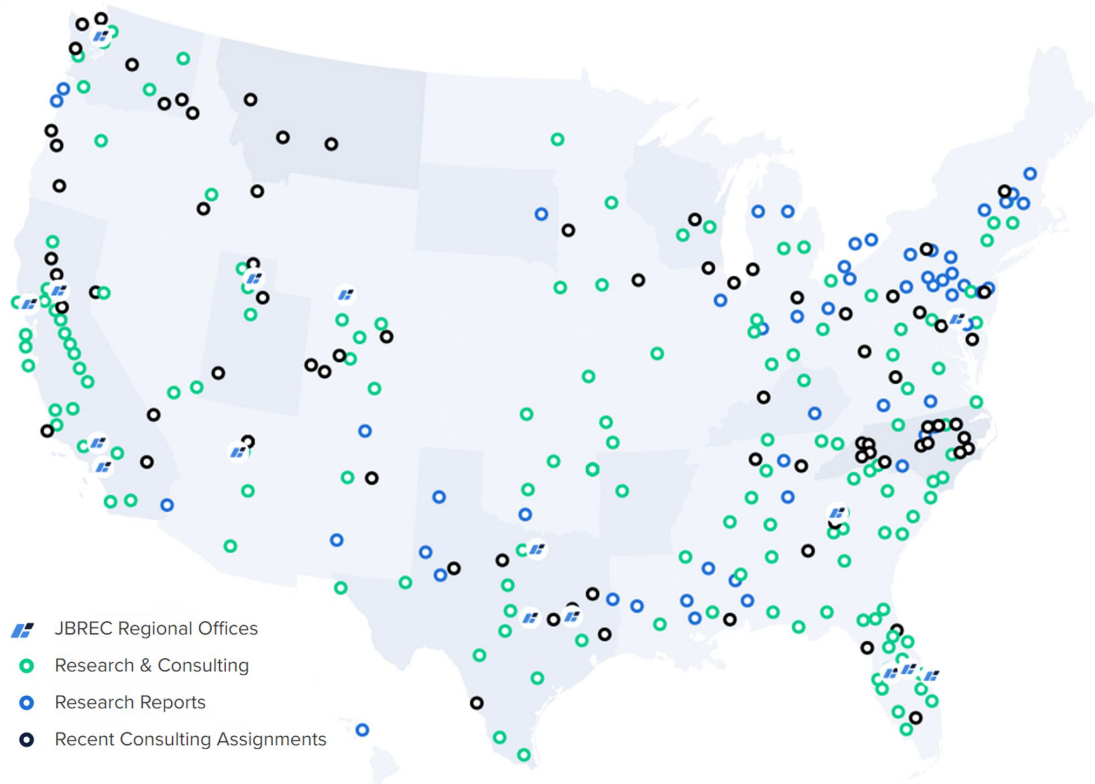
- **Research memberships:** We provide our research members with subscription packages of informative, timely analysis supported by data and dashboards. We also service our members by answering their individual questions and hosting them at our client-only events.
- **Consulting services:** We provide our consulting clients with customized analysis to help them answer specific questions on topics ranging from developing strategy to acquiring a specific property or company.

For more information, visit jbrec.com.



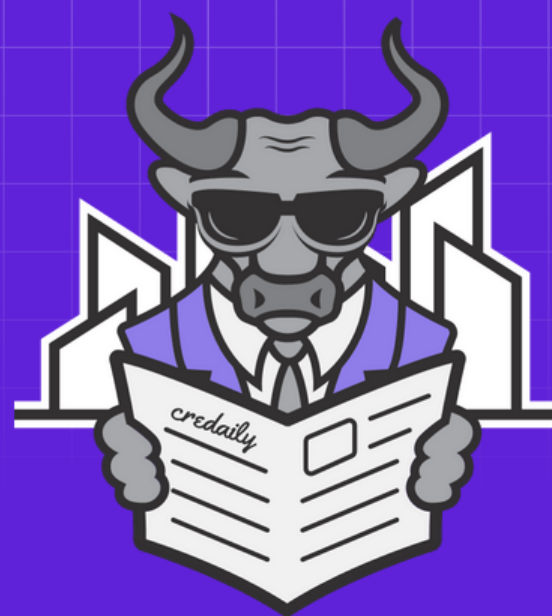
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