



Commercial Real Estate Markets Update (May 2020)

The recent COVID-19 pandemic has presented unique disruptions to specific asset classes and offers a window into the future rationale for operators, tenants and investors. Some trends we saw in the retail and industrial sectors are being exacerbated, namely e-commerce and the adaptation of brick and mortar retailers. In the office sector, the coworking trend that was once believed to be one of the new-age trends is taking an enormous blow, and speculation exists on if there will ever be a positive sentiment around the idea. Hospitality is facing unprecedented headwinds and stagnation, so much so that the industry may soon be looking to the federal government for a tailored stimulus package to avoid further catastrophe.

Below are key takeaways from the report:

Pandemic: A Period in Time and the Path Forward – *Newmark Knight Frank* – [Report Link](#)

Pandemic: A Period in Time and the Path Forward

Newmark Knight Frank

- Office
 - Layoffs are diminishing tenants' overall need for space and have halted many expansion plans. Tenants that are in the market for new space are having a difficult time touring properties.
 - An emphasis on social distancing and good health practices will contradict the open office environment trend and employees will call for more personal space. Companies were previously adopting increasingly tighter workspaces to more efficiently use space.
 - Successful remote work situations may reduce demand from some tenants who had not previously tried it
 - Coworking will be heavily disrupted as a result of COVID-19, given the clustered nature of many coworking environments
- Industrial
 - E-commerce has become an even more indispensable resource, however, interruptions to the supply chain may curtail some of the market's advantages
 - Additional strain on data centers while more employees are working from home
 - Industrial space that is well outfitted for cold storage will be particularly valuable with recent timing disruptions
- Retail
 - Retailers who made an effort to develop a more omnichannel operation will be better suited to survive the pandemic, however, the pandemic will mean many brick and mortar shops and restaurants will close. Those that come out of the pandemic still operational will benefit from a significant demand surge.
 - The current crisis emphasizes the importance of centers that are anchored by essential goods and service providers

- Hospitality
 - Hotels experienced a 24.4% decline in occupancy rate, a 10.7% decline in average daily rate, and a 32.5% decline in total revenue
 - Look for talk of a federal bailout for the hotel sector in the coming weeks
 - Hotels have an opportunity to serve a different purpose in these times, possibly used as a location for medical treatment or as temporary storage for medical supplies