

## **Commercial Real Estate Market- Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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### **Report description:**

The commercial real estate market is expected to register a CAGR of more than 10% during the forecast period. The COVID-19 pandemic severely affected the commercial real estate sector, as travel restrictions and social distancing involved public mobilization, commercial works, and gathering facilities. The office, retail, and hospitality sectors were the most affected market segments during the pandemic. Furthermore, the global market is recovering as COVID-19 protocols are relaxed, and sales are reaching pre-pandemic levels.

### **Key Highlights**

The significant commercial real estate market growth is leveraged by urbanization, the commercial sector digitalization, and increasing foreign investments. For instance, in 2021, foreign investments in the European commercial real estate market accounted for half of the capital investments in that region, which is almost EUR 130 million (USD 137 million)

Moreover, China and Canada experienced growth in office space absorption, whereas Europe and the US saw declined rate. In addition, Asia-Pacific is leading in retail sales and logistics warehouse absorption in the global market.

Many factors influence the development of the commercial real estate industry. Commercial real estate is, by definition, closely tied to the economy and the performance of various sectors.

There are different types of companies in the industry, such as real estate investors, developers, brokers, managers, media portals, and everyone who faces other challenges and opportunities as industry trends develop.

During the coronavirus pandemic, the need for social distancing caused offices worldwide to move to a hybrid work model, reducing demand for office space. Meanwhile, increasing e-commerce spending in many countries is leading and driving the need for more warehouses, fulfillment centers, and growth in the industrial and logistics real estate sector, which is paramount to the industry's future.

Some of the critical issues are the growing importance of technological innovation and environmental, social, and governance

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(ESG) sustainability.

## Commercial Real Estate Market Trends

### Office Markets to Witness Increased Growth

The office market was strongly hit by the pandemic globally. Despite the vast disruption, now the market is in the recovery phase. Furthermore, increasing investments in the sector are boosting the economic recovery in the market.

In 2021, office occupancy experienced robust growth of more than 80% in almost 390 metro cities worldwide. Moreover, 30 million sq ft (MSF) of office space was absorbed since the third quarter of 2021. Meanwhile, the rental growth of the sector is in the slow recovery phase, and EMEA experienced significant growth in rental growth. In addition, most of the office space is absorbed by class-A offices with more than 61%, followed by class-B and class-C offices with 32% and 7%, respectively.

Furthermore, the Asia-Pacific (APAC) region is leading in the office market due to population growth, GDP growth, middle-class consumers, and the working-age population leveraging office demand. Also, the APAC region contributes more than 50% of office construction in the global market.

### The Retail Sector is Likely to Witness a Significant Growth

Despite the COVID-19 pandemic disruption, the retail real estate sector saw significant growth, leveraged by the digitization of work, the transformation of physical retail, and the shift towards environmental, social, and governance (ESG) considerations. Moreover, the retail sector faced many challenges from the e-commerce sector and changing customer behavior during the pandemic.

Despite these challenges, the sector stood resilient, as e-commerce sales during the pandemic accounted for only 14% of overall retail sales. Moreover, developers are focusing on different strategies to meet consumer demand and adapt to the changing retail environment. Such as remodeling shopping centers for multiple purposes, customizing tenant mix, and developing new lease models to attract the latest business models. In addition, to meet consumer demand, some retailers are expanding their business through omnichannel strategies, such as click-and-collect, curbside pickup, and ship-from-store, by adopting new technologies.

Furthermore, retail sales increased in the Asia-Pacific region, followed by the US and Europe. Also, retail sales experienced growth in different segments such as in-store retails, grocery stores, apparel, departmental stores, restaurants, and bars.

## Commercial Real Estate Market Competitor Analysis

The global commercial real estate market is highly competitive and fragmented, with many players. Most players are expanding their business by investing strategically in partnerships, acquisitions, etc. The office, retail, and logistics sectors are the market's most invested segments. Furthermore, the investments in the market are driven by robust office space take-up, declining vacancy levels, and rising rentals despite the disruption caused by the pandemic. Some major companies are Brookfield Asset Management Inc., Prologis Inc., Boston Properties Inc., WANDA Group, etc.

### Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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