



# National Trends Report

2021 Annual Overview



# INTRODUCTION

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We arrived in 2021 with an economy saturated by a pandemic and impacted at various levels, with some corners managing cracks and hurdles and others surpassing market bests. Thankfully, commercial real estate quickly adapted the way it conducted business, and activity occurred at an even faster clip than expected. In 2021, we witnessed a new era of growth, innovation, and investment trends, paving the way for previously unseen activity in the commercial property sector.

While inflation, worker shortages, and rising interest rates loom as potential headwinds, we observed businesses acting on their absorption plans in the second half of 2021. Plenty of dry powder exists in the commercial sector, and we'll likely see lenders trend towards lower interest rates to keep activity moving in the more reliable world of real estate. Indeed, investors sought to leverage opportunities to deploy capital to counter inflation warnings, making real estate an even more attractive investment in the fiscal times ahead.

Our 2021 overview report dives into buying and leasing activity on Crexi throughout the year, comparing it to quarterly metrics and year-over-year data. With this unique information, we seek to shed light on the undercurrents of commercial real estate activity with an eye towards the sector's future.



# WHAT HAPPENED IN 2021

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## **Market rebound amid COVID-19 variants.**

While Delta and Omicron each paused office worker returns and retail re-openings, the knowledge of how to address these shutdowns improved investor and tenant confidence and bolstered acquisition activity in the second half of 2021.

Collectively, we now know how to deal with COVID's variants. As [vaccination and booster rates climbed](#) from their introduction early in the year, 2021 saw us creeping closer to a COVID endemic rather than a recession-wrecking pandemic. Investor sentiment is high, and deals are closing faster across asset classes. On Crexi, we observed the average days on market speed up by 37% in Q4 year-over-year.

The [bi-partisan Infrastructure Bill](#), passed in November 2021, will also divert plentiful government spending into utility and other infrastructure assets, creating a pool of promising investor activity in the coming years.

## **Inflation rose at higher than expected rates in 2021, a precursor to counter-measures in the coming year.**

[Inflation jumped 6.8 annually in November 2021](#), posting the fastest rate since 1982. Concerns around inflation were gradual, then increasing, as the Fed indicated its intent towards the end of Q4 to begin raising interest rates in 2022 rather than in 2023 as anticipated by many economists.

In November 2021, a record [4.5 million employees who quit their jobs](#) also contributed to inflationary hikes. Across sectors, employers hiked wages to attract and keep workers and were in turn forced to raise prices alongside the ever-increasing cost of goods amid pandemic-related factory closures. Ahead of interest rate hikes, H2 2021 saw spurred spending across property types as investors sought to deploy capital in the more sturdy commercial real estate asset class.

## **Supply chain shortages continue to impact the Consumer Pricing Index, spurring demand for e-commerce fulfillment despite bottlenecks.**

The fourth quarter of 2021 again saw [supply chains impacted by worker shortages](#), COVID-related factory closures, and logistics challenges in major port cities. Holiday-boosted e-commerce demand was already poised to stretch supply chains to their limits. However, we've yet to see its potential impact, specifically on the commercial real estate sector outside of industrial's skyrocketing valuation, and potential multifamily rent increases as workers have more capital to spend, as we discuss below.


## **The Great Resignation contributes lasting changes to the office and retail sectors.**

Simultaneously, 2021 showed record levels of job recovery and reduced unemployment rates even amidst what experts have dubbed "The Great Resignation." In December, the US [unemployment rate fell to a healthy 3.9%](#), even as the country added less than 200,000 jobs. This doesn't quite tell the whole story, however, as a significant portion of this was baby boomer retiree activity, with many [delayed resignations](#) taking effect last year.

Companies are competing more than ever for applicants, offering higher salaries and perks, while applicants, in turn, are becoming more choosy. In turn, employers are being required to raise wages, deploy more attractive benefits, acquire accommodating space, and meet other demands to attract and retain employees. This makes hybrid working environments a non-negotiable for many office workers and points to continued demand for flexible workspaces options from businesses.

# CREXI'S COMMERCIAL REAL ESTATE NATIONAL TRENDS

## Seller Behavior Trends



Time Period	Avg. Price Per SF	% Change	Avg. Cap Rate	Avg. Asking Price	Avg. Square Foot	Avg. Occupancy	% of Listings Unpriced
2020 Q3	\$201.01	3.37%	6.62%	\$1,522,008.15	21,836.85	84.23%	13.24%
2020 Q4	\$219.01	8.95%	6.43%	\$1,703,872.08	18,580.09	77.22%	12.67%
2021 Q1	\$234.04	5.95%	6.45%	\$1,714,147.07	19,776.44	78.21%	14.89%
2021 Q2	\$245.07	5.62%	6.15%	\$2,067,278.99	19,412.82	80.56%	13.44%
2021 Q3	\$237.41	-3.13%	6.07%	\$1,854,664.80	21,134.56	81.40%	15.02%
2021 Q4	\$248.12	4.51%	5.89%	\$1,973,810.13	20,653.04	81.59%	16.39%

By 2021's end, we saw a seller's market returning to its prime, with pricing changes indicating heightened demand and increased valuations across commercial real estate's various sectors. Commercial real estate has proven itself a valuable investment in the volatile world of COVID and its impact, and demand is eager to deploy capital in the space.

Average Q4 2021 asking prices **climbed 4.62% overall** after a dip in transaction velocity in the previous quarter, rounding out a year of promising growth in the second year of COVID-19. Yearly gains indicate an even more promising surpassing of pre-pandemic levels: 2021 prices showed an impressive **18.4% year-over-year growth** compared to 2020's 5.6% decline from the previous year.

Pricing gains continued even as occupancy averages took a hit: annual average occupancy rates dropped from 84.63% in 2020 to 80.54% last year. We can perhaps attribute this to a rollover impact from COVID-19, as absorption decisions were postponed and adapted to Delta and Omicron waves. Despite this, recent quarter-over-quarter occupancy levels showed continued recovery from Q4 2020's more serious drop-off.

Overall, 2021 represented a hotbed of commercial real estate transaction activity, as Crexi saw **upward of 150,000 new assets** hit the market this year.

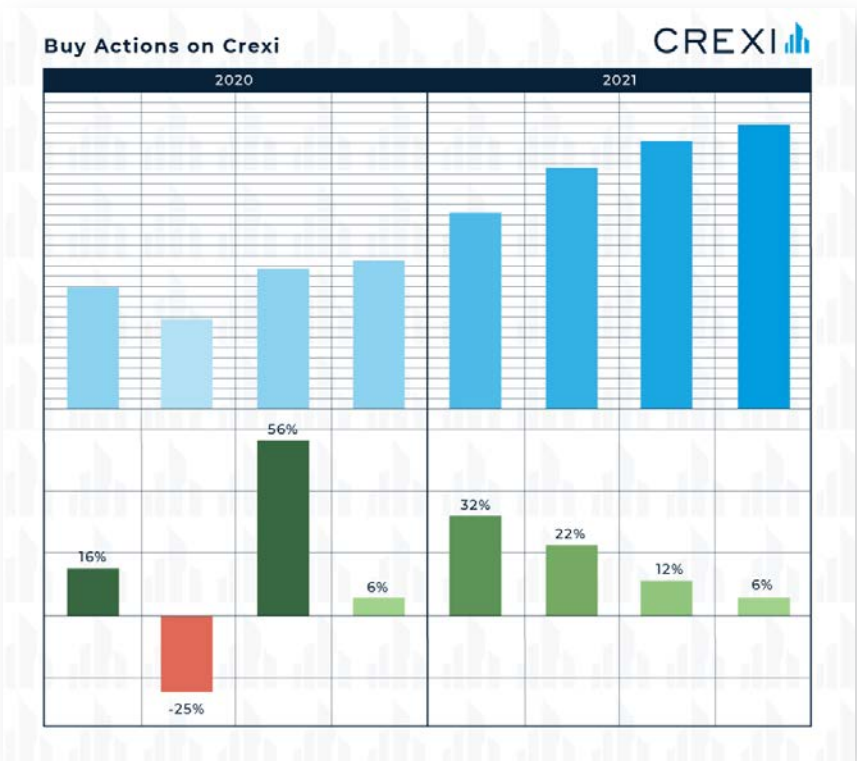
# Buyer Behavior Trends

Buyers were more active than ever on Crexi in 2021, with Q4 activity posting the highest increases and overall activity levels of all time. We observed transaction activity across asset classes dramatically increase, too, with the multifamily (the fastest-closing) assets ramping up their average closing times by two weeks from the previous year.


Each quarter of 2021 posted increases in buyer activity on the Crexi platform, pointing to technology’s enhancement and efficiency-boosting capabilities in supporting real estate transactions. Buyers’ activity **jumped 6%** in Q4 from the previous quarter, and overall buyer activity on Crexi was **up 91%** year-over-year in the fourth quarter of 2021.

Crexi also noticed exciting changes in buyer locations compared to where they deployed investment capital. In 2021, only 45% of buyer traffic came from in-state interest, whereas 55% came from other states.

Some noticeable search terms on Crexi in 2021 were self-storage (4.65%), car wash (8.71%), and gas station (9.36%), indicating a burgeoning interest in utility-specific, niche real estate investments. In the same period, we observed [branded tenant searches](#), i.e., Walgreens and CVS, post an overall decrease in search activity. This is likely due to national chains’ reported [pending store closures](#), despite the reliability of these properties’ passive income generation.



## Landlord Trends



Time Period	Avg. Monthly Rate	% Difference	Avg. Rentable SF
2020 Q3	1.1618	0.9%	8202.52
2020 Q4	1.1579	-0.34%	8348.67
2021 Q1	1.1539	-0.35%	7,970.94
2021 Q2	1.2024	4.2%	8,589.88
2021 Q3	1.2079	0.46%	8,437.23
2021 Q4	1.2345	2.2%	9,763.46

On the leasing side of Crexi's marketplace, we observed a continuous climb in average asking rates in 2021, following a slight dip in the first quarter. Compared to the previous year, 2021 posted an **annual gain of 4.02%** in average asking rents, with every indication of an upward trajectory as tenants finalize their office and retail needs, despite the impact of Omicron on back-to-work plans.

Like the for-sale side of our platform, we also observed a record-setting increase in the number of new for-rent assets on our platform, with **25% more rental spaces** added in 2021 than the previous year. The average square footage of these new listings also jumped, with nearly 1000 more square feet available than in 2020 on average. Landlords saw the latter half of 2021 as the ripest time to reach an audience of space-seeking tenants, and despite COVID-related delays, this growth is likely to continue in 2022.

## Tenant Behavior Trends

Positive landlord sentiment certainly makes sense, as we observed impressive surges in tenant activity on our platform. Lease-seeking activity on Crexi was up every single quarter in 2021 across asset types, and following Q3 2021's remarkable **15.3% overall increase** in tenant activity, Q4 **grew by another 9.6%**. These numbers are all-time-highs for Crexi, indicating demand for rental space that has all but moved past the pandemic.

Industrial assets posted the highest overall gains in tenant activity in Q4, **jumping by 17.2%** from the previous quarter. Las Vegas, Houston, Omaha, Miami, and Chicago were among the most in-demand markets for tenants, commanding the highest search volume on Crexi.

# ASSET TYPE TRENDS

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## Industrial

[Industrial](#) was one of 2020's top-performing assets, and 2021 continued to prove its resilience as demand soared amid e-commerce adoption and consumers' need for fast, home-delivered goods. Swift fulfillment and distribution became a priority for every online shopping business, driving demand for warehouse and logistics space nationwide, especially following the migration of homeowners and renters into secondary and tertiary markets.

**Industrial's annual average pricing gains in 2021 indicated no sign of slowing despite less supply.**

On Crexi, the average asking price per square foot for industrial properties posted a whopping **9.12% increase** in the fourth quarter, more than making up for the slight correction seen in Q3 2021. This growth rounded out industrial's annual average **pricing gain of 10.31%** from 2020 year-end asking prices, despite fewer industrial assets coming online in 2021 than the previous year.



**Buyer activity for industrial was among lowest on Crexi, yet showed most offer volume growth in 2021.**

Throughout 2021, we observed a steady rise in buyer activity surrounding industrial property for sale. Q1 2021 posted the most gains by far, **hitting 21%**, while end-of-year activity in Q4 tapered to **6% growth** compared to the previous quarter, which we mostly chalk up to seasonality. Indeed, industrial buyer activity (in terms of searches and brochure downloads) only barely hedged above offices as the least-searched property type in Q4.

Despite this, industrial posted the highest growth in submitted offers in Q4, **up 19%** compared to the previous quarter. Buyers made moves at the end of 2021 to capture industrial space, eyeing 2022 for increased tenant demand and maximized returns as e-commerce and fulfillment trends continue.



## For-lease industrial assets posted continuous growth in 2021 with noticeable surges in tenant demand.

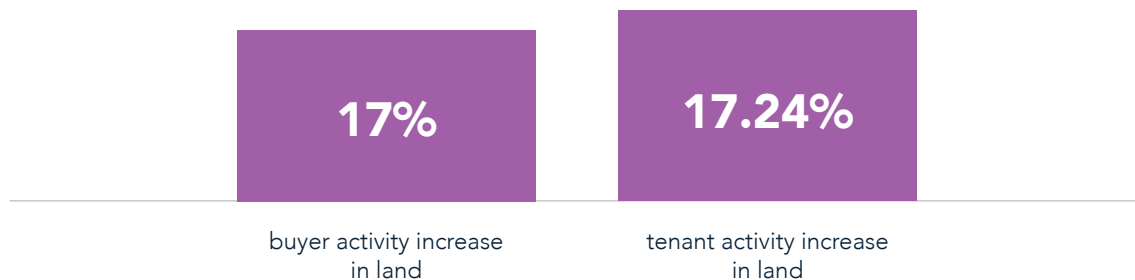
Industrial assets for lease posted rate growth in every quarter last year except Q3, with Q4's asking rates posting a remarkable **8.31% jump in average ask per square foot**. This reflects owners' increased confidence in industrial desirability, as larger and smaller companies alike rushed to acquire more space ahead of the new year.

These owners were correct in their anticipation: on Crexi, we observed a **38.2% jump in tenant activity** around industrial assets from Q1 to Q4 2021. In fact, industrial interest accounted for more than a quarter of all leasing activity on the platform.

## Land

[Land assets](#) on Crexi experienced promising gains compared to 2020's average asking prices. Assets added in 2021 were generally higher priced than 2020, **up by 11% annually**, but we observed less price growth from 2019 to 2020. Despite this, the gains still represent promising and steady seller confidence in sector demand. Like 2020, land represented one of the most numerous property types on Crexi in 2021, with more than 50,000 assets added to the platform during the year.

The demand for land on both buyer and tenant sides showed an increased desire for the occupation of land assets. Land showed a confident gain in average asking rates in Q4, **up 17.5%** from the previous quarter.



These increases are likely due to investors and tenants seeking to [take advantage of land's versatility](#) and develop plots into more recession-resilient and in-demand property types.

## Retail

Despite the closures and uncertainty wrought by COVID-19, the [retail sector](#) finished 2021 with impressively strong performance, as a steadily growing supply whetted investor appetites for the newly re-proven and historically solid sector.

Like most asset classes in 2020, retail faced its share of challenges amid COVID-related shutdowns and protective regulations. Yet these challenges, rather than completely disrupting the sector, accelerated the demise of struggling retail concepts and strengthened confidence in retail properties that survived the worst of the pandemic.

Multi-tenant assets, such as grocery-anchored shopping centers and single-tenant assets like QSR and drugstores [made quite the comeback in 2021](#), especially as tenants and landlords worked through delayed rent payments from the previous year. Retail assets were much more viable in 2021, and despite the pending headwinds of supply chain disruptions and employee shortages, the sector is [poised for continued growth](#) into the next year.

**The average asking price per square foot for retail exceeds Crexi records, presenting an impressive post-pandemic resurgence.**

Average asking prices for retail properties jumped up 4.75% in Q4 after modest declines in the previous quarter, with retail seeing a total **20.76% gain in average asking prices** from 2020 levels.

This gain in asking prices coincided with improved occupancy rates from the previous year. Crexi observed a **4.04% occupancy climb** year-over-year by the end of 2021, signaling tenant return to newly-listed retail properties on the platform.

While landlords added fewer retail listings to the platform than in the previous year, the more limited supply on the market signifies potential boosted demand. It indicates that owners with retail assets are holding onto their properties, awaiting the influx of new or expanded tenants into their markets.



**42.4%**

of all offers on Crexi in  
Q4 were for retail



**56.2%**

more interest in retail  
than in 2020

## Retail buyer activity reaches all-time highs on Crexi, breaking records as the most in-demand asset type.

Buyer activity surrounding retail property on Crexi grew a radical **56.2% year-over-year** compared to 2020, heralding a triumphant return of the asset class following its COVID-induced struggles. Retail was by far the most attractive asset class to Crexi users, accounting for nearly half a million buyer-related moves in Q4 2021 alone. Triple net properties in particular saw a huge surge in demand in 2021.

Offers on retail assets on Crexi outranked other primary asset classes, with the number of offers accounting for **42.4% of all offer activity** in the fourth quarter. Retail offers also posted the highest growth rate in 2021, with **offers made increasing by 72.4%** in Q4 compared to activity in Q1. Buyers are all-in on retail, and we anticipate continued revitalization in the sector in the year ahead.

## Restaurants were the most in-demand retail subtype, posting impressive asking rate gains amid general tenant demand growth.



### RETAIL

accounted for more than 52.5% of all leasing activity in 2021.

[Restaurant properties](#) commanded the highest average asking rate gains in 2021, with **4.72% rent growth** compared to the previous year. This reflects increased tenant interest in quick-service restaurants (QSR) and the recovery of sit-down restaurants, which showed a resurgence as COVID restrictions eased in many markets.

Interestingly, while leasing rates posted a 0.95% decline compared to the annual averages in 2020, Q4 2021 saw rates surging past pre-pandemic highs. These gains account for the simultaneous jump in tenant activity we observed on Crexi in the same period.

# Office

The so-called “Return to the Office” was one of 2021’s hot-ticket headlines, as the Delta and Omicron variants arose to throw [office](#) occupation plans into a state of constant flux.

However, different markets and different-sized tenants handled each wave of COVID-19 updates differently. Despite interruptions to office re-entry, the lease-signing of many more prominent tech companies confirm that [office spaces](#) have cemented themselves as an essential element of most businesses.

Flexible workspaces are the golden phrase looking ahead, matching the new normal that in-demand employees desire, and providing businesses with cost-saving and productivity-raising flexibility. Indeed, coworking was one of the most added assets on Crexi in 2021, with a **37.2% increase** in [coworking space](#) year-over-year.



**37.2%**

more coworking spaces were added to Crexi in 2021 than year-over-year metrics



**100,000+**

offices for lease were added in 2021

## Office asking prices displayed consistent growth, up significantly from 2020 COVID-related drops.

We observed consistent quarterly increases in average asking price per square foot for new offices added to Crexi in 2021. Q4’s **4% price increase** ended the year strong, despite a slight tapering off in the third quarter due to COVID-related delays of office recapturing.

Annually, offices commanded **14.5% higher asking prices** than in the thick of the pandemic. Larger assets and limited office supply came online in the same period, echoing an employee-driven demand for larger spaces and a flight to quality as new construction came online.

## Demand for office space landed on a solid note in 2021, with promising growth indicators in the next year.

Buyers' activity surrounding office properties **grew by 38%** between 2020 and 2021, indicating improved investor confidence in the sector. While offices represented the fourth-most active asset class on Crexi, the asset ranked above industrial in buyer interest throughout 2021.

Tenants, too, were more interested in offices in 2021 than ever before. Tenant activity **grew by 4%** compared to 2020 levels and enjoyed a plentiful array of office options to explore as for-lease office spaces broke inventory records on Crexi's platform.

Office leasing accounted for **35% of total tenant activity** on the platform, as tenants were eagerly ready to snap up desirable, open-space suites to get their employees back to the workplace.

## Multifamily

[Multifamily](#) was one of 2020's top performers, proving resiliency amid the rampant uncertainty caused by the pandemic, and 2021 showed comparable high demand and valuation growth. Investors were eager as ever to deploy capital into multifamily, even as office and retail assets began returning to their prime.

As we saw in 2020, multifamily continued to present a reliable and trustworthy investment option, as everyone needs a place to live. Even as the Supreme Court struck down the nationwide eviction moratorium in September, the [percentage of on-time rent payments throughout 2021](#) displayed tenant resiliency that was a far cry from mid-pandemic rent deferments.

Remote and hybrid workspace trends supported the desire for larger apartment spaces with more amenities, driving demand for more affordable options in suburban markets. However, amid labor shortages, the higher wages being provided to workers will continue to [drive rent growth](#) as renters have more disposable capital, boosting asking prices for existing and new multifamily assets in both urban and suburban centers.

## Average asking prices for multifamily surged in H1 2021 but faced some correction in the second half of the year.

In Q4 2021, asking prices for multifamily assets held steady, dropping less than a percentage point following a **6.34% drop** in the third quarter. The asset type was the only one to post losses in the fourth quarter besides land. Despite the correction, multifamily still experienced a **15.2% annual gain** in average asking prices compared to 2020 levelson Crexi, behind only retail in terms of asking price growth.



## Buyers are still all-in on multifamily, with surging activity in 2021 pointing to continued growth in the next year.

As home prices surged and families acquired residential space, tenant demand for more affordable apartment options increased, in turn, driving investor interest in the escape. Buyers seeking multifamily property for sale were over **44% more active** than in 2020, pointing not only to continued demand for the asset class but also to an increasing trust in digital tools to find the perfect investment option for their portfolios.

Multifamily also received the second-highest number of overall offers on Crexi in Q4, behind only retail, and nearly 50% higher than the number of offers received on the next-highest asset, land.

Concerning the overall acceleration of transaction times on Crexi, multifamily deals remained the fastest-closing asset type in Q4. By the end of 2021, apartment property for sale on Crexi closed in an **average of 111 days**, down from 200 days in Q4 2020.

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Promising recovery trends, plentiful capital, and a transaction-friendly trading environment are paving the way for commercial real estate players to discover, acquire, and dispose of assets with promising return of investments in 2022. The industry is welcoming more players and capital than ever, and looking ahead, we'll likely see a continued clip of both tenant and investor activity and of the CRE sector's resilient ability to adapt and thrive amid uncertainty.

# METRICS AND METHODOLOGY

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*This article relies on data from [Crexi's marketplace](#). In particular, to ascertain timely and representative trends in seller sentiment, this article focuses on offering metrics, such as average asking price per square foot, cap rate, and monthly rents, in addition to listed occupancy, tenancy, and square footage. Using these listing-based metrics and changes therein, we can use seller expectations at the time of listing to approximate overall valuation trends.*

*While these data aggregations may broadly reflect prevailing market conditions, it is essential to note that variations can also be affected by inventory changes, asset size, etc. We pair these data points with internal data from Crexi buyers on search trends and acquisition-related actions performed on Crexi to provide a holistic understanding of where both sides of commercial real estate are headed.*

# DISCLAIMER

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The information in this report is based on Crexi's internal marketplace data and additional external sources that we consider reliable, but we do not represent it is accurate or complete.

Crexi internal marketplace data consists of aggregated property-level data points provided by brokers and reviewed internally by Crexi. While these data aggregations may largely reflect prevailing market conditions, variations can also be affected by inventory changes, asset size and other factors.

Nothing contained on this report or website is intended to be construed as investing advice. Any reference to an investment's past or potential performance should not be construed as a recommendation or guarantee towards a specific outcome. The information, opinions, estimates and forecasts contained in this report are as of the date of the article and are subject to change without prior notification.

# TERMS

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**Occupancy:** The percentage of occupied square feet in a building.

**Absorption:** A measurement of the net change of the supply of commercial space in a given real estate market over a specific period of time. Total absorption is new square footage leased by tenants minus vacated square footage vacated by tenants and made available on the CRE market.

**Asking Price per Square Foot:** The asking price per square foot of a building for sale.

**Asking Rate per Square Foot:** The landlord's asking rent rate per square foot for a building or market.

**Asset Type:** Also called "Asset Class" or "Property Type," one of four main categories in commercial real estate: retail, industrial, multifamily, and office. Also can refer to smaller categories including land, hospitality, etc.

**Asking Cap Rate:** Net Operating Income divided by the Asking Price.

**Vacancy Rate:** The rate of vacancy in the listed property.

**Buyer Activity:** Acquisition-related actions taken by users on Crexi sales property pages.

**Buyer Searches:** Internal site searches taken by users on Crexi sales or lease.

**Lease Activity:** Leasing related actions taken by users on Crexi lease property pages.

# REFERENCES

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