

## 2021 TOP TEN ISSUES AFFECTING REAL ESTATE®

The Counselors of Real Estate®

### Suspended Mobility Challenges Real Estate Markets

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*Flow of People was listed as the #6 issue in the 2020-21 Top Ten Issues Affecting Real Estate® by The Counselors of Real Estate®.*

The flow of people between and within countries has always been a critical driver of real estate and the economy. Demand increases where population flows. For those areas receiving migrants, the demand for housing, goods, services, and infrastructure expand, increasing both immigrant and non-immigrant jobs and economic growth. Countries and states that lose population can suffer economic decline and crippling near and longer-term pension and budget problems.

Today, the world's economies and people face unprecedented challenges to mobility. From flows of over 270 million in 2019,[1] immigration has ground to a halt, initially driven by nationalistic policies in the U.S. and countries throughout the world, and more recently by the COVID-19 pandemic.

Not only has international migration been suspended, but also migration between and within regions has been drastically limited. Even as regions open up, voluntary limits to mobility, especially by business travelers, vacationers, elderly or immune compromised individuals, and others will continue to challenge the real estate industry.



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#### ABOUT THE AUTHOR



**Scott R. Muldavin, CRE,** has been a leading investor, consultant and nonprofit leader in the real estate industry for over 35 years, authoring over 225 articles and books. For the past 13 years, as Founder and Executive Director of the Green Building Finance Consortium, he has led the movement to integrate sustainability, health, and wellness into real estate investment decisions.

#### U.S. IMPLICATIONS

Reduced migration and COVID-19 behavioral changes will especially hurt demand for residential, hospitality, and retail real estate, particularly in communities that have historically relied on such demand. Many real estate related businesses including agriculture, construction, building maintenance and operations, hospitality, restaurants, and numerous other sectors will struggle to find skilled and affordable workers when the economy again begins to grow.

Universities and companies reliant on foreign-born workers have also been hard hit, even prior to COVID-19, as visa difficulties for incoming students and workers have intensified in recent years. If U.S.

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policies discouraging legal immigrants and students from working in the U.S. continue or intensify, anticipate slowing of growth in communities that have been reliant on such demand, and overall slower national growth.

COVID-19 is creating particular challenges to states and individuals exposed to potentially significant changes in state migration patterns. Some states with historically high inbound migration like Florida, Nevada, Colorado, Tennessee, and Arizona now rank in the top ten of states with the highest percentage of GDP in high-risk industries (over 50%).<sup>[2, 3]</sup> Many workers will need to be able to move to find work, and states will need to plan for potentially dramatic changes in their economies.

Rural areas in the U.S. could see an accelerated decline in population and economic growth due to the dearth of medical facilities and the large older population, significant negatives in the post COVID-19 world. Agricultural concerns due to lack of seasonal low-wage workers could also cause economic problems. Further decline could be offset by significant investment and innovations in telemedicine, remote working, remote entertainment, and the desire for a lower density living environment.

Dense urban areas face particular challenges. Despite popular belief, suburban areas have continued to attract more people than urban centers, a historic trend lasting for many decades.<sup>[4]</sup> However, in recent years, urban areas have successfully captured more affluent and younger people attracted to job access, public transit, entertainment, restaurants, and other advantages.<sup>[5]</sup> If the value of urban living (transit, social, entertainment, etc.) declines, and access is rendered less important due to innovations in remote working, learning, and medicine, less dense and more affordable suburbs could grow even more rapidly.

An early May Harris Poll shows that nearly 40% of urbanites are considering fleeing the city as concerns about the virus and economic effects of the pandemic take hold. Given the cost of moving, and disposable income required, such urban flight is primarily viable for wealthier households and those with remote employment options. Potential expansion of suburban

and “spoke” employment facilities, as discussed by Google in May, to reduce mass transit reliance, will also be a key factor in determining how far this dynamic progresses.

### INTERNATIONAL IMPLICATIONS

Much of the developed world faces real estate implications similar to those seen in the U.S. from existing and potential changes in migration. Europe and the UK face particular post COVID-19 challenges due to Brexit, other nationalistic movements, questions of European Union unity, and continuing pressure from Turkey and other countries to assist with the dramatic pre COVID-19 refugee crisis. The economic fallout will also be harsh due to job losses and supply chain uncertainty, particularly after just recovering from 25%+ unemployment in many countries from the Great Recession.

Asia, which has become a key supplier to industries around the world, will “generally” be less impacted by a decline in lower wage migration, as most countries have a sufficient work force to meet demands. The bigger problem will be reestablishing supply chain and other business relationships with the rise in nationalism and at least near-term reduction in business travel. With a vast majority of world growth projected for Asia in the coming years, expect a refocused effort to expand and serve internal consumer markets.

As of this writing, concerns in Africa and Latin America are focused on the medical response to the virus, as countries with severe medical and financial limitations battle the virus.

The world’s 70 million displaced people are particularly stressed. The cessation of migration leaves many with no place to go. As an example, the U.S., which has resettled an average of 80,000 to 150,000 refugees from 1980 to 2017, had already dropped to less than 10,000 by the end of 2019, prior to the COVID-19 crisis.<sup>[6]</sup> The virus has also stopped humanitarian flights and international cooperation, and created the economic and safety conditions in hard hit areas that increase the likelihood of more people becoming refugees.

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### CONCLUSION

Migration, urbanization, and global connections have been a central component of growing the world's economies. The flexibility of people to move to better jobs, or available jobs, has driven productivity and the real estate markets. Nationalism and now COVID-19 have reset the playing field for now, limiting migration, slamming the economy, and limiting international cooperation. Real estate implications will be determined by how long behavioral changes brought on by the virus last, the quality of innovations in healthcare, living, and working that emerge, and the quality of world leadership. •

### ENDNOTES

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