

GLOBAL ECONOMIC AND REAL ESTATE OUTLOOK

MOVING ON FROM COVID-19?

14 MAY 2020

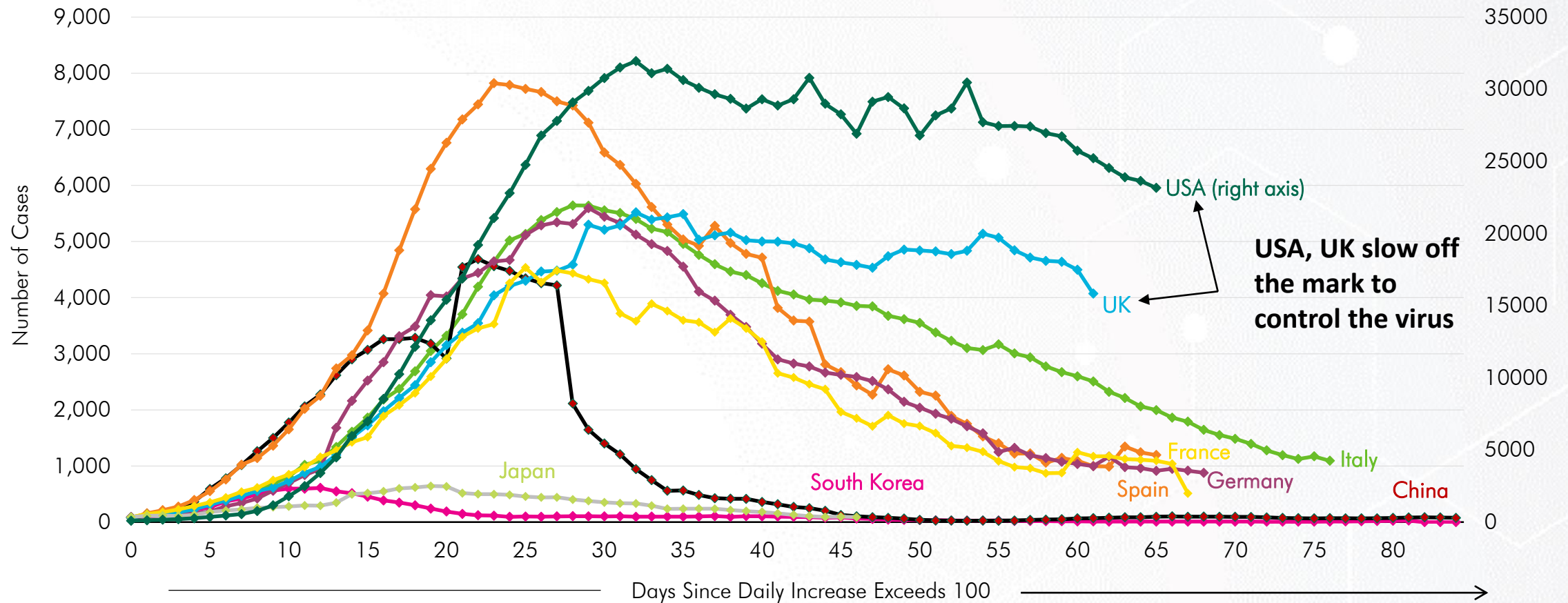
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WE ARE PASSED THE PEAK IN NEW INFECTIONS

Daily new cases in 7-day moving averages

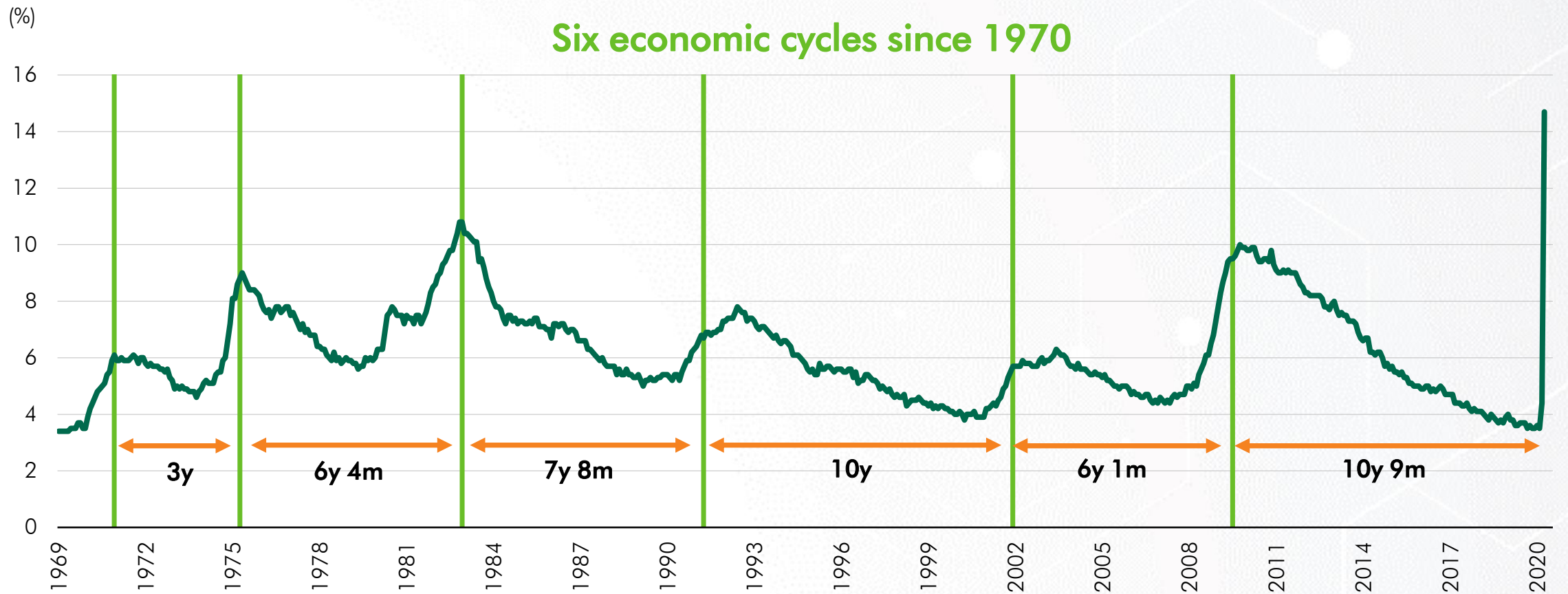


Source: CBRE Research, European Centre for Disease Prevention, Macrobond, 14 May 2020.

Note: Number reported as a 7-day moving average.

COVID-19 HAS BROUGHT AN ABRUPT END TO THIS CYCLE

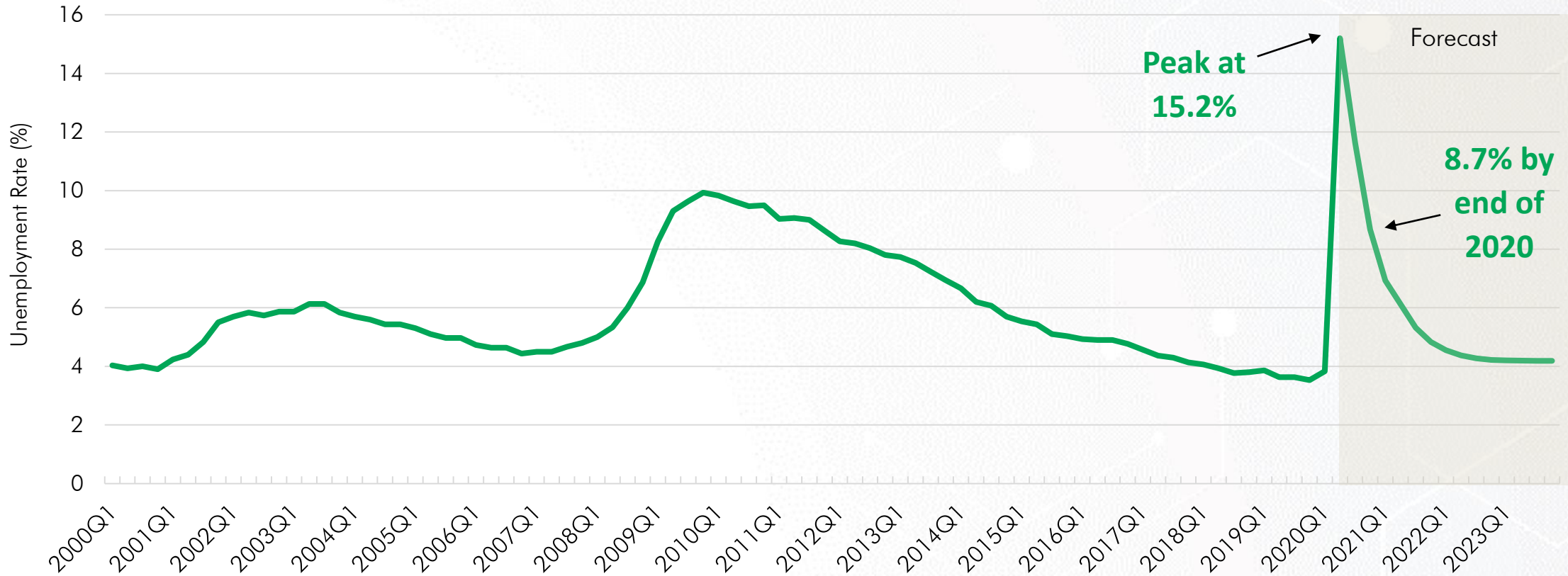
U.S. unemployment rate %, a common indicator of economic cycle



Source: Bureau of Labor Statistics, CBRE Research, May 2020.

BUT WE THINK THE ECONOMY CAN RECOVER QUITE QUICKLY

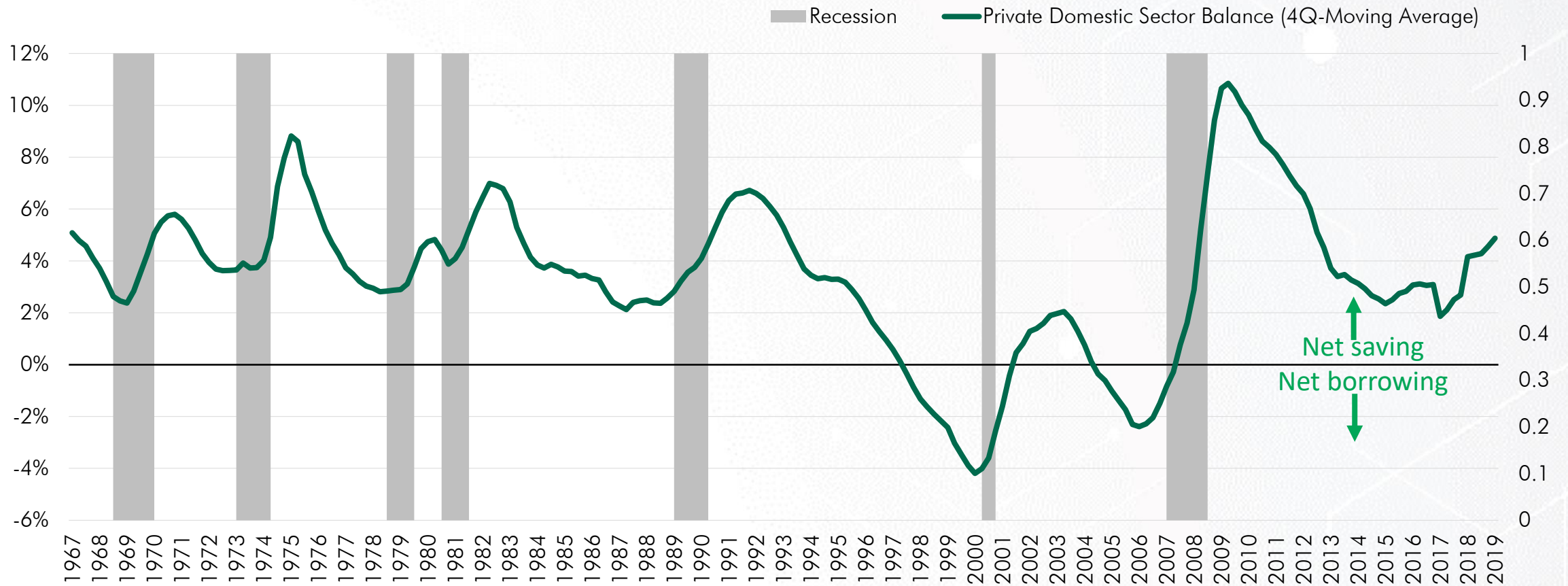
U.S. unemployment rate, 16 years old and above



Source: BLS, CBRE Research, April 2020.

U.S. PRIVATE SECTOR WELL POSITIONED PRIOR TO COVID-19

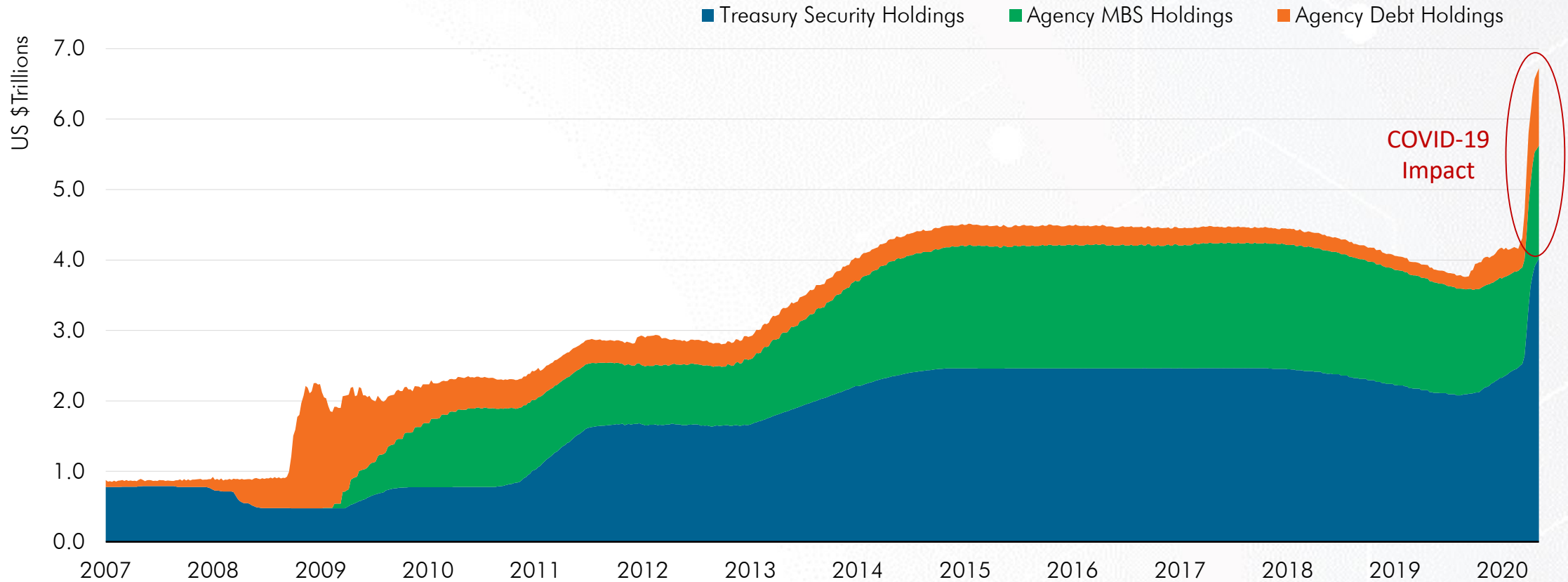
Private domestic sector balance (household and businesses, net saving or borrowing)



Source: FRED, CBRE Research, Q1 2020.

THE FED HAS BEEN MEGA SUPPORTIVE

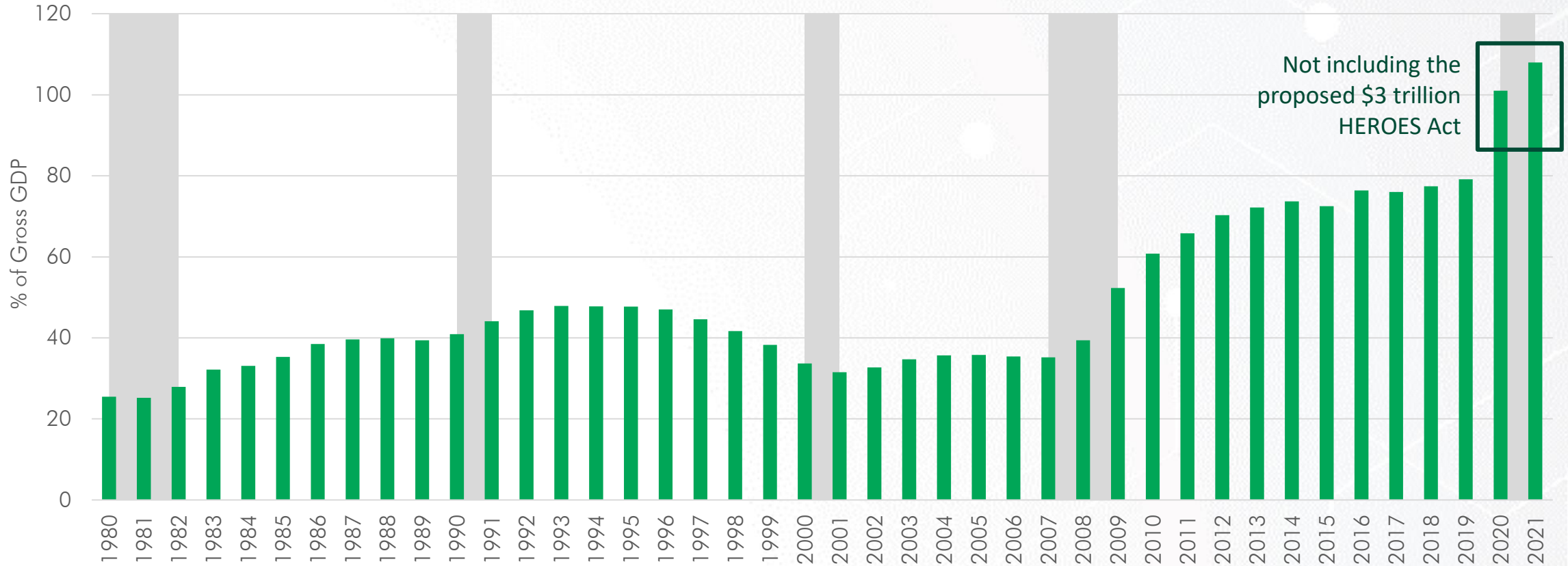
Total of federal reserve banks, by asset type, US\$ Trillion



Source: Federal Reserve, CBRE Research, May 2020.

GOVERNMENT SPENDING UP – MORE TO COME

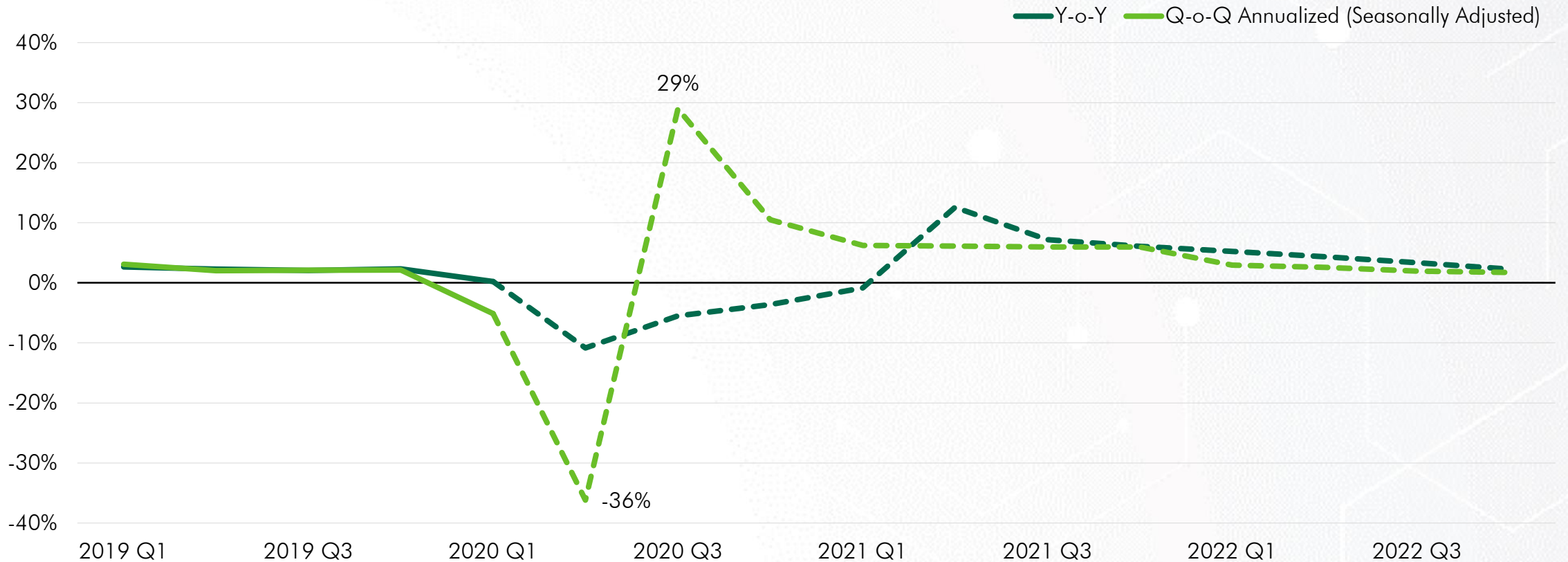
U.S. debt held by the public*, as % of gross GDP



*Debt held by the public = Total national debt – Intra-governmental debt
Source: CBO, CBRE Research, May 2020.

THE FAMOUS V-SHAPED RECOVERY

Y-o-Y and quarterly annualized GDP growth forecast by **CBRE House-View**



Source: CBRE House-View, April 2020.

CORONAVIRUS IMPACT ON THE G7 ECONOMIES IN 2020

2020 annual GDP growth forecast



Source: CBRE House-View, April 2020.

EXPECTED REBOUND NEXT YEAR

2021 annual GDP growth forecast



Source: CBRE House-View, April 2020.



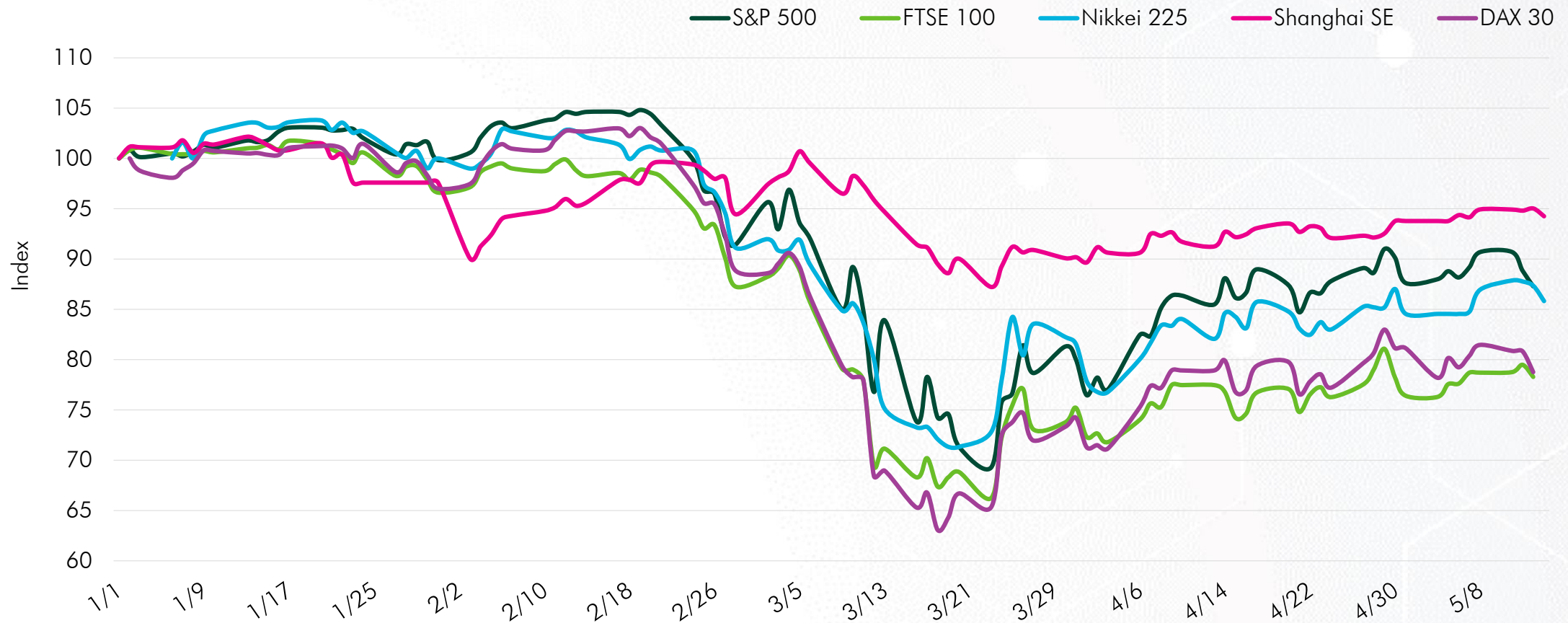
HUNTING FOR GREEN SHOOTS

**..OR A NEEDLE IN
A HAYSTACK?**



STOCK MARKETS HAVE RECOVERED SOME GROUND

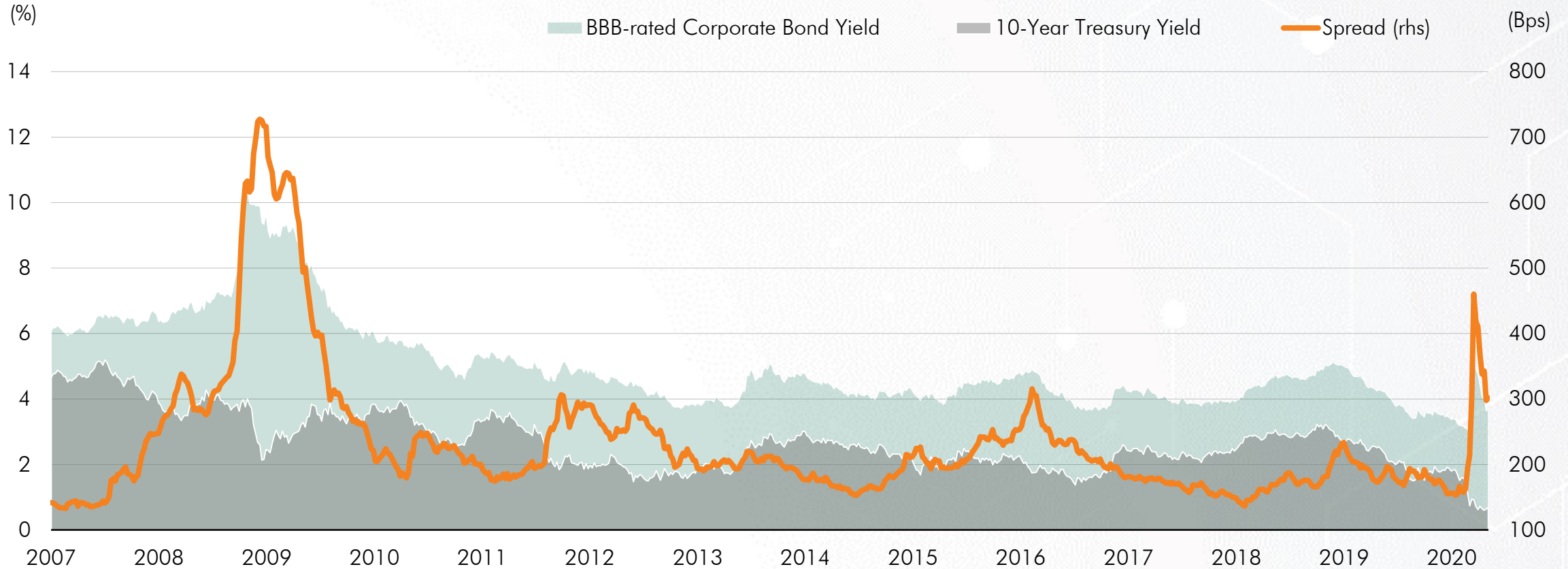
Equity market indexes (1/1/2020 = 100)



Source: S&P, FTSE, Deutsche Boerse, Nikkei, Shanghai Stock Exchange, Macrobond, CBRE Research, 14 May 2020.

RISK SPREADS HAVE STARTED TO COMPRESS

U.S. BBB-rated corporate bond yield spread over 10-year treasury



Source: Macrobond, CBRE Research, 14 May 2020.

YIELD CURVE NOT INVERTED

Treasury yield curves (%)



Source: FRED, Macrobond, CBRE Research, 14 May 2020.

REIT PRICES HAVE RECOVERED SOONER THAN IN GFC

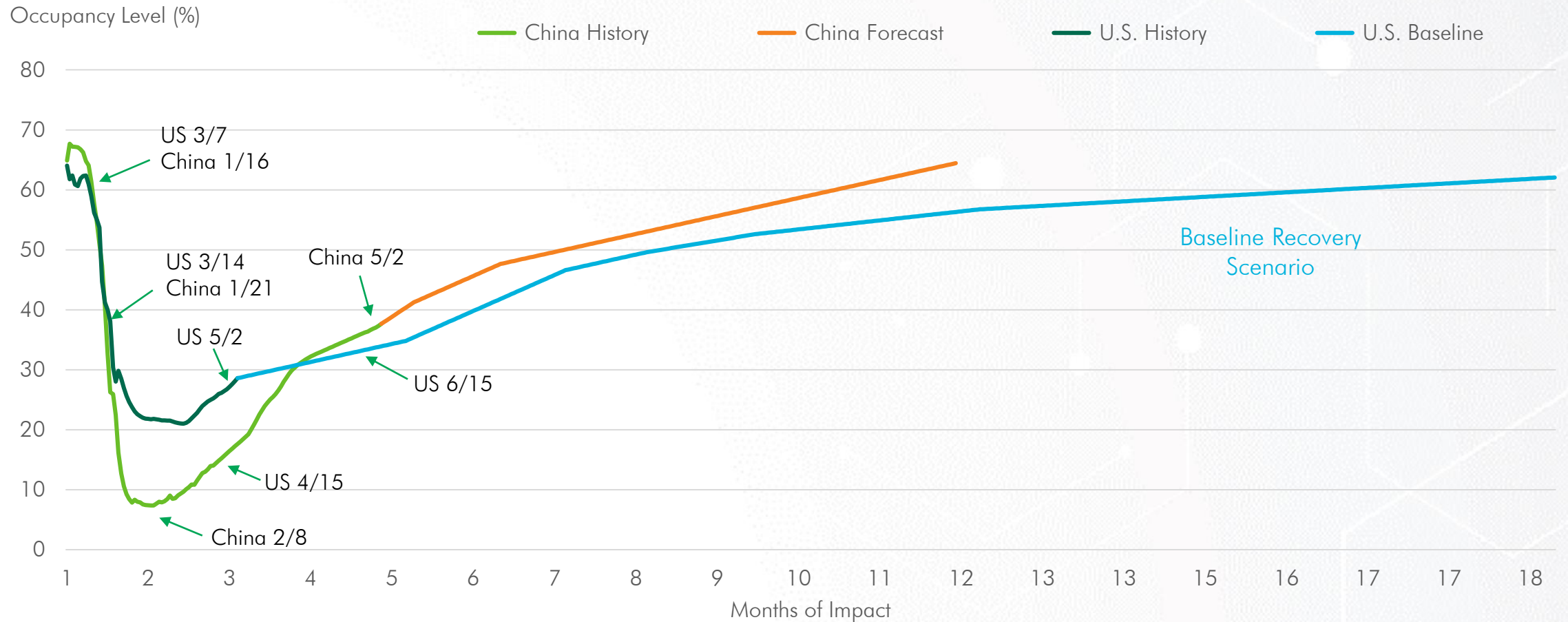
U.S. REIT Index



Source: Wilshire Associates Incorporated, CBRE Research, 14 May 2020.

HOSPITALITY TICKS UP IN CHINA – A MODEL FOR THE U.S.?

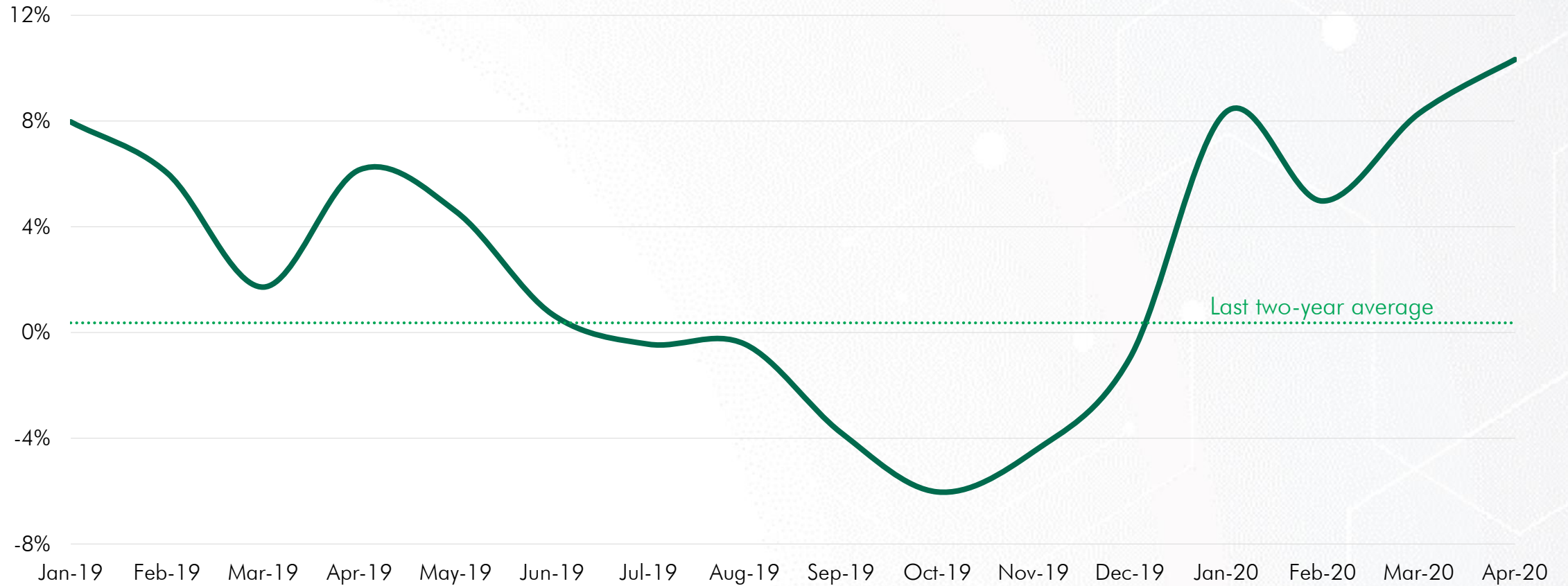
Hotel occupancy compared



Source: CBRE Hotels Research, STR, May 2020.

CHINA – TRADE SLOWLY RESUMING

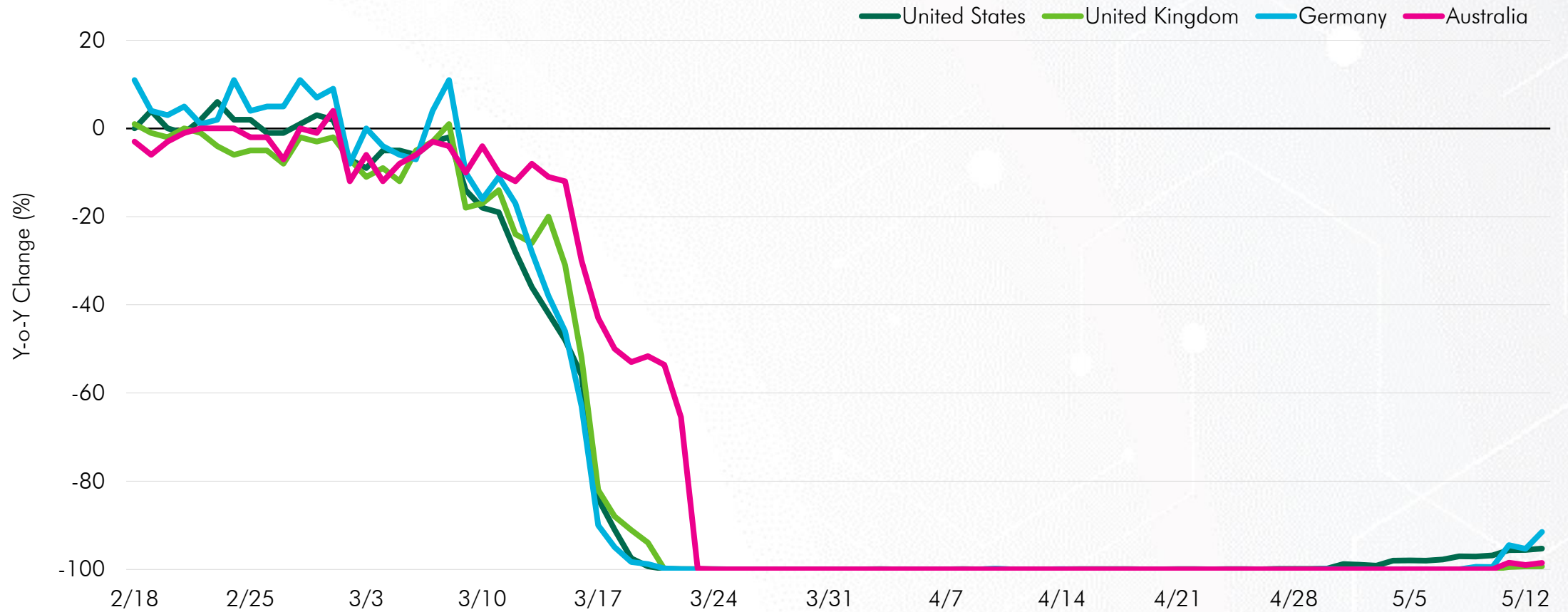
China container freight rate, composite (y-o-y)



Source: People's Bank of China, CBRE Research, May 2020.

SIGNS OF LIFE IN THE RESTAURANT SECTOR

Y-o-Y change in OpenTable restaurant booking

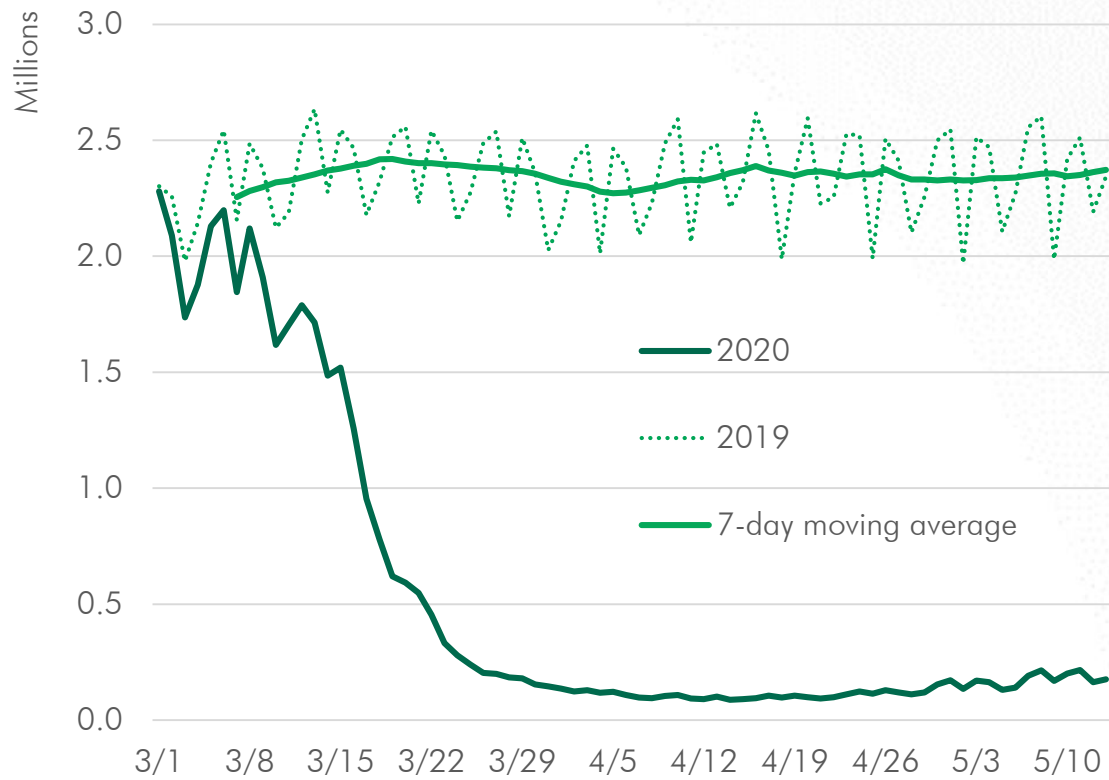


Source: OpenTable, 14 May 2020.

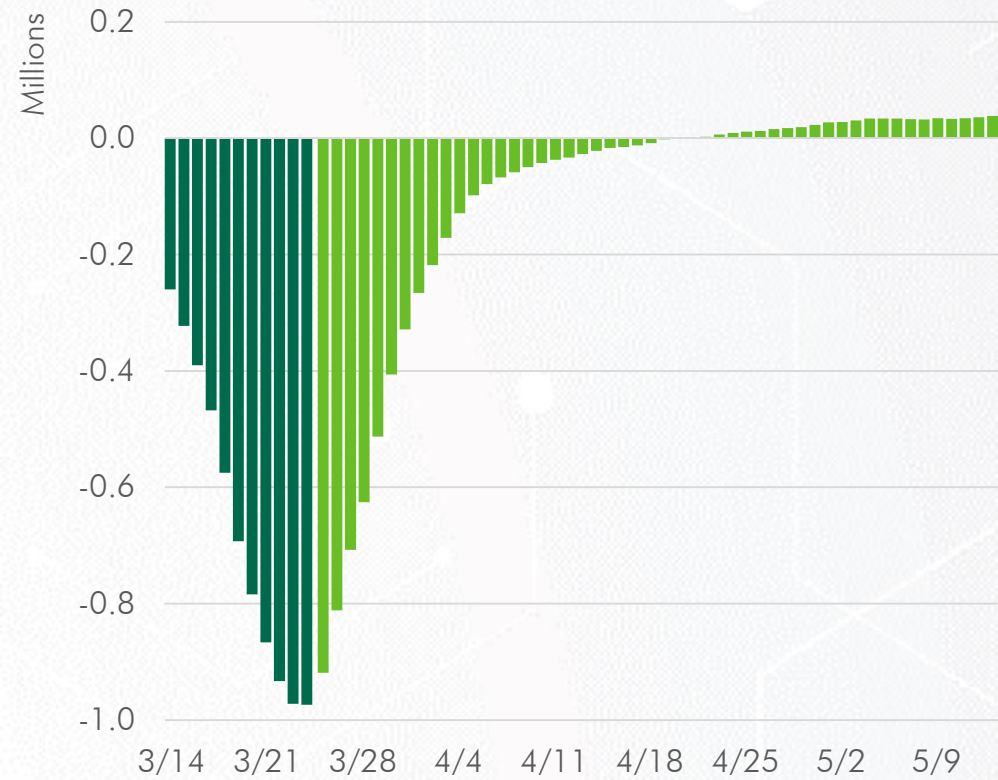
AND, IF WE SQUINT, IN THE U.S. TRAVEL SECTOR

TSA checkpoint travel numbers for 2020 and 2019

Total Daily Traveler



Rolling 7-day difference



Source: TSA, 14 May 2020.

DOWNWARD TREND IN MULTIFAMILY RENT IS EASING

U.S. multifamily daily asking rent per sq. ft.



Source: CoStar, May 2020.

THE WORLD AFTER COVID-19

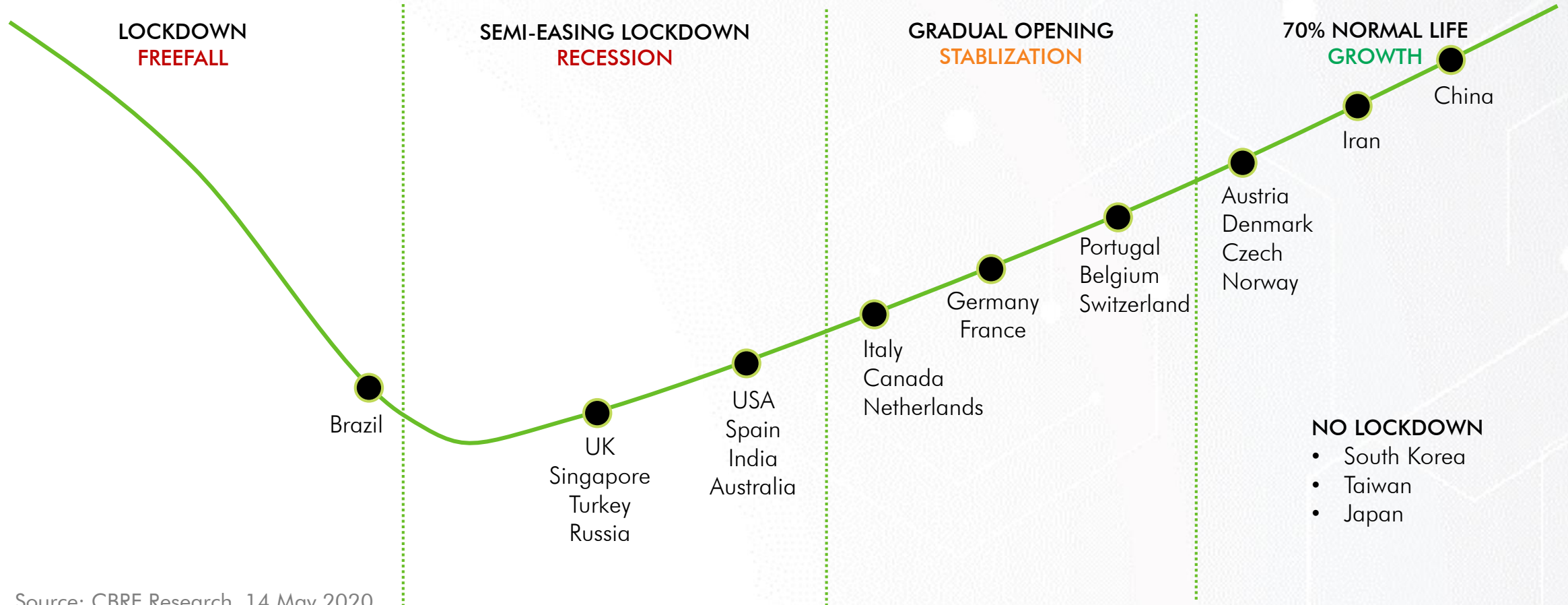


KEY QUESTIONS

- **How quickly do we move out of lockdown?**
- **How does real estate recover?**
- **Is the office dead?**
- **Will manufacturing be reshored to the U.S.?**

PROGRESS OUT OF LOCKDOWN IS SLOW

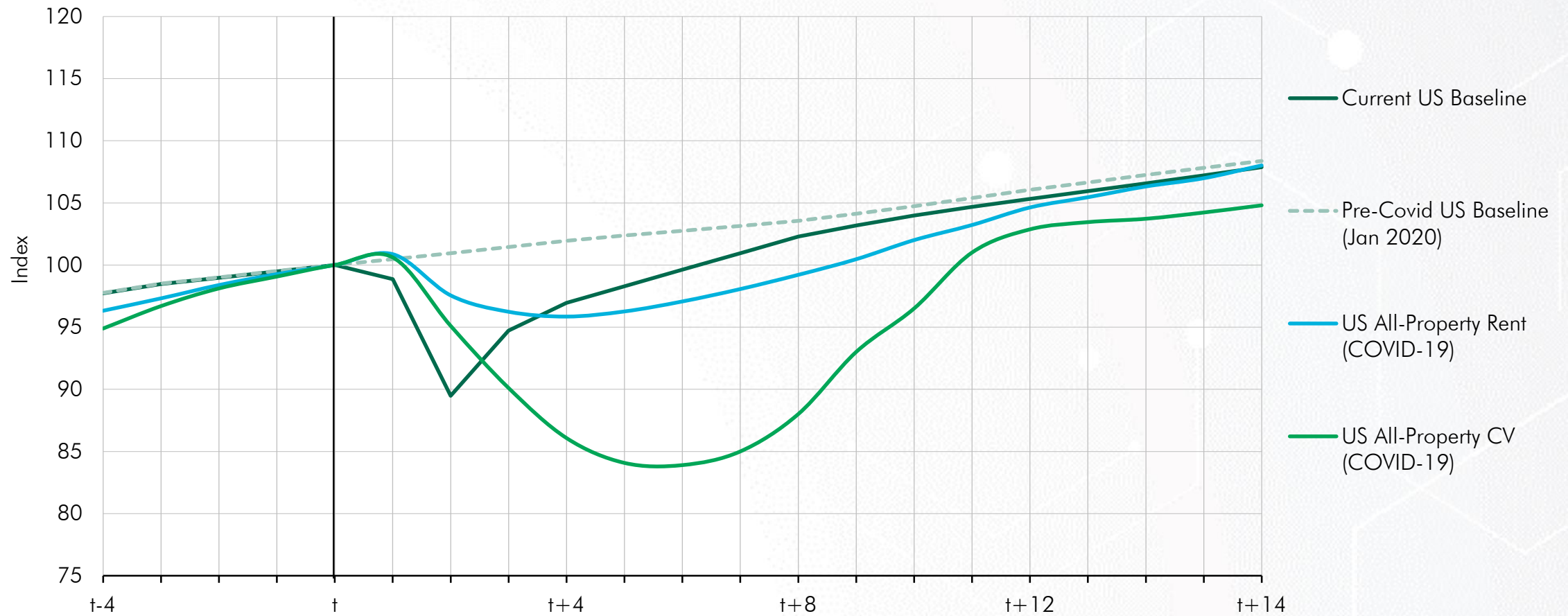
GDP-lead indicator and lockdown stage comparison



Source: CBRE Research, 14 May 2020.

IT WILL TAKE A WHILE TO SHAKE THE CRISIS OFF

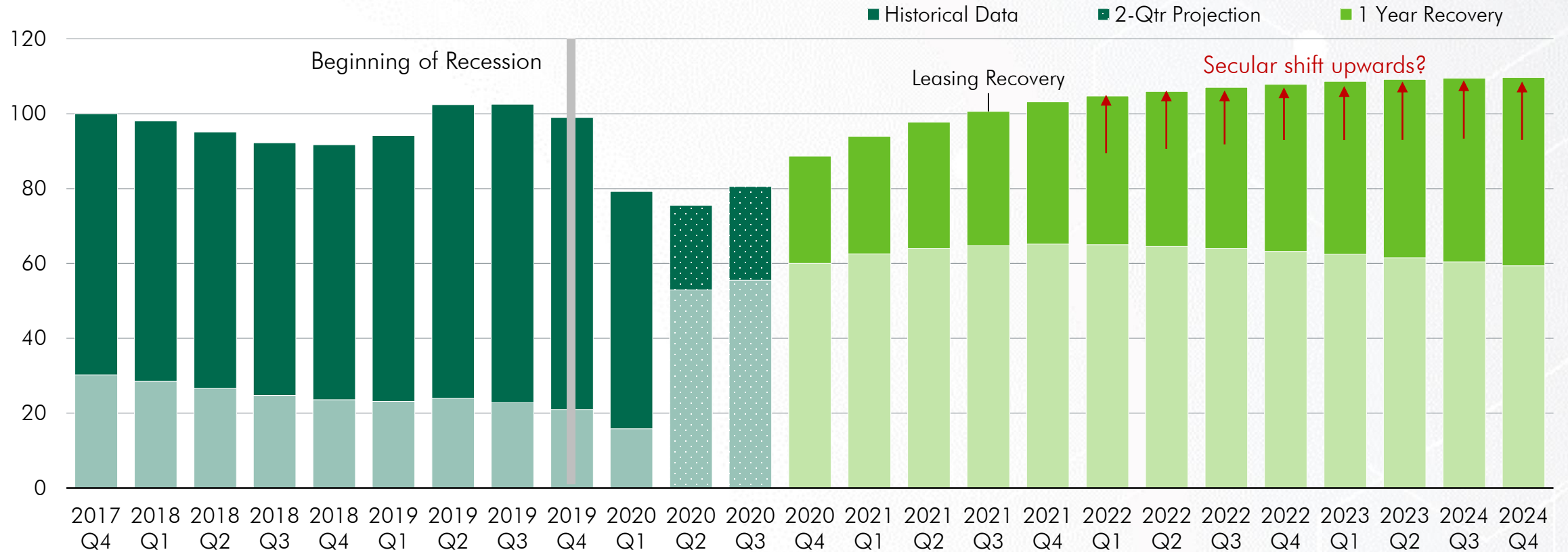
U.S. GDP, rent and capital value indices (t=Q4 2019)



Source: CBRE Econometric Advisors, Q2 2020.

U.S. INDUSTRIAL LEASING VOLUME – 1 YR. RECOVERY

Minimal effects from second wave of virus. Rapid bounce back in economy and property market



Note 1: Indexed from 2 years before the presumed start of the recession.

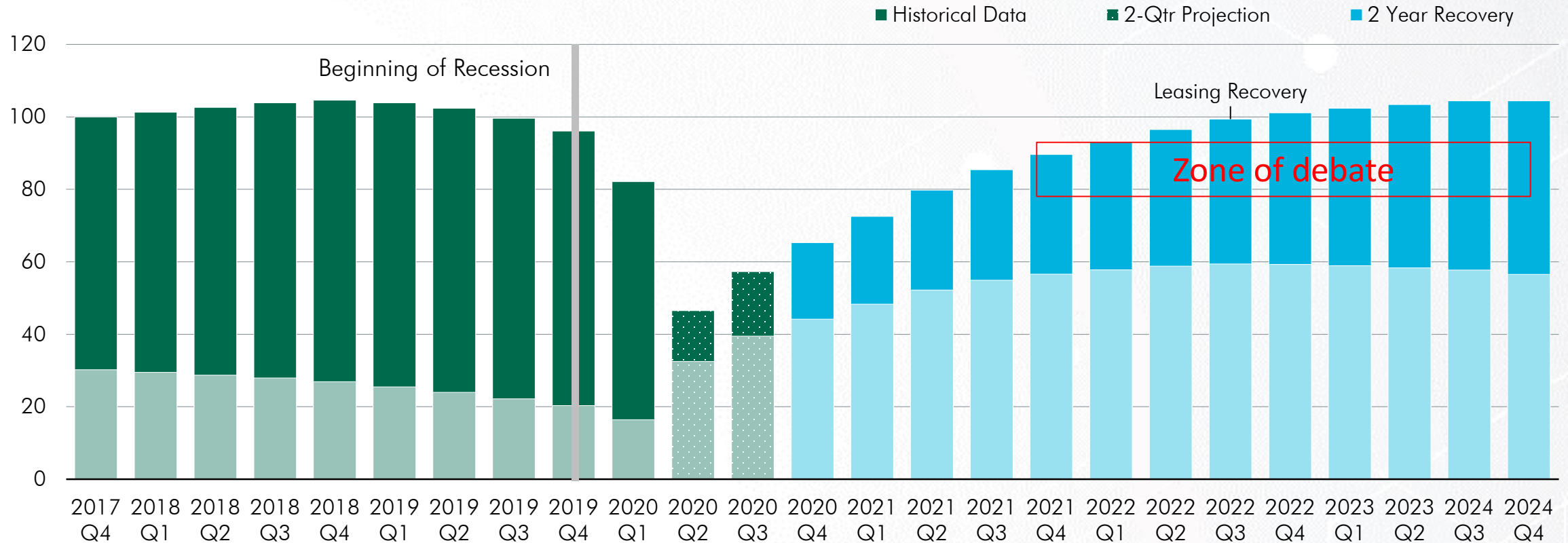
Note 2: Dark shaded portion represents new deals. Lighter shaded portion represents renewals. New/renewal ratio was extracted from CBRE deals. Ratios are assumed to carry over to overall market trends.

Note 3: Historical data has been normalized through noise reduction.

Source: CBRE Research, CoStar, Q2 2020.

U.S. OFFICE LEASING VOLUME – 2 YR. RECOVERY

Base case. Second wave controlled with mass testing, but unemployment slower to fall due to economic disruption.



Note 1: Indexed from 2 years before the presumed start of the recession.

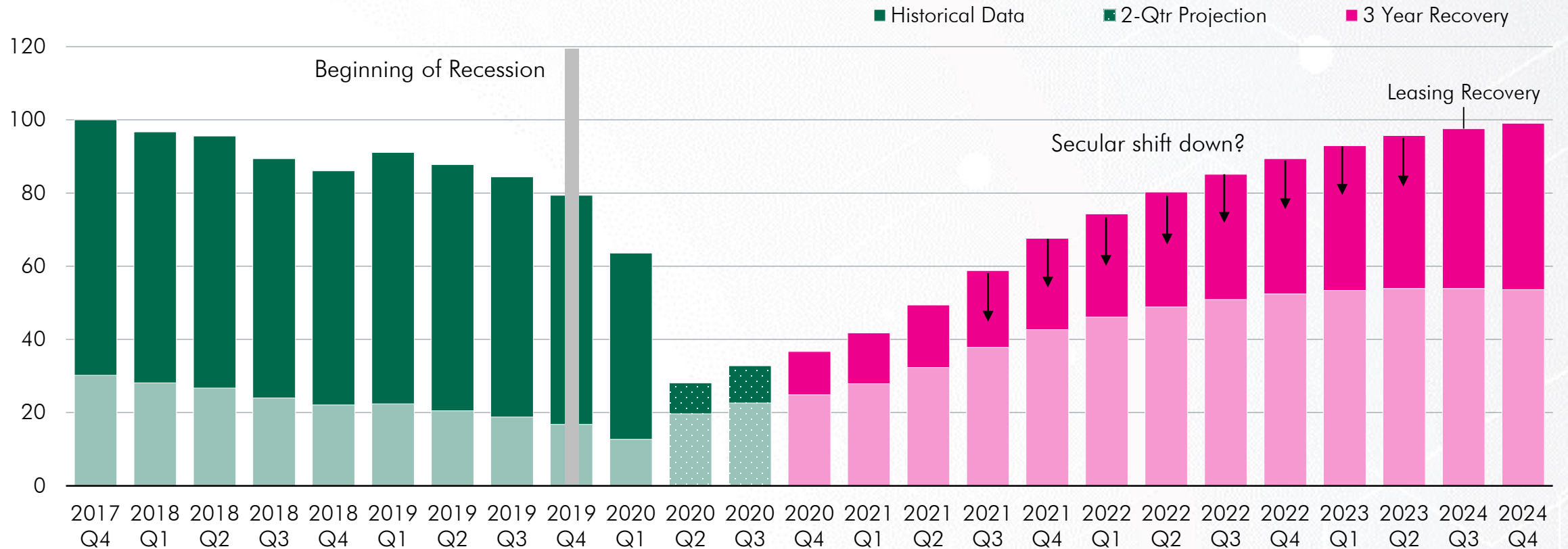
Note 2: Dark shaded portion represents new deals. Lighter shaded portion represents renewals. New/renewal ratio was extracted from CBRE deals. Ratios are assumed to carry over to overall market trends.

Note 3: Historical data has been normalized through noise reduction.

Source: CBRE Research, CoStar, Q2 2020.

U.S. RETAIL LEASING VOLUME – 3 YR. RECOVERY

Minimal effects from second wave of virus. Rapid bounce back in economy and property market.



Note 1: Indexed from 2 years before the presumed start of the recession.

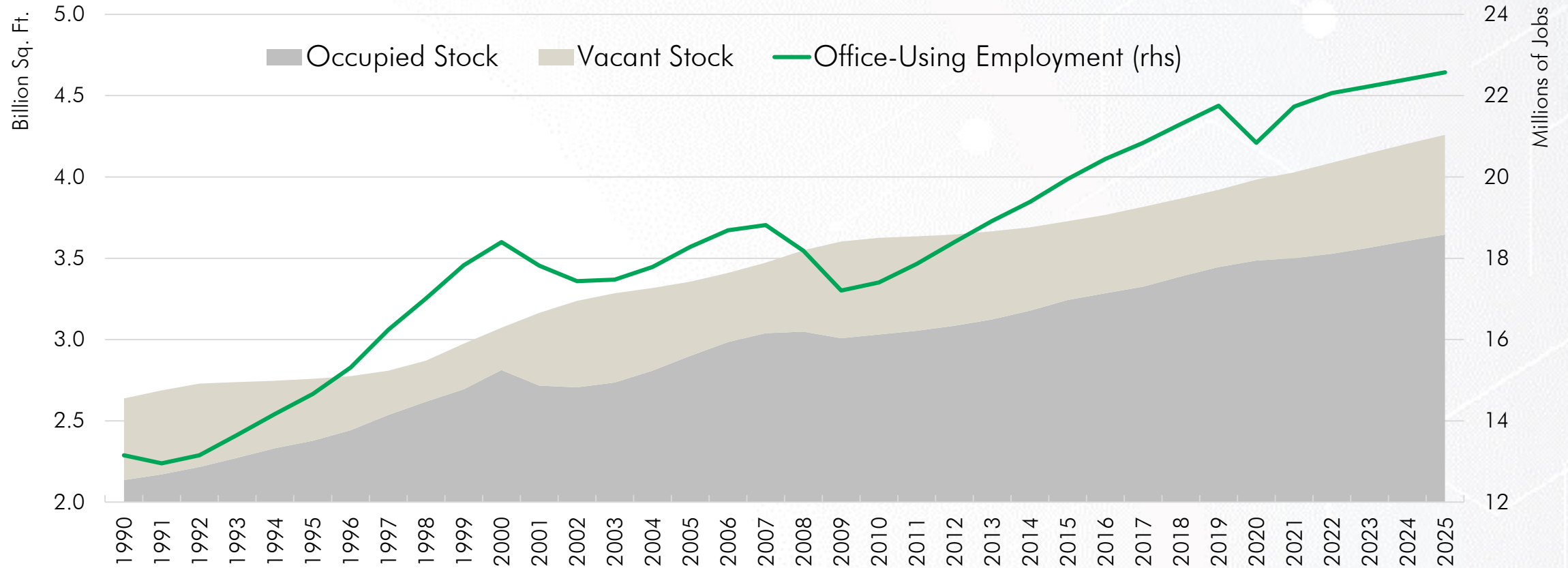
Note 2: Dark shaded portion represents new deals. Lighter shaded portion represents renewals. New/renewal ratio was extracted from CBRE deals. Ratios are assumed to carry over to overall market trends.

Note 3: Historical data has been normalized through noise reduction.

Source: CBRE Research, CoStar, Q2 2020.

OVERALL OFFICE DEMAND UNLIKELY TO SHRINK

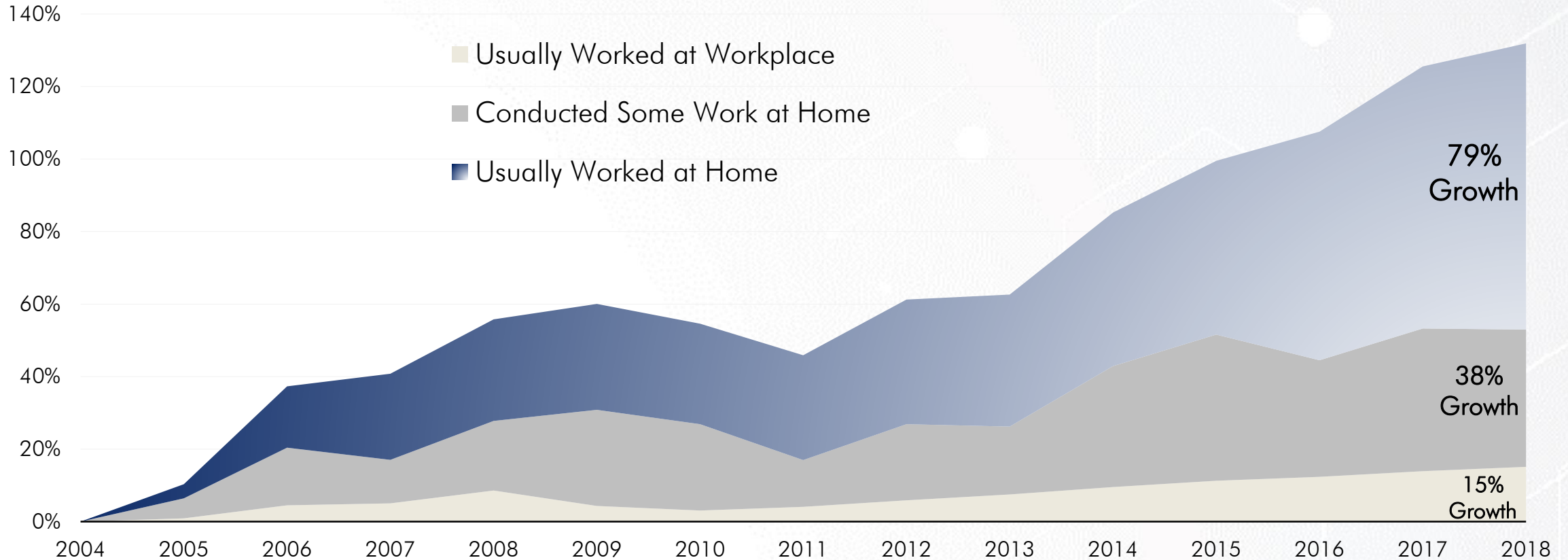
Occupied and vacant office stock in the U.S. – the long-term picture



Source: CBRE Econometric Advisors, Q2 2020.

BUT WORK AND THE WORKPLACE WILL CHANGE

The growth of American workers by where they work



Source: CBRE Research, 2020.


REAL ESTATE 2030

Digital reports available for download via interactive digital landing page as well as printed reports for key offices and events.

GLOBAL OUTLOOK 2030

The Age of Responsive Real Estate

TEN WAYS YOU'LL EXPERIENCE REAL ESTATE DIFFERENTLY IN THE NEXT DECADE



CBRE

GLOBAL OUTLOOK 2030

THE AGE OF RESPONSIVE REAL ESTATE

WORK 01

The Fluid Workspace

The end of fixed workplace attendance will unlock productivity growth and personal creativity.

BY JULIE WHELAN, ANDREA CROSS AND SOHIN CHINYO

“Notice that the stiffest tree is most easily cracked, while the bamboo or willow survives by bending with the wind.”

Bruce Lee

In our day-to-day lives, the rise of flexible office spaces and modern, experience-driven workplace environments has been a huge shift from the traditional real estate model. But it also foretells more of what's to come. Today's workers enjoy new choices and new spaces to cultivate their creativity, increase their productivity and improve their health and wellness.

Unhobbled from cubicle farms and assigned work stations, workers today are setting up of coffee shops, in coworking spaces, on couches and at backyard picnic tables—even when they travel. Over the next decade, CBRE predicts this radical reimagining of the workplace will accelerate.

The word “agility” implies the ability to adjust as circumstances change. But it also suggests a never-ending need to twist and change with the wind, just as the legendary martial artist suggested.

In the U.S., the number of people who identify as conducting some of their work outside a traditional workplace grew by **38%** since 2004.

And, the number of people who identify as conducting most of their work outside a traditional workplace grew by **79%** since 2004.

Does Your Business of Labor Station?

In the coming years, the ability to work from anywhere will enable a full-scale mobile workforce.

WORK 01: THE FLUID WORKSPACE

GLOBAL OUTLOOK 2030

THE AGE OF RESPONSIVE REAL ESTATE

TREND 03

The New C-Suite Power Player—Chief Places Officer

Changes in the workplace demand a new leadership role to take them on

IN THE COMING DECADE, MORE ORGANIZATIONS WILL SEE THE CRUCIAL VALUE OF HAVING ONE GO-TO ROLE ELEVATED TO THE C-SUITE LEVEL.



Between new technology, new jobs, emerging generations and evolving corporate priorities, business is changing fast. And that means corporate leadership must respond, adapt and evolve at the same speed. There are more paths to the C-suite than ever, according to a recent study by LinkedIn, as companies are filling an ever-diversifying portfolio of new roles at the highest levels.

But it's not just Chief Privacy Officers, Chief Sustainability Officers and other trendy new titles that take aim directly at the latest challenges confronting the corporate world. Responsibilities that traditionally fall under the more traditional C-suite roles are diversifying and becoming more complex. That's why so many companies are hiring a Chief Growth Officer to slight pivot from the CFO role or a Chief People Officer to new front on the CHRO.

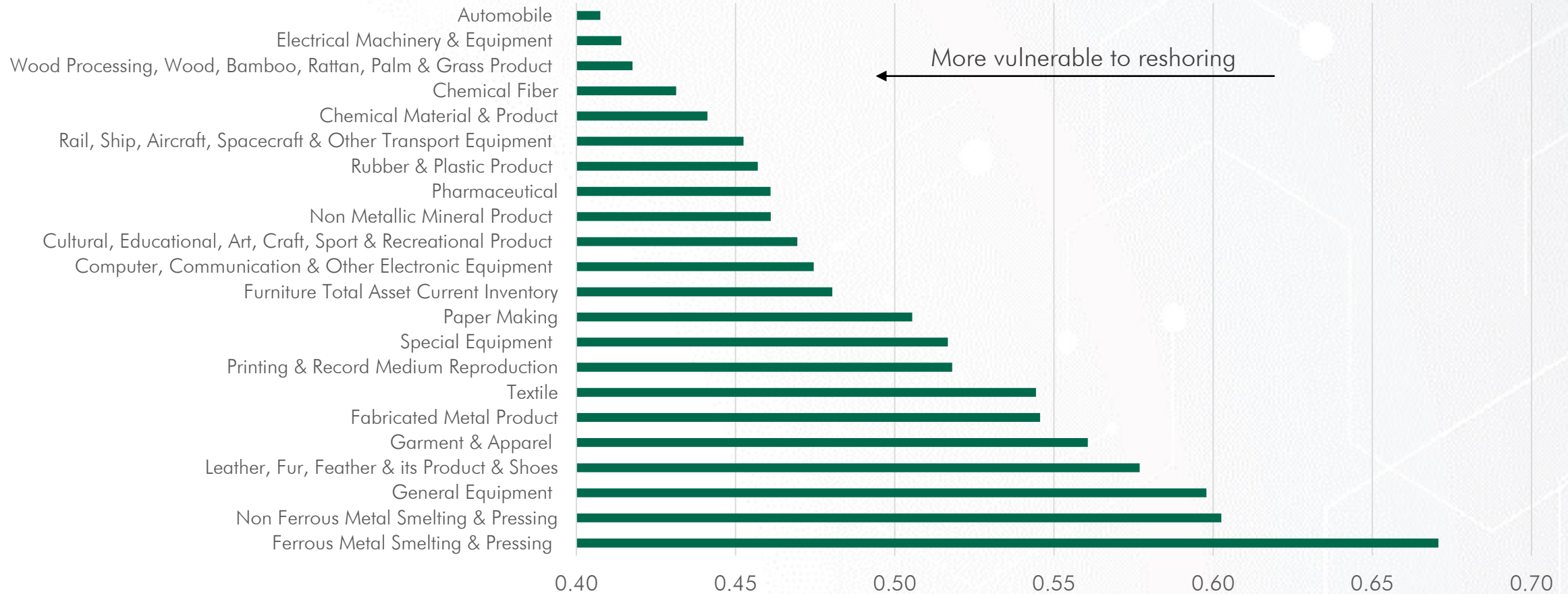
This also holds true for the workplace. In the digital age, it's no longer just a physical place, but a nexus for the fulfillment and growth of employees where technology has changed the stakes for what success looks like. Leadership roles that previously focused on just real estate or financials have begun to intersect with those shifting employee needs for productivity and job satisfaction. At the same time, the emergence of Generation Z and of sustainability as a corporate value will move the goalposts even further in the coming decade. And the C-suite must re-examine how to manage through it all.

*Major employees—who put talent at their core—will continue evolving their workplaces to differentiate

THE NEW C-SUITE POWER PLAYER

A CERTAIN AMOUNT OF RESHORING WILL TAKE PLACE

China's industrial sectors ranked by likelihood of production shift back to the U.S.



Source: Enodo Economics, CBRE Research, May 2020.

WILL POLITICS CHANGE?

Post-crisis institutional change in the U.K. and U.S.

Institutions created during/after the Great Depression in the U.S.

- Fannie Mae, created to increase the number of lenders in the mortgage market.
- Federal Deposit Insurance Corporation (FDIC) to increase insurance for banks.
- Securities and Exchange Commission (SEC) for enforcement of the federal securities law.
- Fair Labor Standards Act of 1938 that gave Americans the right to a minimum wage.
- Social Security Act that provided Americans with unemployment, disability and pensions for old age.

Institutions created during/after WWII in the U.K.:

- National Health Service, a health care system that is publicly funded by taxes and provides subsidized healthcare services to all U.K. residents.
- National Insurance Act, workers' weekly contributions were rewarded with a wide range of social security benefits, including a pension.
- Education Act of 1944, aimed to increase the openness of secondary education to girls and the working class.
- Family Allowance Act of 1945, provided family allowances based on number of children.

CONCLUSIONS

- **How quickly do we move out of lockdown?**
- **How does real estate recover?**
- **Is the office dead?**
- **Will manufacturing be reshored to the U.S.?**

THANK YOU!

PLEASE DON'T HESITATE TO CONTACT US.

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