



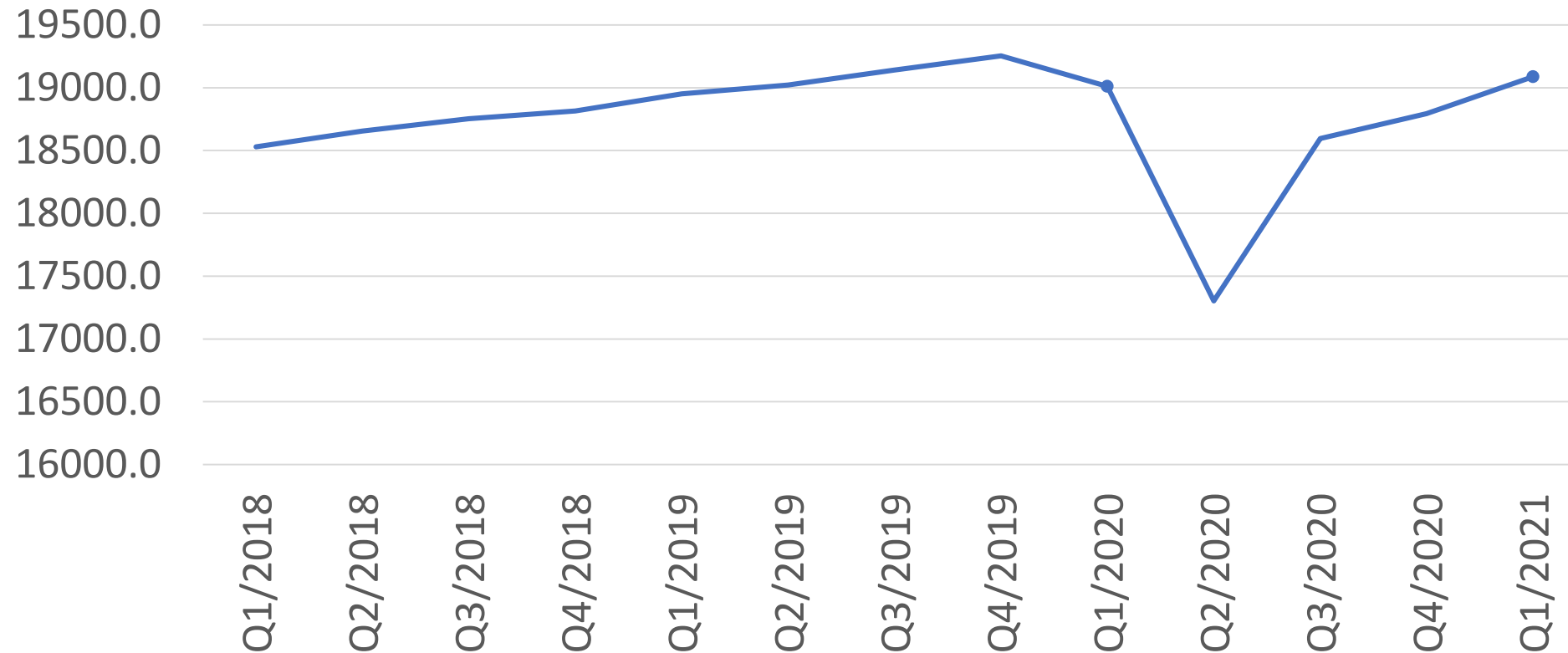
Economic and Commercial Real Estate Outlook, 2021-2022

Lawrence Yun, PhD

Chief Economist and Senior Vice President, Research
NATIONAL ASSOCIATION OF REALTORS®

Economy ... swiftest decline ... then fast recovery ... Current at 99% of prior peak in 2021 Q1

Annualized GDP in \$2012 Billion Dollars

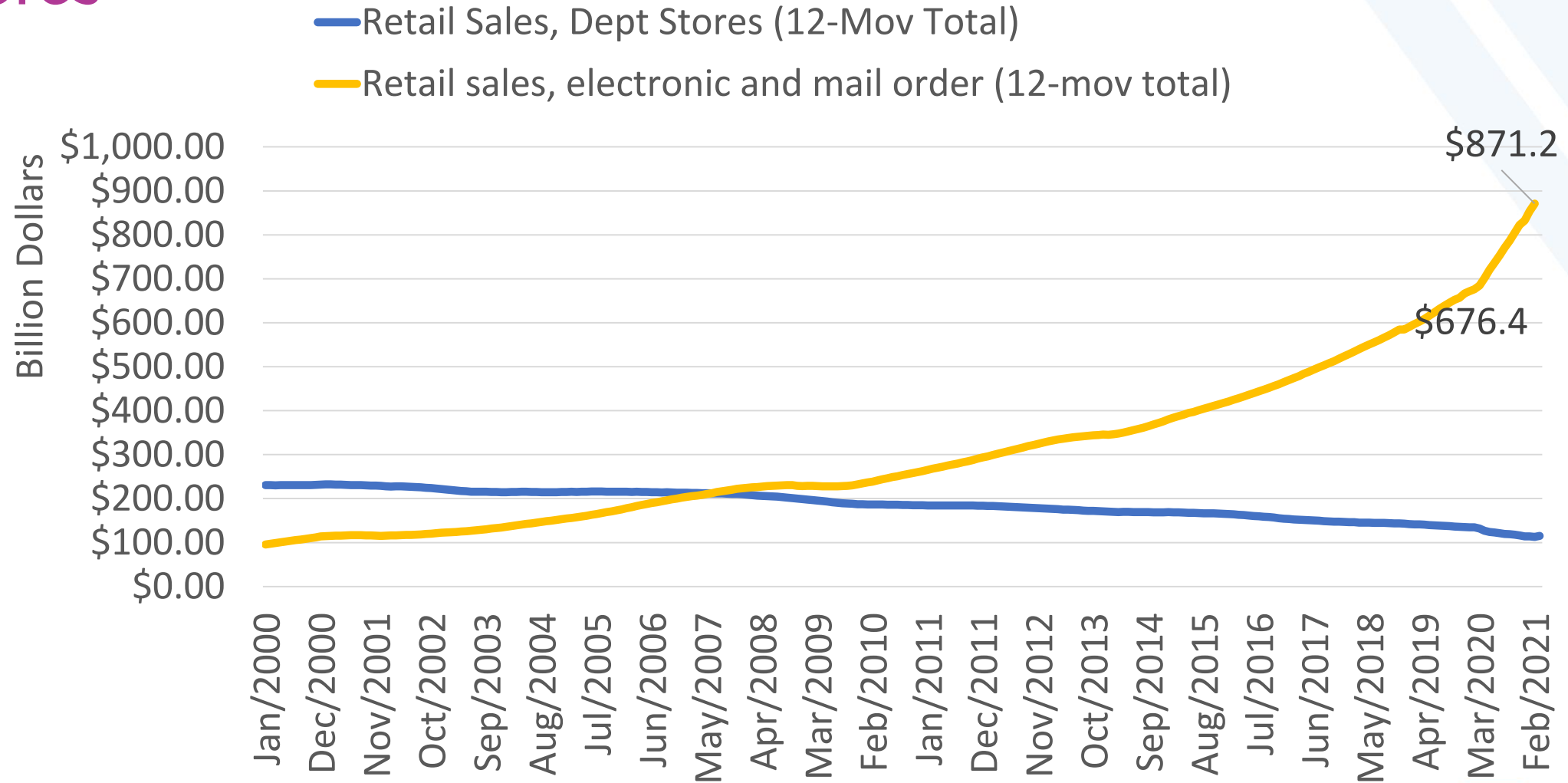


Source: BEA

Massive Savings to be Unleashed ... Revenge Spending

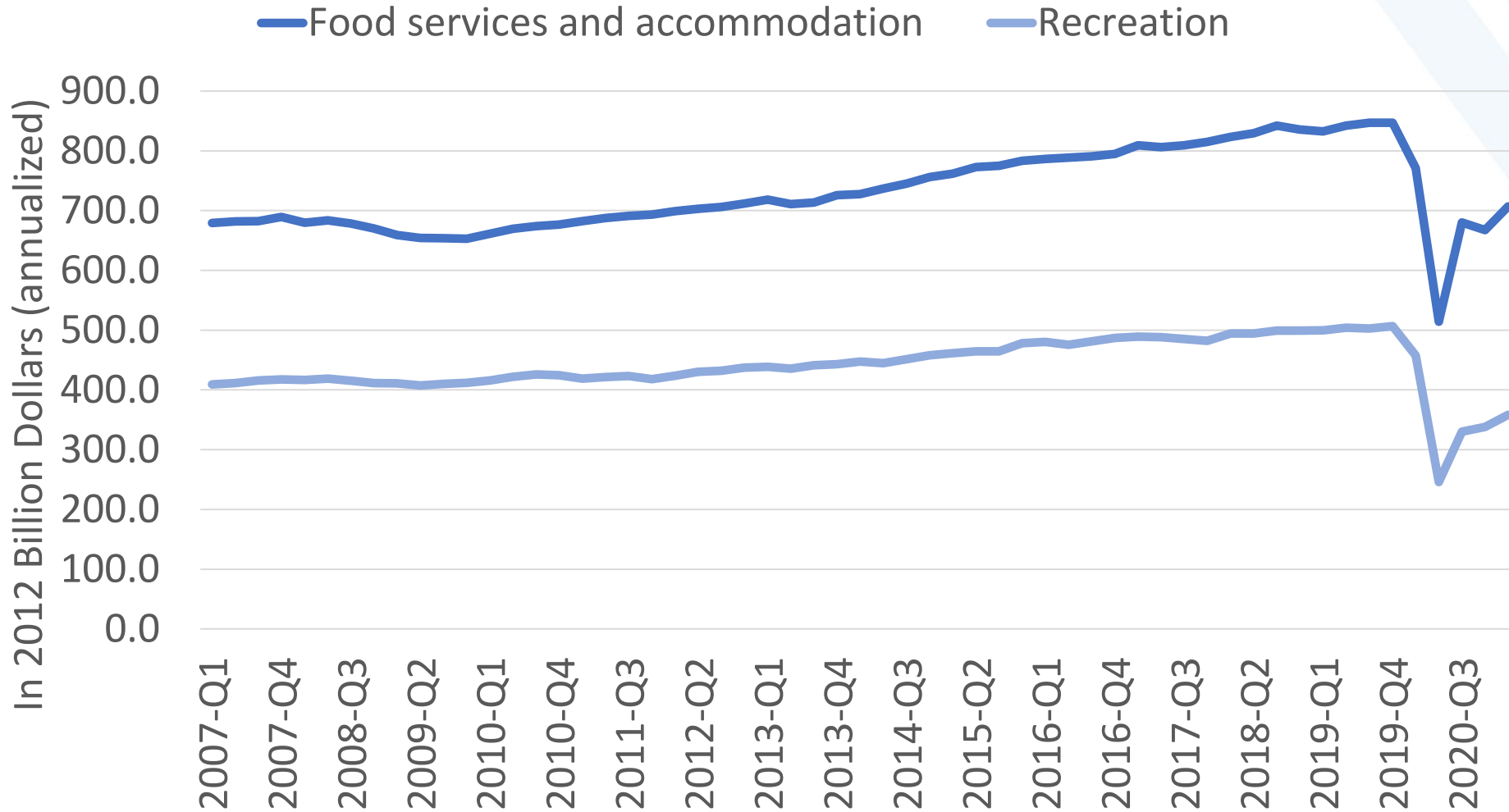
	GDP (% change from a year ago)	Personal Income (% change from a year ago)	Savings (% change from a year ago)
2020 Q2	-9.0%	+10.7%	+302%
2021 Q1	+0.4%	+15.6%	+158%

Consumers have increasingly shopped online and not at Dept Stores



Source: US Census Bureau

Spending Caution at Restaurants and Recreation ... but ready to burst out?



Source: BEA

Worldwide Comparisons of GDP Growth Rates

Country	2020 Q4 from a year ago	2021 Forecast
United States	-2.4	+5.5
Great Britain	-7.3	+5.1
Canada	-3.2	+4.8
Euro Area	-4.9	+4.1
Russia	-1.8	+2.7
Australia	-1.1	+3.1
India	+0.4	???
Japan	-1.4	+2.7
Taiwan	+5.1	+4.5

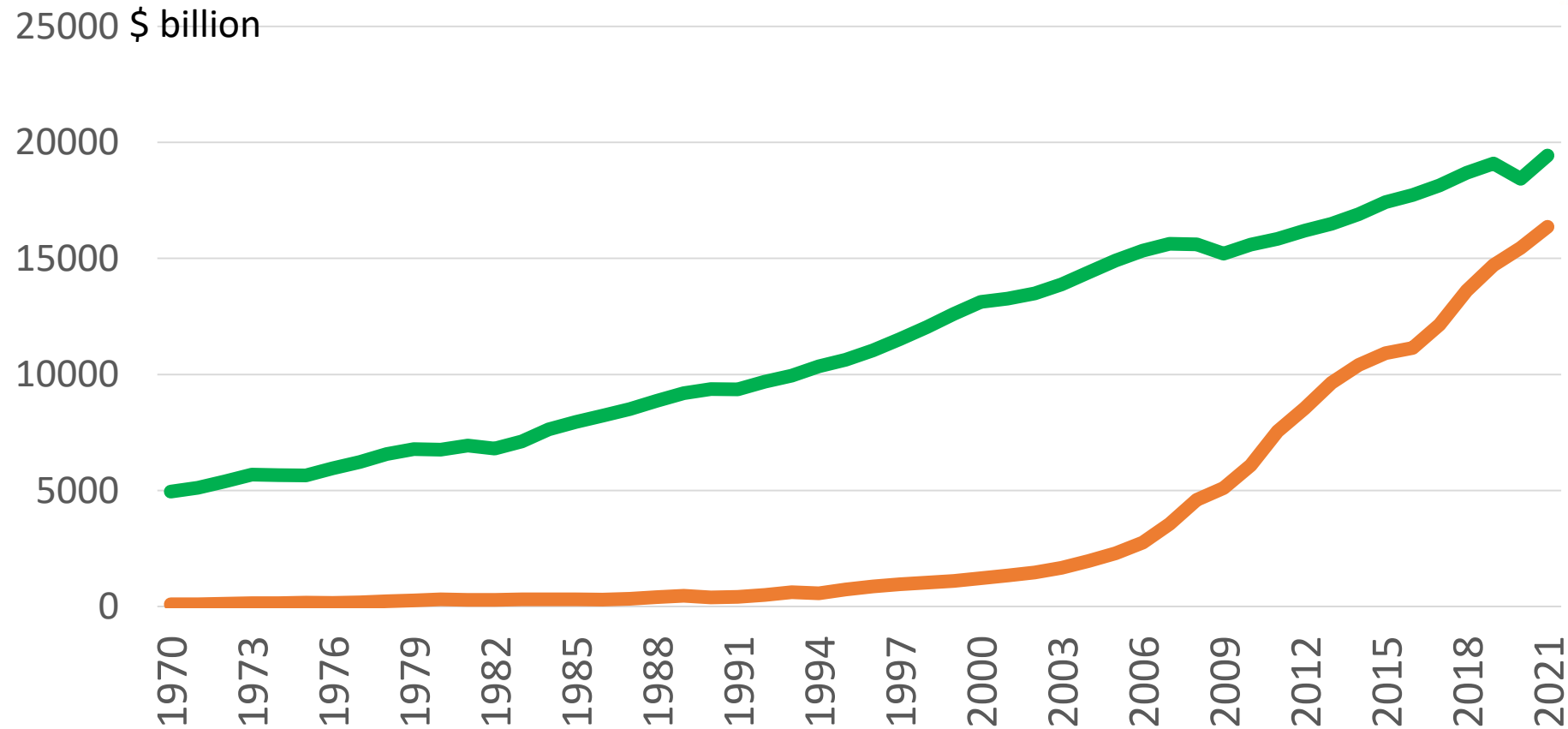
Source: The Economist Magazine

Global GDP Growth Rate

Country	2020 Q4 from a year ago	2021 Forecast
United States	-2.4	+5.5
Great Britain	-7.3	+5.1
Canada	-3.2	+4.8
Euro Area	-4.9	+4.1
Russia	-1.8	+2.7
Australia	-1.1	+3.1
India	0.4	???
Japan	-1.4	+2.7
Taiwan	+5.1	+4.5
China	+18.3	+8.5

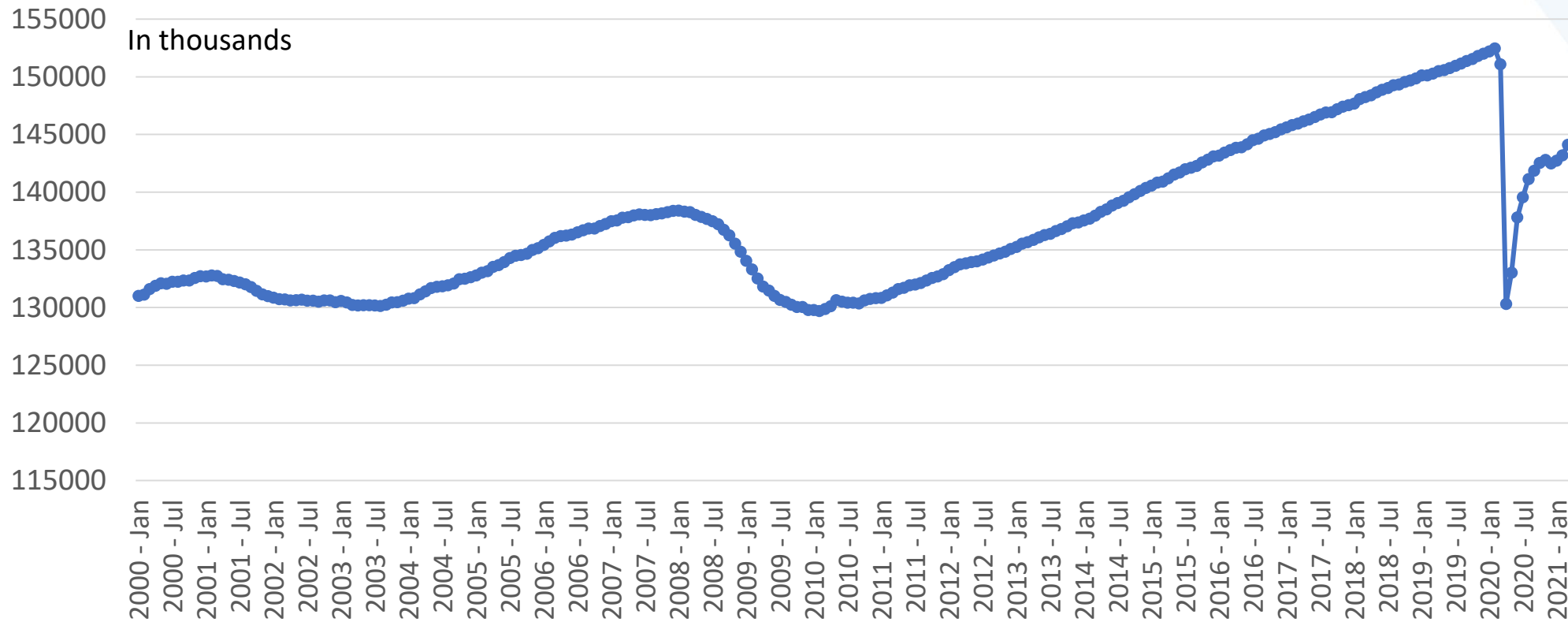
Source: The Economist Magazine

GDP Comparison U.S. versus China



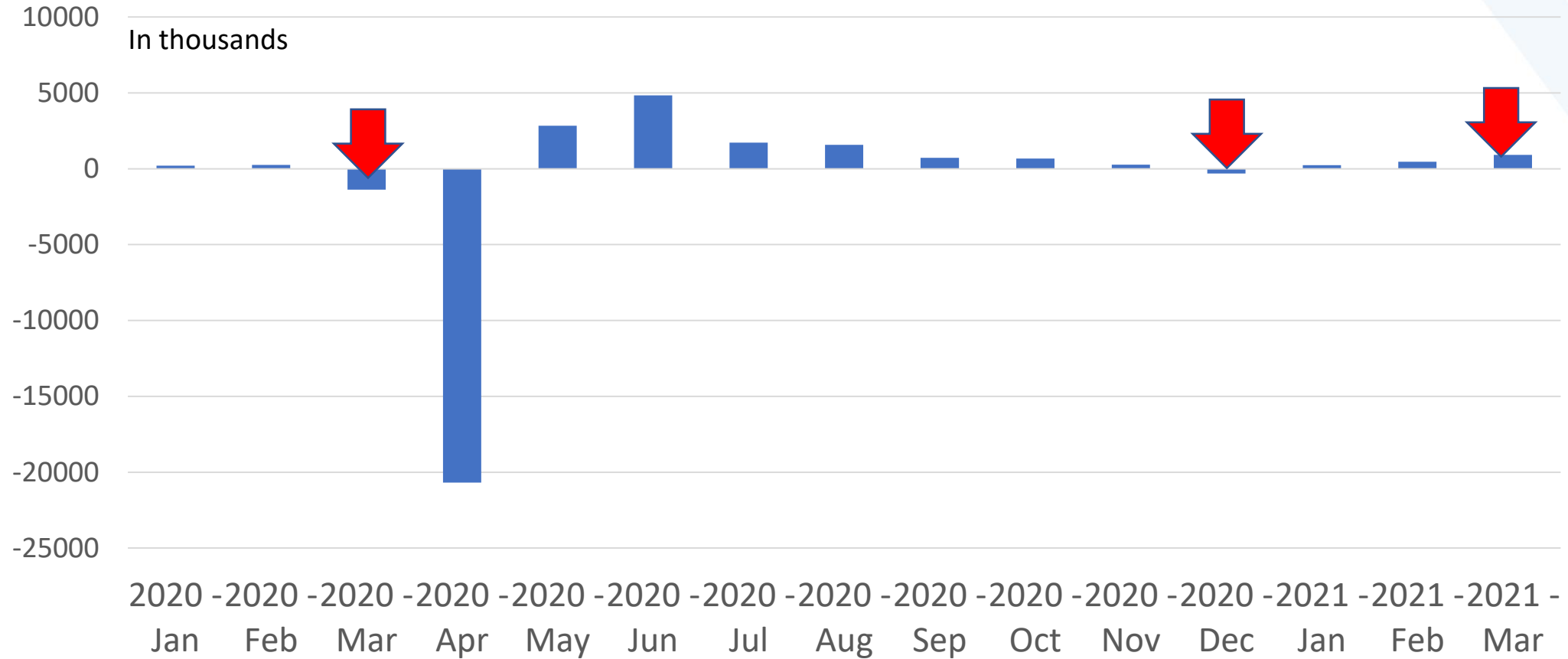
Source: U.S. Bureau of Economic Analysis and China National Bureau of Statistics

Economy is fully back ... But not Jobs ... 94% of prior peak ... need 8 million more jobs to reach pre-pandemic levels



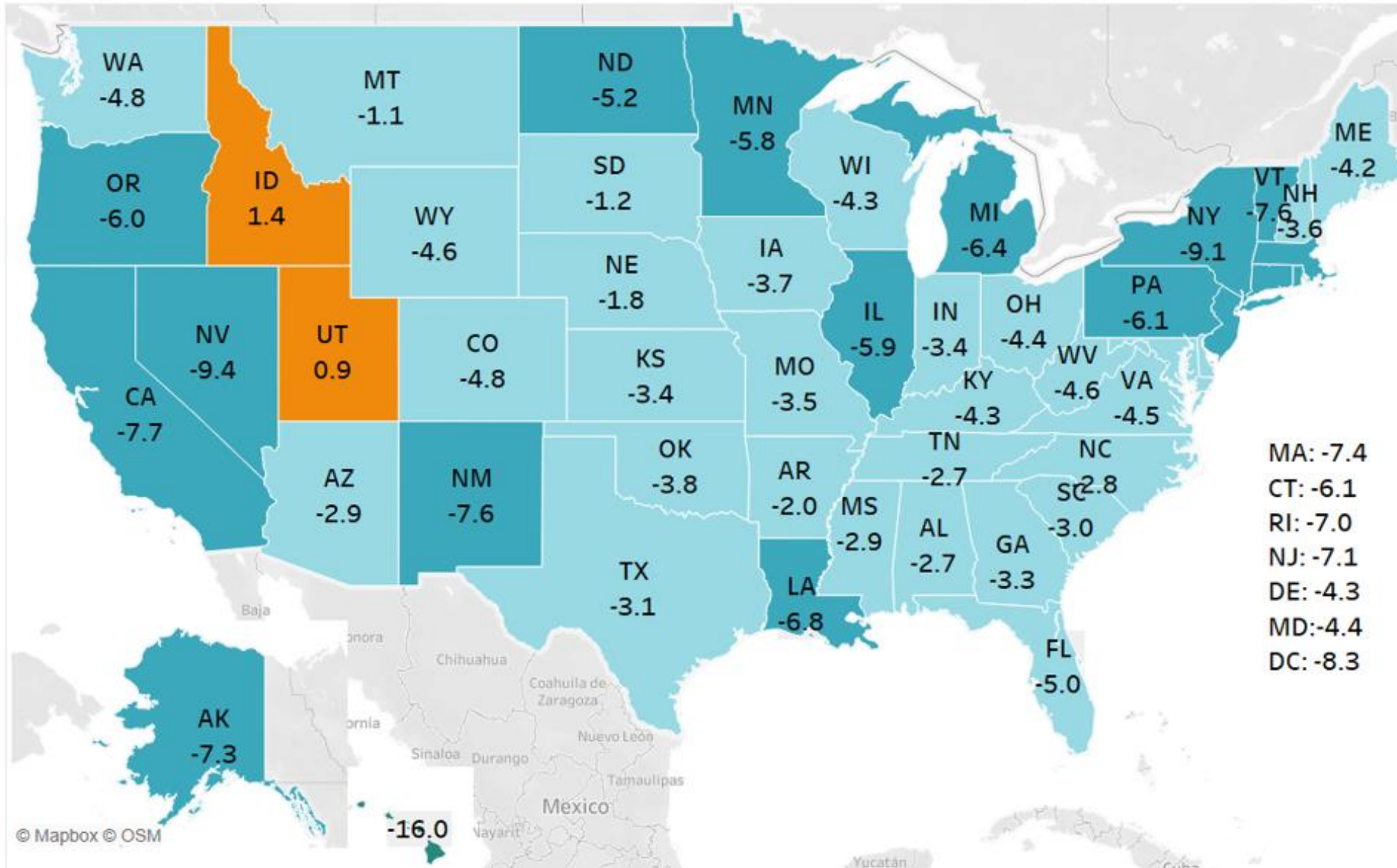
Source: BLS

Monthly Job Additions ... Stimulus Passage

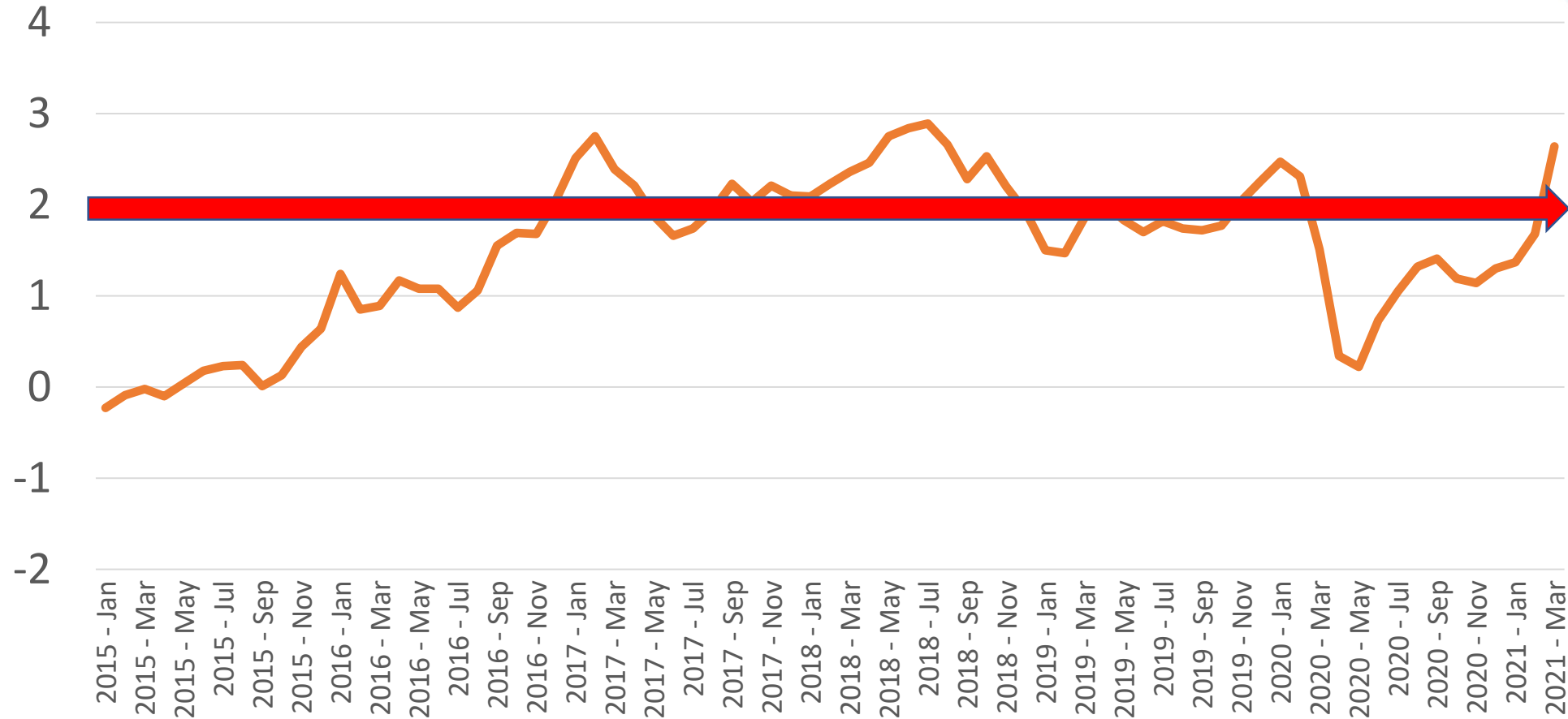


Source: BLS

Year-over-year Percent Change in Nonfarm Payroll Employment in March 2021

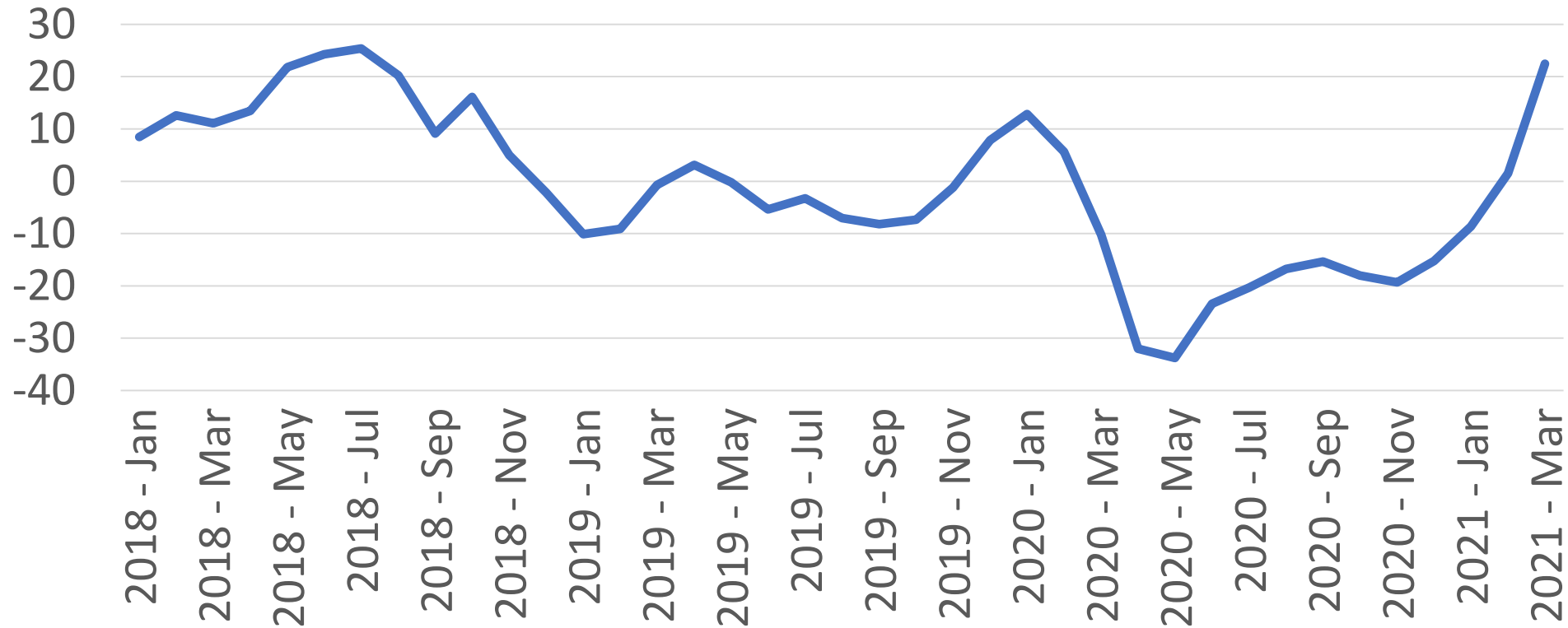


Consumer Price Inflation Crosses 2% ... who cares?



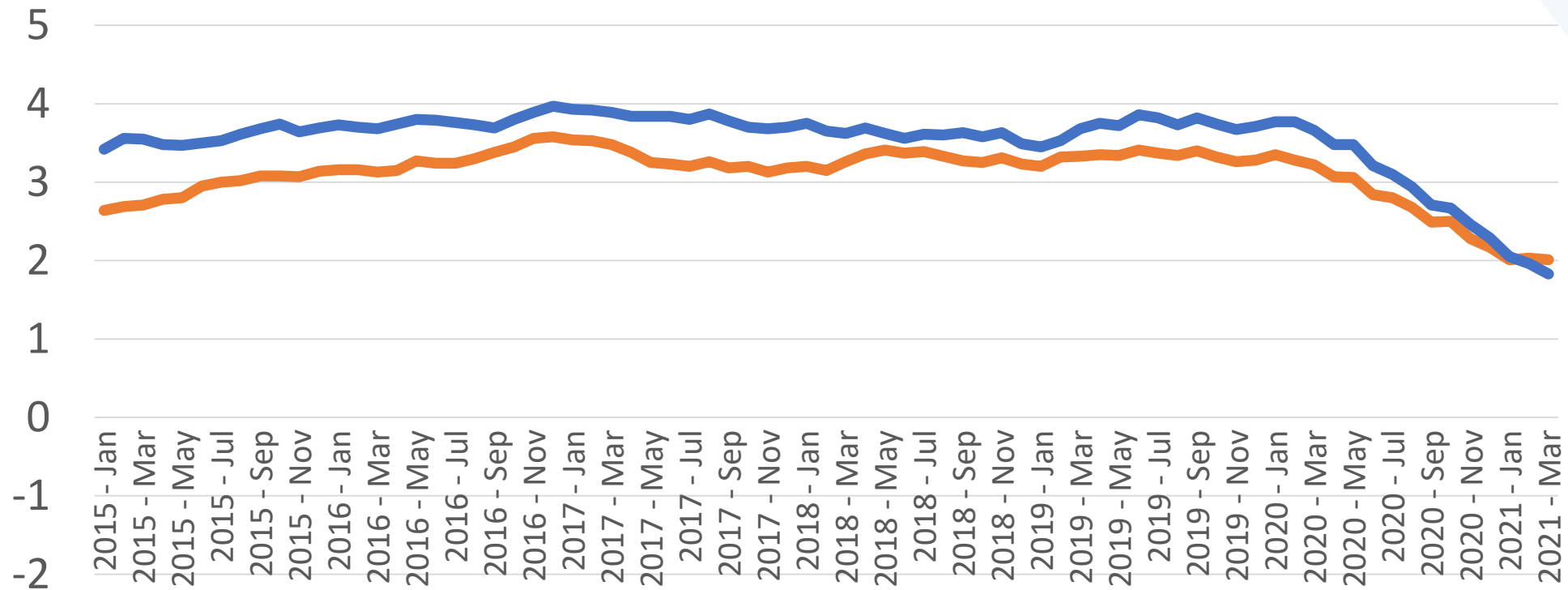
Source: BLS

Gasoline Prices up 22% ... 5-year high



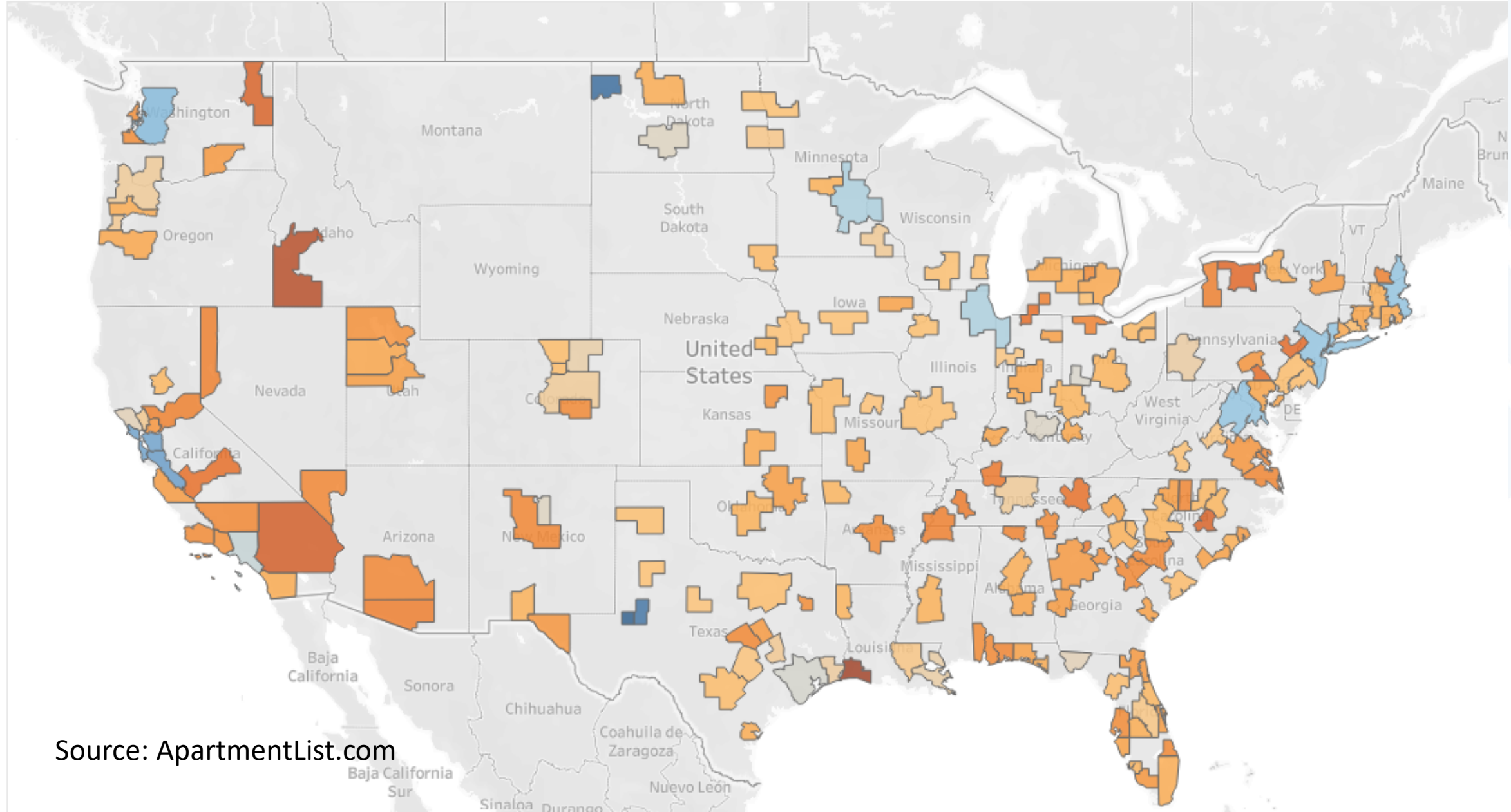
Source: BLS

Primary Rent (and owner's rent) had been decelerating ... but will soon pick up?



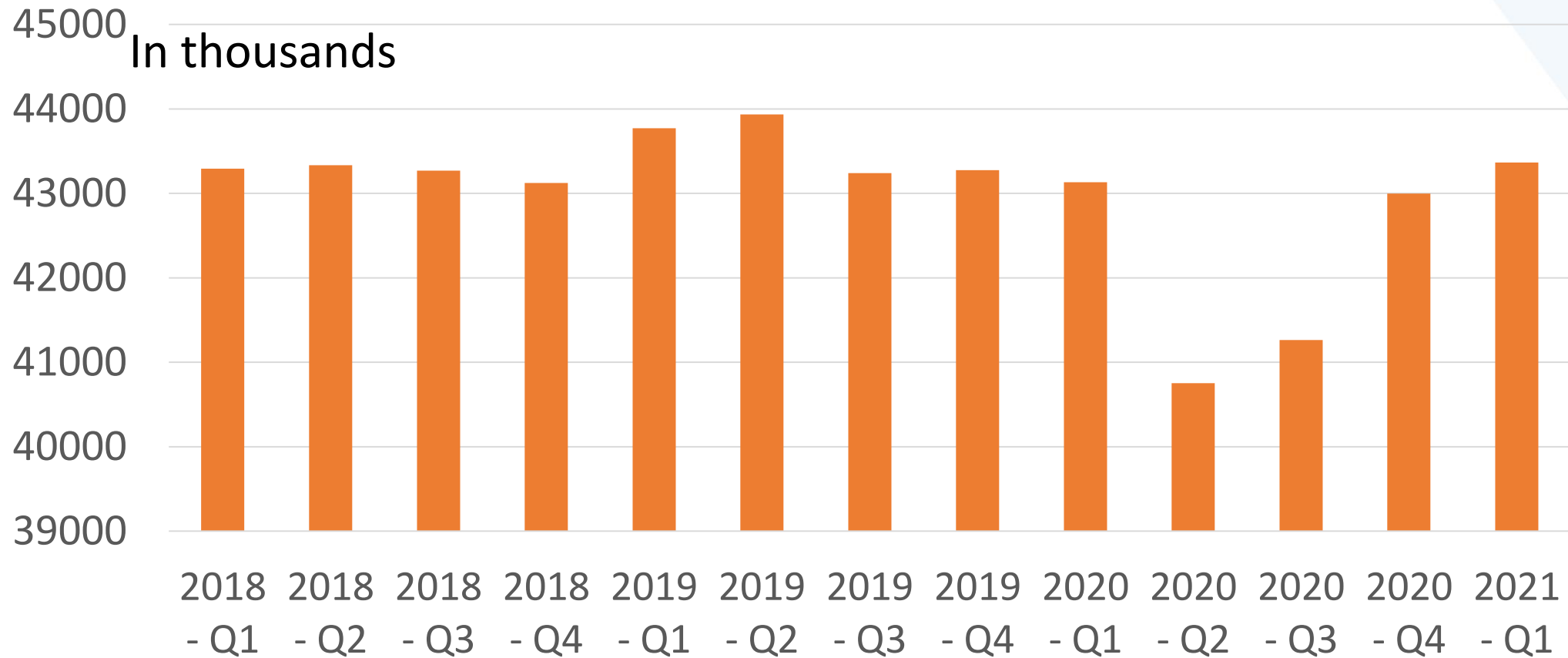
Source: BLS

Apartment rents have declined in gateway cities but have increased in 93% of metro areas as of April 2021



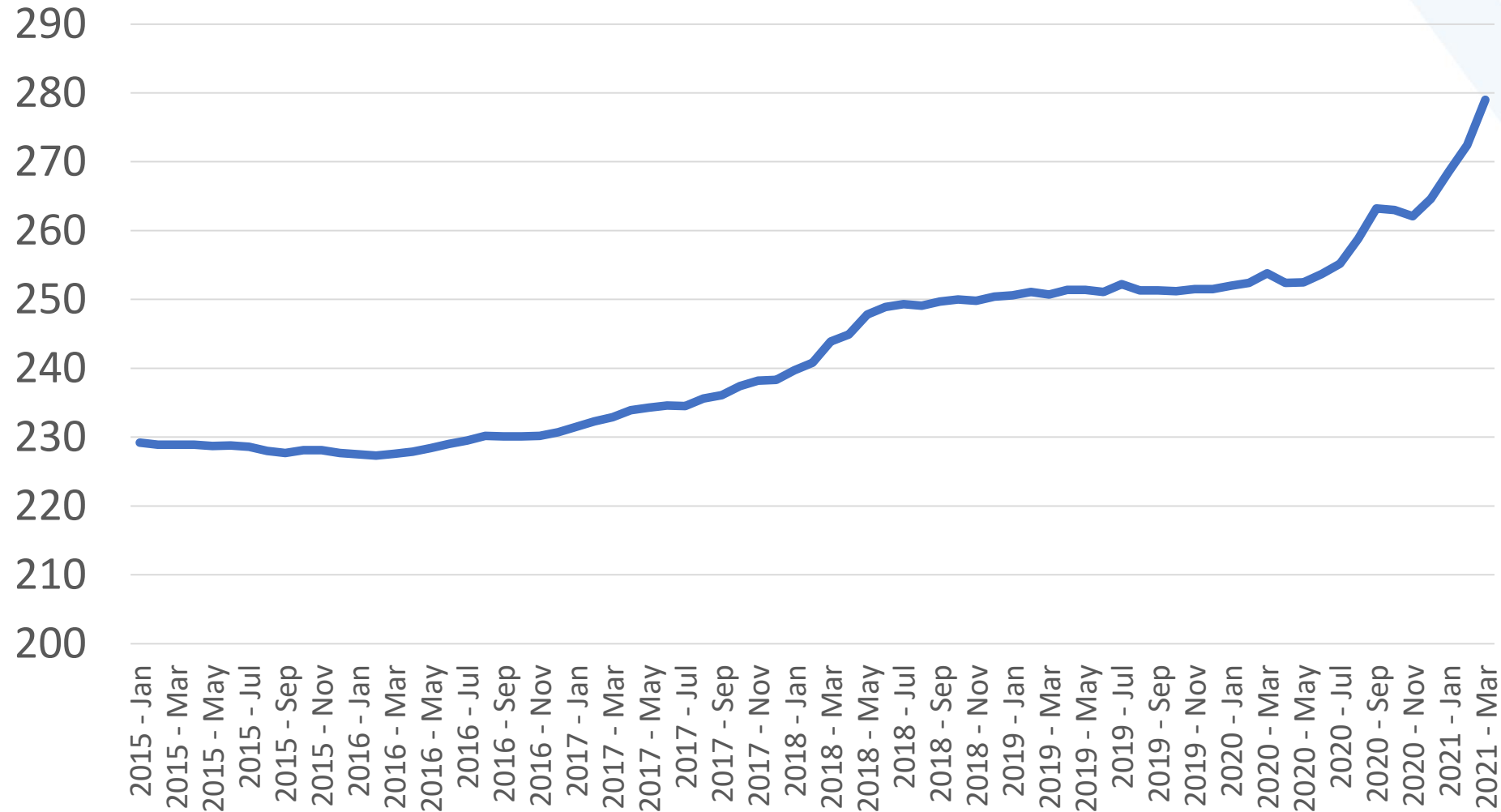
Source: ApartmentList.com

Rental Households ... collapsed ... now returning



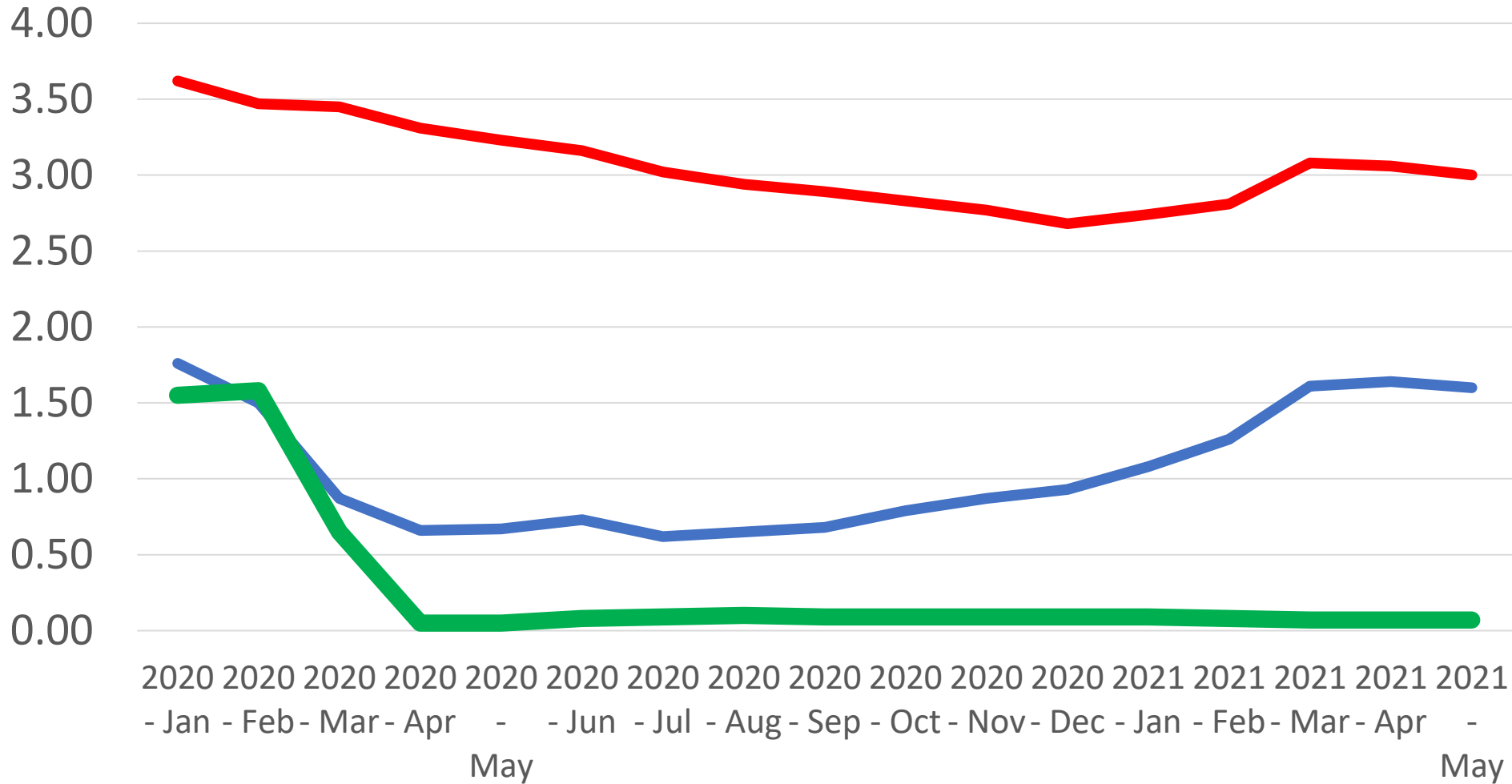
Source: Census

Another Inflation Pressure ... Producer Prices on Construction Materials

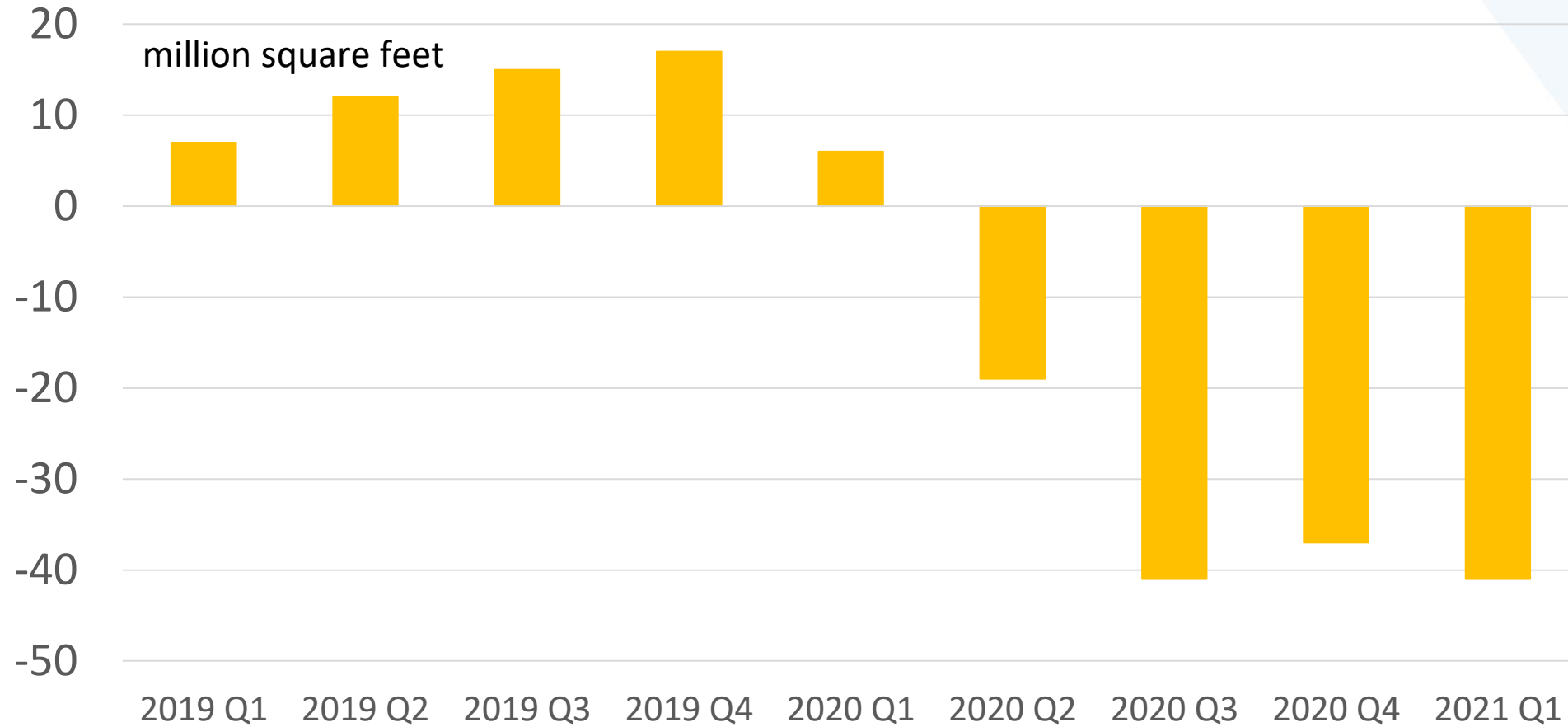


Source: BLS

Mortgage Rates Rising ... 10-year Treasury Rates Rising ... Fed Funds Rate Holding



Office Absorption

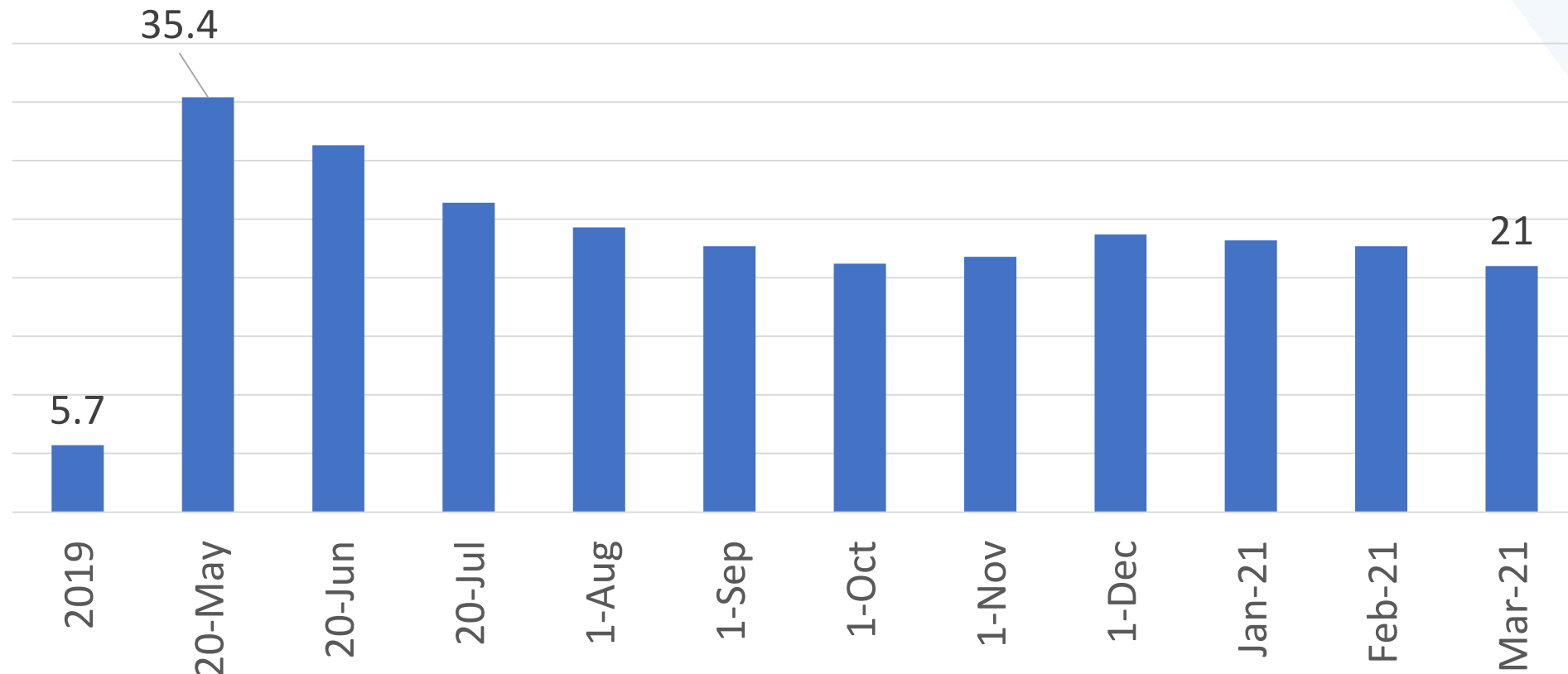


Source: Cushman-Wakefield

Workers are slowly returning to the office

Percent of Employed Who Teleworked

■ Workers 16 years old and over



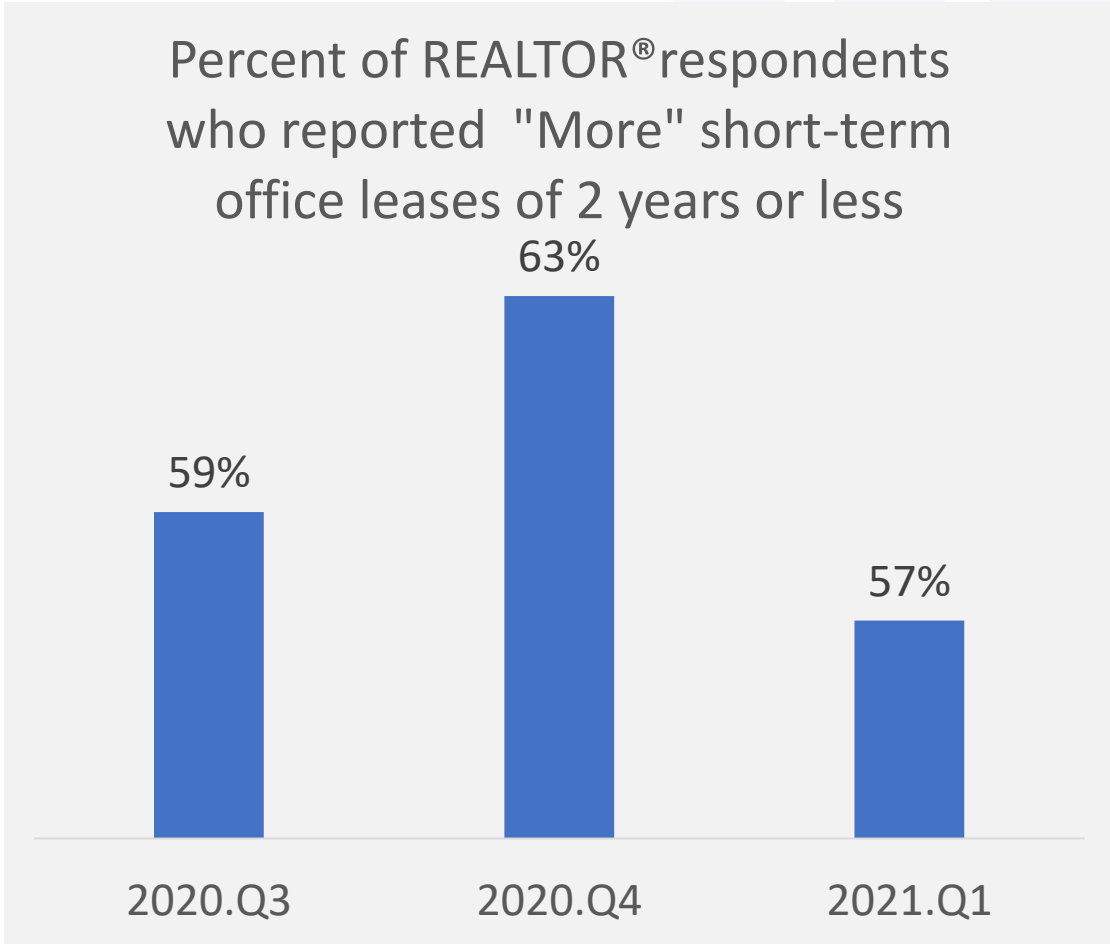
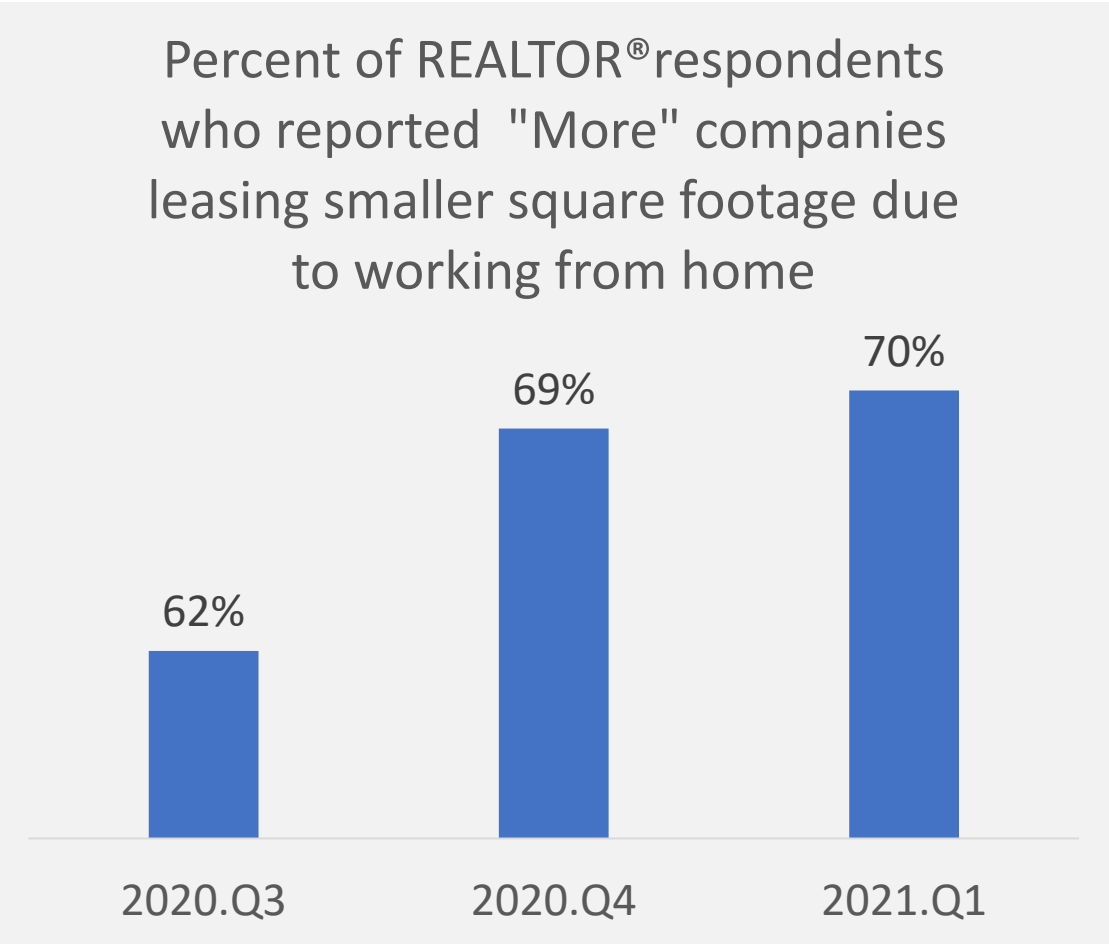
Source: US Census Bureau American Community Survey and Bureau of Labor Statistics Supplemental Survey

Kastle System Key Barometer ... Back to Office ... Dallas 40% ... SF and NY 15%

OCCUPANCY OVER TIME — MARCH 3, 2020 TO APRIL 21, 2021



More than half of NAR commercial members reported more companies leasing smaller offices and < 2 year lease terms

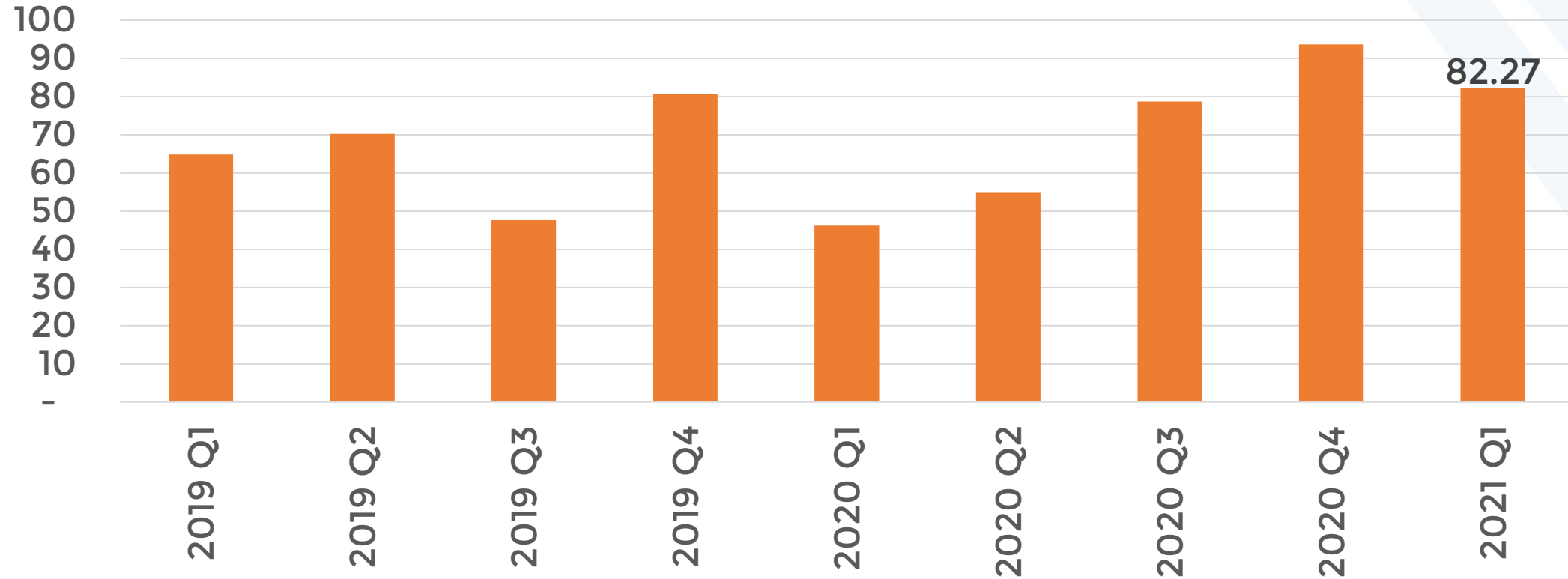


Source: NAR Commercial Real Estate Quarterly Market Survey conducted in collaboration with RLI, SIOR, CCIM, IREM, CRE



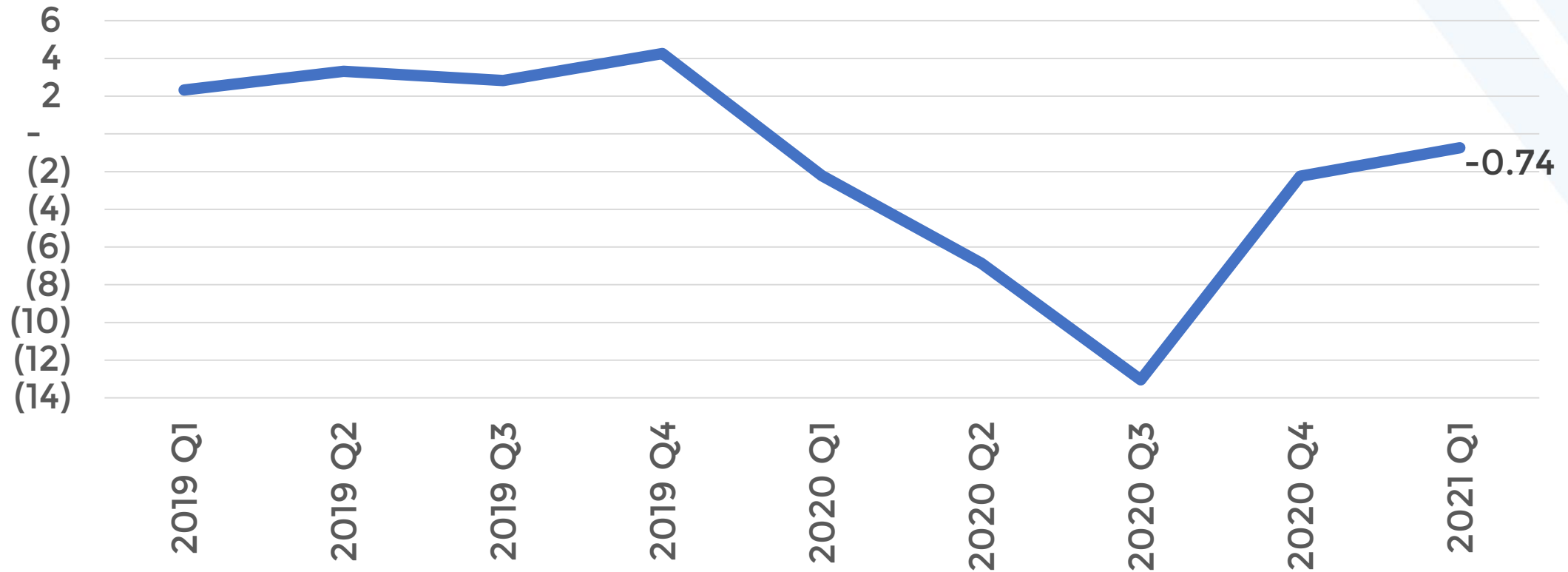
Positive Absorption in Industrial/Warehouses

Net absorption in million square feet



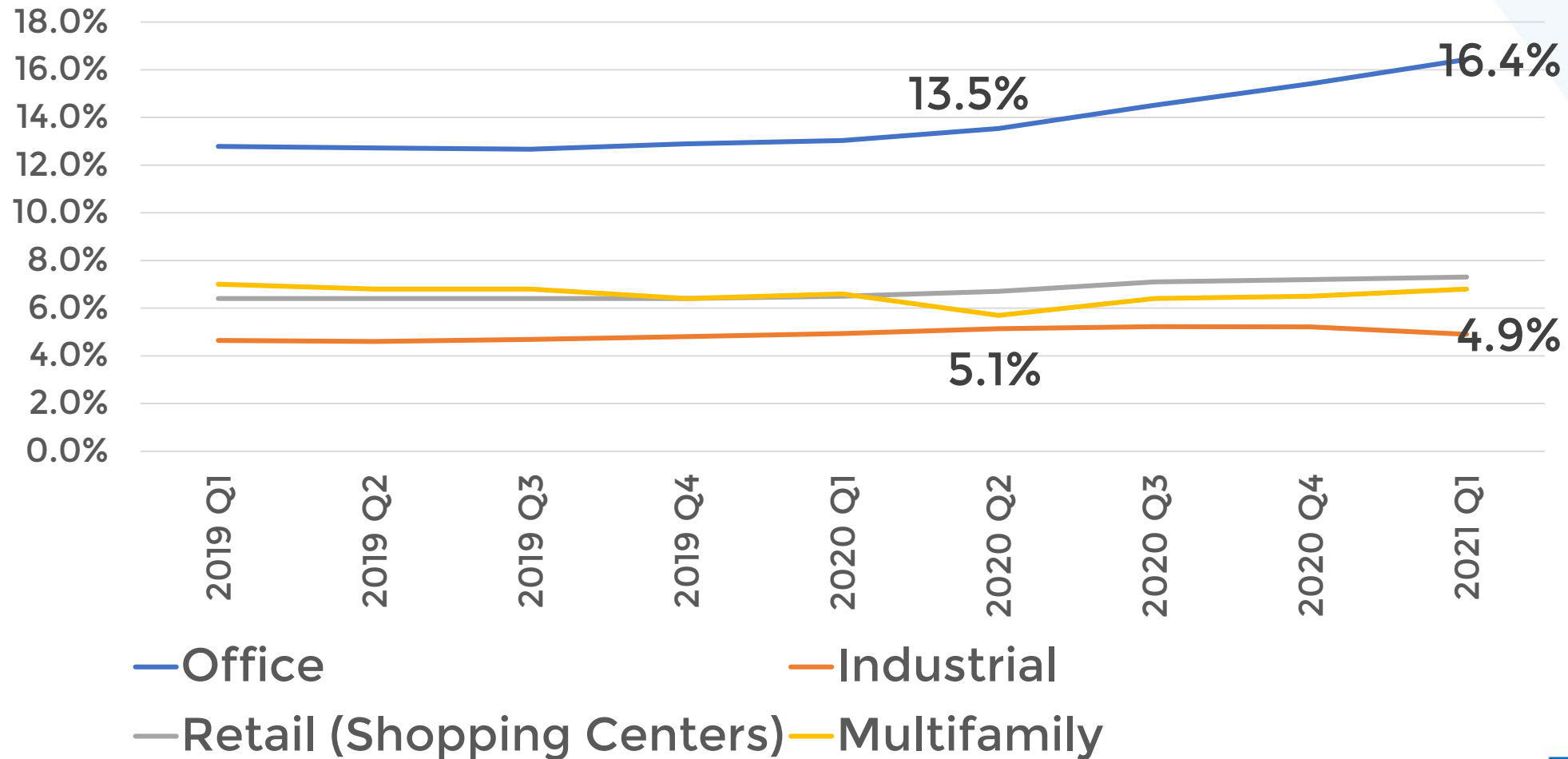
Retail Space ... Surprisingly Resilient ... moving around zero change

Net absorption in million square feet



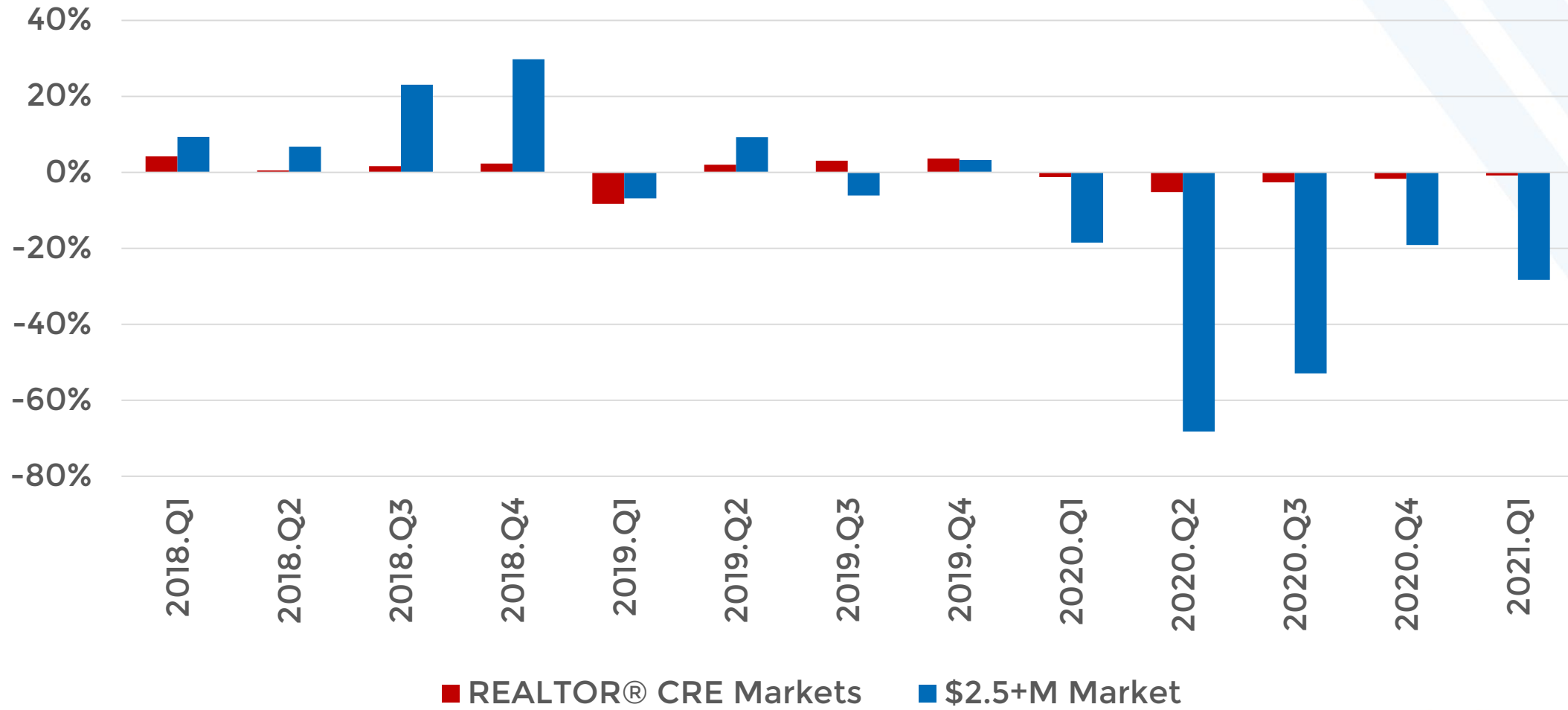
Vacancy rates: High in Office ... Low in Industrial ... Steady in Multifamily and Retail

Vacancy Rates



Commercial sales volume in 2021 Q1 down 28%

Quarterly Sales Volume (YoY % Chg) as of 2021 Q1

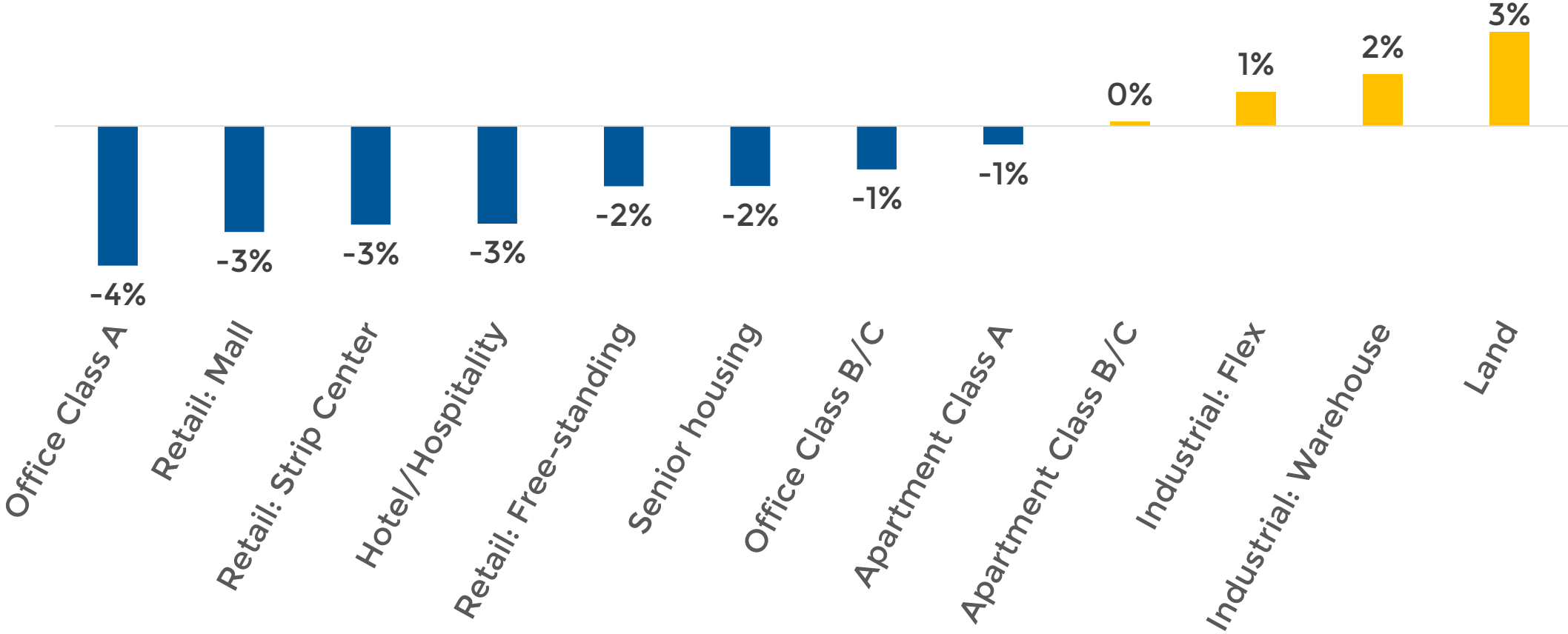


Real Capital Analytics ; NAR quarterly commercial survey conducted in collaboration with RLI, SIOR, CCIM, IREM, CRE



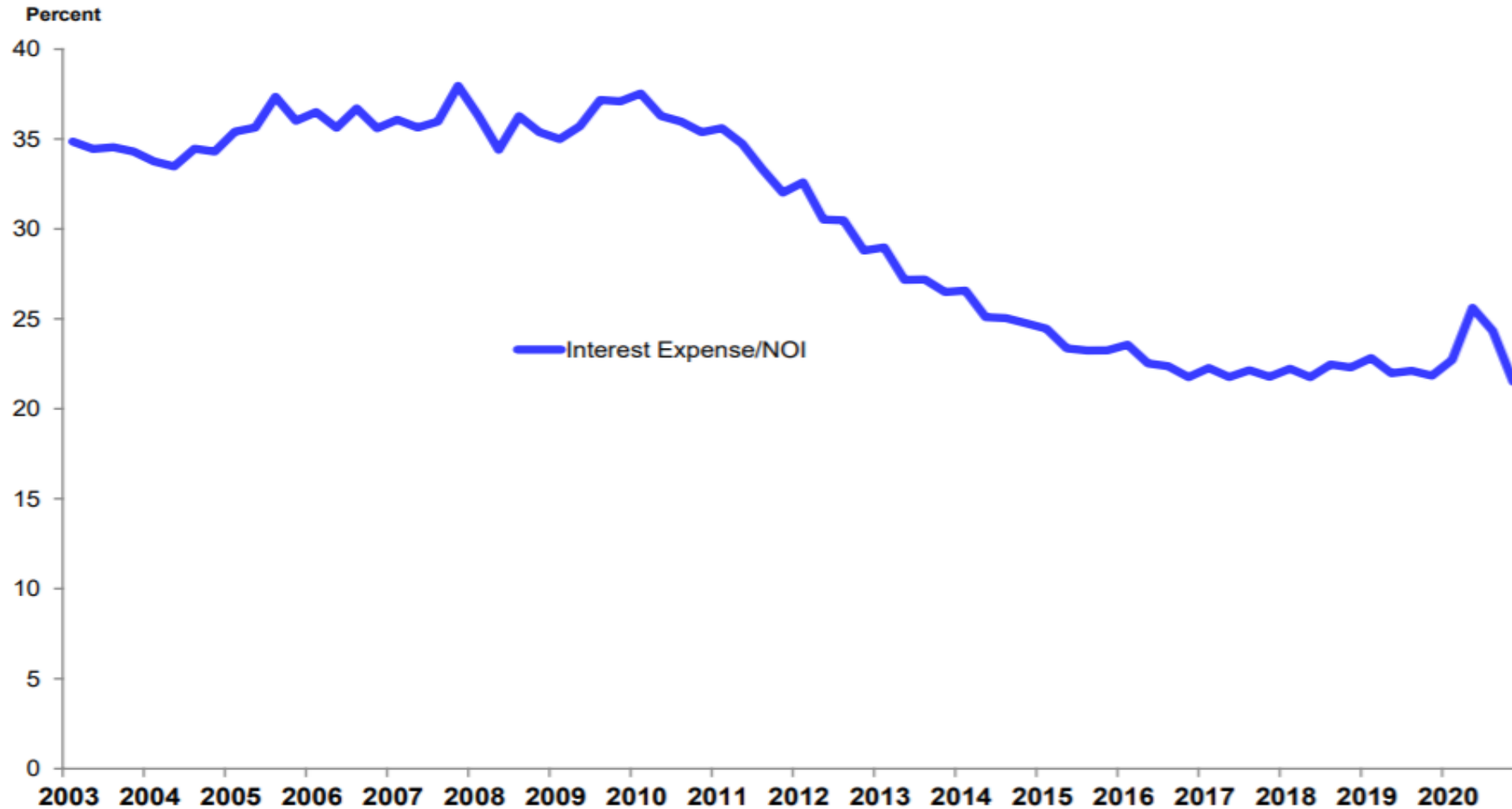
But strong demand for land and industrial real estate

YoY % Change in the Dollar Commercial Sales Volume in 2021 Q1
Among NAR Commercial Members



Source: 2020 Q1 NAR Commercial Real Estate Quarterly Market Survey in collaboration with RLI, SIOR, CCIM, IREM, CRE

Commercial Properties have more Equity and less Debt ... Low Interest Expense ... Lower Risk of Blowups



Source: NAREIT

Economic Forecast

	2019	2020	2021 Forecast
GDP Growth	2.3%	-3.5%	+4.5%
Job Gains	+2 million	- 9 million	+ 4 million
10-Year Treasury	2.1%	0.9%	1.6%
Consumer Price Inflation	1.8%	1.3%	2.7%

Source: NAR

Commercial Real Estate Vacancy Forecast

	2019	2020	2021 Forecast	2022 Forecast
Multifamily	6.8	6.3	6.2	6.1
Industrial	4.8	5.1	4.8	4.6
Retail	10.7	12.5	13.0	11.5
Office	12.9	14.2	16.7	16.5

Source: NAR



Pandemic ... Sweeping Changes? ... Repurposing Properties ... Examples

Residence Inn by Marriott in Winston Salem, NC

88-room extended-stay hotel converted into resort-style living apartments (2-bedroom unit starting at \$900) in 2020 using private development financing

Days Inn in Branson, Missouri

423-room converted into affordable housing (1-bedroom rent at \$695) in 2020 using private development financing

Luna Lodge in Albuquerque, Mexico

28-room hotel on the National Register of Historic Places converted into a low-income housing (1-bedroom rent at \$535) in 2013 using Historic Tax Credit

Why Keep Section 1031 ?

Capital is put to its best use (example: vacant hotel/motel converted into multifamily housing)

Encourages more investment in the replacement property

89% of NAR commercial members reported that their client invested at least 10% of the fair market value of the replacement property

Supports small businesses

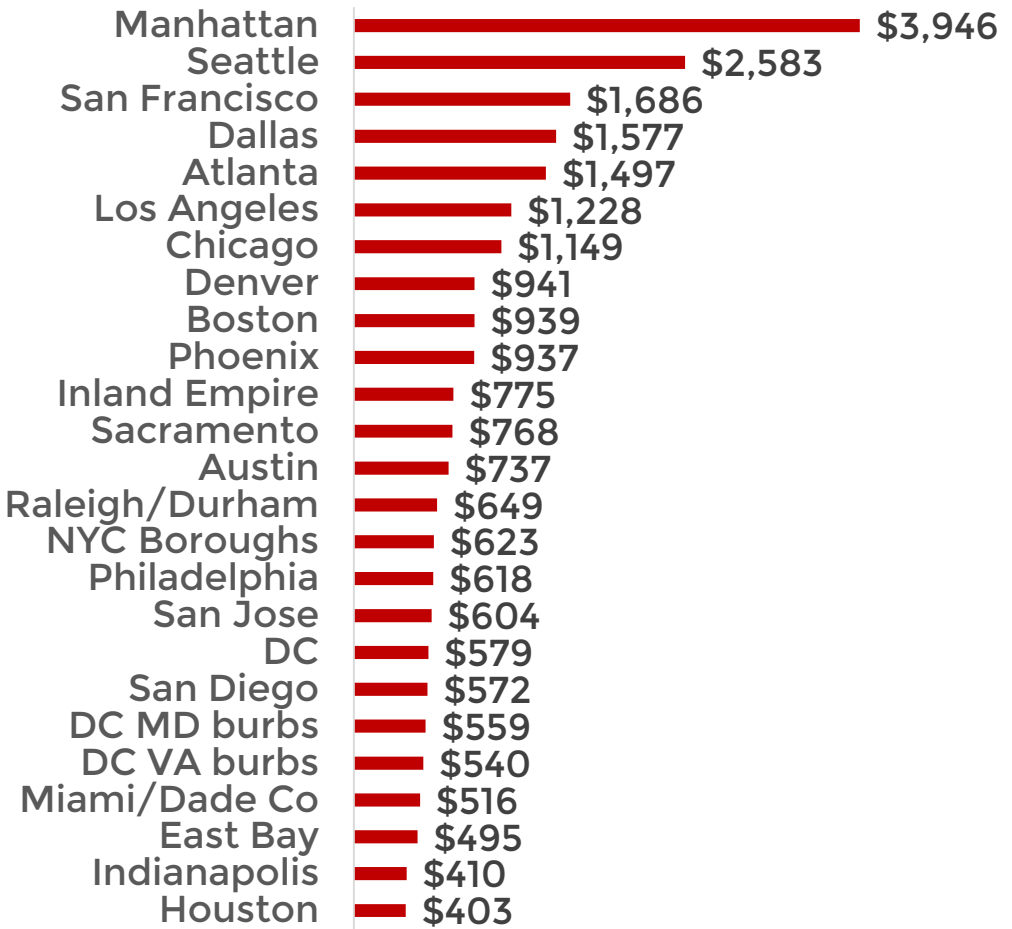
47% of businesses that held the property exchanged for a like-kind exchange were sole proprietorships, only 5% were C- corporations

Speed up the CRE market recovery

90% of respondents reported that commercial property values would decline if Section 1031 tax deferral were repealed

Global Capital is Going into Primary and Secondary Cities

Cross-Border Flows in U.S. Commercial Real Estate in 2021 in Million Dollars



Source: Real Capital Analytics

C5 SUMMIT 2021 9.27-9.29 NEW YORK

ATTEND ▾ SCHEDULE & SPEAKERS

**CAPITAL
CONNECT
COMMERCE
COMMUNITY
COMMERCIAL**

C5

9.27-9.29
NEW YORK

SUMMIT 2021

REGISTER ▶

COMMERCIAL REAL ESTATE + ECONOMIC IMPACT

THANK YOU



NARlegislative



nar.realtor

THAT'S WHO WE 
REALTOR