

# News

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## Commercial Real Estate Forecast: Urban Multifamily Properties Will Rebound in 2021

**NEW YORK, May 3, 2021** – Moody's Analytics today announced new forecasts for commercial real estate (CRE) rents and vacancies covering eight property types and more than 3,000 submarkets across the United States. These forecasts reflect the latest Q1 data on US CRE markets available via the REIS platform, the cornerstone of [Moody's Analytics CRE Solutions](#).

The outlook for the apartment sector has taken a positive turn, with effective rents expected to return to near pre-pandemic levels in 2022. National average effective rents fell a record 3.0% in 2020 and are now forecast to rise by 2.1% in 2021. Multifamily markets in dense urban areas such as New York, the Bay Area, and Washington DC were particularly affected by the pandemic but have likely hit their rent low point and begun to recover. Meanwhile vacancy rates across the US are expected to stabilize this year, staying at a national average of 5.2%.

"We anticipate that the combination of returnees and first-time movers, now attracted by lower rents, will be enough to stabilize the apartment sector in key urban centers," said Thomas LaSalvia, Senior CRE Economist at Moody's Analytics, "However, the office sector in these areas still has a ways to go before recovery."

Much uncertainty surrounds the fate of the office sector and this will likely lead to continuing distress this year. Vacancy rates are forecast to rise to 19.2% in 2021, surpassing the previous cyclical high of 17.6% in 2010. National average effective office rents are projected to fall 5.9% in 2021 from the net effect of hybrid working during COVID-19, intensifying a decrease of 0.6% in 2020.

Similarly, we expect the retail sector to continue to deteriorate in 2021 with national average effective retail rents forecast to fall a further 6.8%. Vacancy rates are also predicted to reach an all-time high (12.3%) in 2021 as brick-and-mortar retailers struggle to compete against rising e-commerce sales.

As the retail sector suffers the consequence of the shift to e-commerce, the outlook for the industrial sector is looking up. “We expect the industrial sector to benefit from tailwinds from the robust economic forecast and the continued rise in e-commerce,” said Dr. LaSalvia, “The need to warehouse inventory and match consumers’ expectations for expedient shipping will provide more than enough absorption to push rents higher and vacancies lower.”

We now expect the national average industrial sector effective rent to rise by 3% in 2021, compared with our previous forecast of a 0.2% increase—the strongest predicted rent growth among the core property types. The industrial sector is also the only property type with expected declines in vacancy rates in 2021; we predict a fall of 40 basis points to 10.3%.

CRE market participants can access these forecasts through the [Moody's Analytics REIS platform](#) and read more on the [Moody's Analytics CRE Solutions Insights page](#).

#### **About Moody's Analytics**

Moody's Analytics provides financial intelligence and analytical tools to help business leaders make better, faster decisions. Our deep risk expertise, expansive information resources, and innovative application of technology help our clients confidently navigate an evolving marketplace. We are known for our industry-leading and award-winning solutions, made up of research, data, software, and professional services, assembled to deliver a seamless customer experience. We create confidence in thousands of organizations worldwide, with our commitment to excellence, open mindset approach, and focus on meeting customer needs. For more information about Moody's Analytics, visit our [website](#) or connect with us on [Twitter](#) and [LinkedIn](#).

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