

Commercial State of the Market Report

Pilot Report: May 5, 2023



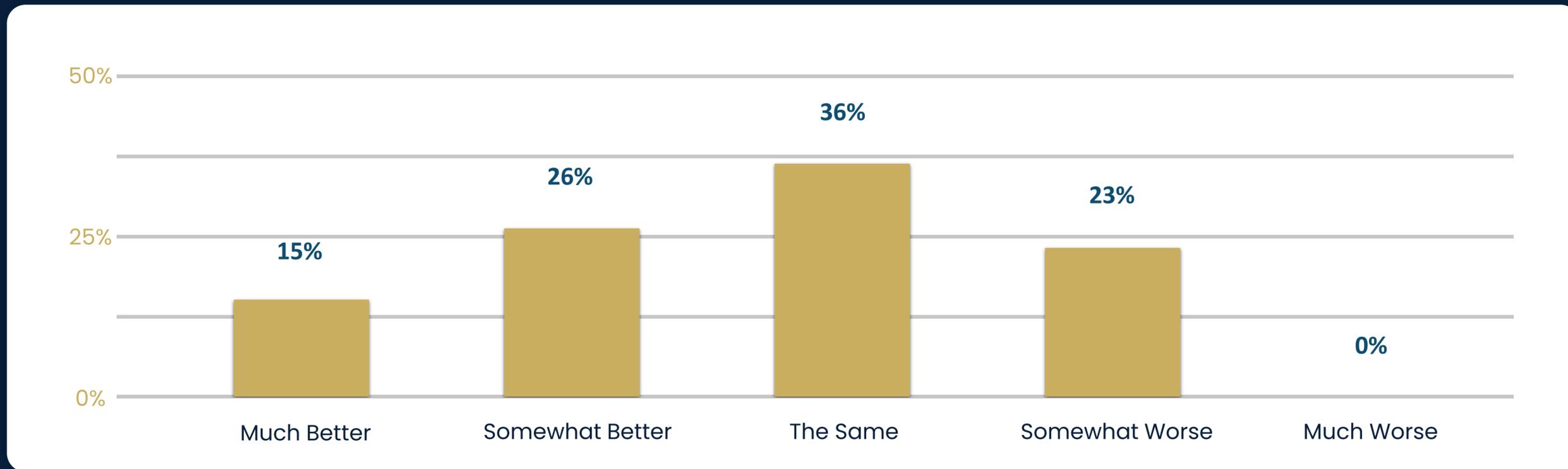
About the Report



The study was piloted in May 2023 by MetroTex Association of REALTORS® and Texas Real Estate Research Center at Texas A&M University.

As statistical significance depends on response rates, many results will not be statistically significant until future editions. Current statistical significance is noted in the report.

Most see similar or better conditions compared to a year ago.

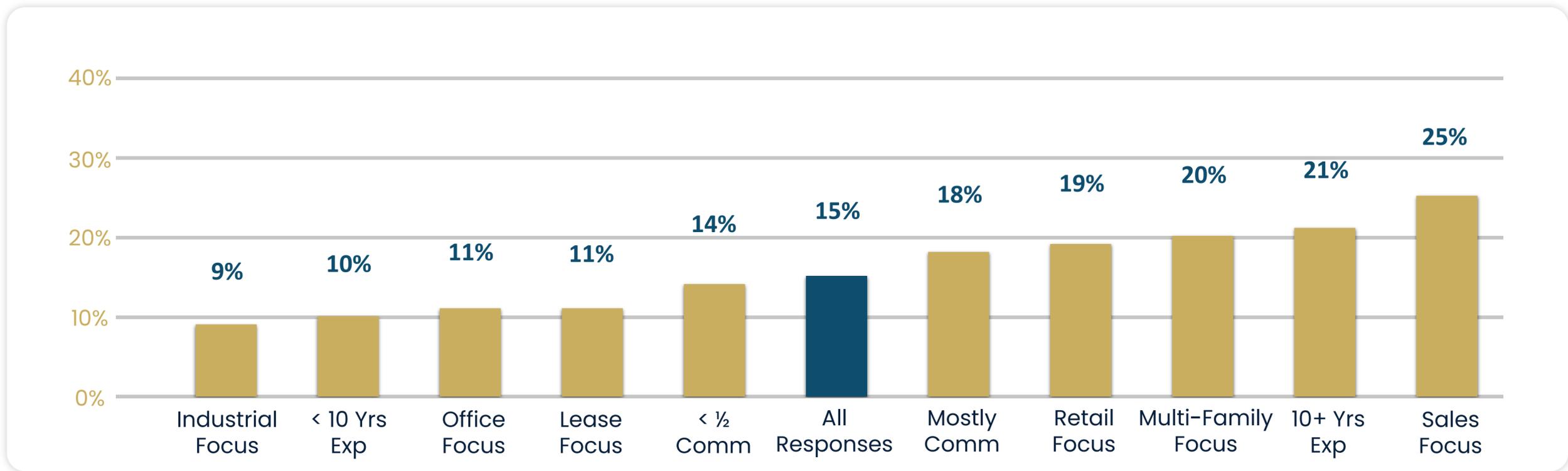


These results are not yet statistically significant.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Detail: Much Better Conditions

Sales-focused agents report the most improvement. One in five more experienced agents and Multi-Family focused agents see much better conditions.

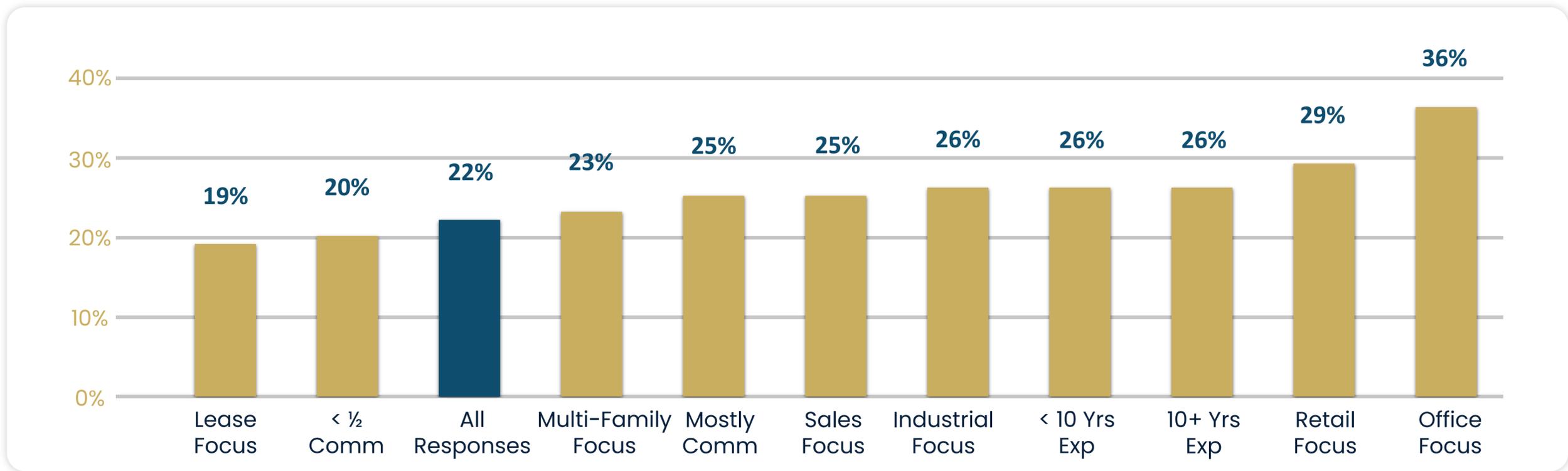


These results are not yet statistically significant.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Detail: Somewhat Better Conditions

Office-focused agents were most likely to report somewhat better conditions compared to last year, followed by Retail-focused agents.

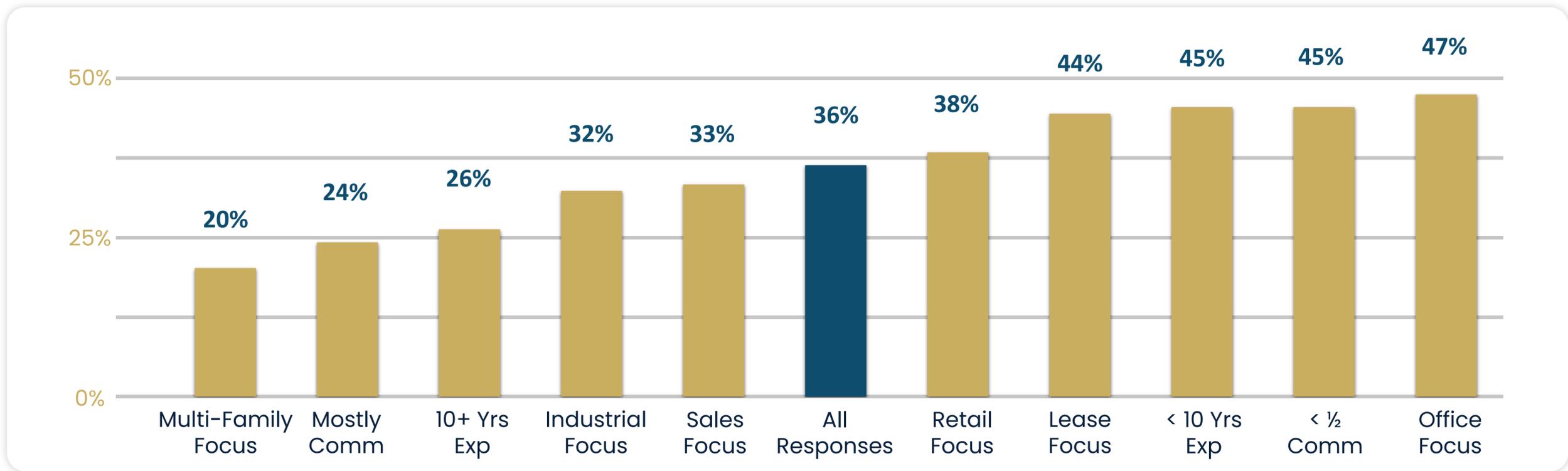


These results are not yet statistically significant.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Detail: Unchanged Conditions

Multi-Family focused agents were the least likely to say conditions remained the same from last year, with Office-Focused most likely to see unchanged conditions.

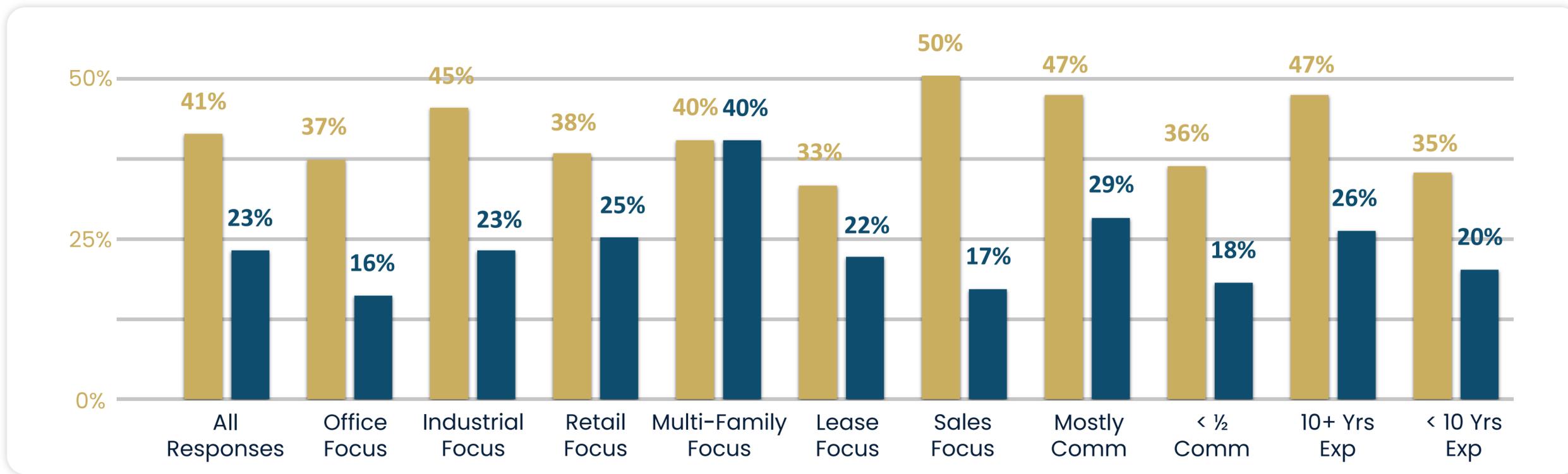


Multi-Family and Office results are statistically significant. The others are not.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Sentiment varies between different groups.

Better conditions compared to last year were reported by Sales-focused agents, those with primarily commercial businesses, and the most experienced agents.

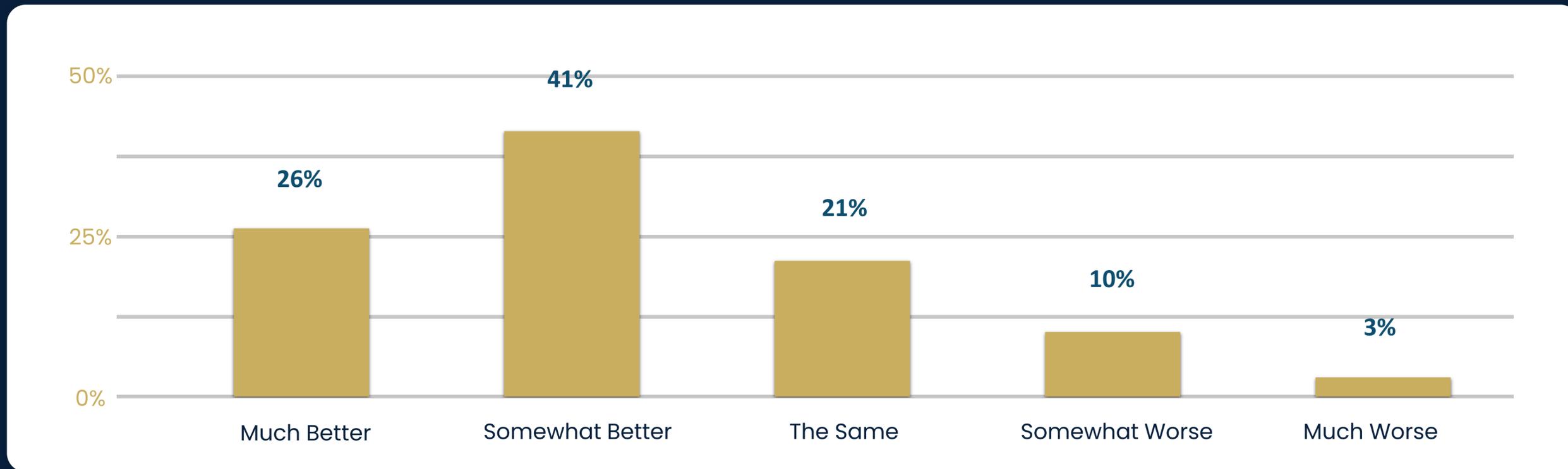


■ Much/Somewhat Better
■ Somewhat Worse

Sales Focus results are statistically significant, the other categories are not.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

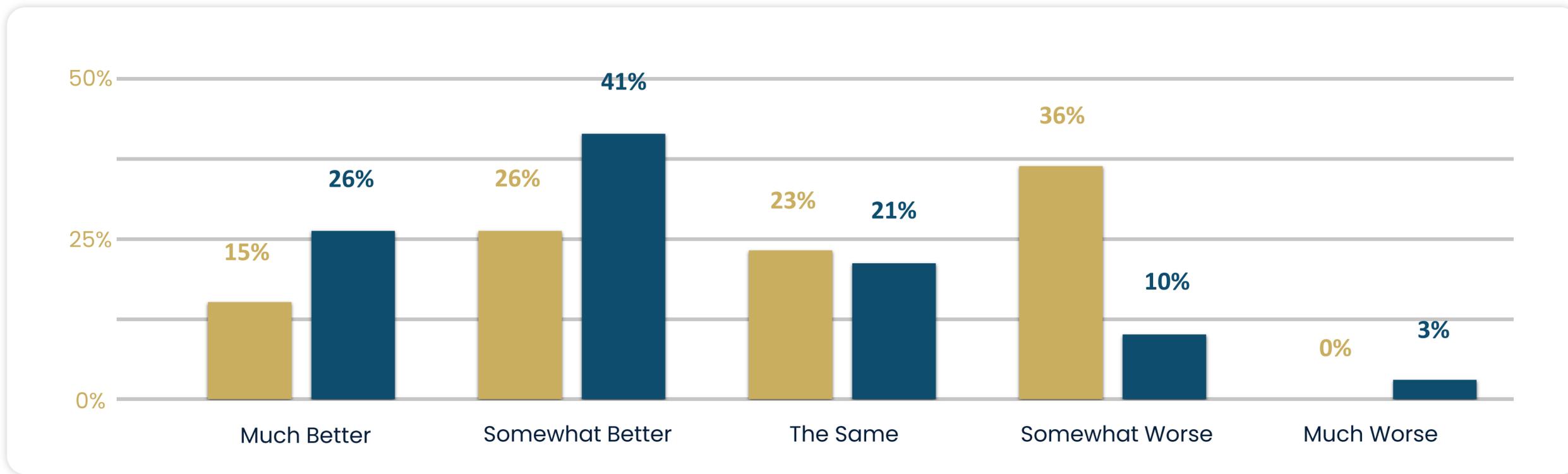
Most expect conditions to improve over the next year.



Somewhat Better is statistically significant; the categories are not.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

There is strong positive sentiment for the next year.

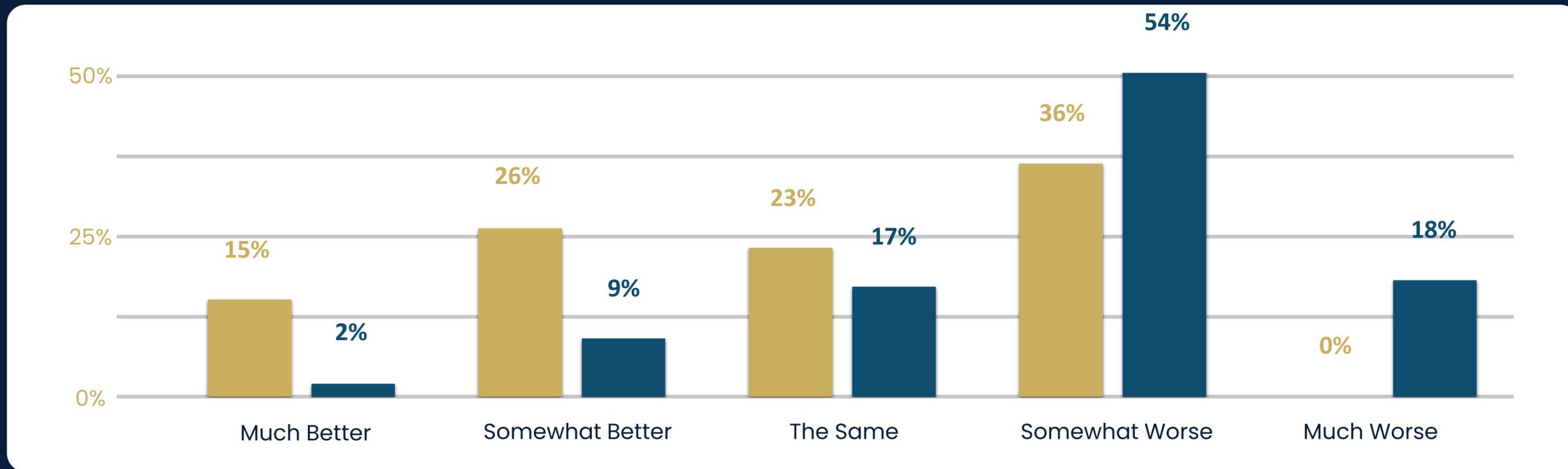


■ Today vs. One Year Ago
■ One Year from Today

These results are not yet statistically significant.
Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Local vs. National Responses

Compared to the National Real Estate Roundtable, MetroTex's local area reports more favorable conditions today compared to one year ago.



Somewhat Worse is statistically significant; other categories are not. Indices are meaningful but not yet statistically significant.

Source: MetroTex Association of REALTORS®, Real Estate Roundtable, Texas Real Estate Research Center

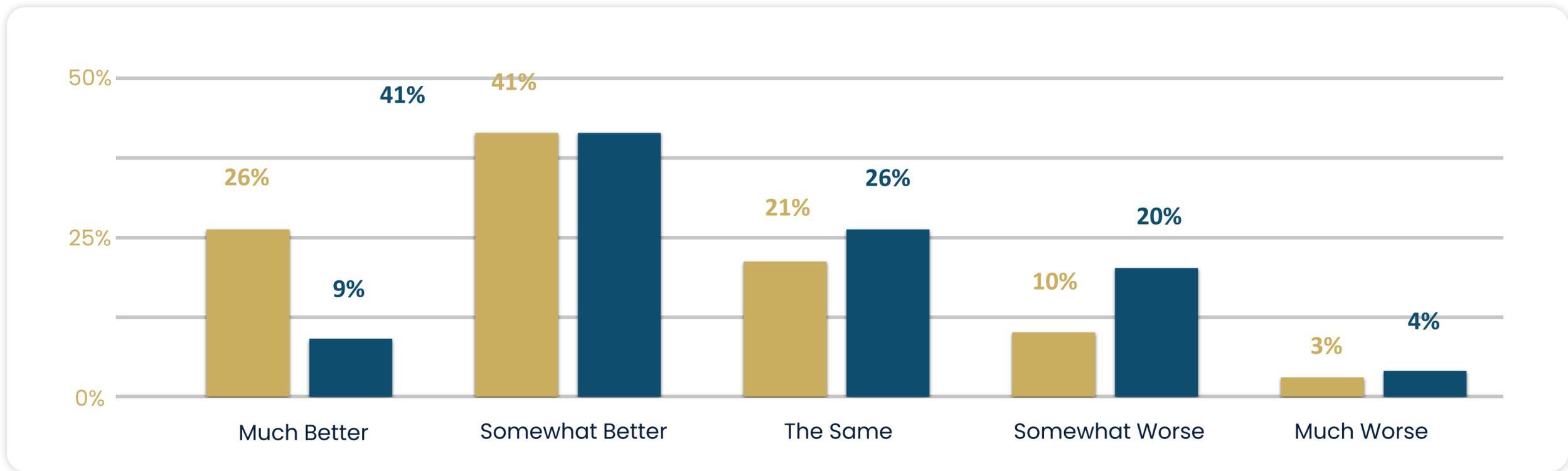
MetroTex
Real Estate Roundtable

MetroTex Index
58

National Real Estate Roundtable Index
31

Locals also more optimistic about the future.

Locals are 2.5 times more likely to expect conditions one year from today to be “much better,” and half as likely to expect conditions to be “somewhat worse.”



Somewhat Worse is statistically significant; other categories are not. Indices are meaningful but not yet statistically significant.

Source: MetroTex Association of REALTORS®, Real Estate Roundtable, Texas Real Estate Research Center

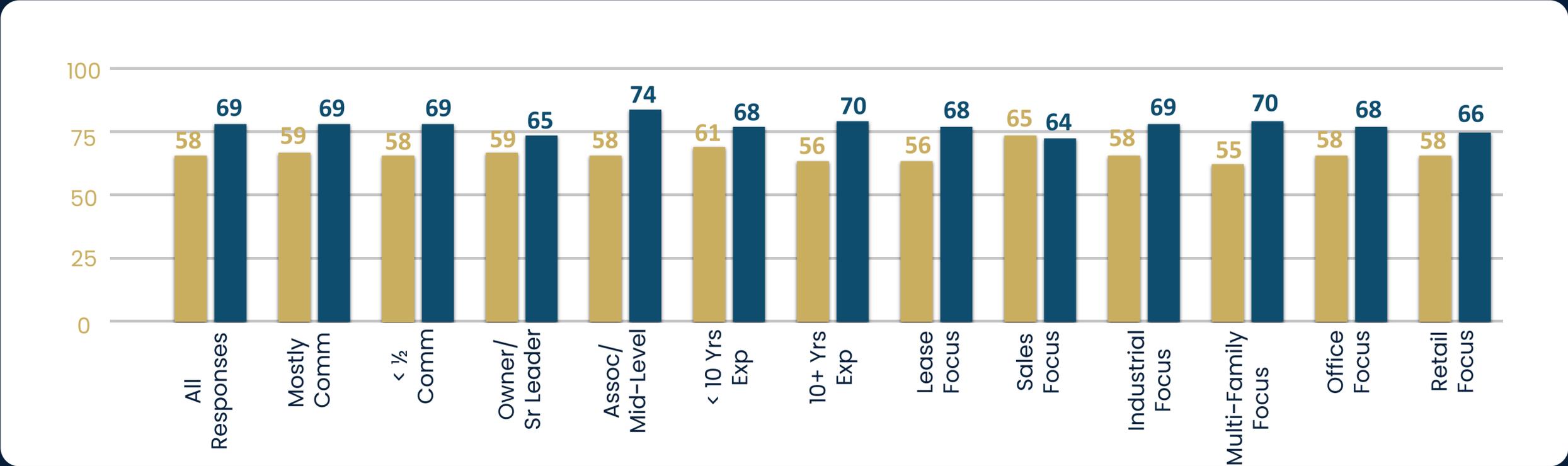
MetroTex
Real Estate Roundtable

MetroTex Index
69

National Real Estate Roundtable Index
58

Commercial Sentiment Index

All categories expect better conditions a year from now. The biggest change is predicted by less senior agents and those with a multi-family focus.



Today
One Year from Today

These results are not yet statistically significant.
Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

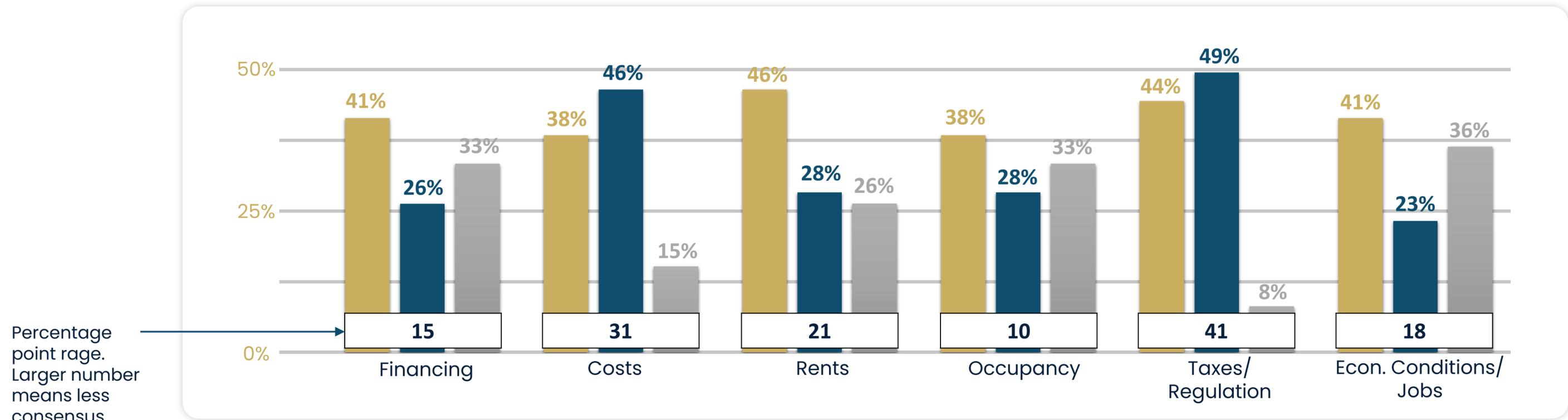


Detailed Business Conditions Sentiment



Taxes and regulations will worsen, costs and rents will be up.

Less agreement on the availability of financing, occupancy rate, and overall economic and job conditions.



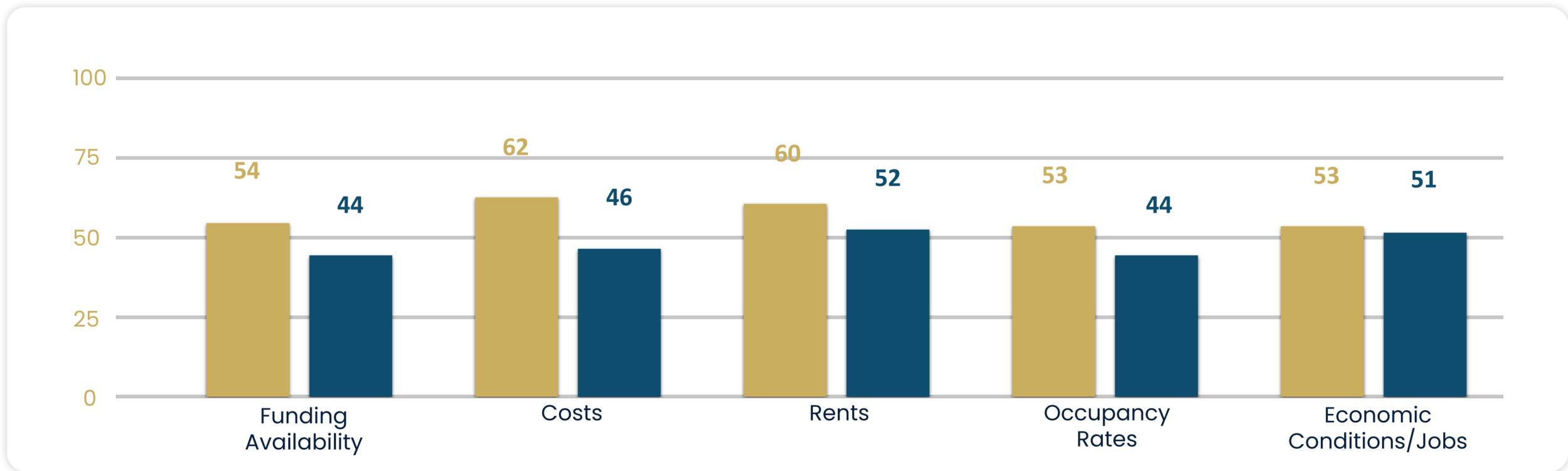
Costs and Taxes/Regulations are statistically significant; other categories are not.

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

- Higher/More
- Unchanged
- Lower/Less

Local vs. National Sentiments

Local agents are more optimistic on funding, rents, and occupancy than nationwide professionals. Locals are much more pessimistic on costs, but match nationwide perception on economic/job conditions.



MetroTex
NAIOP*

* Weighted averages of NAIOP responses, calibrated to same scale as MetroTex survey. NAIOP asks jobs, not general economic conditions.

Source: MetroTex Association of REALTORS®, NAIOP, Texas Real Estate Research Center



Respondent Comments



Mind Map: Most Frequent Words

Highest frequency words include: commercial, rates, industrial, business, and better.



Overall Market Observations

Key themes: optimism on Texas, DFW growth, some cautious observations.

- It will get somewhat better by nature of the thriving DFW economy
 - I am positive about growth continuing in our market.
 - Texas is still growing. We must be ready for the future.
 - Commercial markets appear in holding pattern.
 - Conditions are not great – assessing month over month.
- Many major business additions to DFW. Demand will increase prices and/or be competitive
 - We're going through a recession so you're going to see some changes ... it will bounce back
 - A lot of companies, new businesses opening around DFW, start ups, businesses expanding.
 - Affordability for new businesses is a challenge
 - Commercial real estate is resilient, things will get better.

Asset and Finance Observations

Key themes: work-from-home, industrial still strong, tighter funding, fewer deals

Office:

- The biggest unknown
- Because more people are working from home we will have more empty buildings
- Change in demand from working at home, but need to watch out for outsourcing and AI taking jobs
- It'll be a struggle to get people to come back into the office

Capital Markets/Finance:

- Demand for some sectors is still strong (for-sale and rental housing), supply-side headwinds are causing banks to pull back and developers to sit on the sidelines resulting in less overall deal flow
- Interest rate has slowed sales and increased leasing
- Investment sales will continue suffering from rising prime rates and fallout from CMBS funding of large-scale office
- Falling interest rates are inducing financing

Industrial:

- Still very strong
- Seeing an increase in demand for lease and purchases in DFW
- Lease rates are just now catching up and will likely see a surge in ppsf over next year

Commercial Practice Observations

Key themes: more REALTOR® interest in commercial

Practice Changes

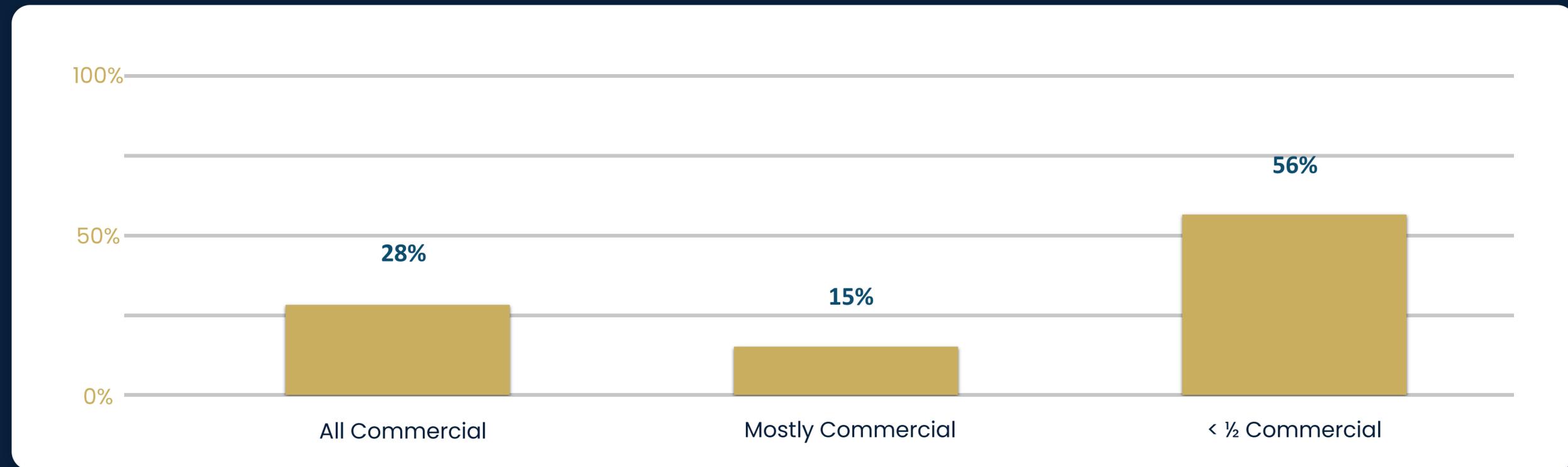
- Seems more agents are trying to move to commercial
- Commercial real estate is positive, I am getting involved in industrial development near Dallas
- Very active in the lower priced properties; <\$10M
- Client spending is cost conscious with emphasis on value and efficiency to drive their overall workplace strategies short term, including flexibility for longer term decisions
- The rates per SF have not really changed, depending on the region they can be more negotiable
- More up to date data needs to be put out, lease rates for certain retail, industrial, restaurant



Respondent Characteristics

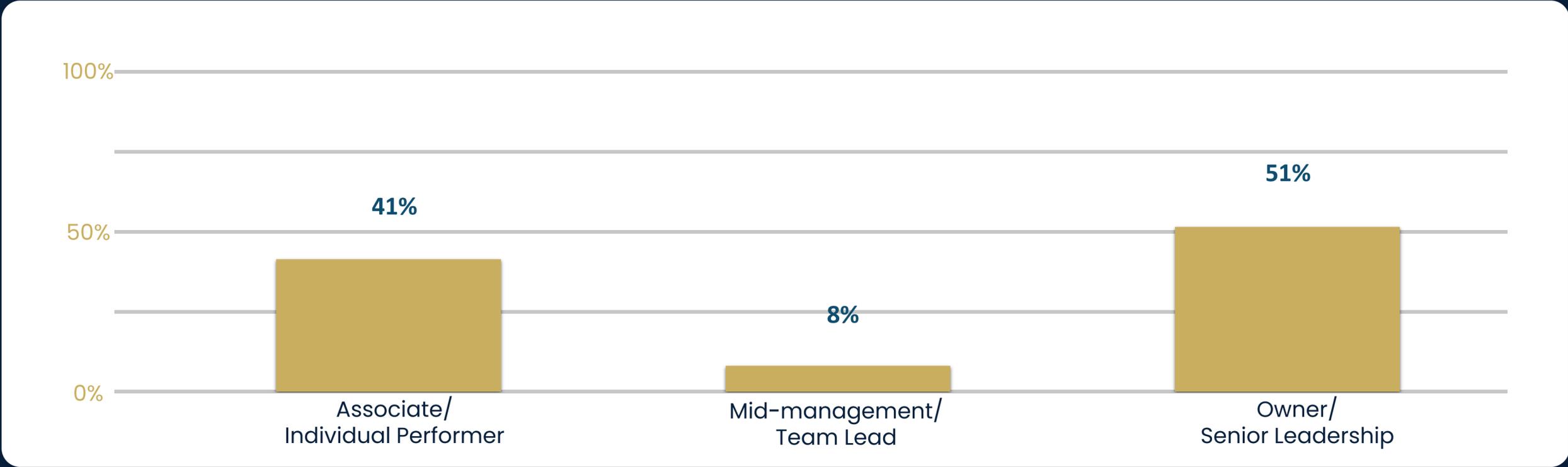


Commercial is less than half of business for most.



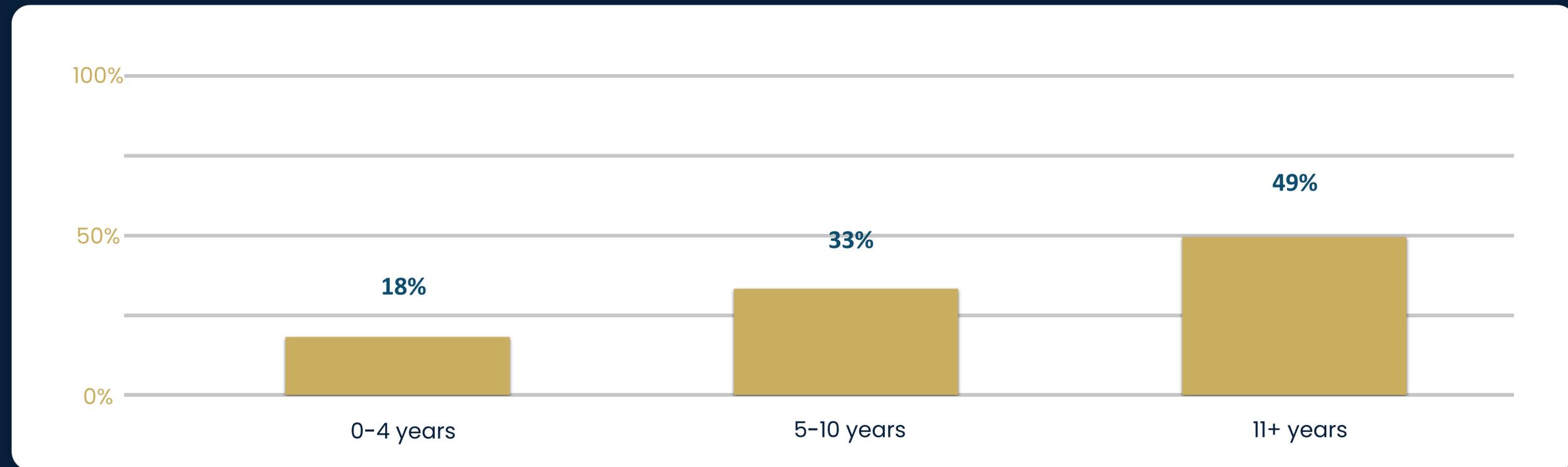
Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Half are owners or senior leaders in their firm.



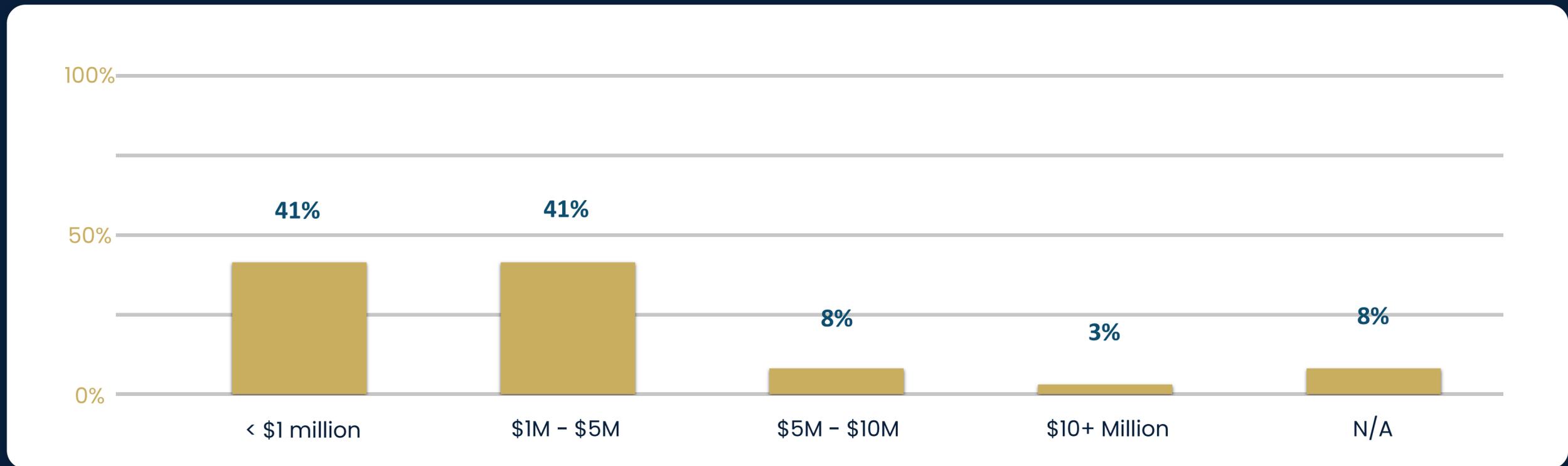
Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Half have more than ten years of commercial experience.



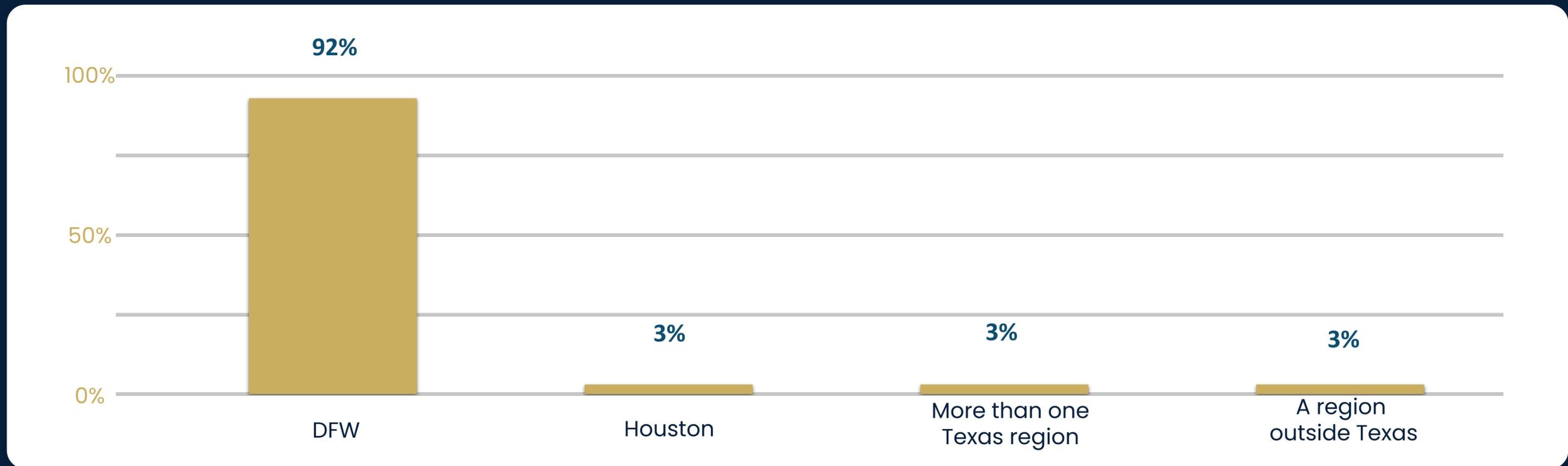
Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Most respondents' largest transactions were relatively small.



Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

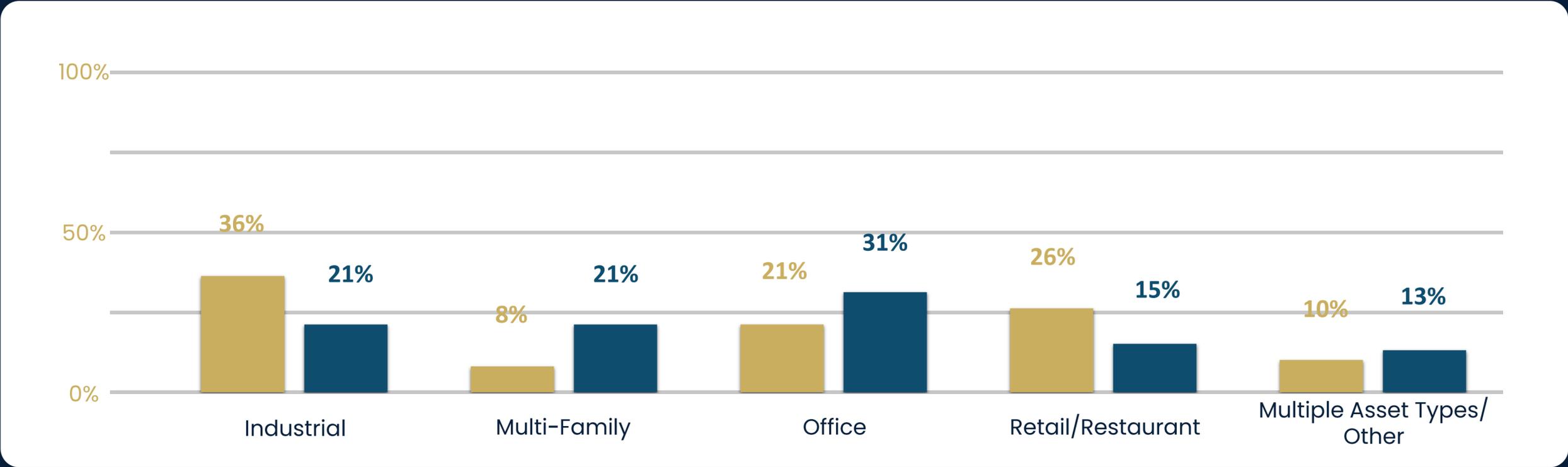
Respondents work almost exclusively in North Texas.



Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Respondents work primarily in industrial and office assets.

57% indicate industrial is their primary or secondary focus; 52% indicate the same for office assets.



■ Top Focus
■ Second Focus

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

Leasing and sales transactions are respondents' main activities.

82% indicate leasing is their primary or secondary activity; 69% say the same about sales.



Primary
Secondary

Source: MetroTex Association of REALTORS®, Texas Real Estate Research Center

About Texas Real Estate Research Center



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

Division of Academic and Strategic Collaborations

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://www.recenter.tamu.edu>

979-845-2031

Executive Director

Gary W. Maler

Advisory Committee

Doug Jennings, Chairman (Fort Worth)

Doug Foster, Vice-Chairman (Lockhart)

Troy Alley, Jr. (DeSoto)

Russell Cain (Port Lavaca)

Vicki Fullerton (The Woodlands)

Patrick Geddes (Dallas)

Besa Martin (Boerne)

Ted Nelson (San Antonio)

Becky Vajdak (Temple)

Barbara Russell, Ex-Officio (Denton)



[linkedin.com/company/recentertx](https://www.linkedin.com/company/recentertx)



[instagram.com/recentertx](https://www.instagram.com/recentertx)



[youtube.com/realestatecenter](https://www.youtube.com/realestatecenter)



[facebook.com/recentertx](https://www.facebook.com/recentertx)



[twitter.com/recentertx](https://www.twitter.com/recentertx)

About MetroTex Association of REALTORS®



1701 Kinwest Parkway
Irving, TX 75036

<http://www.mymetrotex.com>

214-637-6660

CEO

Janet Kane

Board of Directors

Belinda Epps, President

Ashley Gentry, President Elect

Johnny Mowad, Secretary/Treasurer

Taylor Walcik, Immediate Past President

Ericka Alvarez

Betty Arguello

Cynthia Baas

Christine Burke

Franceanna Campagna

Scott Carnes

Diane Davis

Ed Eakin

Bradley Edge

Nancy Garcia

Richard Gregory

Danny Hardeman

Tony King

David McKamie

Travis Lee Moore

Kendra Norwood

Brenda Thompson

Terry Tremaine



[linkedin.com/company/
metrotex-association-of-realtors-](https://www.linkedin.com/company/metrotex-association-of-realtors-)



[instagram.com/metrotexre/](https://www.instagram.com/metrotexre/)



[youtube.com/user/dfwrevideos](https://www.youtube.com/user/dfwrevideos)



[facebook.com/dfwre](https://www.facebook.com/dfwre)



twitter.com/MetroTexRE