

# Lawrence Yun

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**Chief Economist**

NATIONAL ASSOCIATION OF REALTORS®

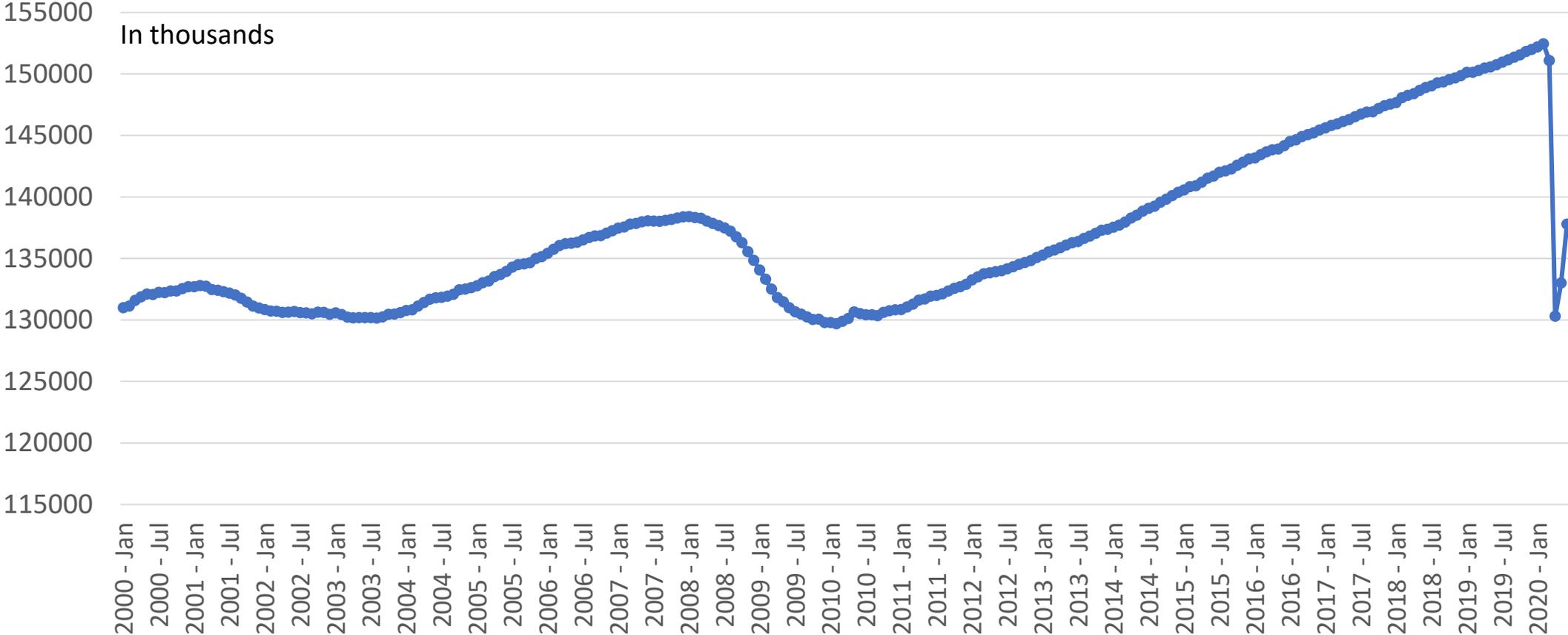


# Economic Backdrop

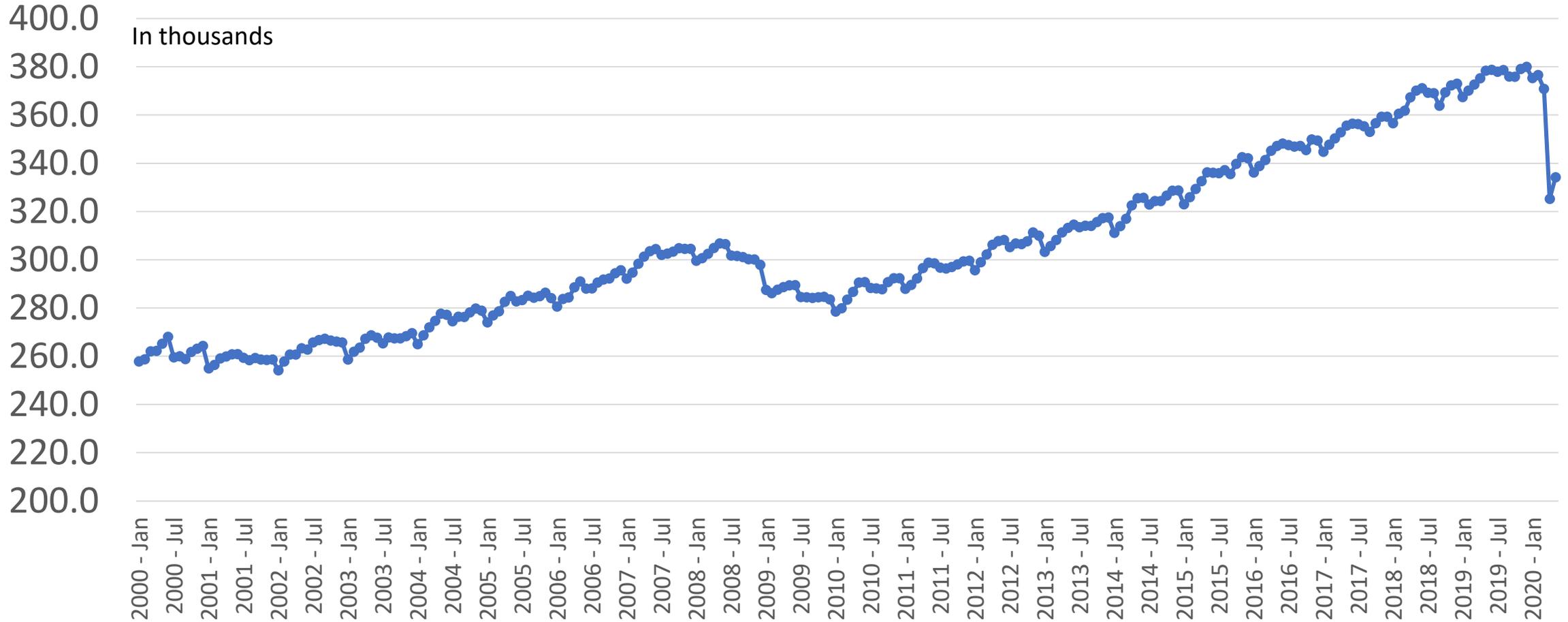
## Economy in 2020 Q1 down 5% ... 2020 Q2 to be down much sharper

2020 Q1 or April	% change annualized rate
GDP	-5.0%
Consumer Spending	-7%
Business Spending	-6%
Personal Income Gains in April and May	+12% and +7%
Savings Rates in April and May	Very High

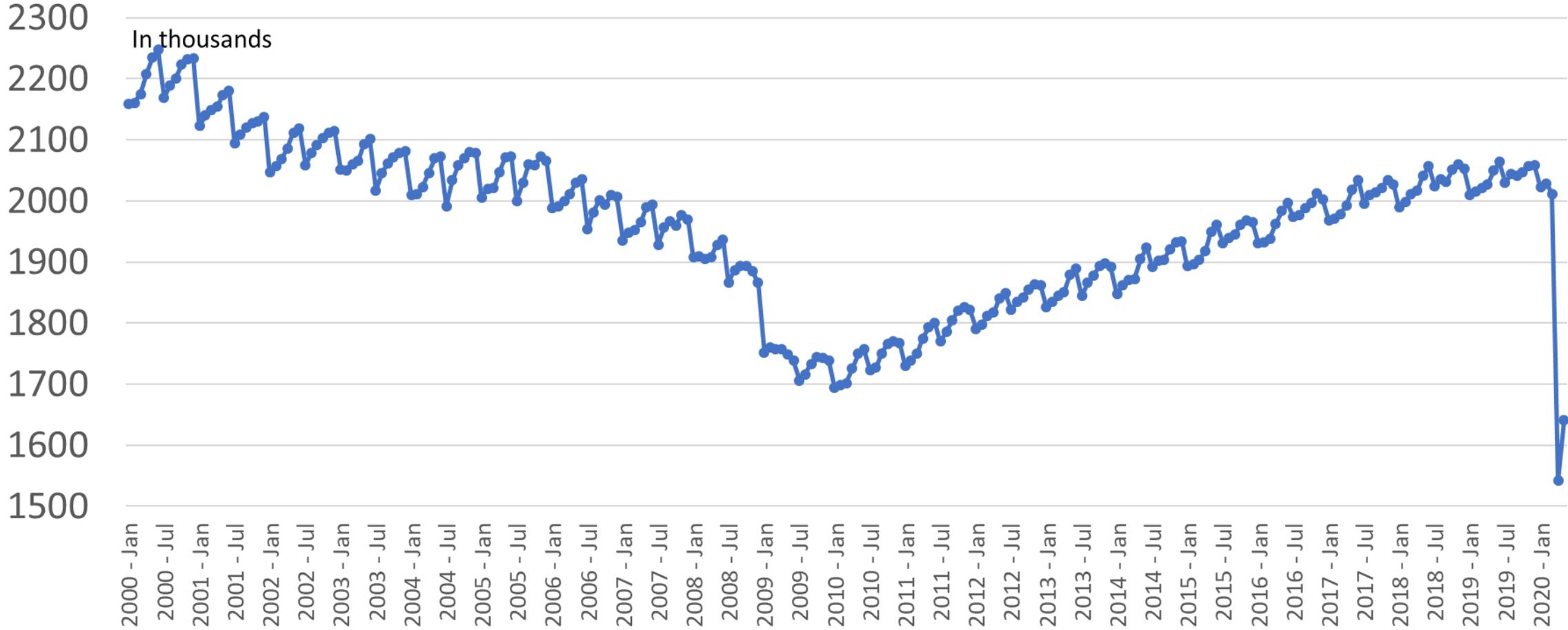
# Total Payroll Jobs in the U.S.



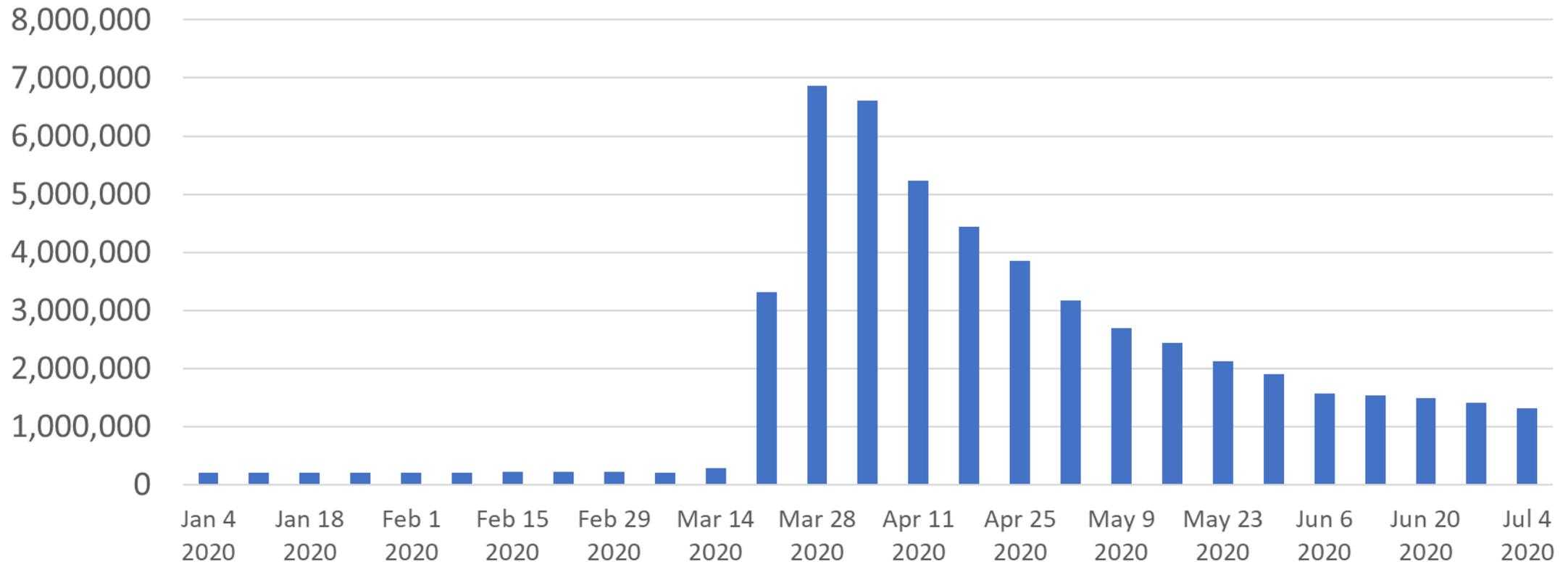
# Payroll Jobs in Charleston, SC



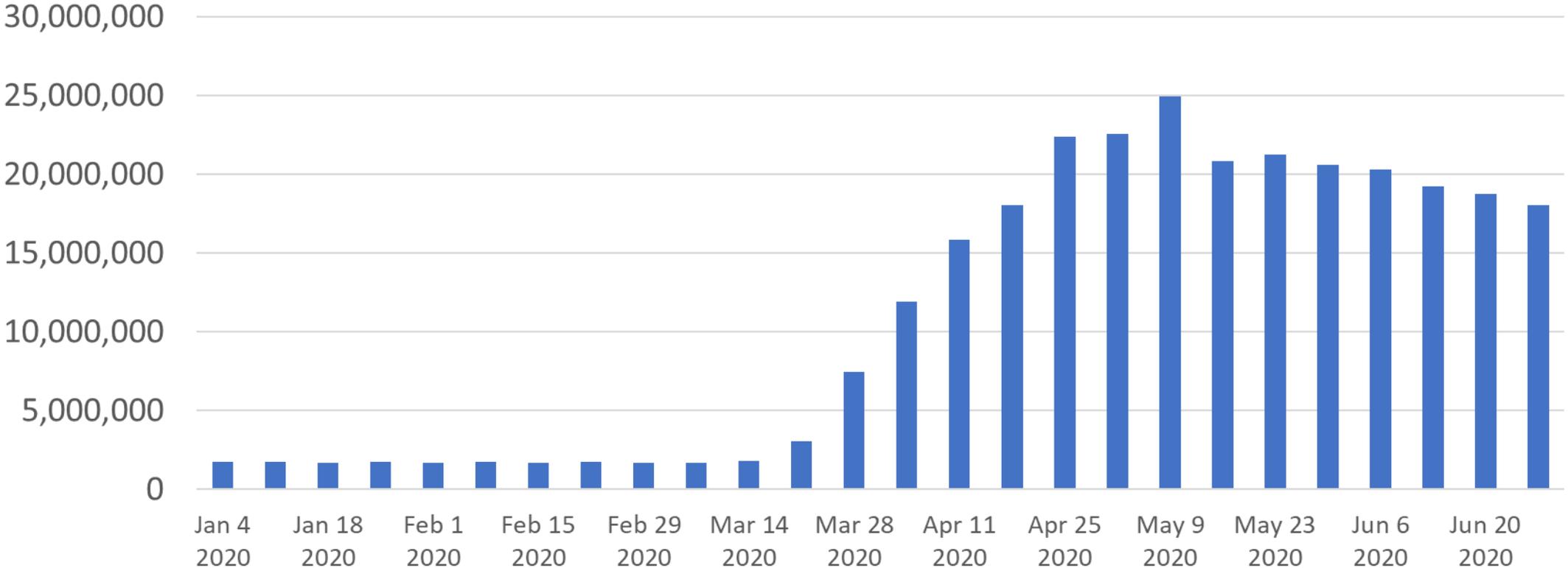
# Payroll Jobs in Detroit



# New First-time Cases ... Unemployment Check Filings ... Cumulative 49 million

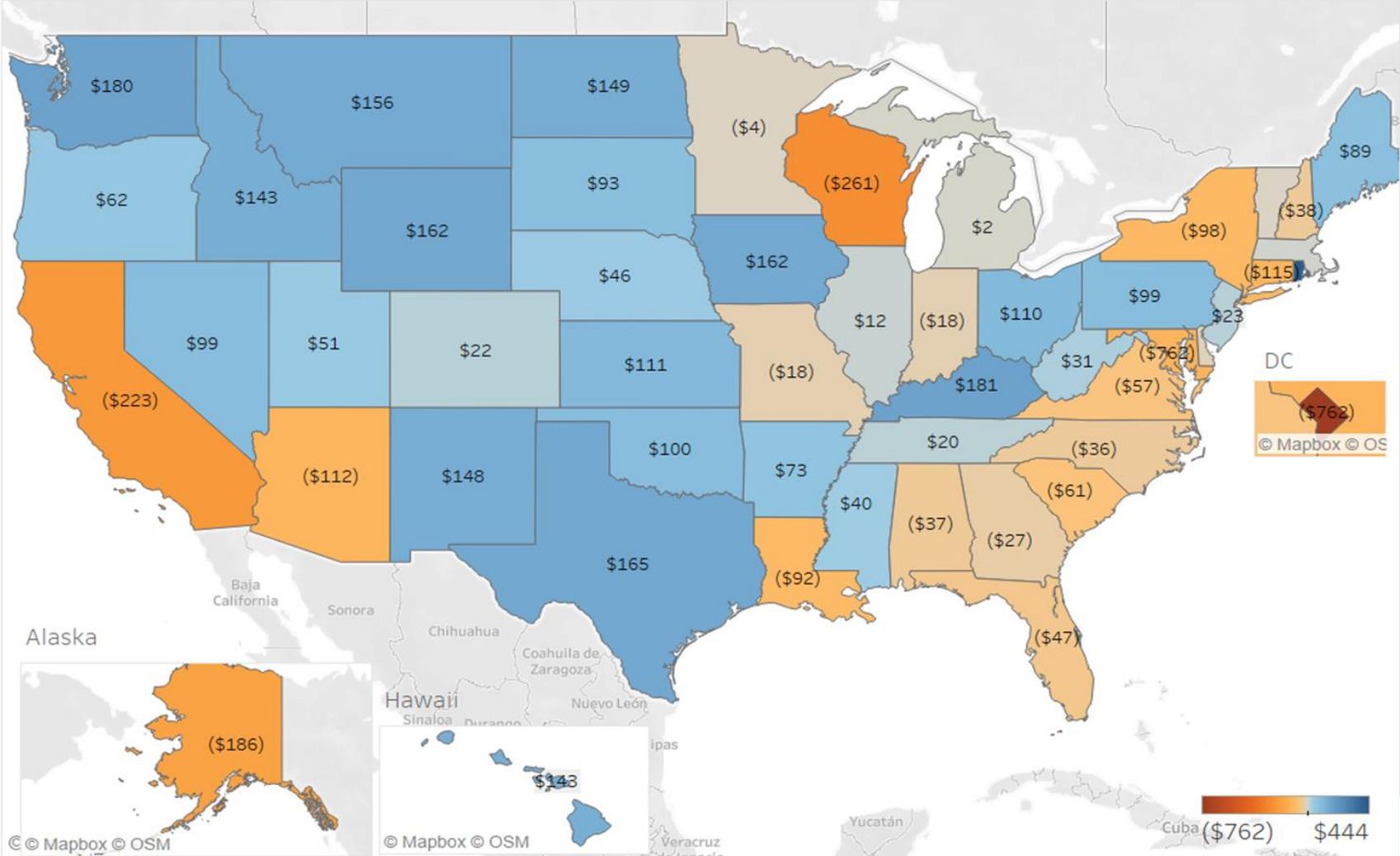


# Total Ongoing Cases of Receiving Unemployment Checks ... 18 million



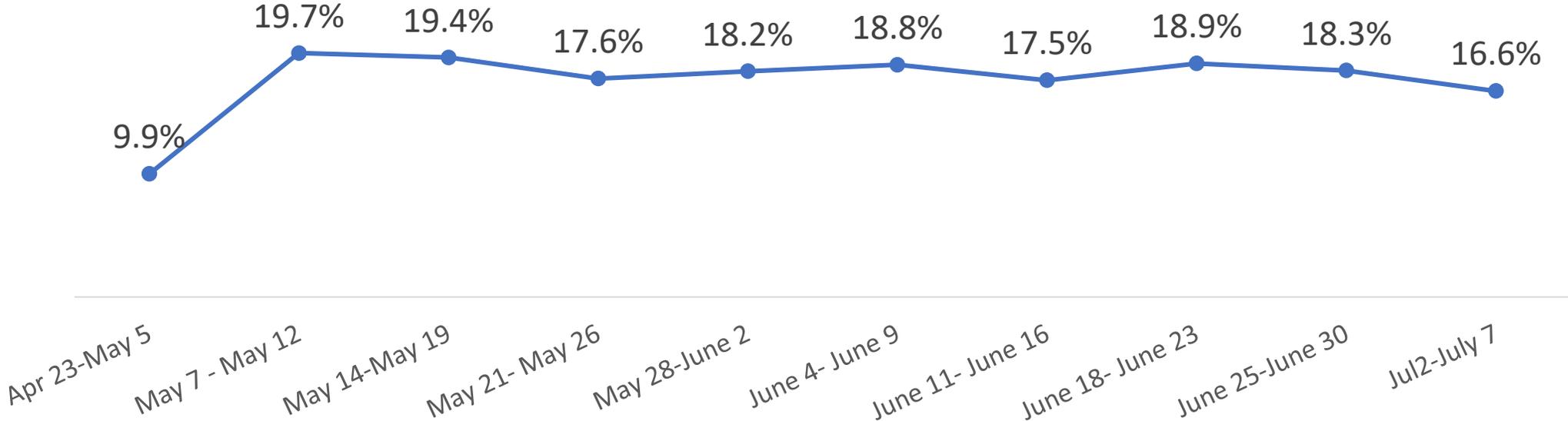
# Generous Unemployment Benefits due to \$600 enhancement

Wage Gap: State Unemployment Insurance +\$600 -Average Weekly Wage  
 (Orange areas: UI less than wages)



# Rent Strike? Weekly Census Survey of Households

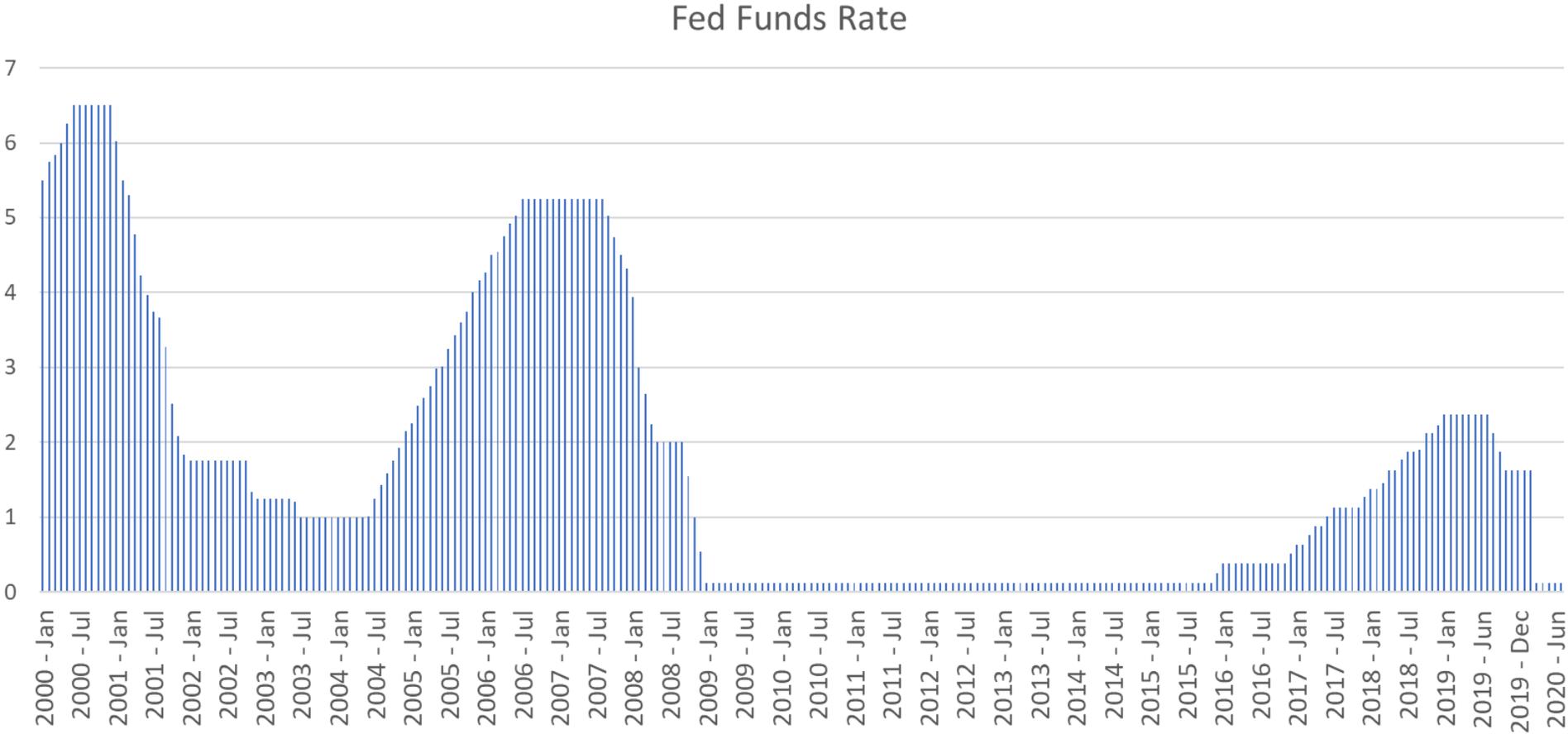
Percent of Renters Who Did Not Pay or Deferred Rent



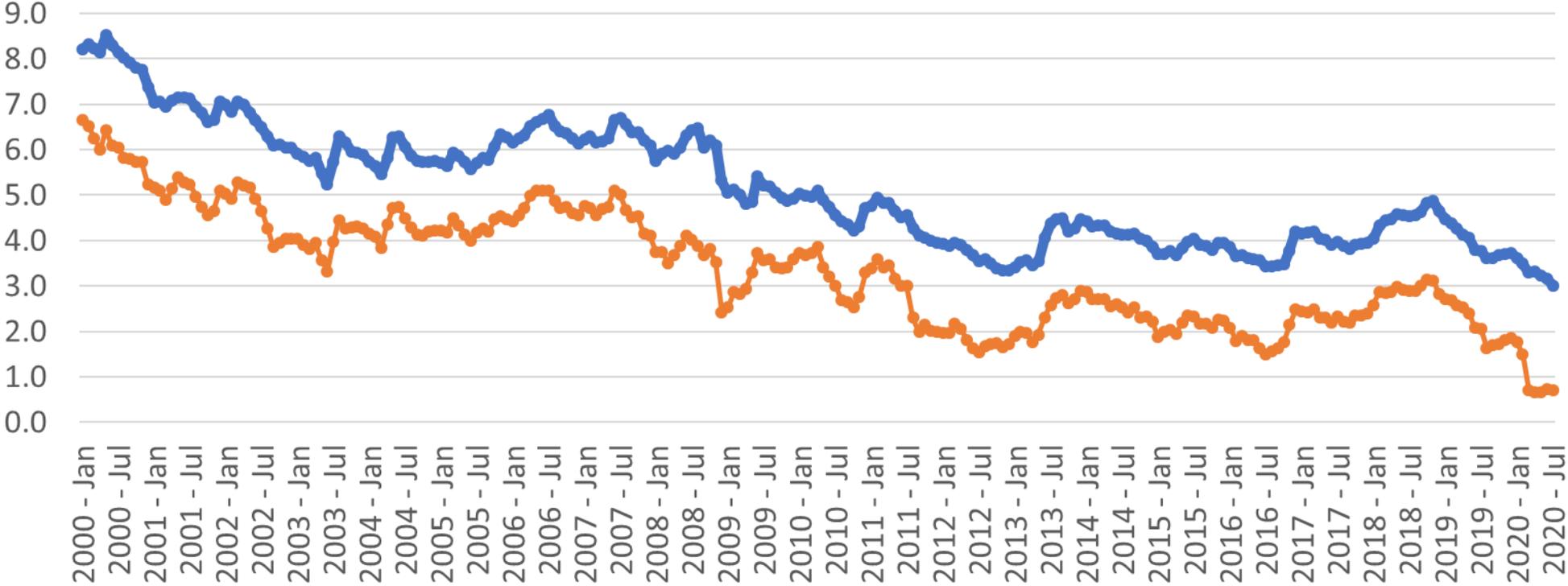


# Federal Reserve

... maximum Liquidity, including buying corporate bonds



# Record Lows on 10-year Treasury and 30-year Mortgage Rates

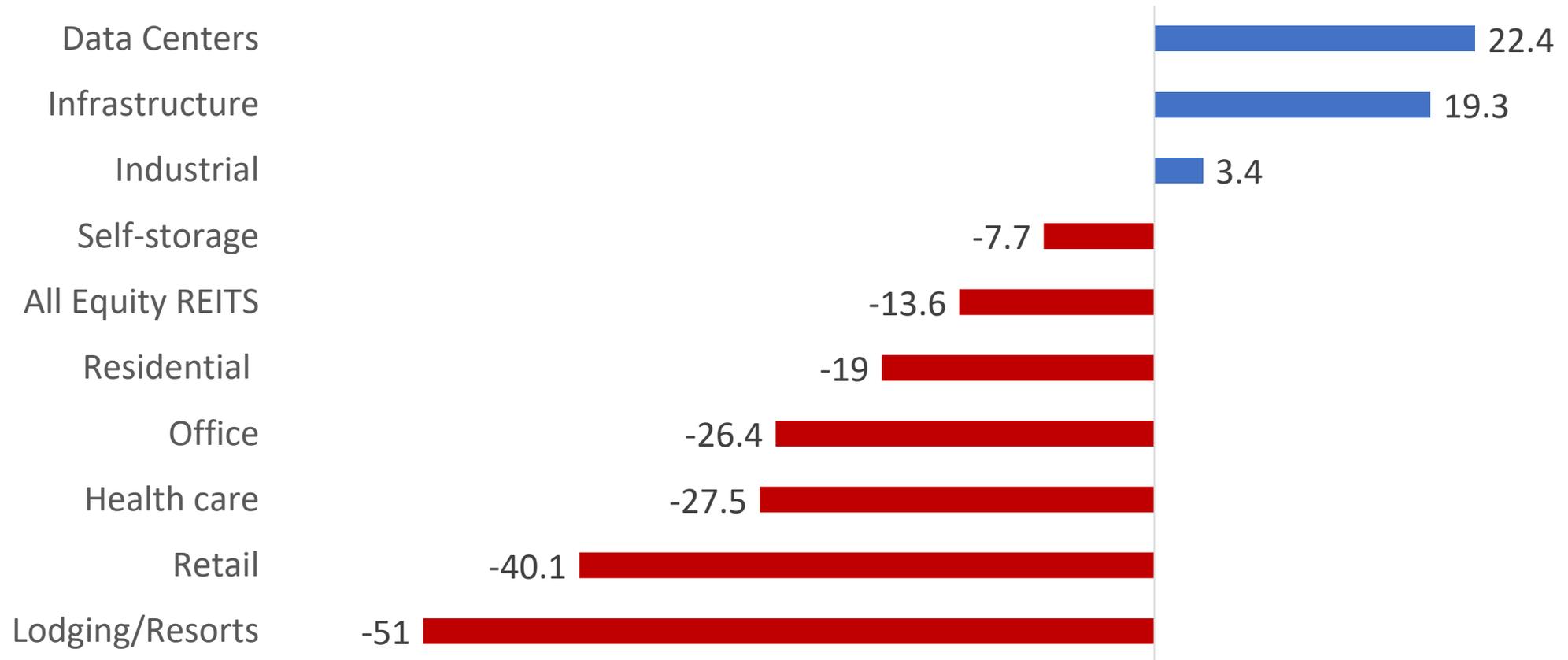


# Stock Market Price-to-Earnings Ratio



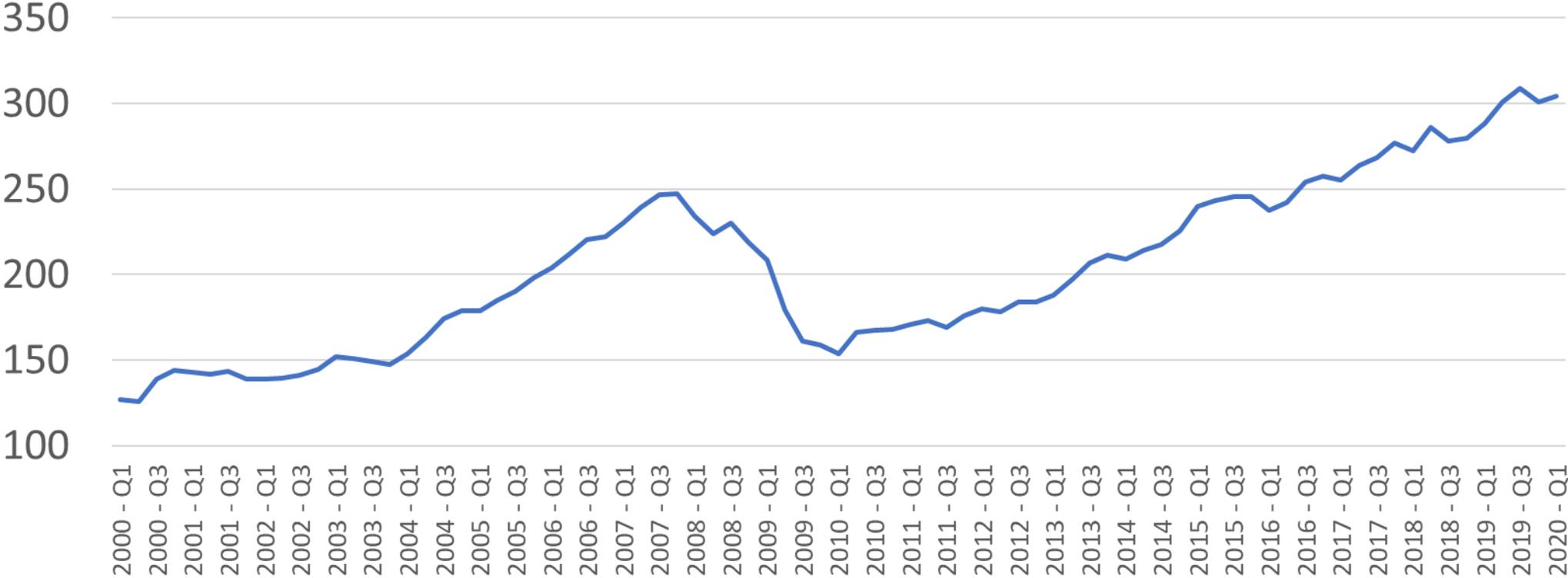
# REIT Stock Market Returns by Sectors

Year-to date Returns on the FTSE Nareit U.S. Real Estate Index Series  
as of July 10 2020

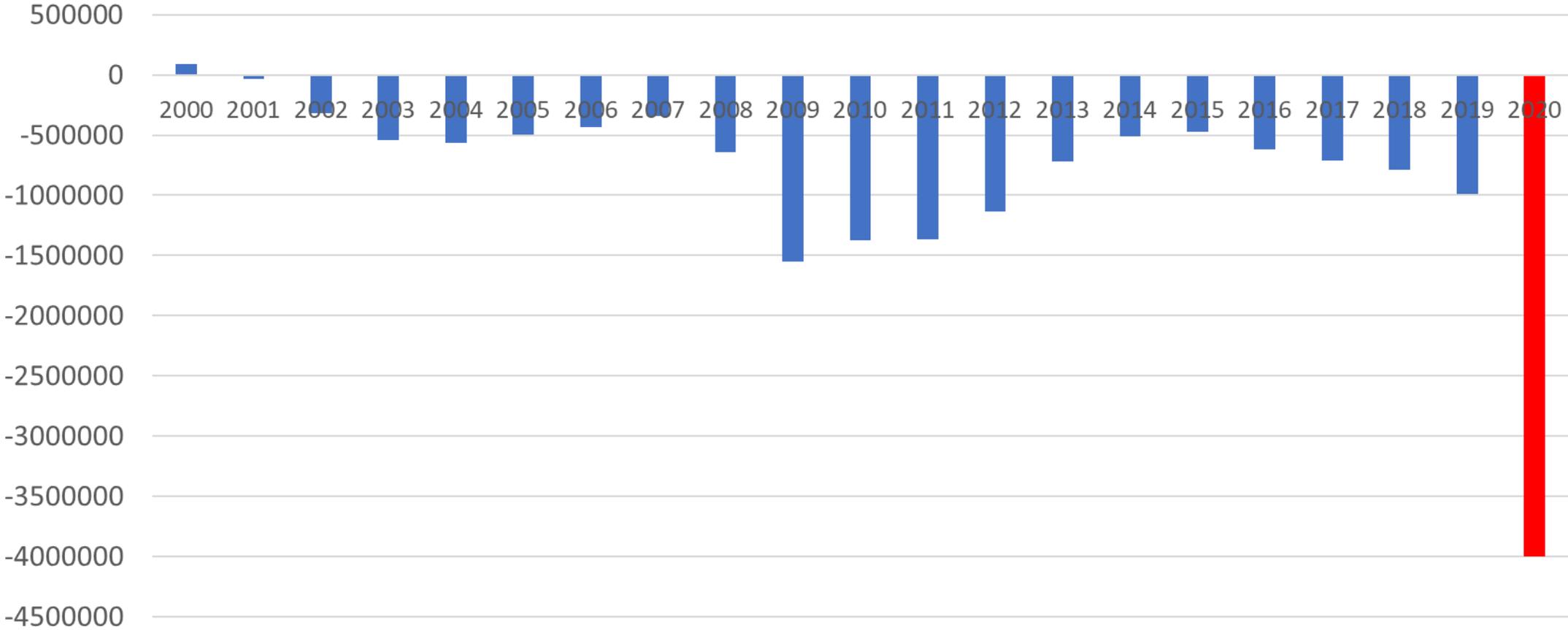


Source: Nareit

# Commercial Real Estate Property Price Index

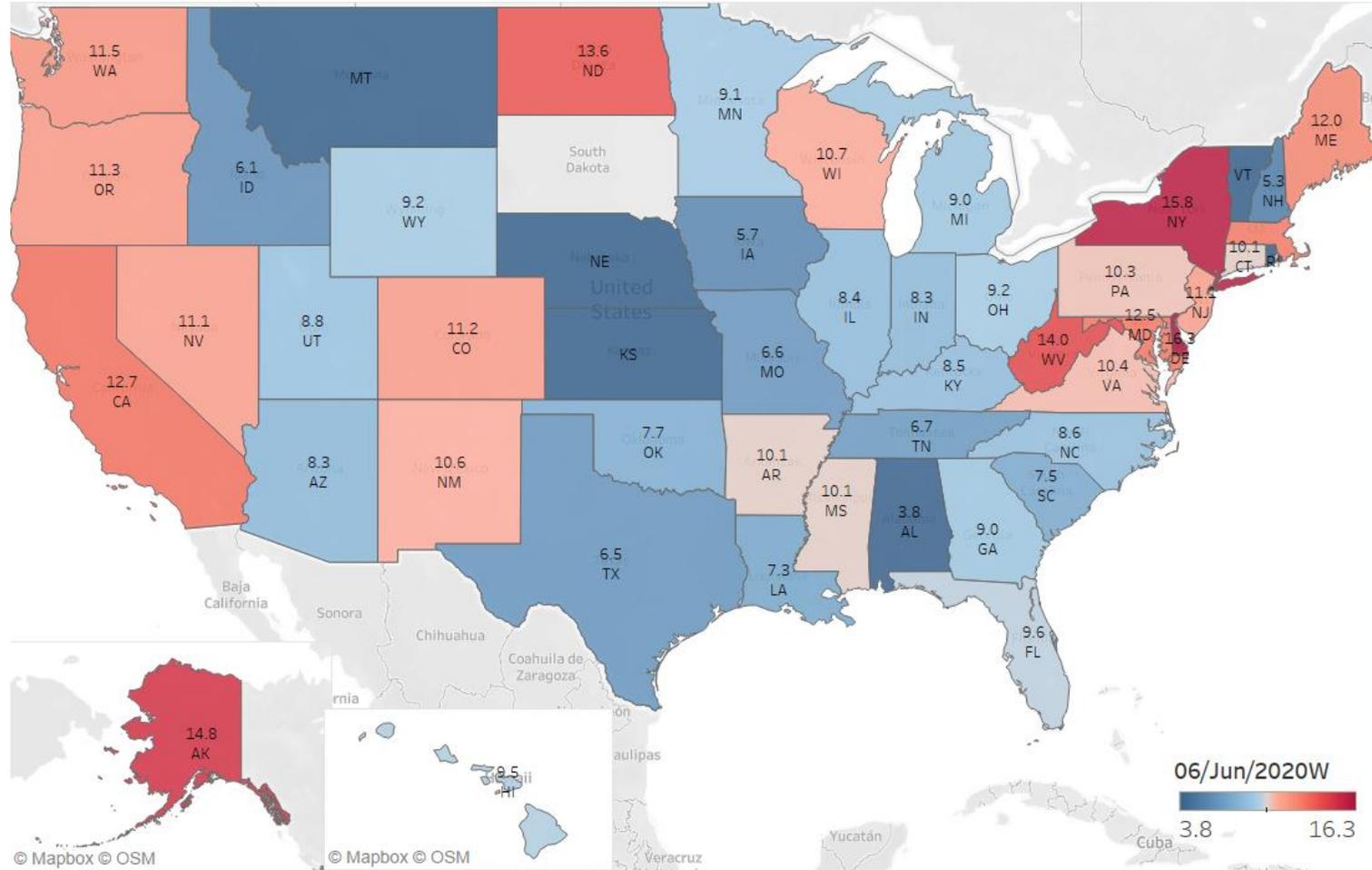


# Blowout Federal Budget Deficit



# 10% of Small Businesses Who Will Not Return

Percent of Small Businesses Who Will Not Return to Normal Operations



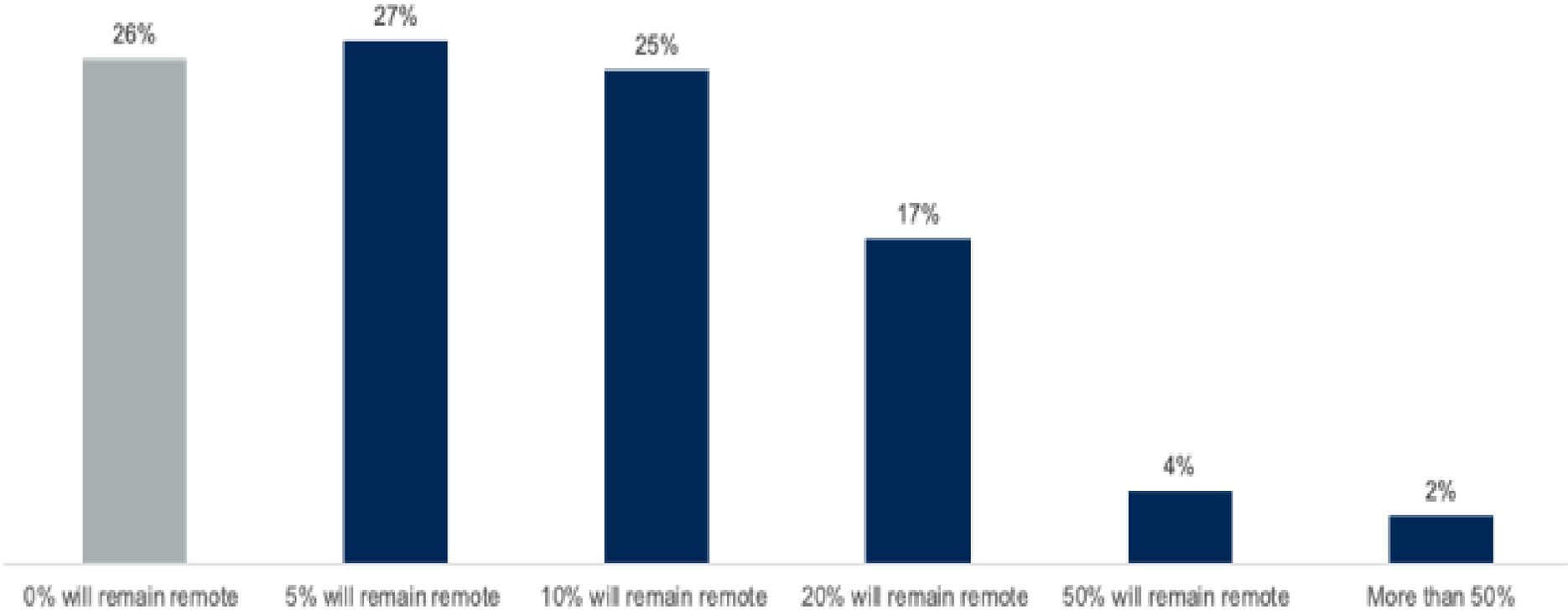
Source: US Census Bureau Small Business Pulse Survey, week of June 6 survey.  
 Washington DC: 12.9% will not return to normal operations, based on May 16 survey

# Remote Work will Outlast the Virus

Gartner Survey of Businesses

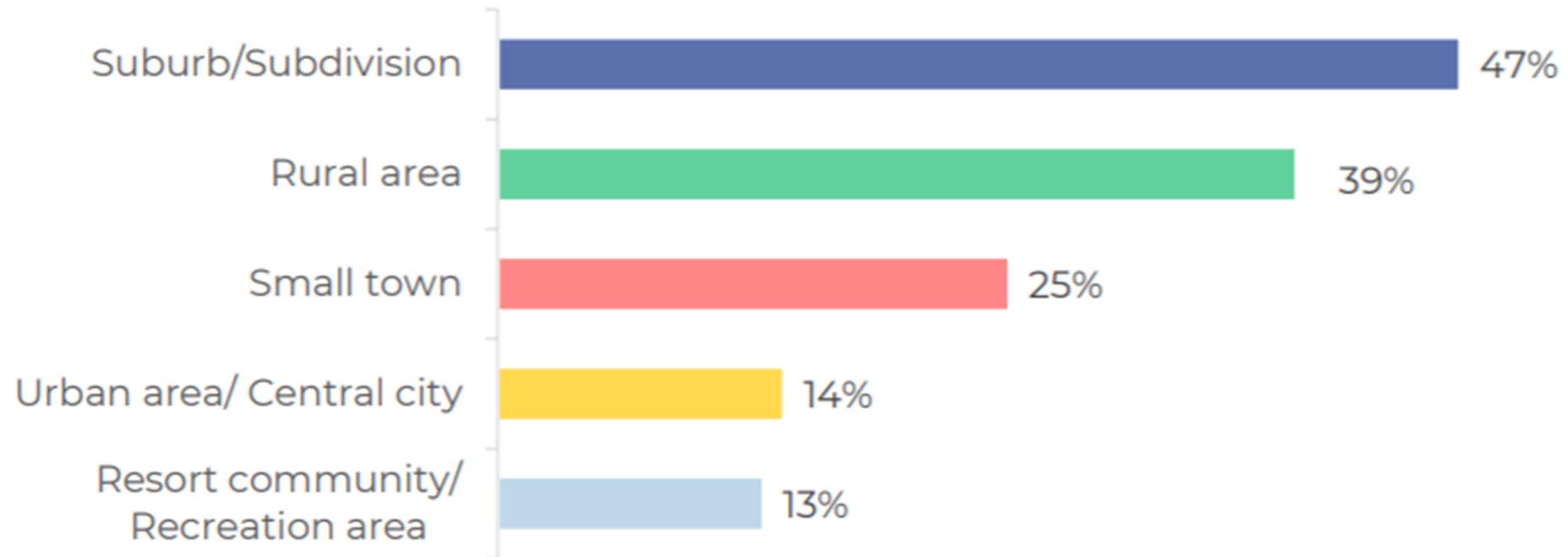
*What percentage of your workforce will remain permanently remote post-COVID who were not remote before COVID?*

■ % of Companies



# Follow the People ... Location Change for Home Purchase

**WHICH BEST DESCRIBES THE LOCATIONS OF THE HOMES IN WHICH THESE CLIENTS ARE NOW INTERESTED IN PURCHASING? (CHECK ALL THAT APPLY)**



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## Forecast with Many Uncertainties

	2019	2020 Forecast	2021 Forecast
GDP Growth	2.3%	-4.5%	+3%
Job Gains	+2.2 million	- 4 million	+ 2 million
10-Year Treasury	2.1%	0.9%	0.7%
Commercial Real Estate Price Index	7.4%	-10%	-3%

**Thank You**

# Commercial Market Update: Multifamily and Office Markets

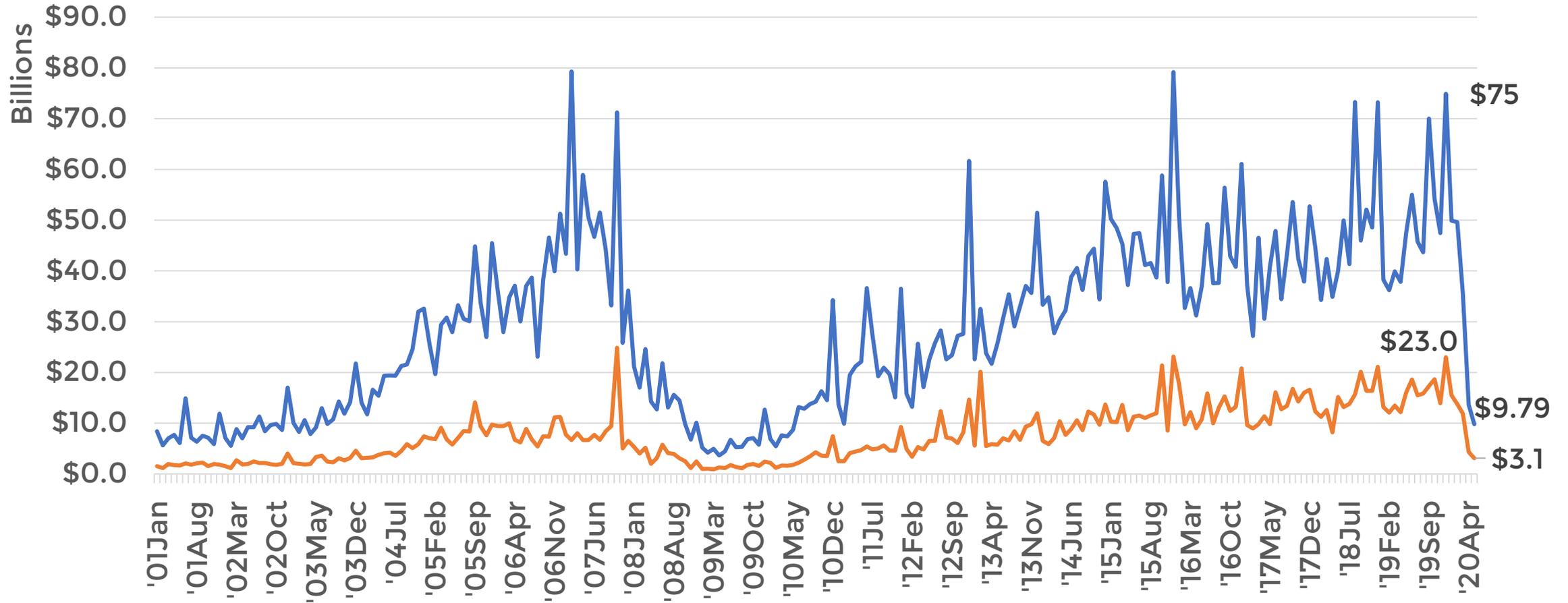
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# MULTIFAMILY

# MULTIFAMILY SALES VOLUME: -81% Y/Y IN MAY 2020 (-79% ALL CRE SALES)

## Volume of Acquisitions \$2.5M+



Source: RCA

## SALES VOLUME DECLINED IN PRIMARY CITIES, BUT INCREASED IN SECONDARY/TERTIARY CITIES

### Percent change in apartment sales volume YTD May 2020 vs. YTD May 2019

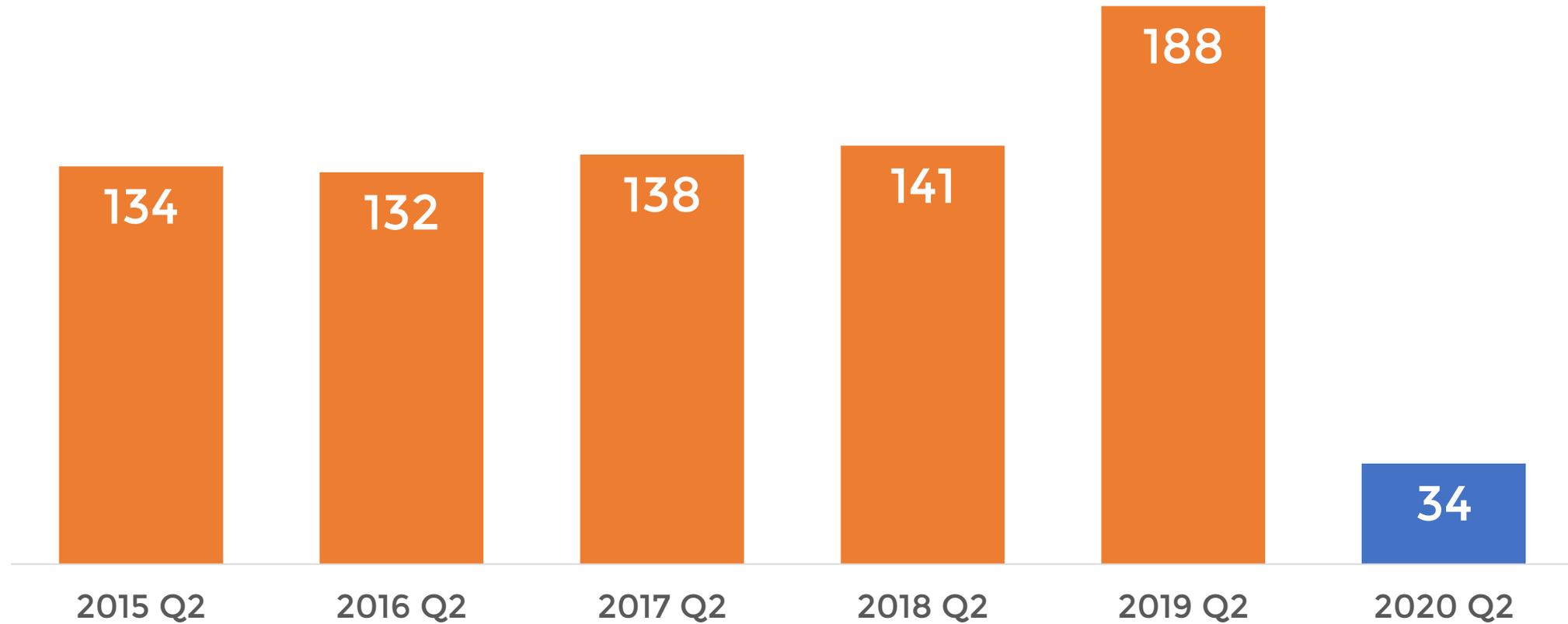
Columbus	120%
Stamford	117%
Indianapolis	116%
Sacramento	93%
East Bay	87%
Nashville	76%
St Louis	74%
Memphis	48%
Portland	45%
Dallas	40%
Orlando	40%
Cleveland	32%
Salt Lake City	31%
Detroit	28%
Kansas City	25%
Raleigh/Durham	18%

### Percent change in apartment sales volume YTD May 2020 vs. YTD May 2019

Hartford	-75%
Seattle	-67%
Chicago	-63%
Inland Empire	-62%
Palm Beach Co	-58%
San Diego	-57%
Orange Co	-52%
DC, MD, VA burbs	-52%
Philadelphia	-51%
Phoenix	-48%
Las Vegas	-44%
San Francisco	-43%
Boston	-38%
Los Angeles	-20%
Manhattan	-7%

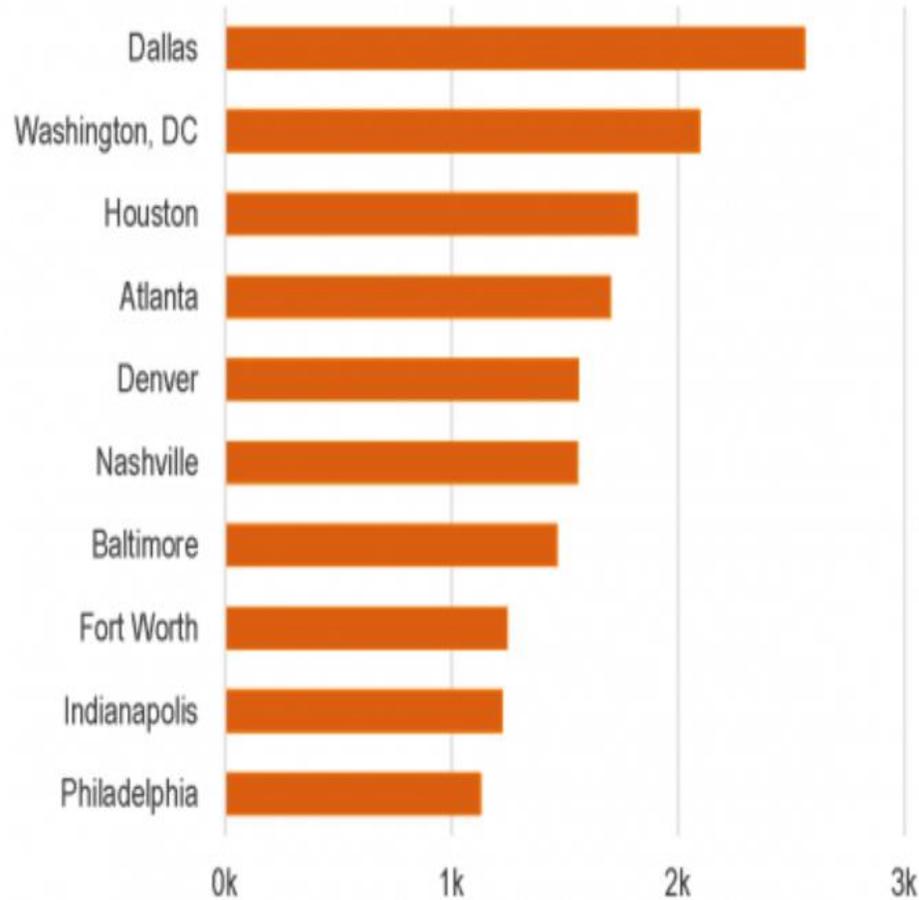
# LEASING VOLUME (ABSORPTION) IN 2020 Q2: -81% Y/Y DECLINE

Apartment Demand Slumped in 2020 Q2



Source: RealPage

# LEASING DOWN IN GATEWAY CITIES, BUT UP IN SUN-BELT METROS



Sun Belt Markets  
Topped 2Q's Apartment  
Demand Leaderboard



Many Gateway  
Markets Suffered Net  
Move-Outs in 2Q

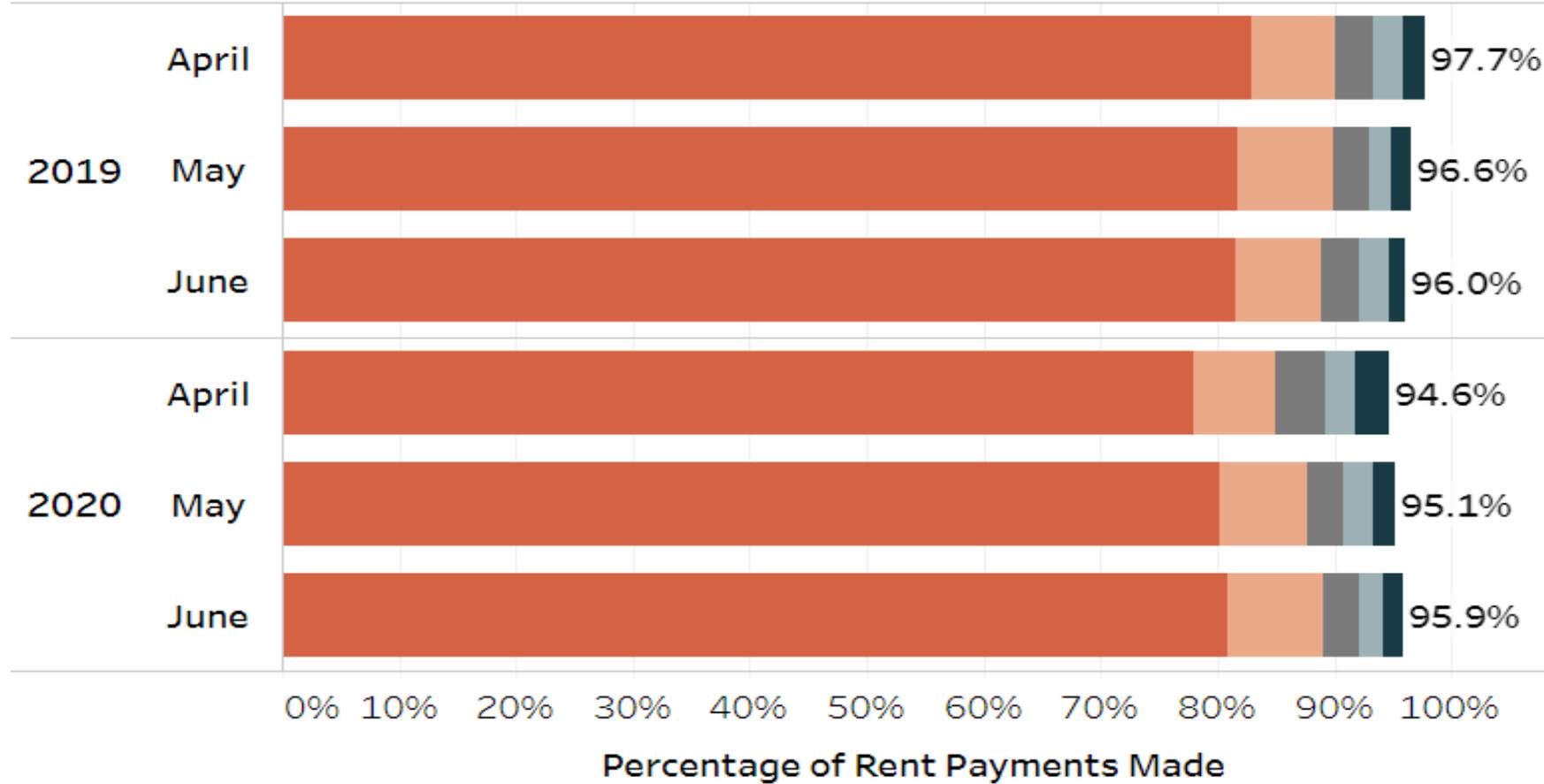
About three in 10 of the country's 150 biggest markets suffered net move-outs from their apartment stocks in 2nd quarter.

Source:RealPage

# RENT COLLECTION RISKS WEIGHING DOWN APARTMENT SECTOR

## Rent Payment Tracker: Full Month Results

\*\*Data collected from between 11.1 - 11.5 million apartment units in April, May, and June

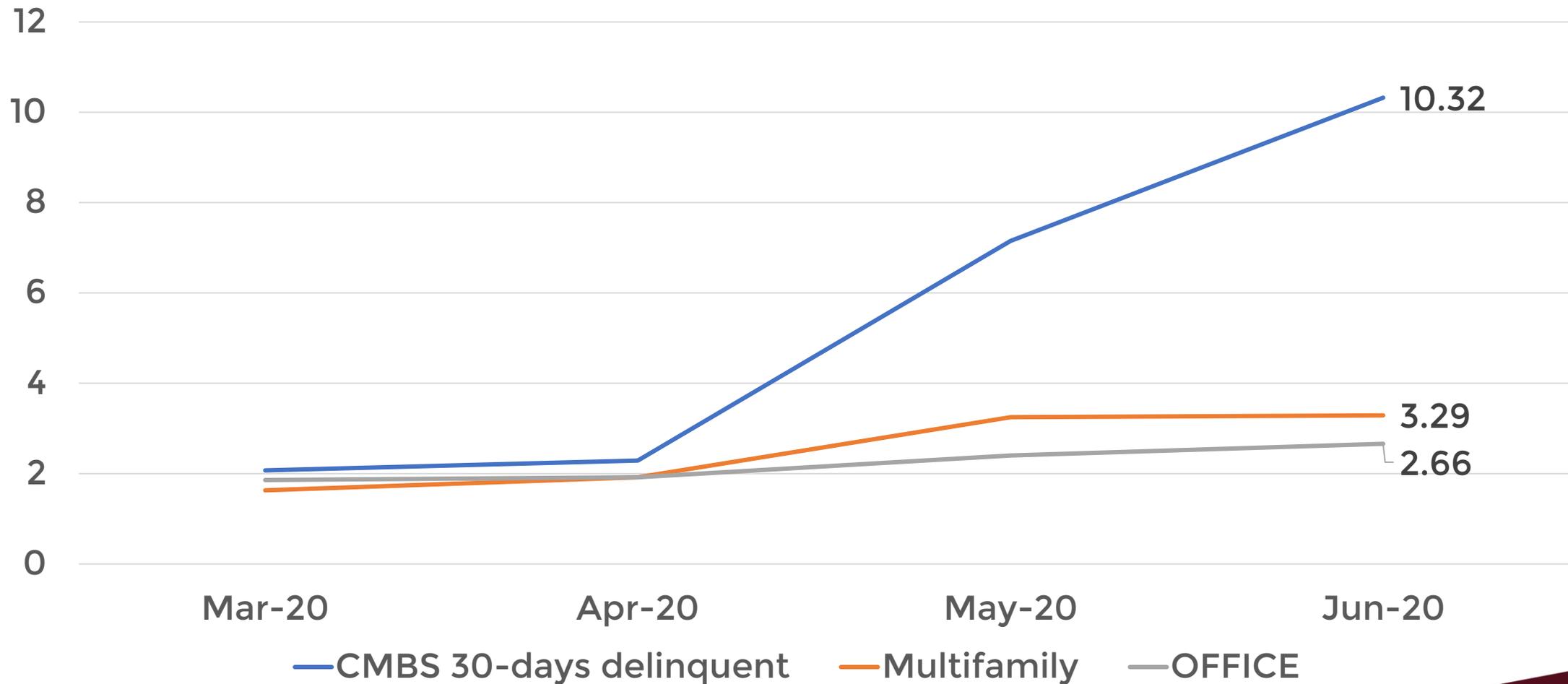


Week Ending: 6th\* 13th 20th 27th End of Month

Source: NMHC ; <https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>

# CMBS 30-DAY DELINQUENCY RATE STILL TRENDING UP

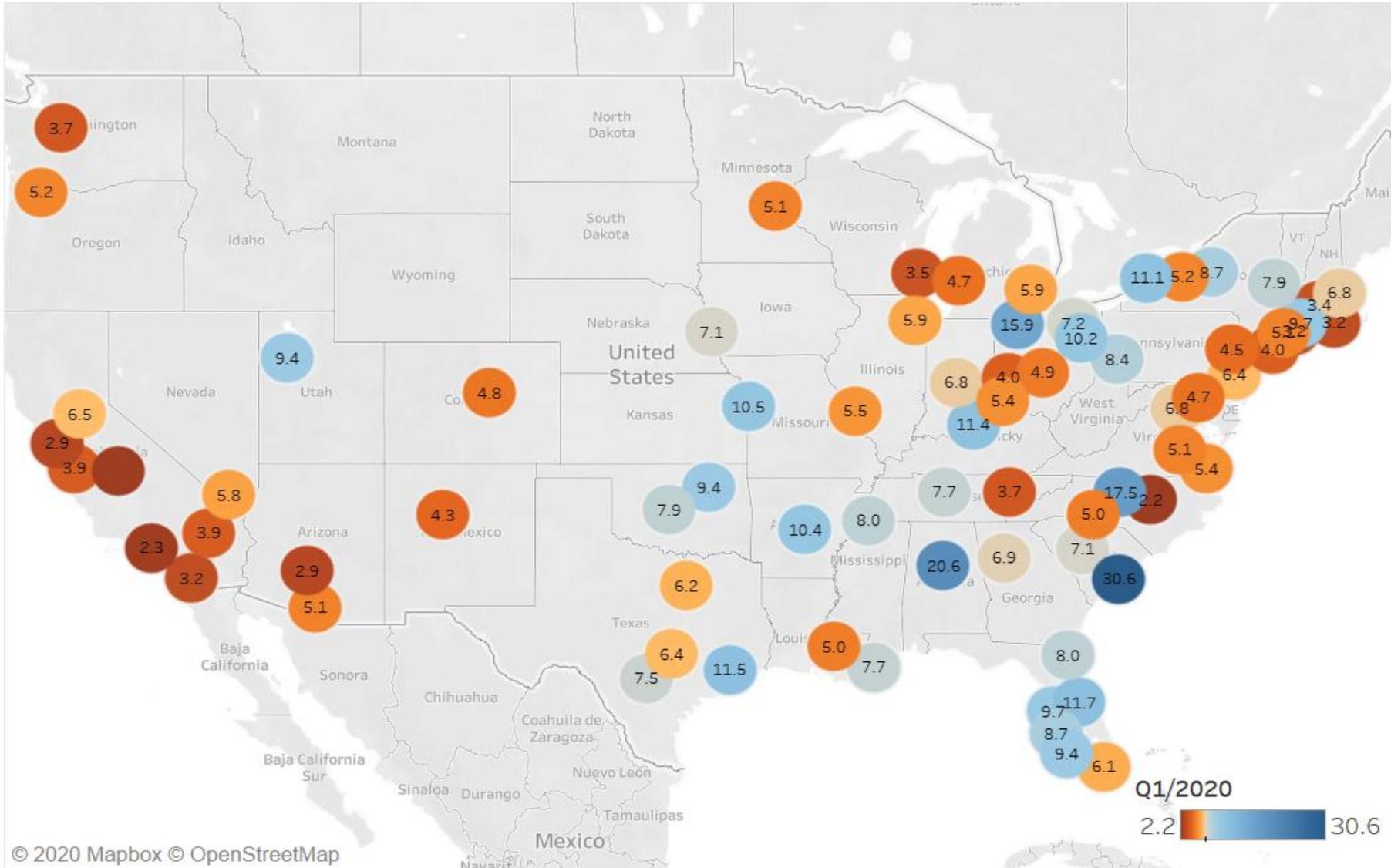
## CMBS 30-DAY DELINQUENCY RATE



Source: Trepp

# LOW VACANCY RATES WILL SUSTAIN RENT GROWTH

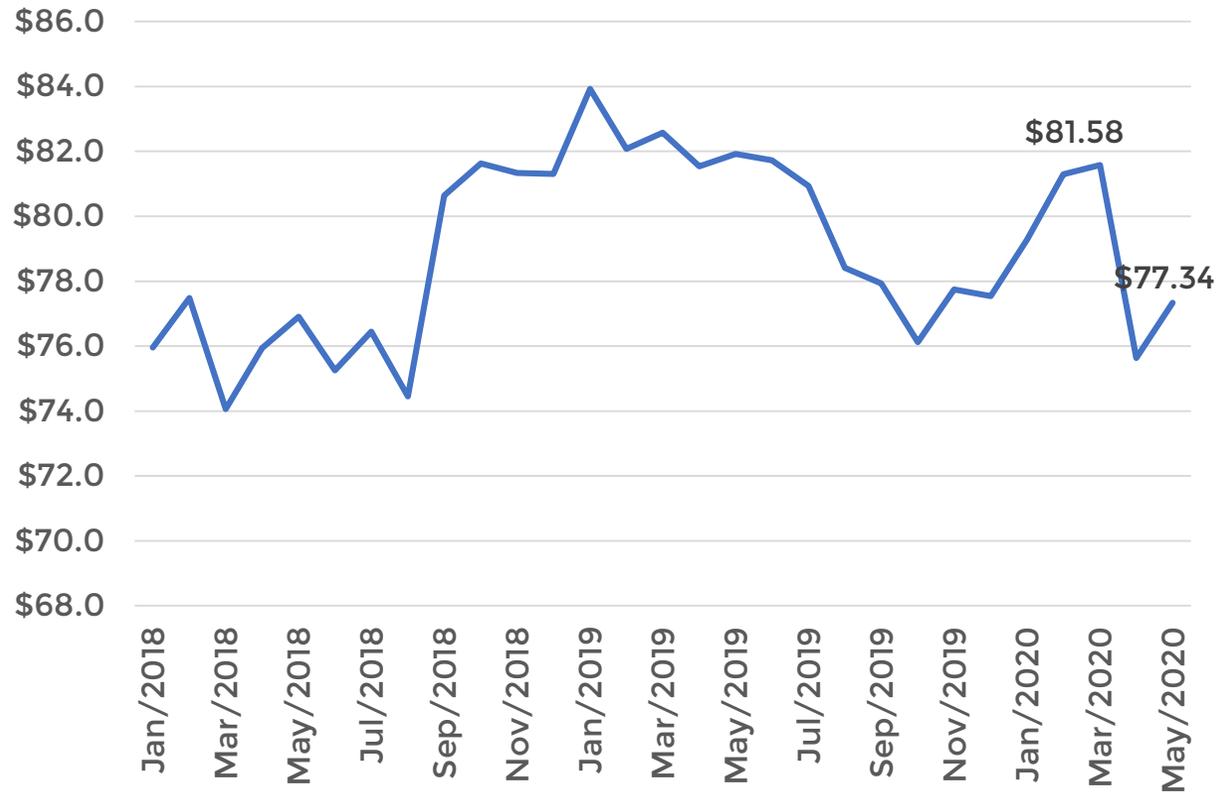
Rental Vacancy Rate in 2020 Q1



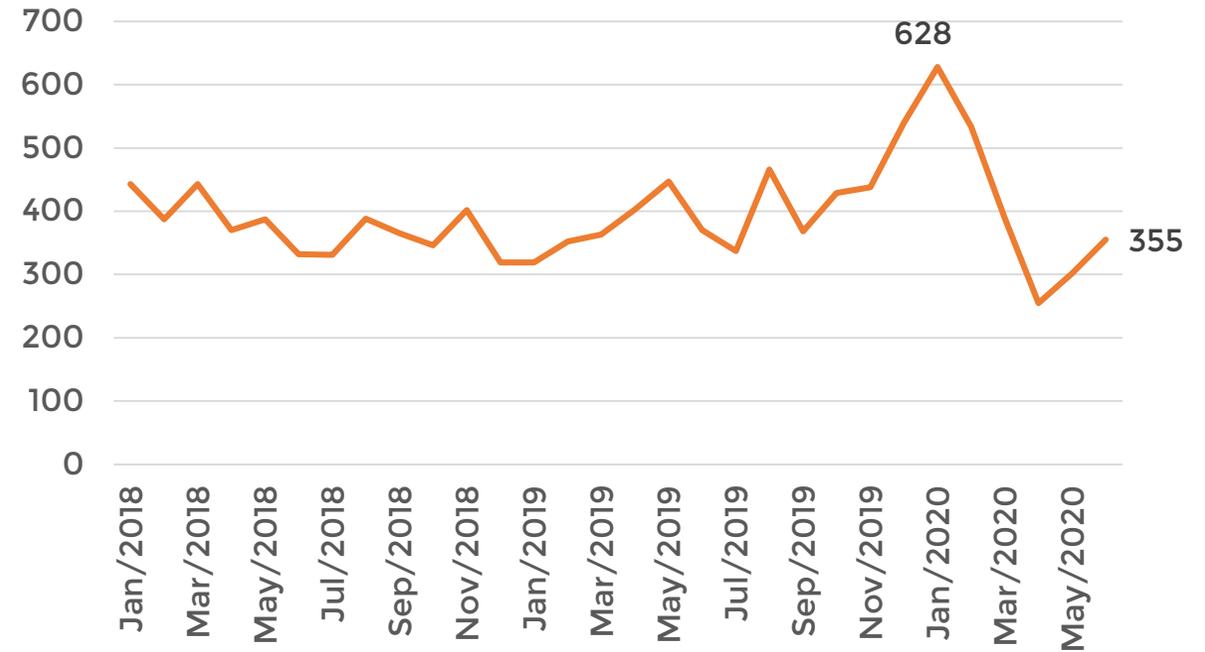
Raleigh	2.2
Los Angeles-Long Beach-Anaheim	2.3
Phoenix-Mesa-Scottsdale	2.9
San Francisco-Oakland-Hayward	2.9
New Haven-Milford	3.2
Providence-Warwick	3.2
San Diego-Carlsbad	3.2
Worcester	3.4
Milwaukee-Waukesha-West Allis	3.5
Knoxville	3.7
Seattle-Tacoma-Bellevue	3.7
Riverside-San Bernardino-Ontario	3.9
San Jose-Sunnyvale-Santa Clara	3.9
Dayton	4.0
New York-Newark-Jersey City	4.0
Albuquerque	4.3
Allentown-Bethlehem-Easton	4.5
Baltimore-Columbia-Towson	4.7
Grand Rapids-Wyoming	4.7
Denver-Aurora-Lakewood	4.8
Columbus	4.9
Baton Rouge	5.0
Charlotte-Concord-Gastonia	5.0
Bridgeport-Stamford-Norwalk	5.1
Minneapolis-St. Paul-Bloomington	5.1
Richmond	5.1
Tucson	5.1
Portland-Vancouver-Hillsboro	5.2
Rochester	5.2
Cincinnati	5.4

# INCREASE IN MULTIFAMILY CONSTRUCTION IN MAY 2020 TO EASE RENT PRESSURE

Value of Construction Put in Place,  
Multifamily, Seasonally Adjusted Annual Rate, in  
Billion Dollars



Housing Starts: Total Multifamily (SAAR, Thous.Units)



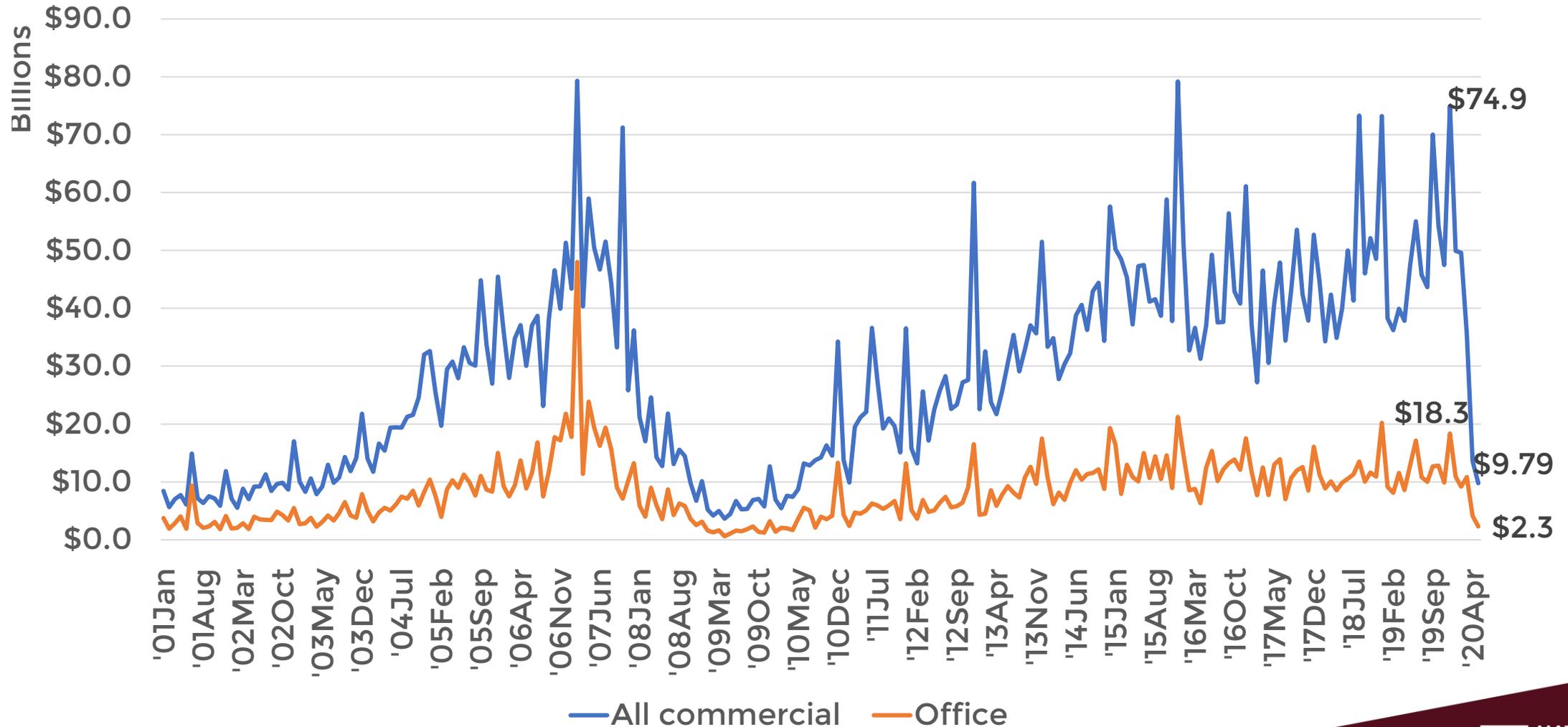
Source: US Census Bureau

Source: U.S. Census Bureau

# OFFICE

# OFFICE SALES VOLUME: -82% Y/Y IN MAY 2020 (-79% ALL CRE SALES)

## Volume of Acquisitions \$2.5M+



# OFFICE OCCUPANCY LOSS IN 2020 Q2: - 14M sf (~200 football fields); GROSS LEASING ACTIVITY: -53% IN 2020 Q2

More than 14 m.s.f. of occupancy losses in Q2 brought YTD absorption to -8.4 m.s.f.

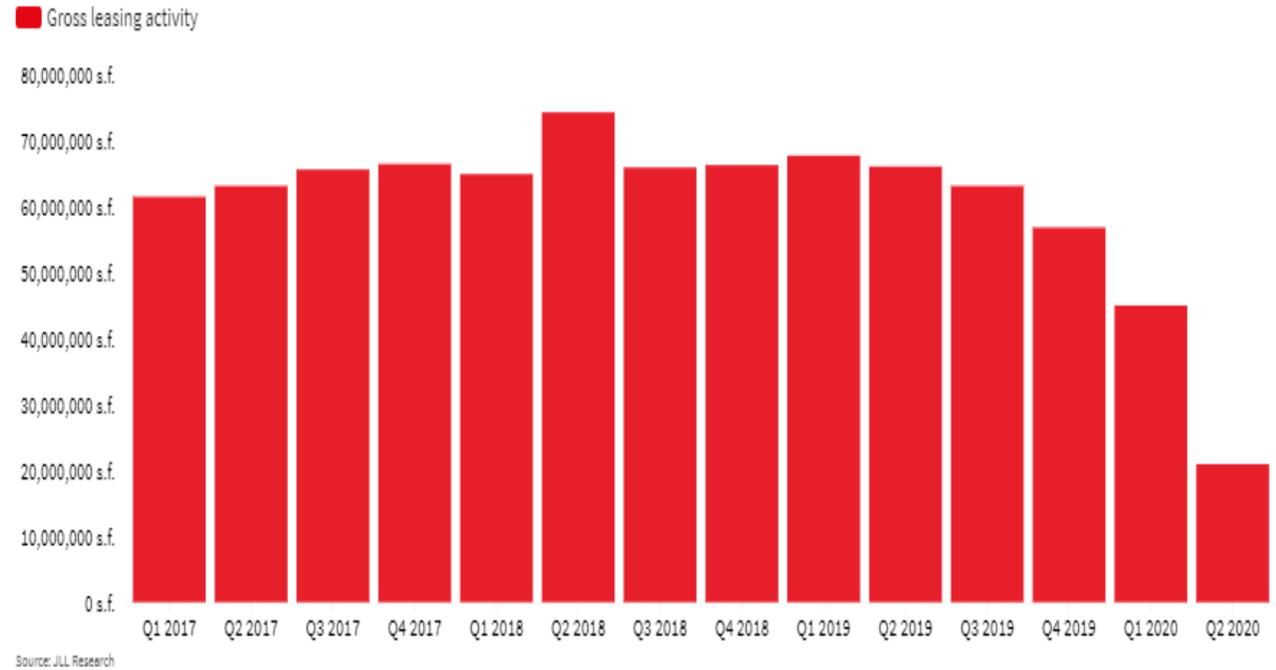


Source: JLL Research

## Q2 2020 U.S. Office highlights

After a 20.8% drop in Q1, leasing collapsed by a further 53.4% during the second quarter

1 of 4



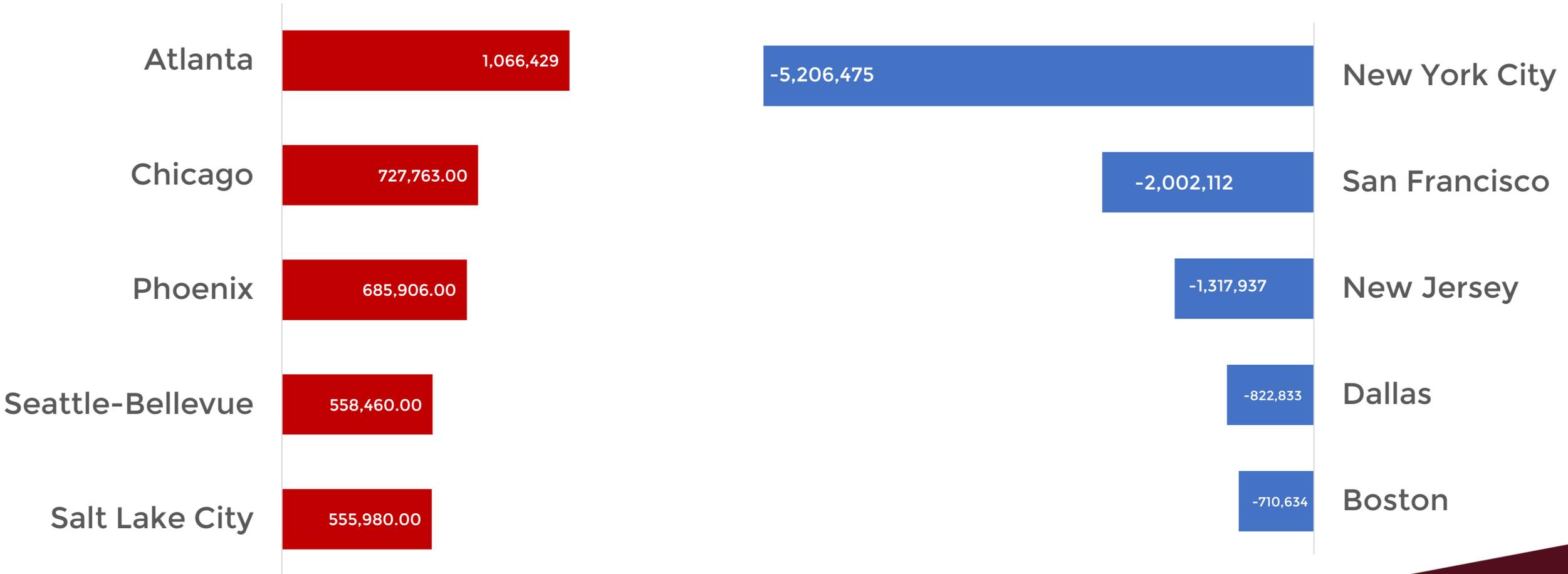
Source: JLL Research

# NET DECREASE IN PRIMARY MARKETS IN 2020 Q2

## NET INCREASE IN LEASED SPACE IN SECONDARY/TERTIARY MARKETS

Top 5: Net increase in leased space (s.f.)

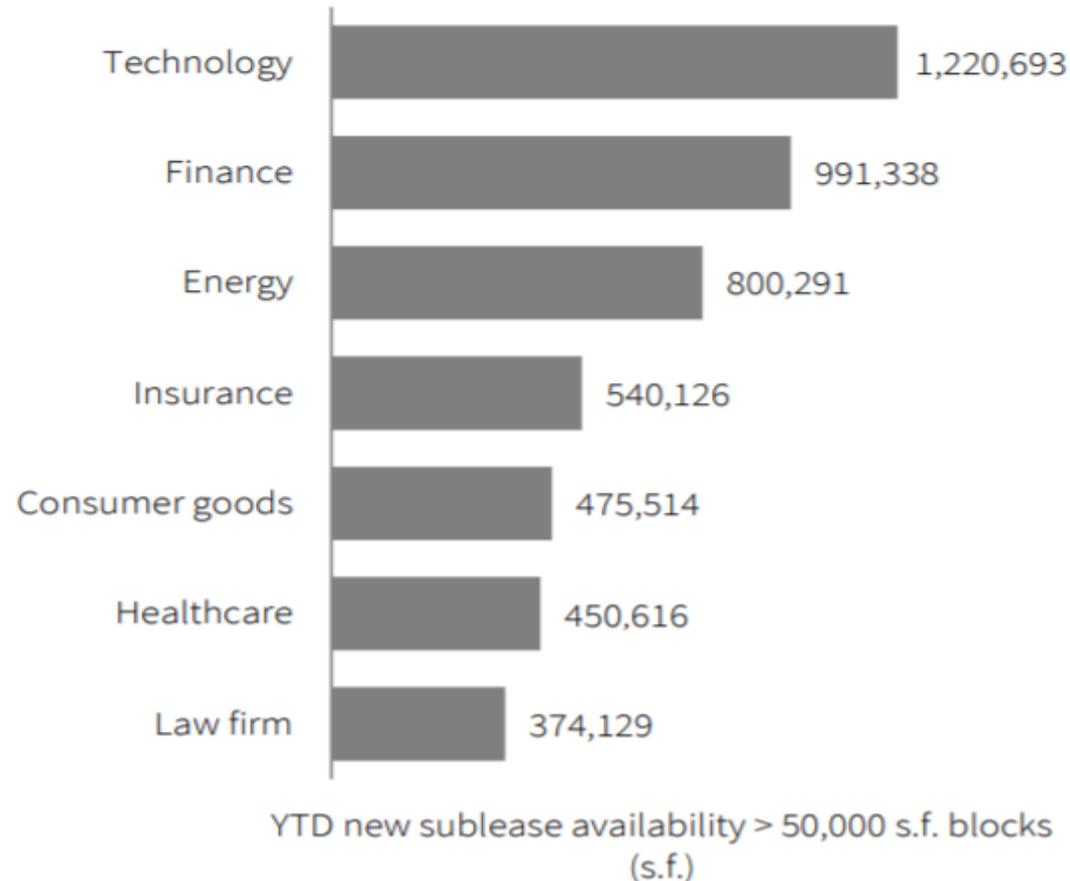
Top 5: Net decrease in leased space (s.f.)



Source: JLL

# DECLINE IN DEMAND FOR CO-WORKING SPACES

More than 1.2 m.s.f. of large sublease availabilities has come from tech and set to rise further



Source: JLL Research – only for sublease blocks > 50,000 s.f.

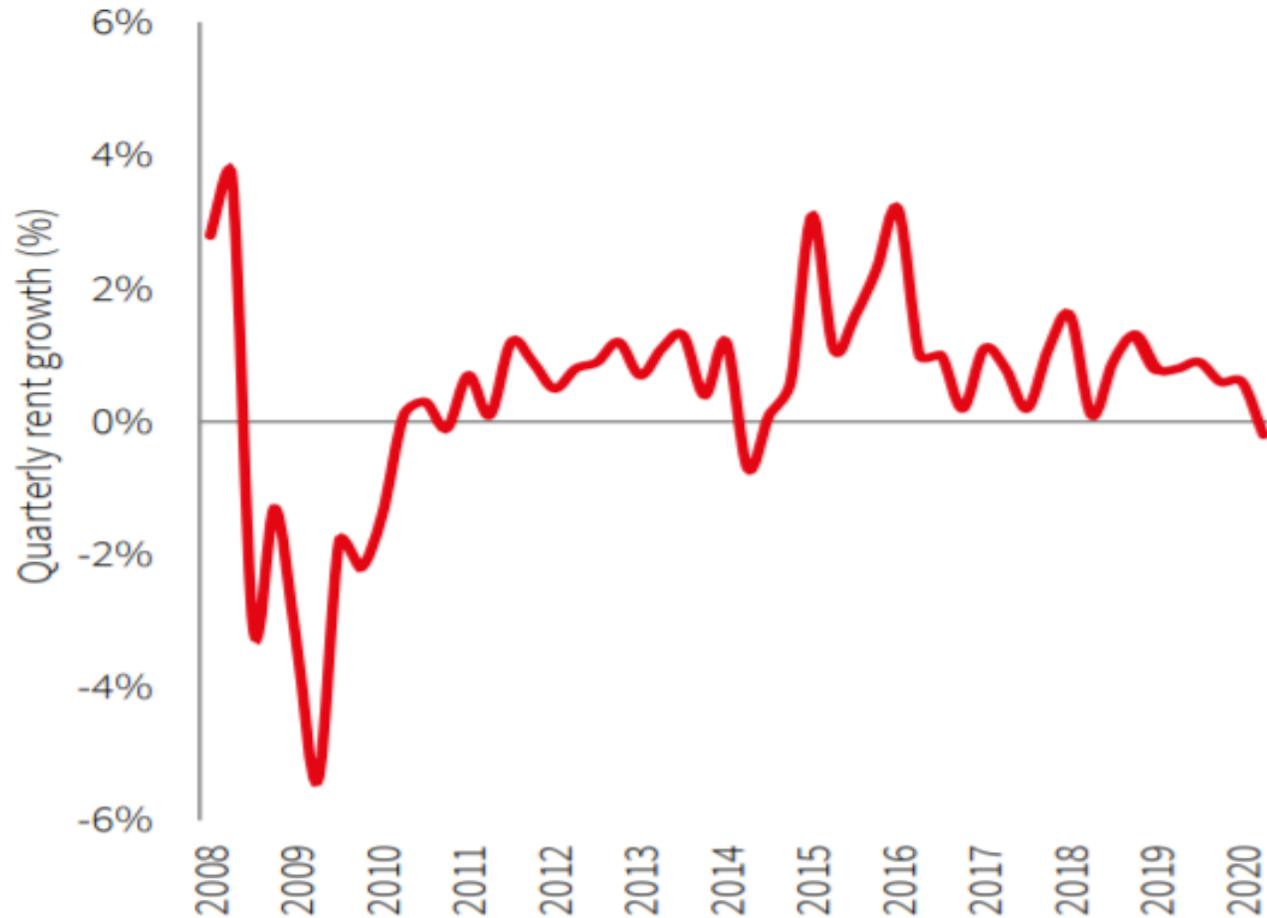
**Largest increase in sublease space in markets that are highly exposed to tech, finance, and tourism jobs:**

- East Bay (+94.4%)
- Orlando (+90.3%)
- San Francisco (+71.4%)
- Charlotte (+62.7%)
- Denver (+53.1%)
- Raleigh (+44.9%)
- Pittsburgh (+41.0%)

Source: JLL <https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends>

# ASKING RENTS FELL SLIGHTLY IN 2020 Q2

Asking rents fell by 0.2% in Q2 as landlords began to adjust pricing and lower-priced blocks hit the market



Source: JLL Research

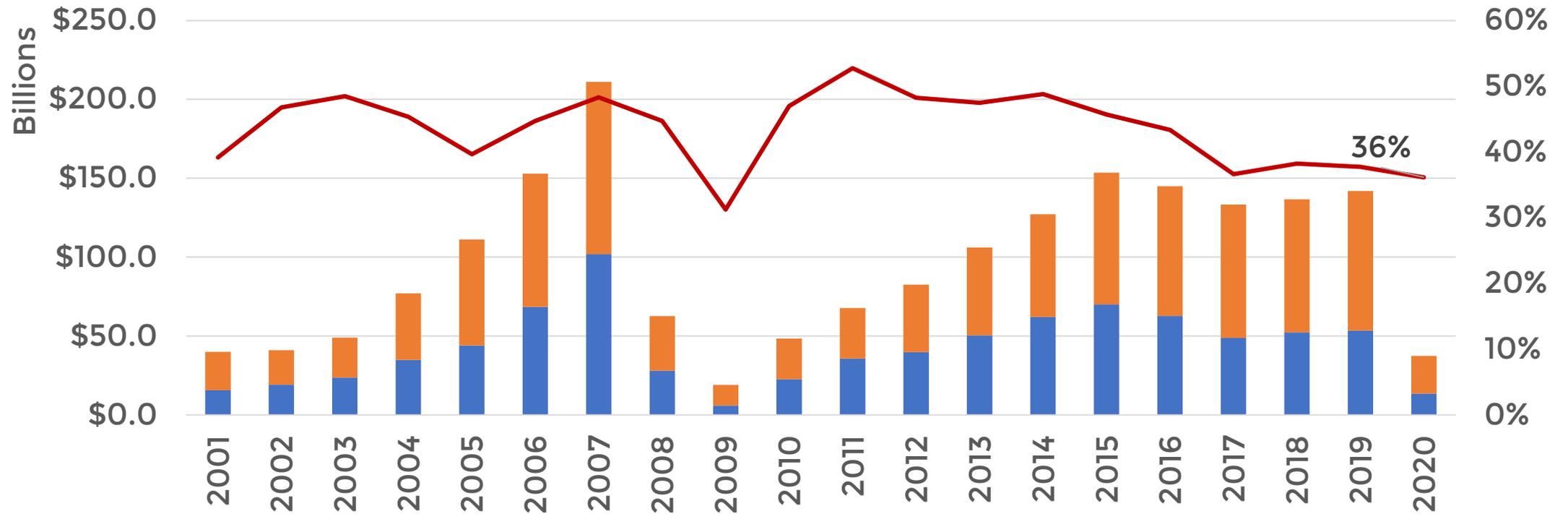
**PRESSURES FOR RENT TO FALL  
DUE TO TENANT REQUESTS FOR:**

- RENT ABATEMENT
- TENANT IMPROVEMENT ALLOWANCES

# DECLINING SHARE OF OFFICE-CBD SALES SINCE 2012 IN PART DUE TO HIGH CBD PRICES

## Volume of Office Acquisitions of \$2.5M or over

■ CBD   ■ Suburban   — Share of CBD sales to total

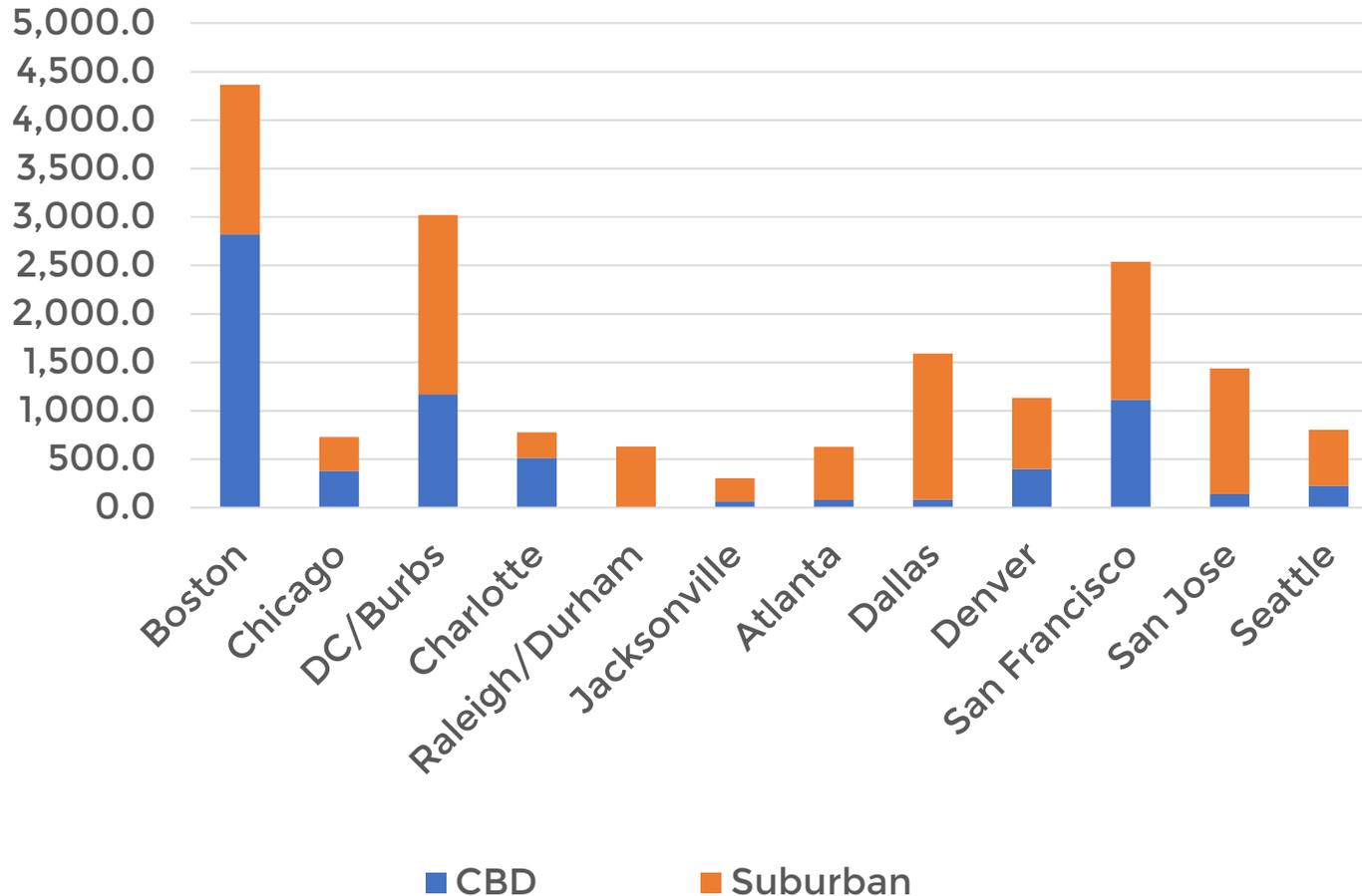


Source: Real Capital Analytics

Jan-May 2020

# SUBURBAN OFFICE SPACE DEMAND FACTORS: LOWER PRICE + WORK FROM HOME

CBD and Suburban Office Sales from Jan-May for \$2.5M or more Properties



## Price per square foot of office space

	CBD	Suburb
San Francisco	\$978	\$1,746
Manhattan	\$703	\$570
Los Angeles	\$671	\$419
Nashville	\$642	\$233
Boston	\$617	\$354
Austin	\$587	\$178
San Jose	\$586	\$487
DC	\$494	\$251
East Bay	\$467	\$212
No NJ	\$400	\$138
San Diego	\$376	\$293
Sacramento	\$337	\$185
Denver	\$326	\$213
Chicago	\$277	\$190
Charlotte	\$259	\$228
Las Vegas	\$186	\$239
Raleigh/Durham	\$177	\$248
Cincinnati	\$97	\$182
Detroit	\$79	\$172
Total US	\$426	\$240

Source: Real Capital Analytics, Jan-May 2020 transactions

Note: Suburb office space associated with Manhattan is NYC Burroughs

Suburb office space associated with DC is DC-VA suburb

# ~500k NET NEW OFFICE-USING JOBS IN MAY-JUNE 2020

## 466,000 Net Office-Using Payroll Job Gains in May and June 2020



Source: BLS Establishment Survey

# THANK YOU.

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Research Economist

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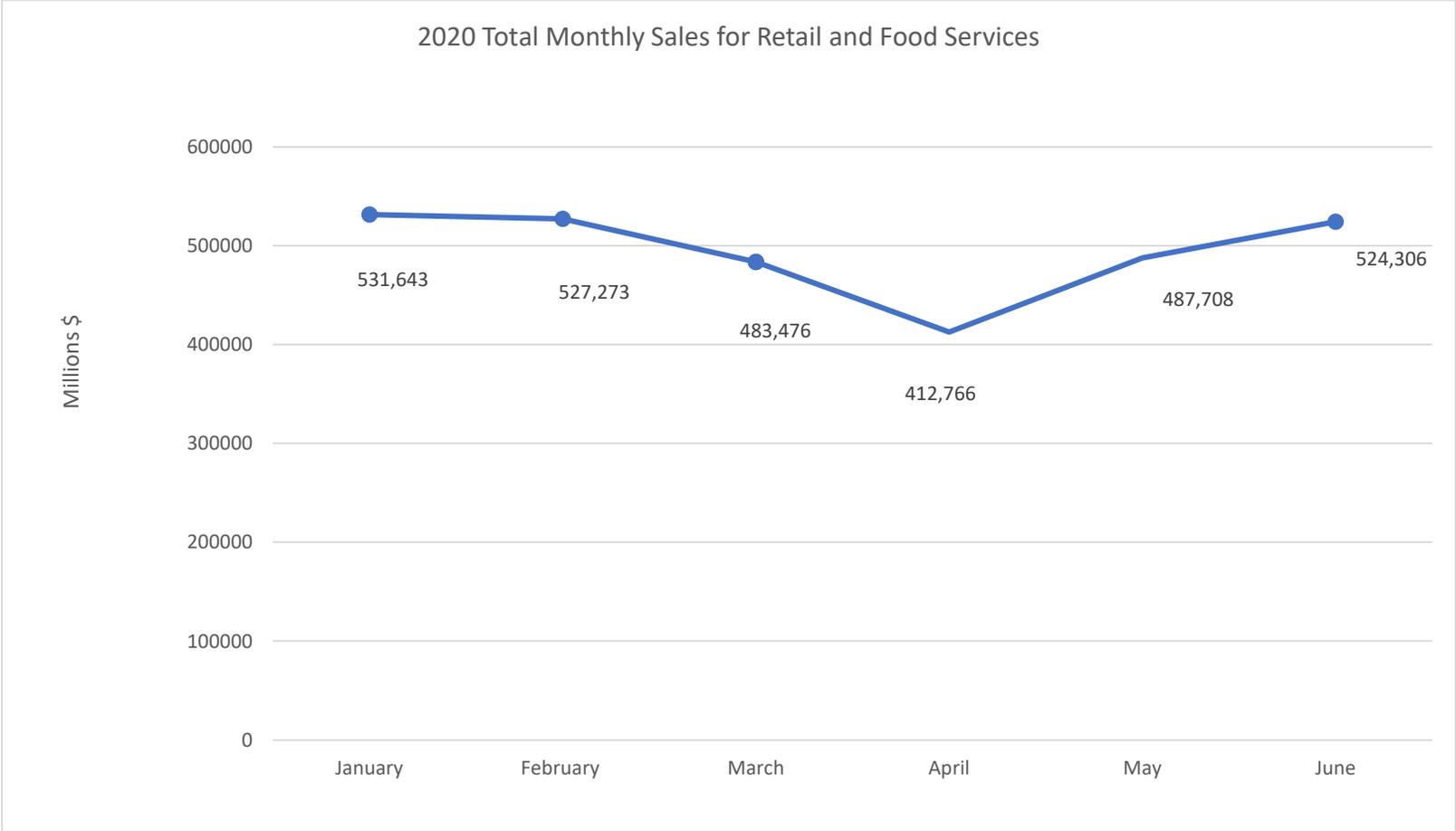


# Retail Market

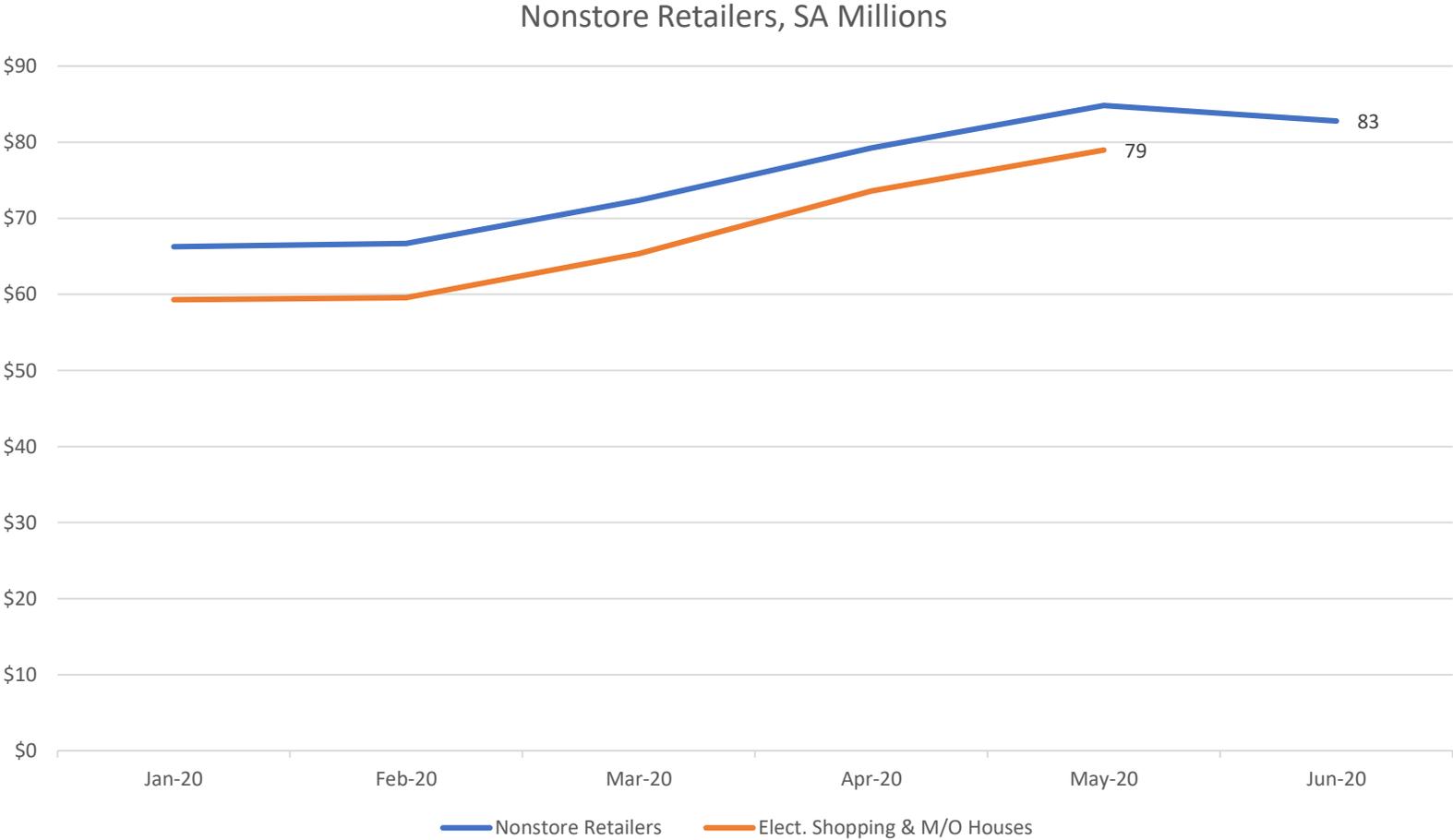
# Retail Trade Employment Improves



# Total Monthly Sales for Retail and Food Services Trends Upward



# Total Monthly Sales for Non-Store Retail Slightly Decreases

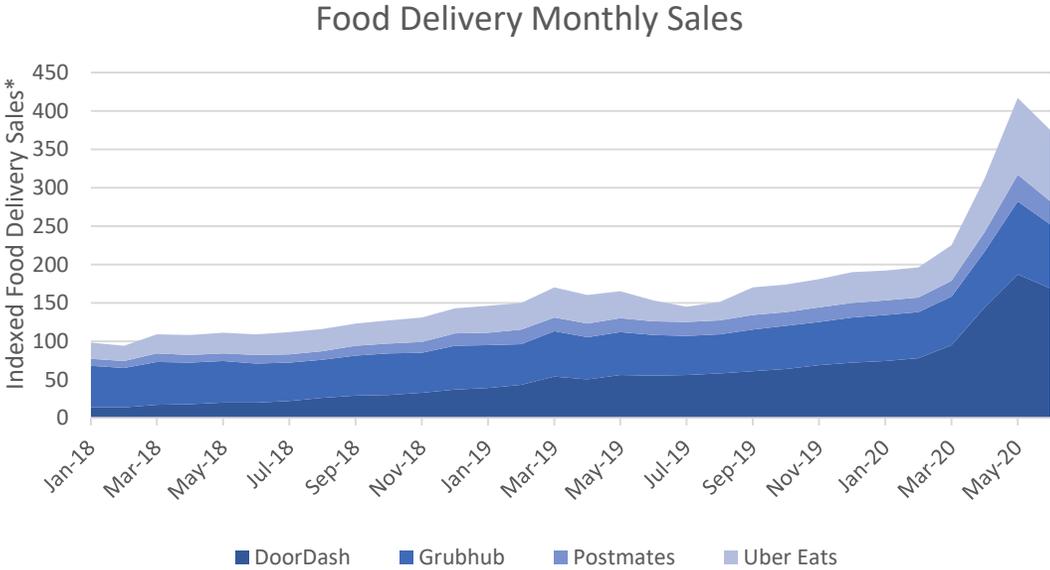
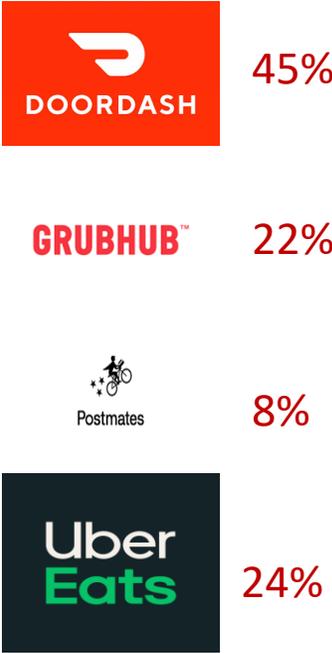


# Total Monthly Sales for Food Services & Drinking Places Continue Upward Momentum



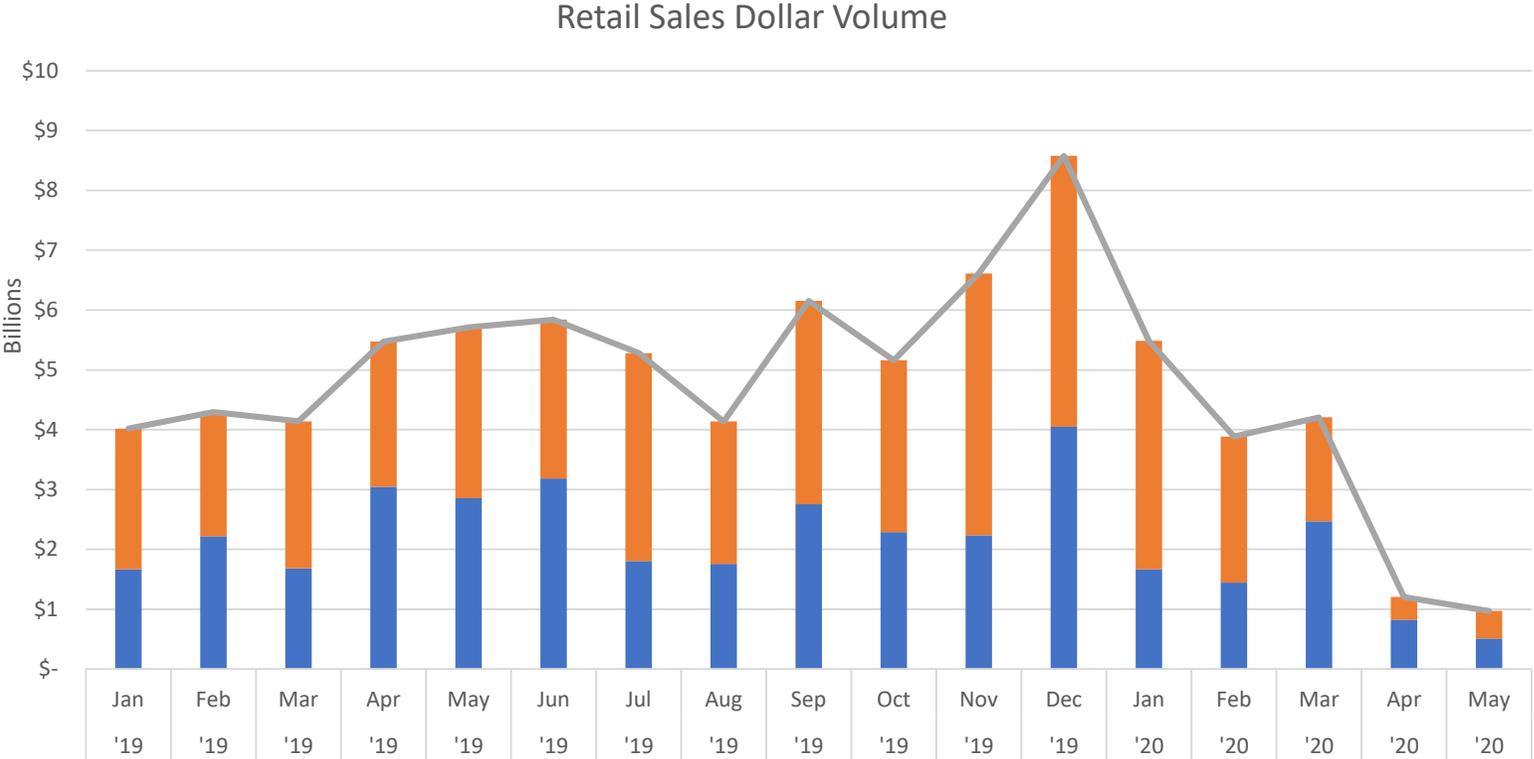
# Food Delivery Monthly Sales Contract 10%

- Share of market:



\* Sales are indexed to food delivery January 2018 (sales=100)  
 Source: Second Measure

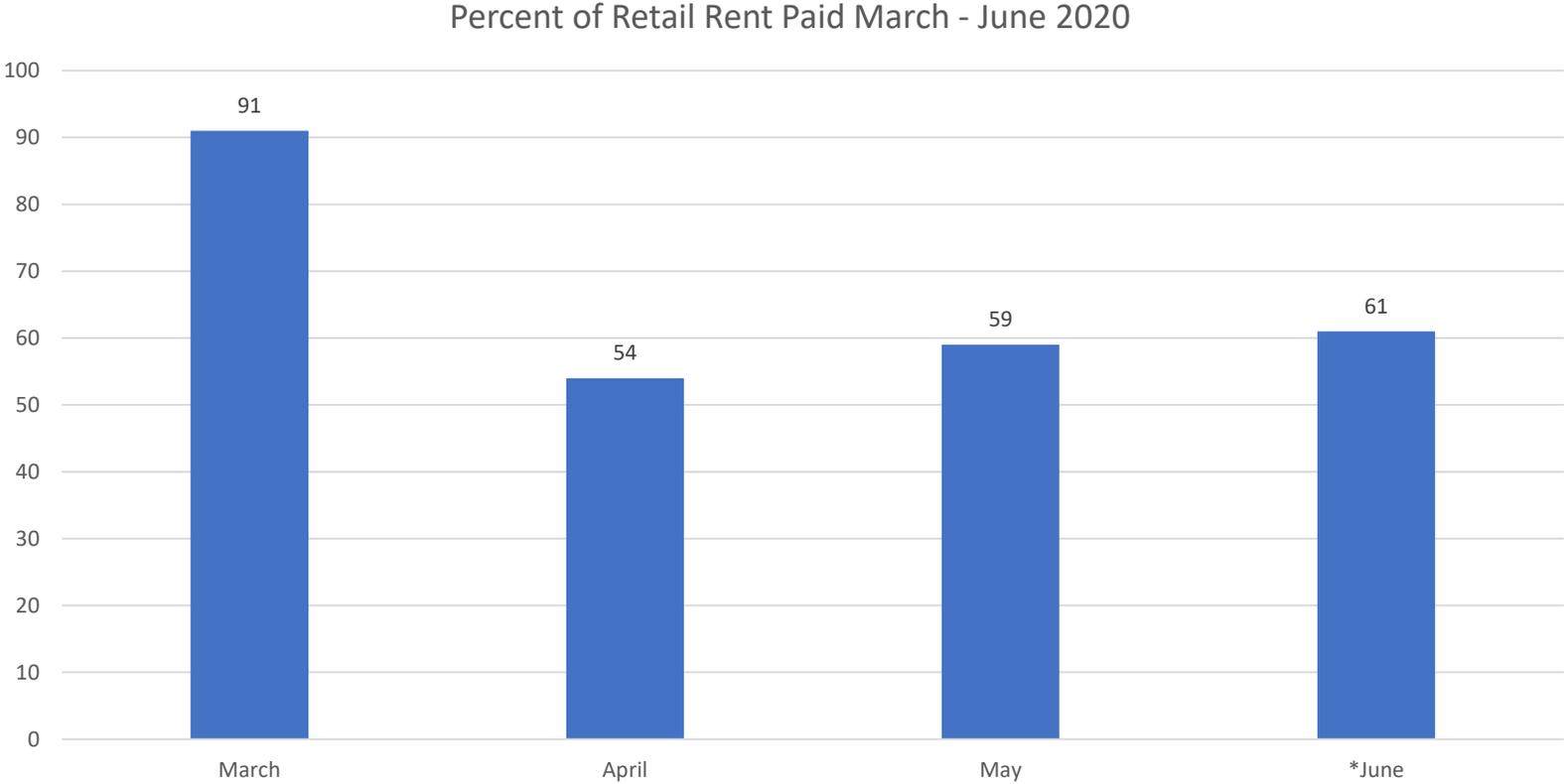
# Retail Sales Transactions Fell 83%



Source: Real Capital Analytics

Shops Centers All Retail

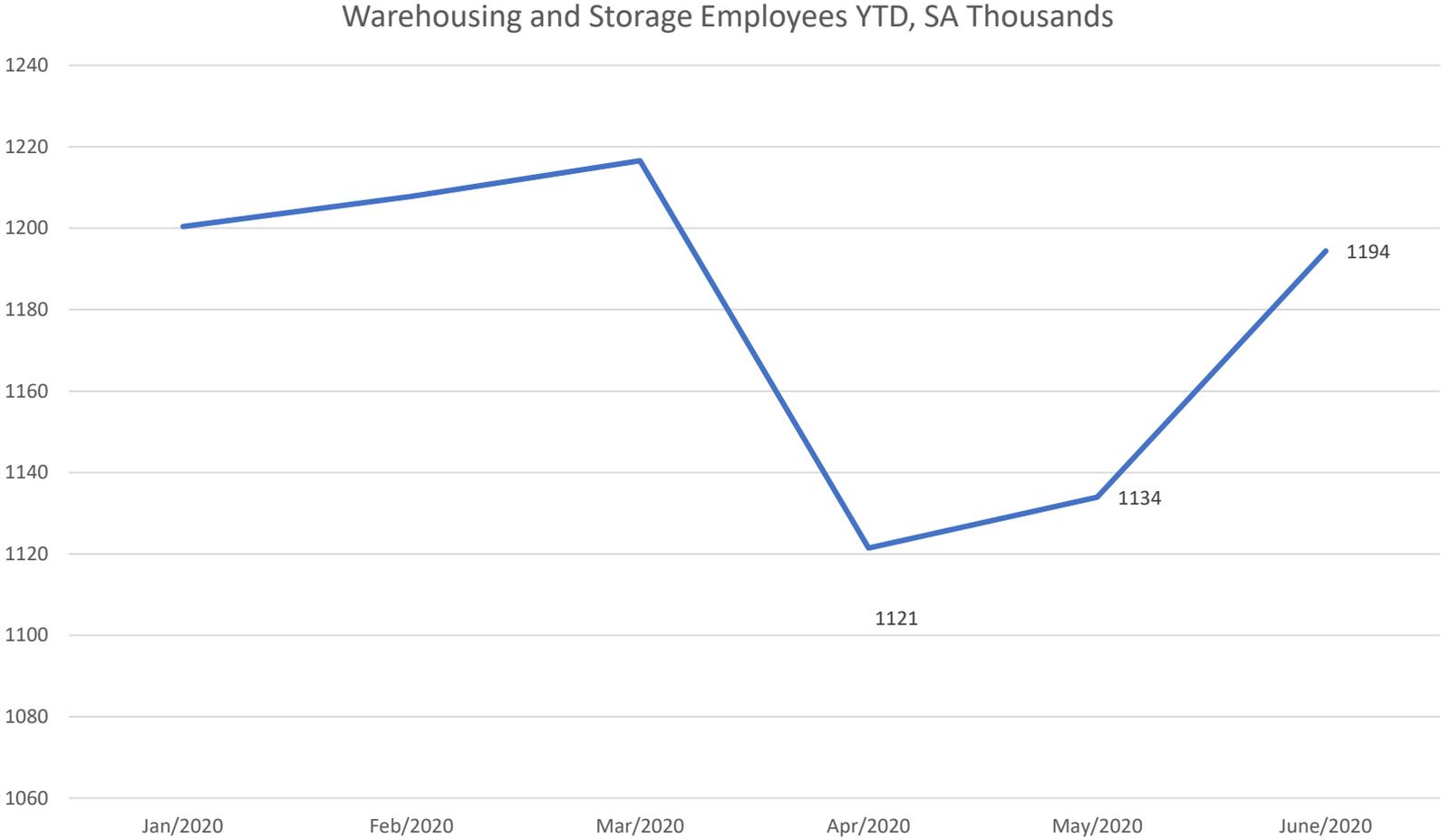
# Retail Rent Payment Increases



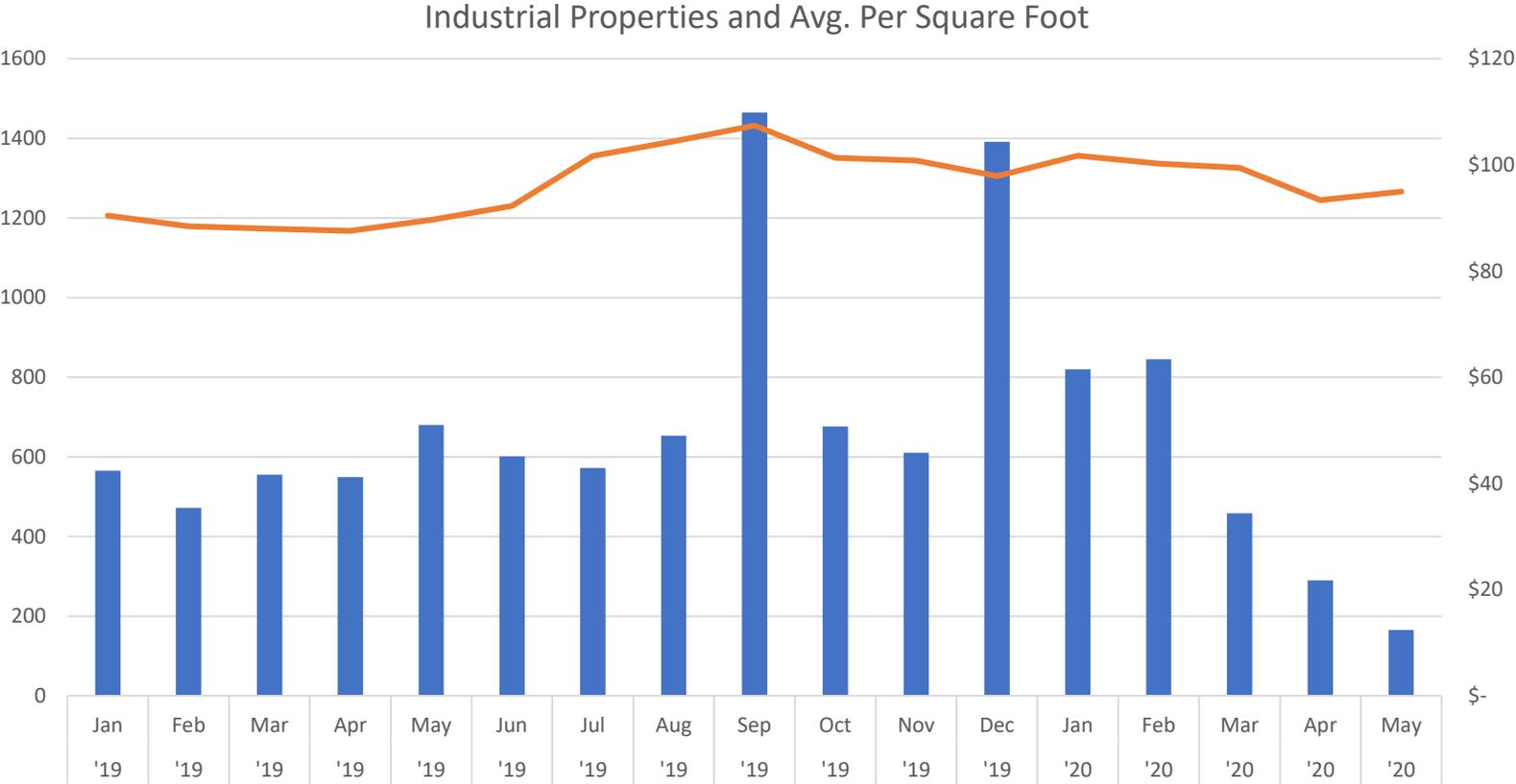
Source: Datex Property Solutions  
Note: \*as of mid-June

# Industrial Market

# Warehouse and Storage Employment Increases



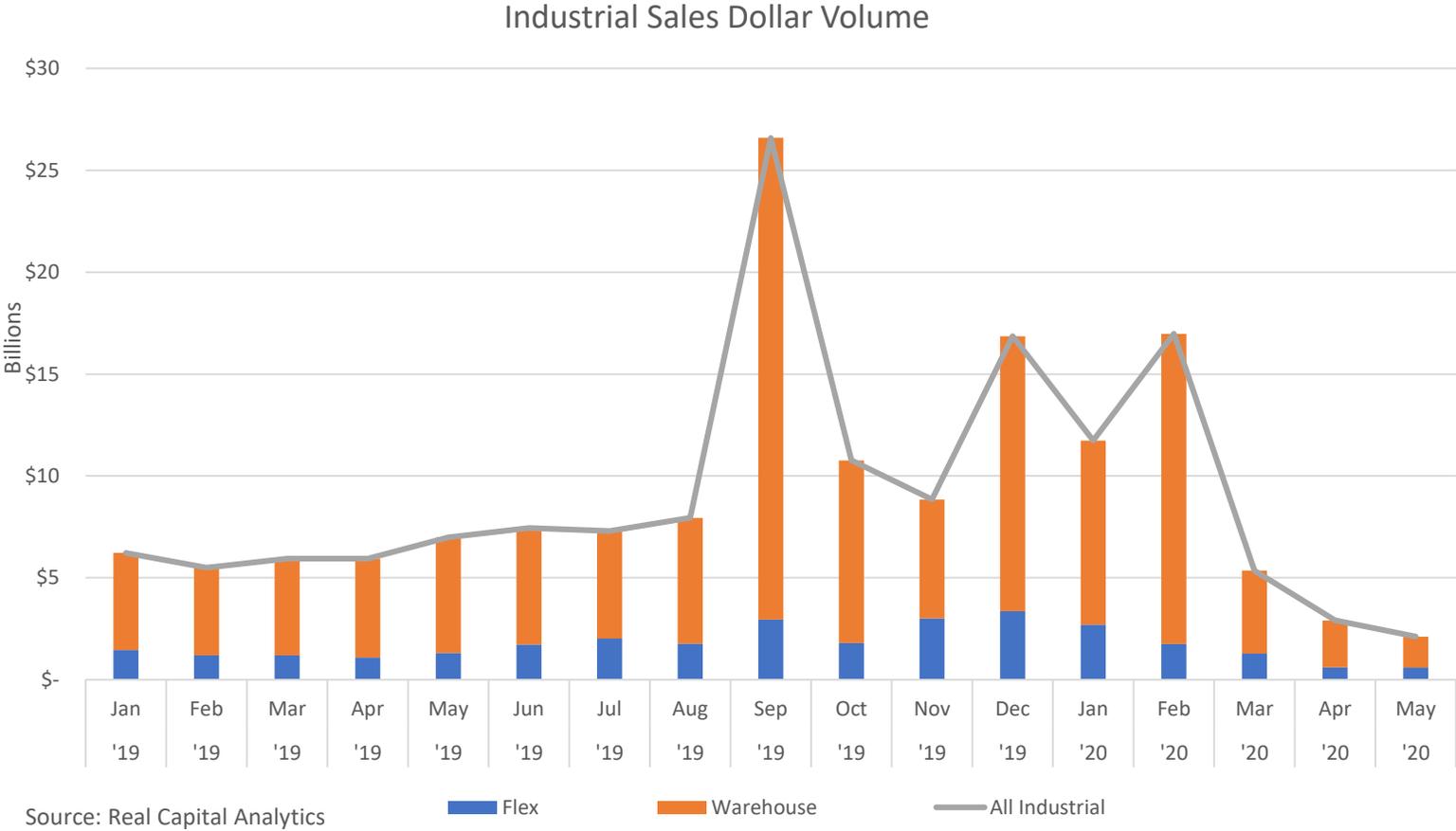
# Industrial Average Per Square Foot Increased By \$2



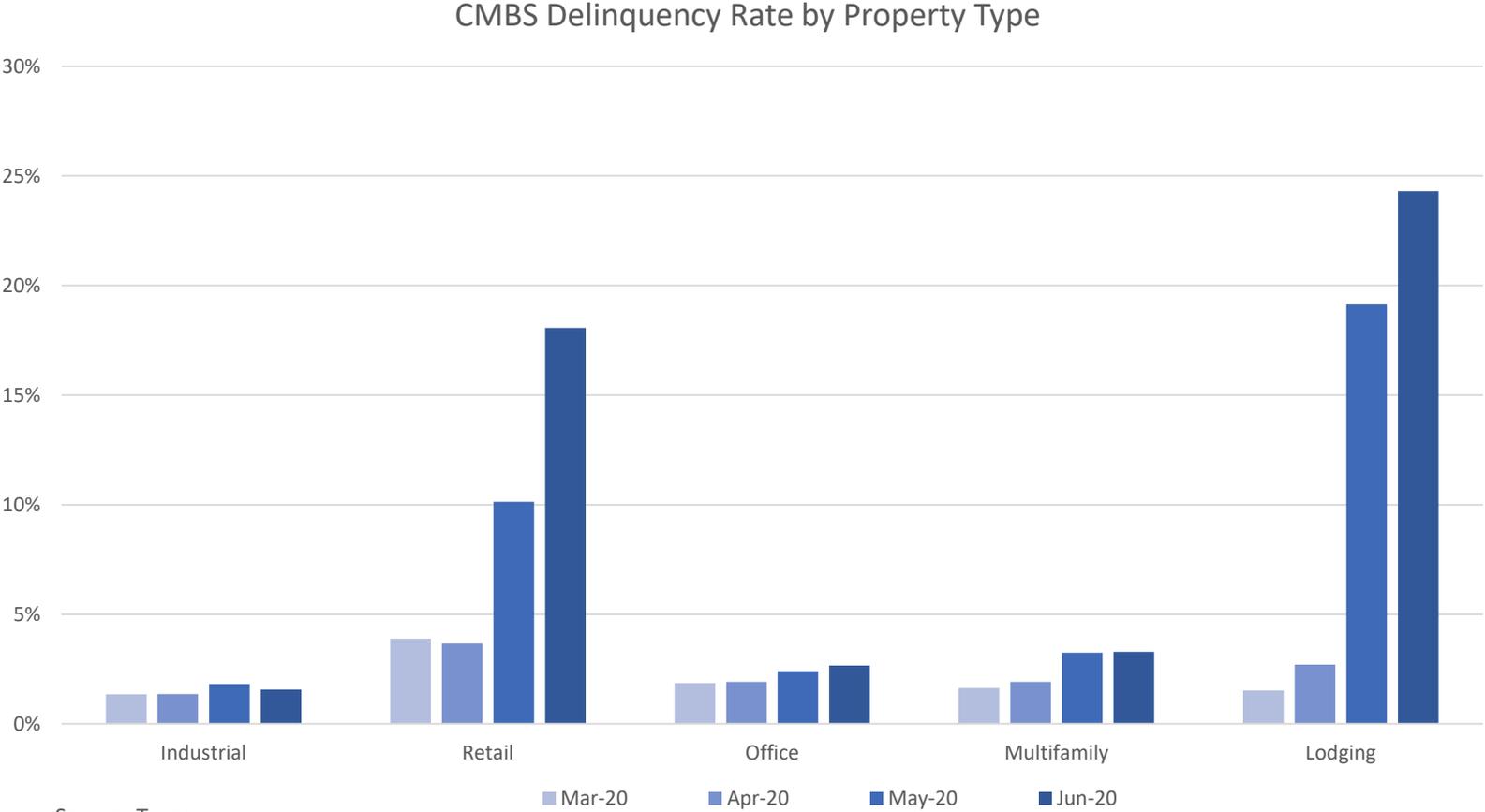
Source: Real Capital Analytics

■ # Props      — Avg. PSF

# Industrial Sales Transactions Fell 70%



# Industrial Only Sector to Decrease Delinquency Rates



# THANK YOU.

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