



January 2024



**Property Income Advisors, Inc.** is a real estate advisory firm with professional expertise and a focused niche exclusively assisting Gulf-based clients in the investment and management of United States commercial real estate.

We provide a turnkey real estate investment management platform for acquisitions, financing and sales, as well as comprehensive asset management capabilities.

Our combined career experience of more than 75 years includes the successful asset management of more than 13 million square feet of United States commercial real estate valued in excess of \$2 billion. In addition, we have directed property acquisitions, dispositions, financings and lease transactions totaling more than \$3 billion.

**Property Income Advisors, Inc.** has nationwide experience and maintains strong national relationships to insure success in all of the major markets in the United States. Our clients consist of Gulf-based high net-worth investors, family offices, private banks and institutions.

# State of the Market

## Survey Finds High Interest Rates, Cost of Capital, Lower Returns and Debt Maturities Will Negatively Impact the Commercial Real Estate Sector During 2024

The *Emerging Trends in Real Estate 2024* survey, published jointly by the Urban Land Institute and PwC, was recently released. The results of this annual survey, whose participants are all senior commercial real estate executives, has been found to be very accurate in terms of evaluating market conditions, challenges, and opportunities for investors in the year ahead. Shown below are some of the key themes outlined within the report as reported by LoopNet, which provides a very good review of what to expect within the commercial real estate (CRE) sector for 2024.

### The Great Reset to Reality

As the reality of sustained higher rates sunk in throughout 2023, in preparation for the future, market participants are recalibrating their expectations “to reflect diminished drivers in the coming years to the detriment of rent growth, property values and returns.” One participant stated “Most investors are anchored to what transpired over the last 13 or 14 years with zero interest rates. Everybody’s anchoring to the old days, and until they adjust to the new rates, buyers and sellers will not transact.” On the bright side, the survey noted that while the “office sector has an outsized impact on the perceived risks and opportunities in CRE, fundamentals in most other sectors are still generally strong, distress is low for now.”

### Office Space Forever Changed; Retail a Bright Spot

After three years of hoping for a turnaround, survey participants have surrendered to the notion that demand for office space has forever changed. “There is no longer any reasonable expectation of a full office market recovery back to pre-pandemic levels.” The office market is now in the throes of a through reconsideration of its purpose and role, but after much hype about office to residential conversions, market participants are aware that “broad-brush conclusions should be resisted.” According to the study, the retail sector may serve as a guiding light. For about 10 years, due largely to e-commerce and the pandemic, the retail sector underwent a significant repositioning. Today, office investors are looking at retail properties to learn how owners successfully navigated that sector’s evolution.



**Scott A. Sweeney**  
Chief Executive Officer

Office: 858.451.8125  
Mobile: 619.507.8286  
[ssweeney@propincadv.com](mailto:ssweeney@propincadv.com)  
[www.propincadv.com](http://www.propincadv.com)

16870 West Bernardo Drive  
Suite 400  
San Diego, California 92127

## It's all About the Debt

Interest rate increases are upending the CRE industry. CRE capital has become scarce and expensive. While distress levels remain low, a liquidity crisis looms as many owners of underperforming buildings face debt deadlines and will be unable to refinance their projects, prompting either defaults or distressed asset sales,” according to the survey. “Thus far, delinquency and default rates remain at healthy levels although we can expect delinquency and default rates to rise significantly, particularly in the office and multifamily sectors, as major leases expire, and mortgages come due,” predicted the study. Capital availability was cited as the second most important issue for real estate in the 2024 survey, topped only by “interest rates and cost of capital.”

## Top Ten U.S. Cities to Watch for 2024

The top ten U.S. cities ranked by the *Emerging Trends* survey respondents for real estate investment in 2024 are listed below. Most cities are located in the sunbelt where population and economic growth have been strong and the cost of living is lower overall.

Nashville rated No. 1 for the third year in a row. Tampa/St. Petersburg, Miami and Charlotte, all on the top ten list for 2023, fell off the top ten list for 2024. San Diego (6) and Seattle (10) regained top ten status and Boston (7) was the only Gateway City to be included in the top ten list for 2024.

1. Nashville, Tennessee (1 – 2023)
2. Phoenix, Arizona (9 – 2023)
3. Dallas/Fort Worth, Texas (2 – 2023)
4. Atlanta, Georgia (3 – 2023)
5. Austin, Texas (4 – 2023)
6. San Diego, California (11 – 2023)
7. Boston, Massachusetts (8 – 2023)
8. San Antonio, Texas (12 – 2023)
9. Raleigh/Durham, North Carolina (6 – 2023)
10. Seattle, Washington (17 – 2023)

To view the entire *Emerging Trends in Real Estate*® 2024 report go to: [Emerging Trends 2024](#)

*Property Income Advisors, Inc. is regulated and licensed by:*  
*California Department of Corporations – #C3463801*  
*California Bureau of Real Estate – #01914717*