



Commercial Real Estate Markets Update (April 2020)

Below is CBRE's assessment of the impacts on the CRE industry as a direct result of COVID-19 in a thorough research piece released on March 27, 2020.

The prediction is that the negative effects will peak at the end of Q2 and we will see a ~7% decline in GDP, the largest single regression in US history. A Q3 jobs report should show an unemployment rate of 6.1%, but a quick recovery will decrease that number considerably in Q3 and through the rest of 2020. Fiscal policy plays a big part in the economy's rebound, taming the stock market volatility through Q2 and allowing for the liquidity that companies need to deliver a strong Q3.

Below are key takeaways from the report:

COVID-19 Economic Impact & Sector Update – *CBRE* – [Report Link](#)

COVID-19 Economic Impact & Sector Update

CBRE

- Implications for Lodging
 - Change in overall occupancy forecasted to be -29.3% in 2020; was 0.0% in 2019
 - Change in Average Daily Rate (ADR) -10.8% in 2020
 - Not expected to reach EOY 2019 levels in occupancy or ADR until early 2023
 - Cities with the highest ADR will see the highest decline
- Implications for Retail
 - Immediate impact – avoidance of physical stores
 - Deferred Impact – higher unemployment decreases consumer confidence; non-essential spending will see considerably less demand until the economy stabilizes
 - A movement towards contactless payment systems
 - Higher e-commerce penetration in grocery shopping
- Implications for Office
 - The shock to the office market will recover quickly, but the impact won't be serious
- Implications for Multifamily
 - Expect a dip in rent growth and occupancy while employment uncertainty subsides
 - Housing policy/stimulus will play a large role in easing some of that uncertainty
 - Preferences for city-living will remain
 - Return to long-run equilibrium in 2023
- Implications for Industrial
 - E-commerce gaining significant share in the future
 - Decreased manufacturing activity
 - Possible push to start carrying higher inventory levels
 - Vacancy spike is imminent