



Commercial Real Estate Markets Update (January 2021)

Researchers are now looking towards the rebound of the commercial real estate markets as 2021 looks to be a stabilizing year for the overall economy. Besides the industrial sector, which is experiencing record performance with no end in sight, office and retail markets face unforeseen challenges that may have a lasting impact on the future of the industry. The office sector should finish the year positively, as market fundamentals are currently at their lowest since the Global Financial Crisis.

Below are key takeaways from the following reports:

U.S. Real Estate Market Outlook – *CBRE* – [Link](#)

U.S. Real Estate Market Outlook

CBRE

Industrial

- The industrial sector will continue its bull run as ecommerce continues to penetrate the retail market
- CBRE has found that \$1B in incremental ecommerce sales generates 1.25 million square feet of warehouse space demand. Therefore, net absorption is projected to reach nearly 250 million square feet in 2021, more than the previous five-year annual average of 211 million square feet.
- New construction is at record levels with strong preleasing of speculative projects
- The Southwest and Southeast US will have the highest rates of population growth over the next five years, with Texas providing the most opportunities to industrial investors. Coastal logistics hubs like Charleston, Savannah and Virginia will be robust for investment

Office

- The office downturn, which is the largest since the Global Financial Crisis, should stabilize in 2021
- Office vacancies will persist at a stubbornly high rate and rent increases will be difficult to achieve as market conditions remain decidedly in favor of tenants
- The expectation is that positive rent growth will eventually resume at some point in 2021, which largely depends on widespread vaccinations and slowing COVID cases
- Suburban office markets are expected to recover faster than their CBD counterparts in 2021. Suburban office space lagged behind CBD office space in the recovery of the Global Financial Crisis.
- CBRE suggests that remote working could cut the overall need for office space by 15%