



# AMERICAS WEBINAR ARE PROPERTY MARKETS RECOVERY READY?

May 2020



# INTRODUCTION



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HEAD OF RESEARCH



# AGENDA

- / ECONOMIC IMPACT & SCENARIOS**
- / CRE FUNDAMENTALS**
- / PANEL DISCUSSION**
- / THINGS TO THINK ABOUT**

# ECONOMIC IMPACT

Slow Road Back to 2019

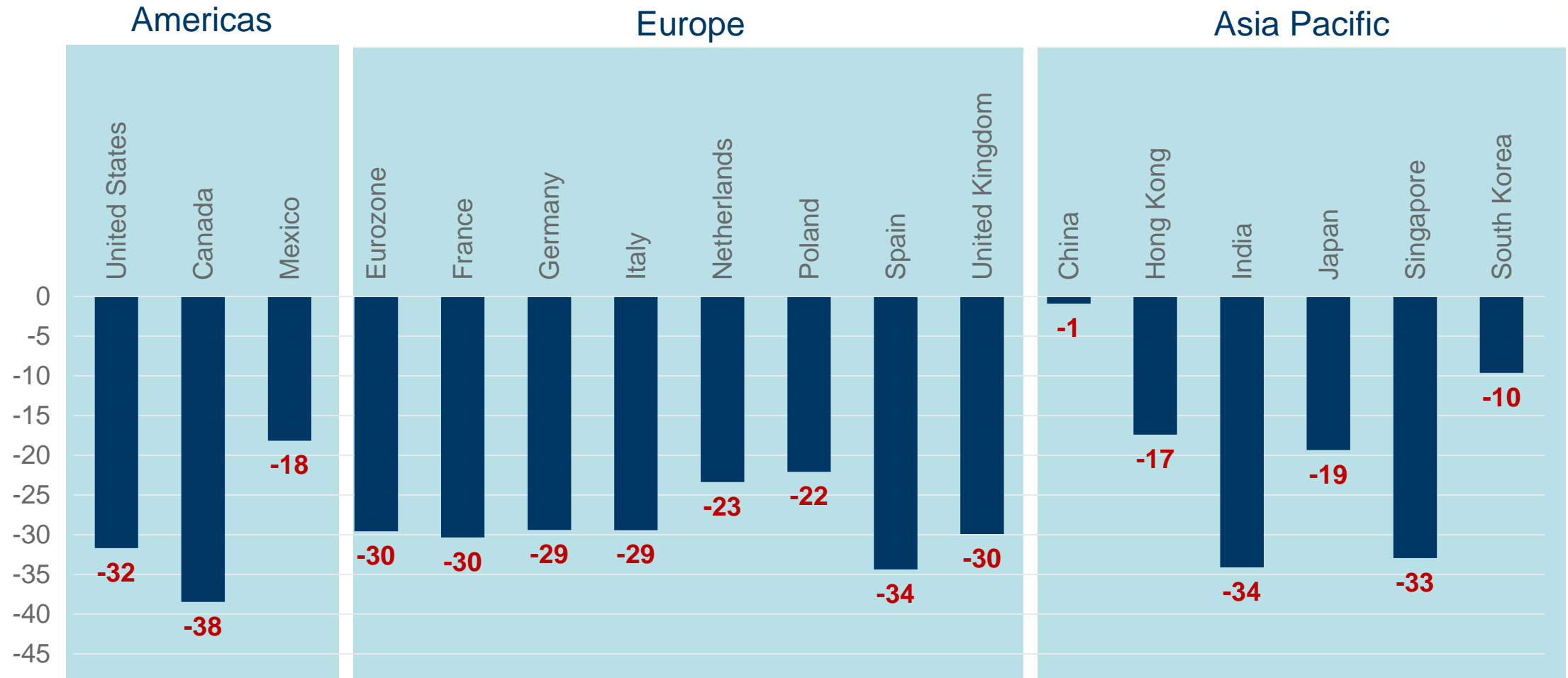


# Q2 WILL BE THE NADIR

REAL GDP, SECOND QUARTER OF 2020, ANNUALIZED %



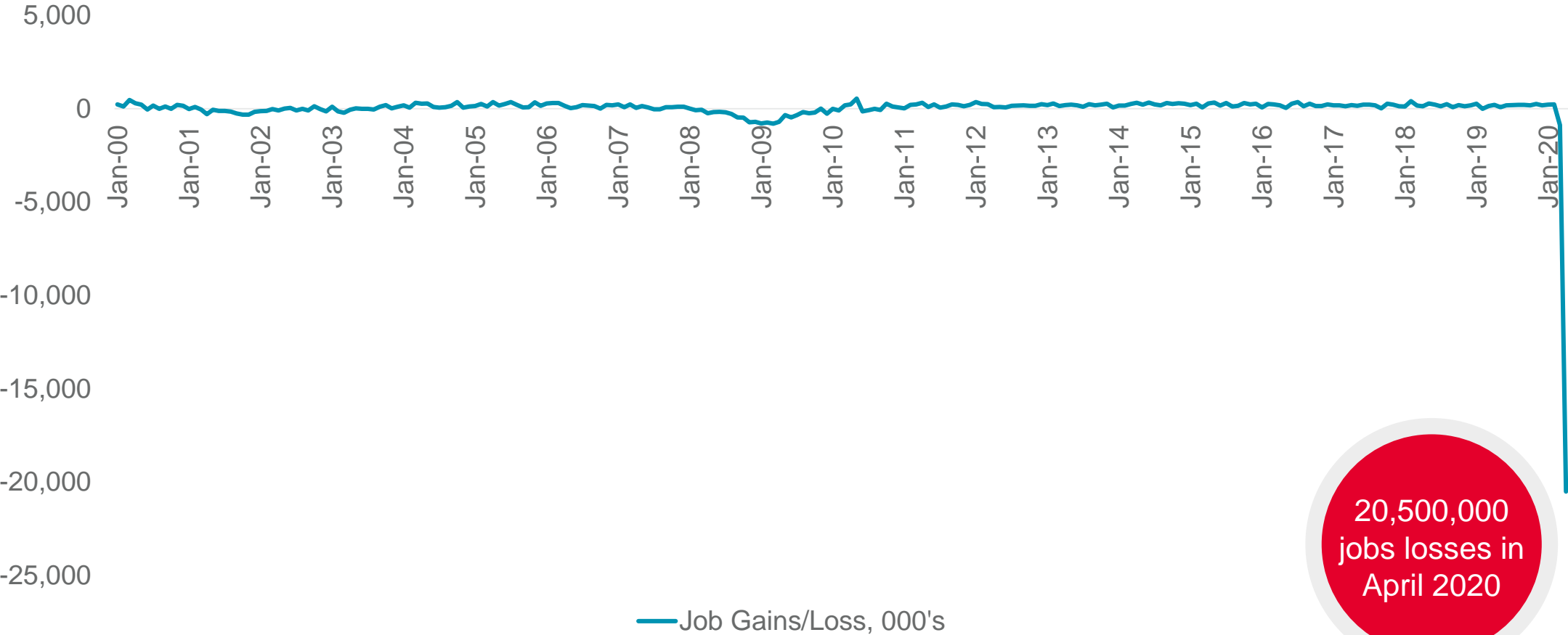
CUSHMAN & WAKEFIELD



Source: Oxford Economics, Cushman & Wakefield Research

# DEVASTATING BLOW TO THE LABOR MARKETS

## U.S. MONTHLY CHANGE IN TOTAL EMPLOYMENT



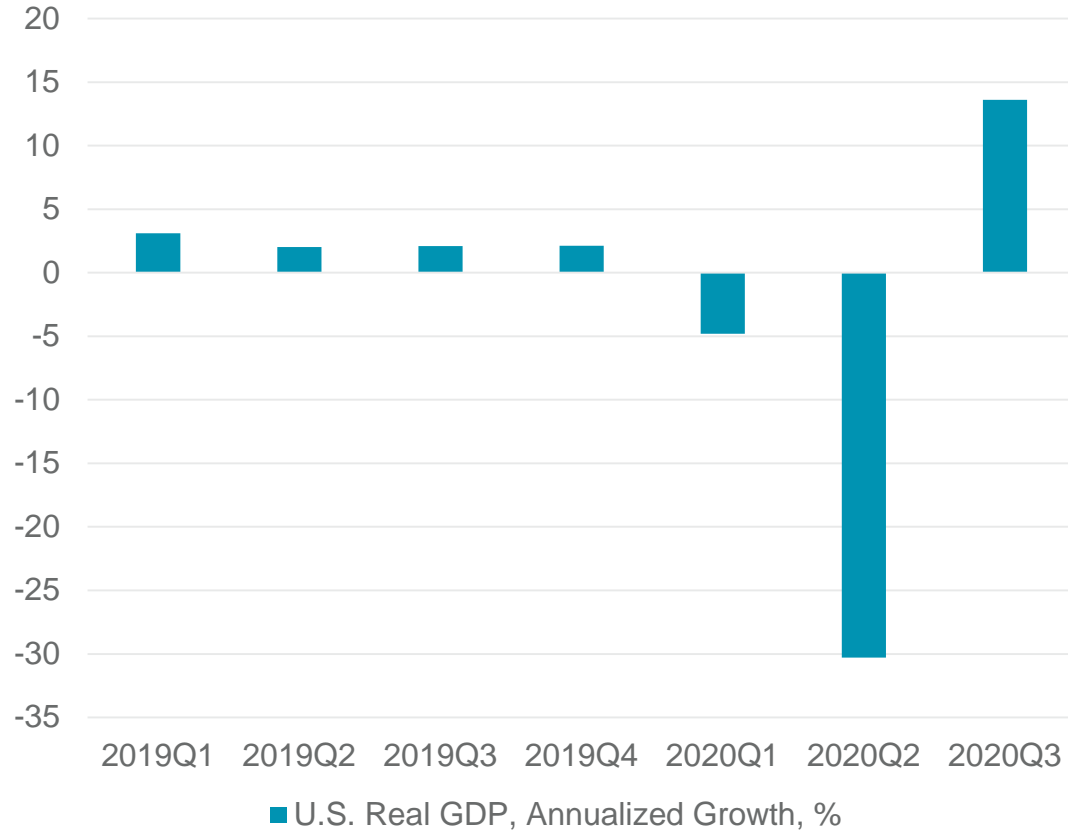
20,500,000 jobs losses in April 2020

Source: BLS, Cushman & Wakefield Research

# RECESSION ENDS THIS SUMMER

## UNITED STATES

### \*Consensus GDP Forecast



### \*\*Job Growth/Losses

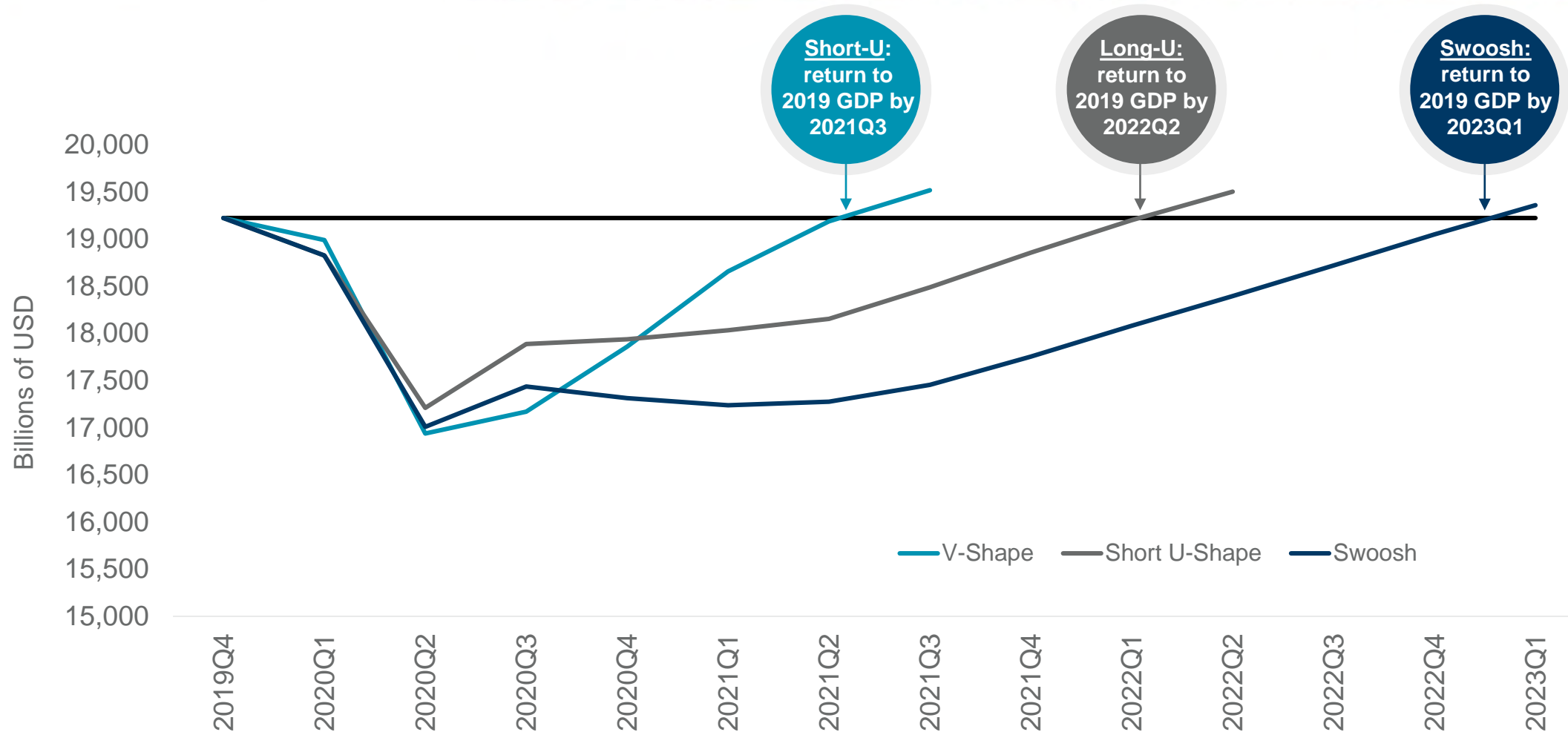
	April	May	June	July	Aug	Sept
TOTAL NONFARM	-20.5M	-4.8M	750,000	4.2M	4.0M	910,000
OFFICE-USING	-2.6M	-810,000	80,000	650,000	660,000	240,000

\*Average forecast of various economic forecasting groups and financial institutions

\*\*Job growth/losses forecast from Moody's Analytics Baseline Scenario

# THE ROAD BACK TO 2019

## U.S. REAL GDP



Source: V-shape = Oxford Economics Baseline; U-Shape = Moody's Analytics Baseline, Swoosh = Moody's Analytics S3 scenario (April 10)

Most recent forecasts as of 5-11-2020



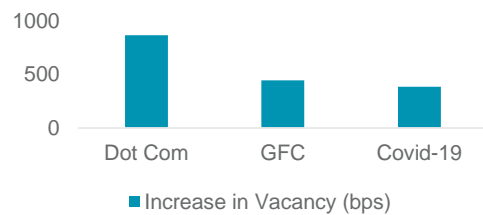
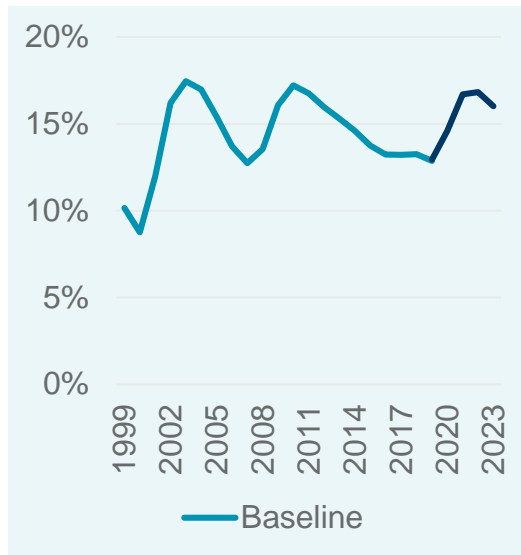
# CRE FUNDAMENTALS

Expect the recovery  
to be highly uneven.

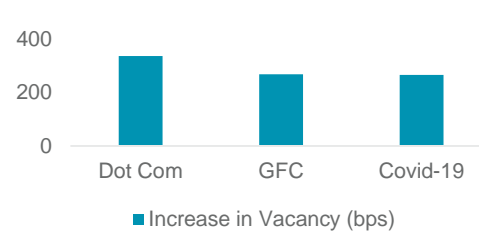
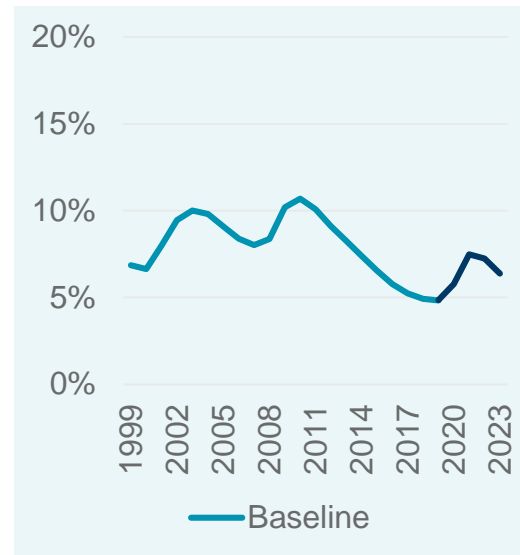


# U.S. VACANCY FORECASTS

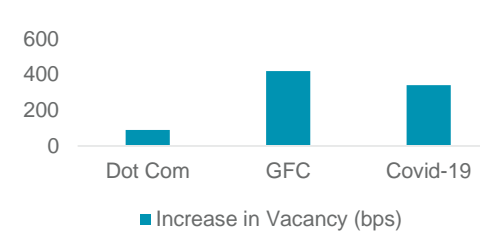
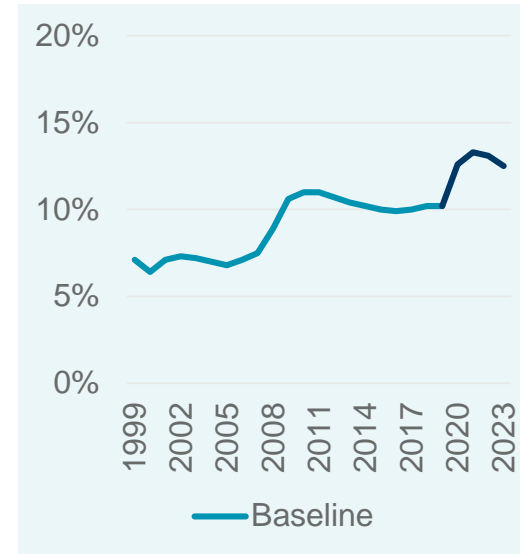
## Office



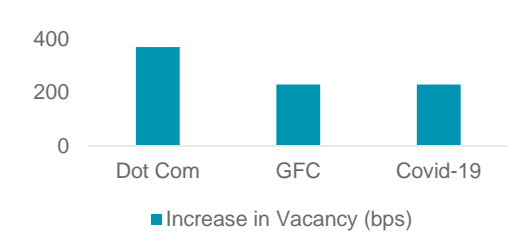
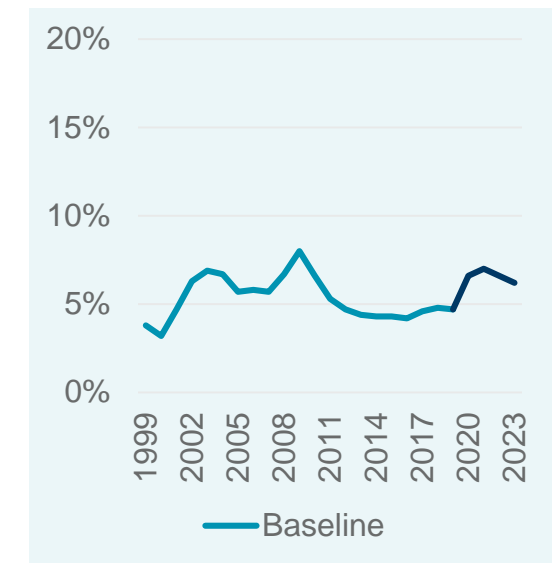
## Industrial



## Retail



## Multifamily

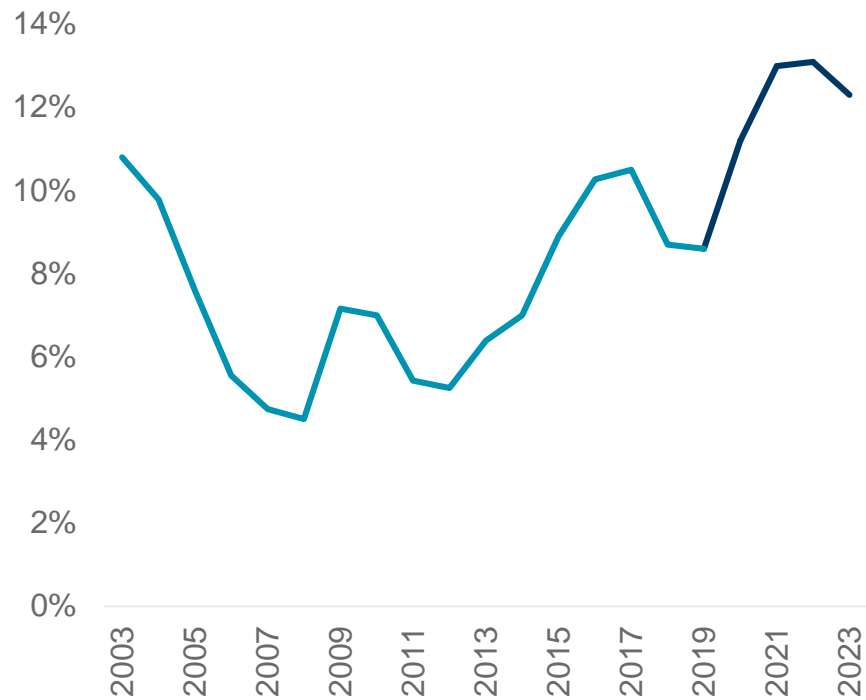


Source: Cushman & Wakefield Research (Office, Industrial), Moody's Analytics, Reis (Retail, Multifamily)

# CANADA VACANCY FORECAST



## Office



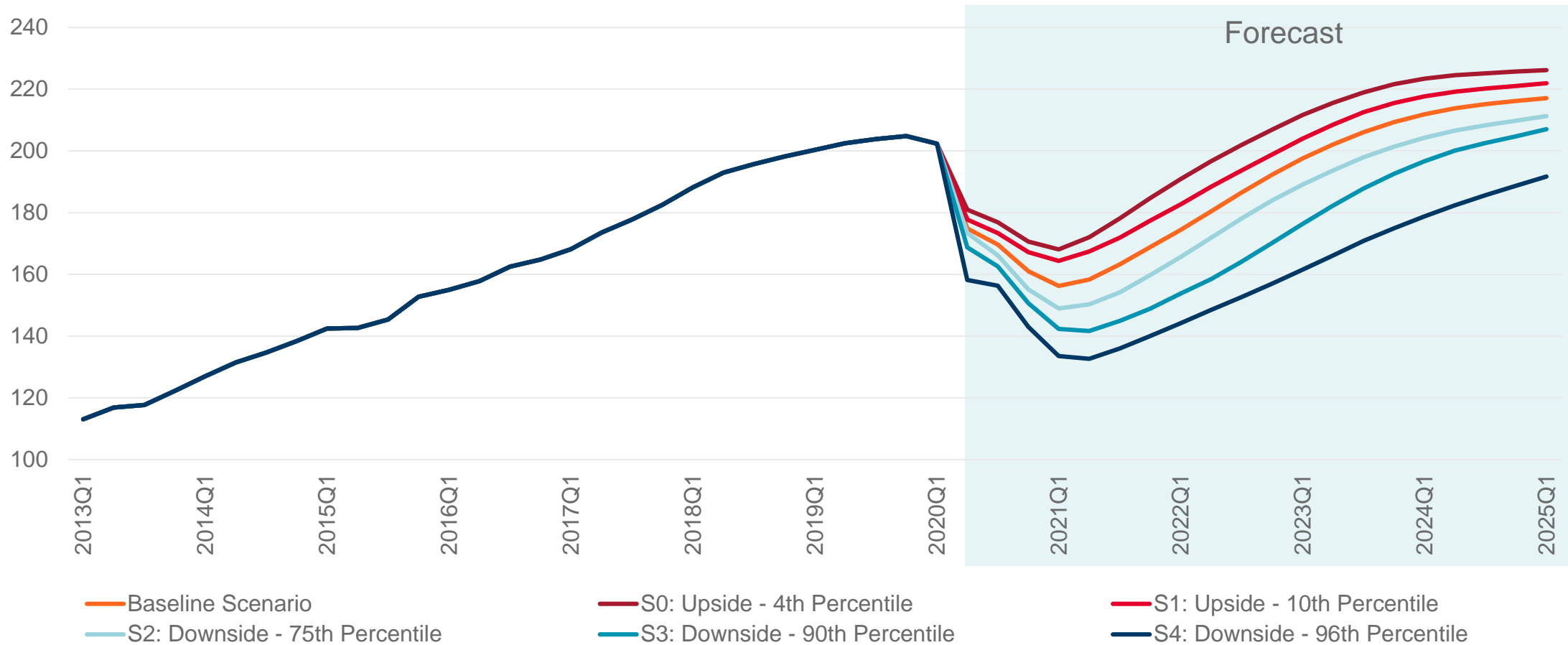
## Industrial



Source: Cushman & Wakefield Research

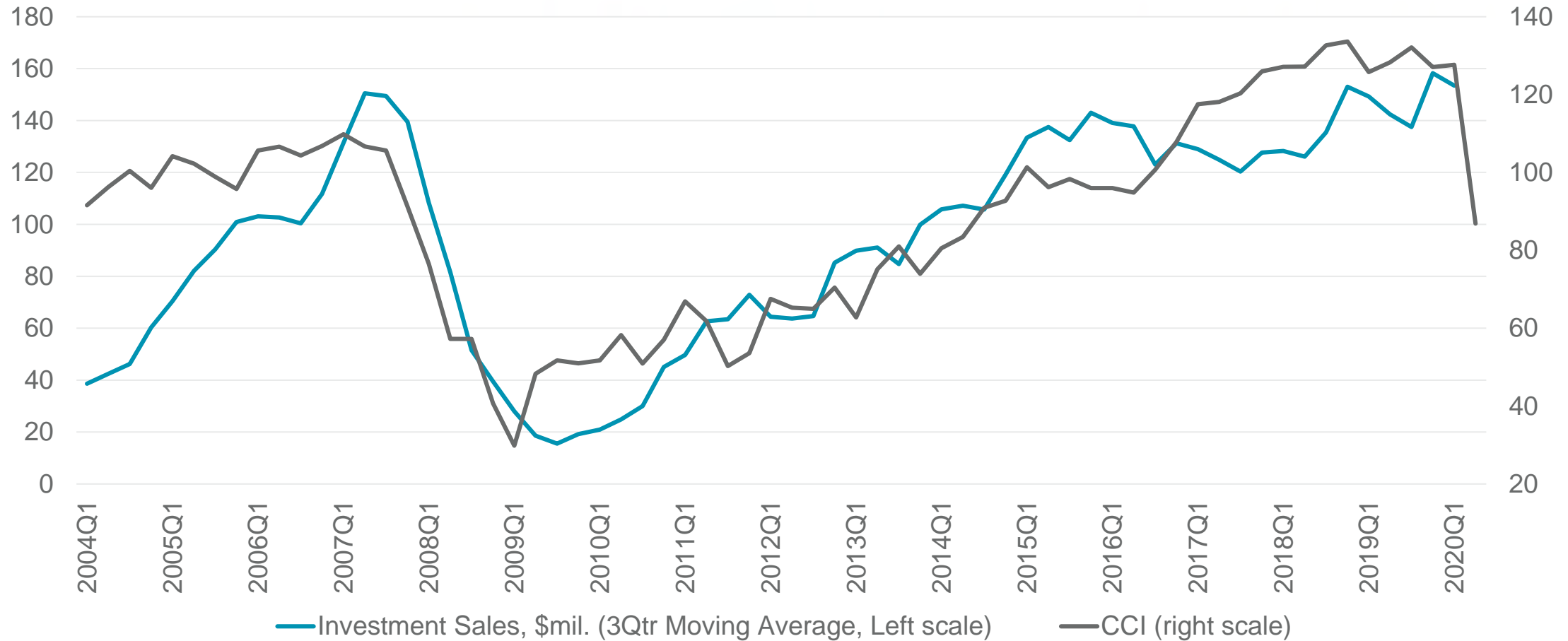
# A PERIOD OF PRICE DISCOVERY

ALL PROPERTY TYPES, COMMERCIAL PROPERTY PRICE INDEX (CPPI)



Source: Moody's Analytics, Cushman & Wakefield Research

# WHAT TO WATCH: CONSUMER CONFIDENCE



Source: RCA, The Conference Board

# PANEL SPEAKERS



**REBECCA ROCKEY**  
HEAD OF  
FORECASTING



**DAVID SMITH**  
HEAD OF  
OCCUPIER INSIGHTS



**DAVID BITNER**  
HEAD OF CAPITAL  
MARKETS INSIGHTS



**JASON TOLLIVER**  
HEAD OF  
NEWCOMMERCE  
INSIGHTS

# Q&A

# THINGS TO THINK ABOUT...

## NEXT 6 MONTHS

### Key Themes

Most probable scenario slow U-shaped recovery.

Parts of the economy will be restarting in the coming weeks (very incremental).

Office vacancy is going to rise, rents are going to fall.

Confidence is the Ace.

Fits and starts with geographic variability.

### Considerations

The recovery is going to be a grind. If your strategy and portfolio are mismatched, prepare to adjust.

Perhaps do nothing too dramatic right away. New trends will emerge, we will learn a lot more over the coming months.

All real estate is intensely local, but we are entering into a rising vacancy environment. Prepare for that.

Consumer confidence will drive the economic recovery. Successful return to the workplace driven by employers' and landlords' ability to communicate confidently and actualize an environment of safety, security and cleanliness.

The virus likely to pop back up over next 12-18 months. Reentry into the economy will not be smooth nor will it be consistent across geographies. Slower and more difficult in dense, vertical cities that are dependent upon public transportation.



# THINGS TO THINK ABOUT...

## LONGER-TERM

### Key Themes

Gov't debt burdens will be much larger; central banks will look to exit at some point.

Certain sectors will come out of this stronger.

New normal: An accelerator more than a disruptor.

Remote working/density will be reexamined.

Don't underestimate the resiliency of the economy.

### Considerations

Interest rates are inevitably going to rise on the other end. Load up on debt as soon as it becomes available to grow the business. It will never be cheaper.

Likely growth areas include: industrial logistics, data centers, multifamily, R&D, life sciences, necessity retail, manufacturing.

Many of the outcomes from COVID lockdowns are trends that were already in motion: distributed workforce growth, workplace technology, changes in retail and pendulum swinging back to suburban office.

Individualized focus work can be done anywhere. The office of the future enables and enhances connection, collaboration, culture and innovation.

History tells us that it is often more resilient than we think.