



## Resilience in the Face of Humbled Concern

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It is difficult to celebrate economic success when every day on the news we are confronted with unimaginable horrors and human suffering. With this as a backdrop, we would like to offer our comments on the state of the real estate markets.

Resilience is the word that comes to mind. Omicron, pandemic, rising interest rates, Ukraine, World War III. There seem to be ominous signs everywhere, yet the real estate markets seem to be resilient. Busy is the word of the hour, week, month, quarter, year. Whether transactions are securitized or balance sheet, the markets are busy. There has been some trepidation around rising rates, with the situation in Ukraine, and also where “flex” is appearing in term sheets, deals are being repriced or “slow-walked.” But, overall, the markets seem to be, on the whole, resilient.

And, yet, this resilience is being tested every day. The issuance of new term sheets and their pricing have slowed a bit with all of the “noise” in the world. But unlike prior instances where markets shut down completely, this seems like thoughtful, cautious professionals being cognizant of many different headwinds requiring attention. There still remain difficulties in pricing the office markets due to “work from home” and its impact on space consumption over the longer term. And retail continues to be a concerning food group for many, with the continued erosion of anchors and even “inline” tenants being impacted by the ongoing expansion of online retail, which was kicked into high gear by the pandemic. Yet resilience continues in this sector as well, as fitness centers, religious institutions and day care centers, among others, replace traditional anchors. Logistics, warehouse, extended stay, medical facilities, lab space and tech space continue to be the rage, while hotels again are resilient, and post-pandemic (I shudder to use that phrase) usage for business and leisure continue to tick up. Finally, multifamily has remained strong.

Cautious optimism in the face of looming clouds. I am running out of metaphors, but resilience seems to be the right word. Fingers crossed for our markets but, more importantly, for some of the chaos in the world to abate.