

WHAT TO WATCH

# 9 SIGNS OF RECOVERY



CUSHMAN &  
WAKEFIELD



## WHAT TO WATCH

# 9 SIGNS OF RECOVERY

After months of an unrelenting global health crisis, ongoing uncertainty, economic damage and disruptions across nearly all facets of life, the final quarter of 2020 brought encouraging news. On November 9, Pfizer/BioNTech announced a vaccine candidate that was more than 90% effective in preventing COVID-19 in trial patients without evidence of prior SARS-CoV-2. On December 8, a 90-year-old woman in the U.K. became the first official vaccine recipient. By December 13, close to three million doses of the vaccine left Pfizer's U.S. plant in Michigan in route to hundreds of distribution centers in all 50 U.S. states.

The reality of an effective vaccine, and the prospect of widespread vaccinations, has sparked hopes for 2021 and speculation about recovery. While pinpointing the timing of local recoveries may not be possible, Cushman & Wakefield Research has identified **nine signs to watch** -- signals that could indicate the CRE market and the economy in cities across the globe are transitioning to a recovery phase.

# WATCH FOR

## STEADILY IMPROVING GLOBAL ECONOMIES

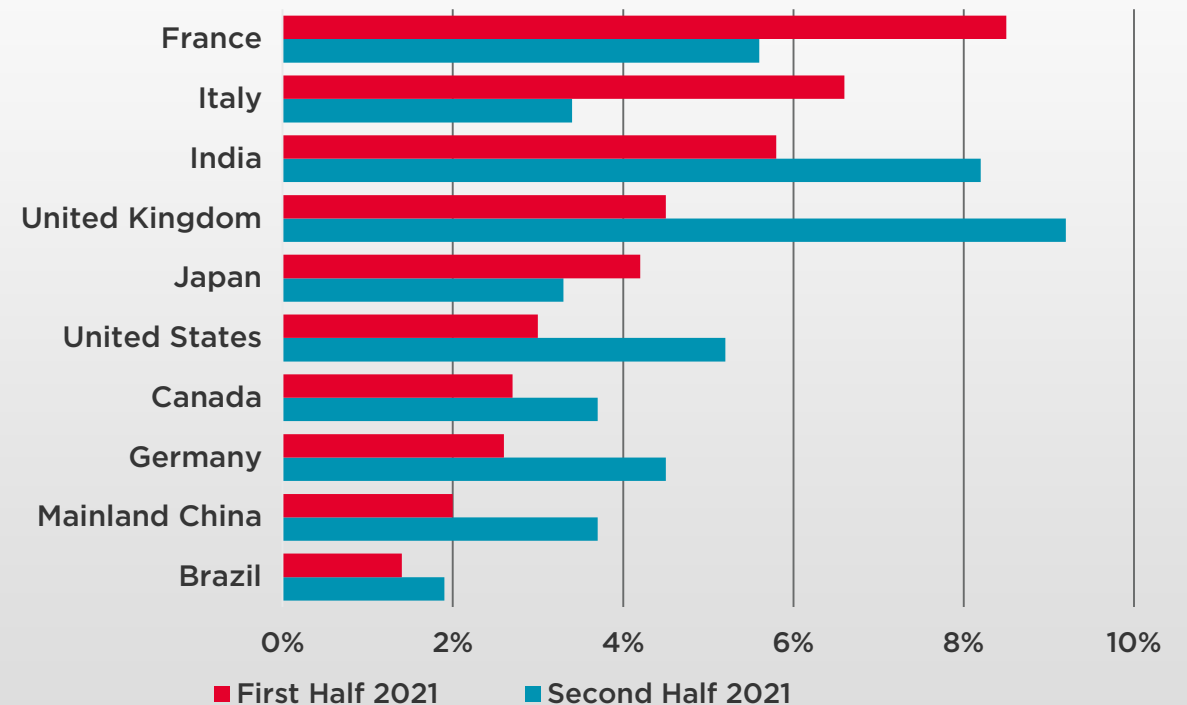
### GDP

Watch for global GDP growth to remain subpar into early 2021, but potentially accelerate in the second half of the year.



### \*GDP Growth Forecast

H1 2021 vs. H2 2021 (TOP 10 Ranked by GDP as of 2019)



Source: Moody's Analytics

\*GDP growth forecasts = the average of the quarterly annualized growth rates

# WATCH FOR

## RETURN TO OFFICE

### BALANCE IS KEY

Watch for balancing remote and office work. There may be a “Goldilocks” relationship where both too little and too much remote work are sub-optimal.

# 36%

of global employees engaged in remote work during COVID-19 restrictions DO NOT feel they are learning

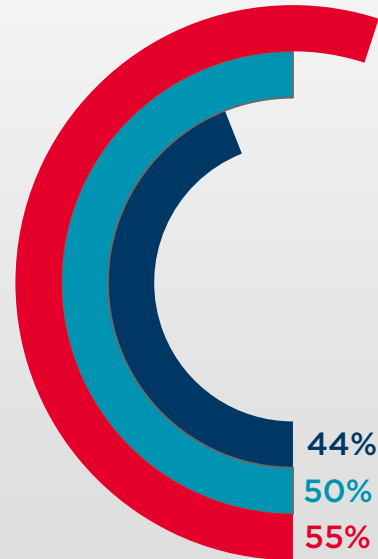
[Click to read Cushman & Wakefield's report](#)

THE FUTURE OF OFFICE

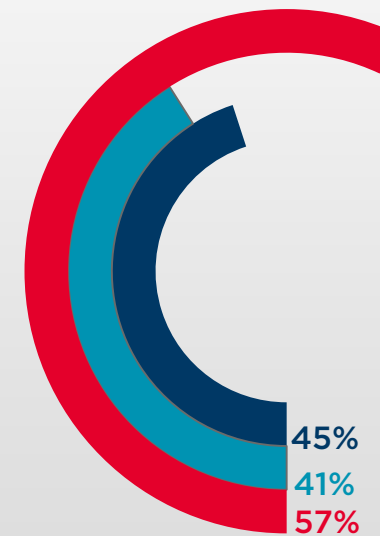


### Concerns Related to Remote Work During COVID-19

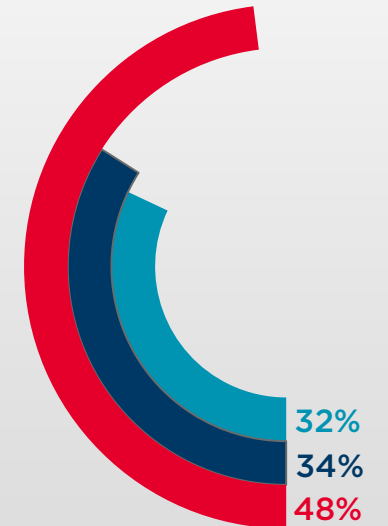
#### Struggle with Connection to Company Culture



#### Do Not Have a Sense of Wellbeing



#### Are Not Learning



● EMEA ● US ● APAC

Source: Cushman & Wakefield Experience per Square Foot™ (XSF) 2020 Survey.

# WATCH FOR

## RETURN TO OFFICE RENEWALS & LEASE EXTENSIONS

Occupiers have generally taken a wait-and-see approach to long-term real estate decisions. Renewals were more common in 2020—accounting for 29% of leasing activity in the U.S.—and the terms were shorter.

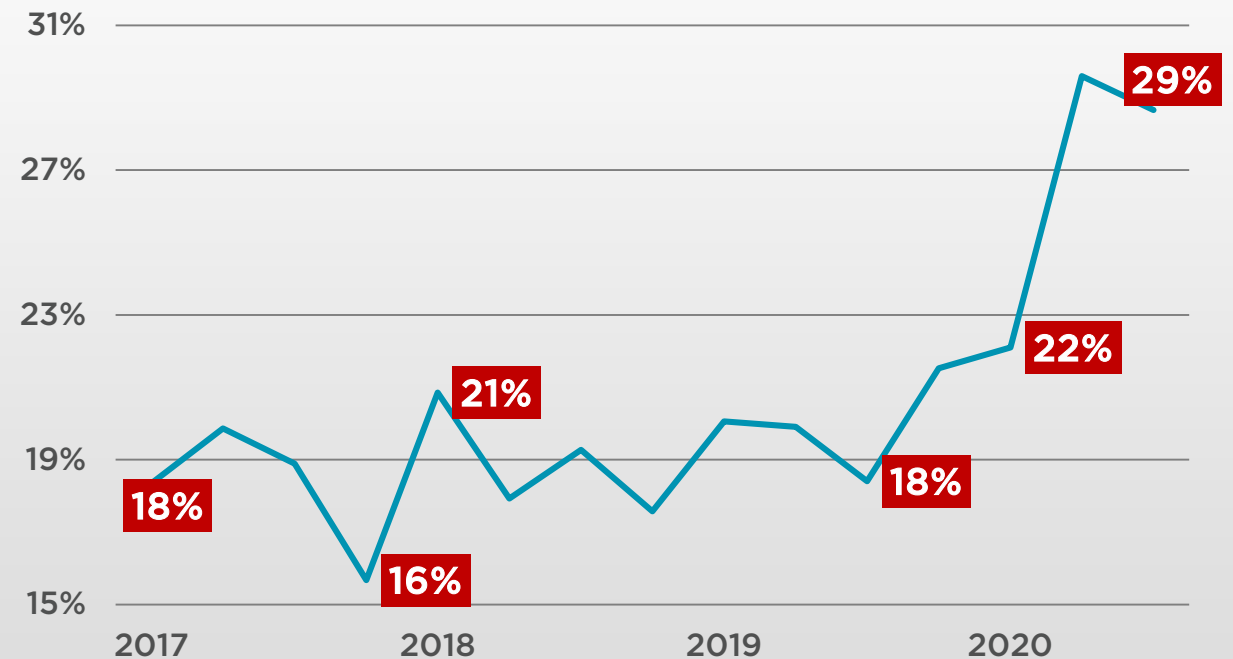
Watch for a return closer to pre-COVID-19 normalcy to ignite pent-up demand. Renewals will retreat closer to the historic average of 19% of total leasing as businesses actively search for space and shift from renewals and extensions to executing new leases.

**Click to read Cushman & Wakefield's article**

**Q&A: ARE BUSINESSES  
LEAVING BIG CITIES?**



### U.S. Office Renewals as a Percent of All Leases



Source: Cushman & Wakefield Research

# WATCH FOR

## INVESTORS MOVING FROM SIDELINES

### 10-YEAR SOVEREIGN DEBT YIELD

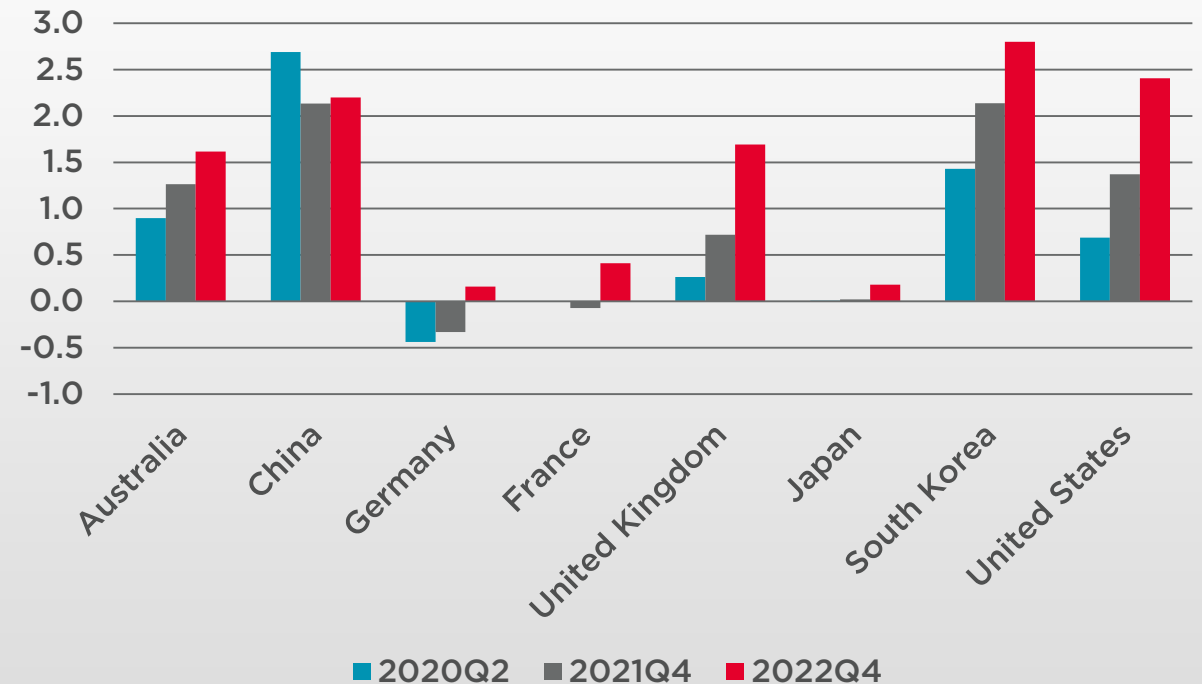
Watch for long-term sovereign debt yields to drift up, an indication that investors are willing to take on more risk, which could accelerate sales activity in 2021. This effect has tended to be particularly strong when equity markets are also rising.

**Click to watch Cushman & Wakefield's video**

WHAT'S YOUR TAKE ON INVESTORS AND OCCUPIERS?



### 10-year Sovereign Debt Yield Forecast (%)



Source: Federal Reserve Board, SNL, RCA, Cushman & Wakefield Research

# WATCH FOR

## INVESTORS MOVING FROM SIDELINES

### REIT MARKETS

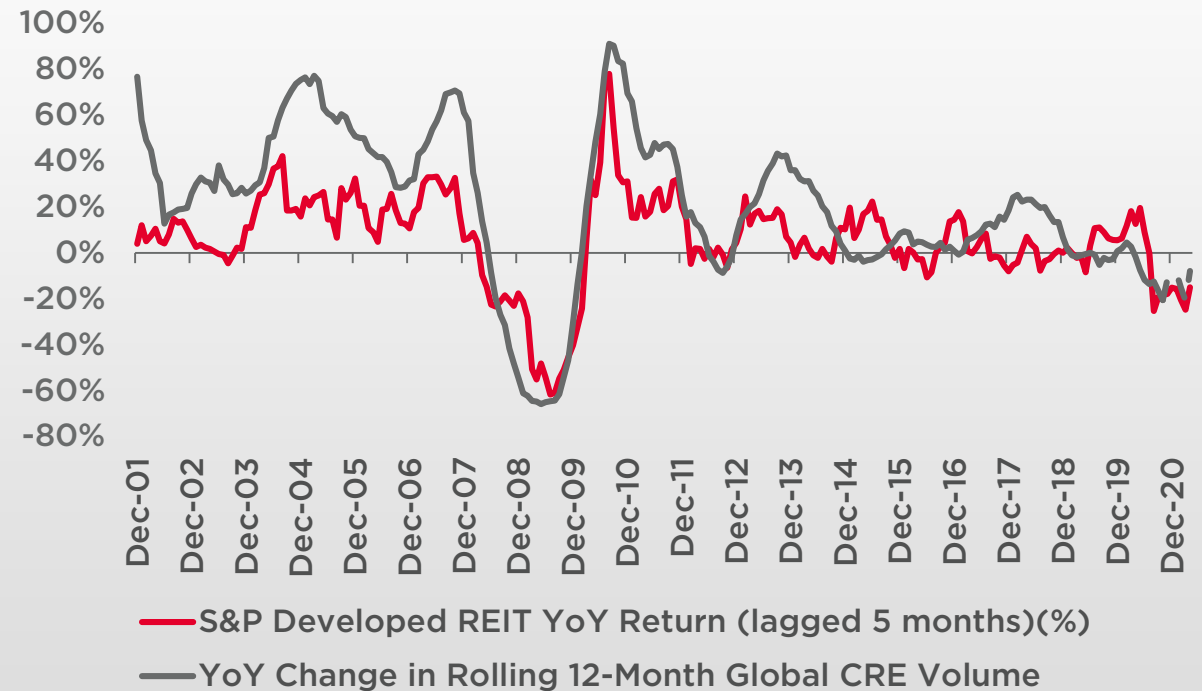
Strengthening REIT markets have historically led increases in global CRE liquidity.

Watch for further acceleration in the REIT markets to signal resurgent transaction activity.



Every **10%**  
rise in global REITs  
is associated with a  
9% increase in  
global CRE volume

### Global REIT Performance vs. Global CRE Transaction Volume



Source: SNL, RCA, Cushman & Wakefield Research

# WATCH FOR

## MORE MOBILITY

### FOOT TRAFFIC

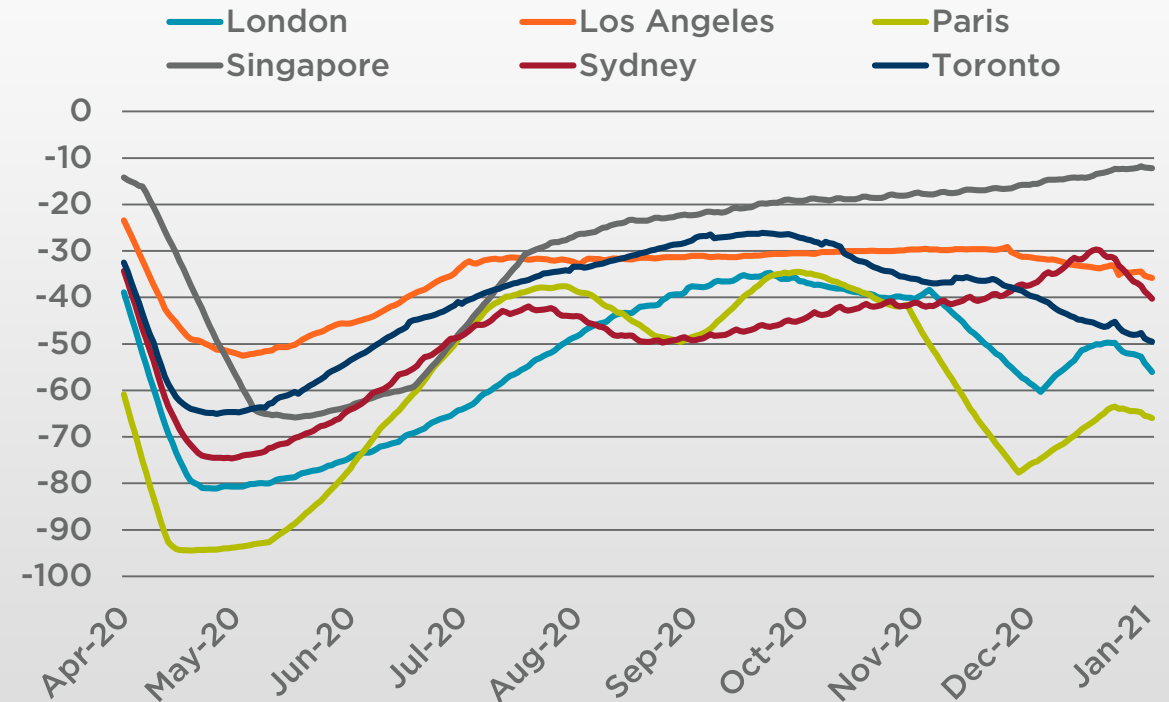
Government lockdowns and health concerns dramatically decreased office worker and consumer foot traffic.

Watch for increased confidence to reverse the trend as vaccines are rolled out, pointing to a return to the office and to brick-and-mortar retail.

[Click to read report](#)  
FOOT TRAFFIC AHEAD



### Retail: Google Mobility (30-day Average)





# WATCH FOR

## MORE MOBILITY

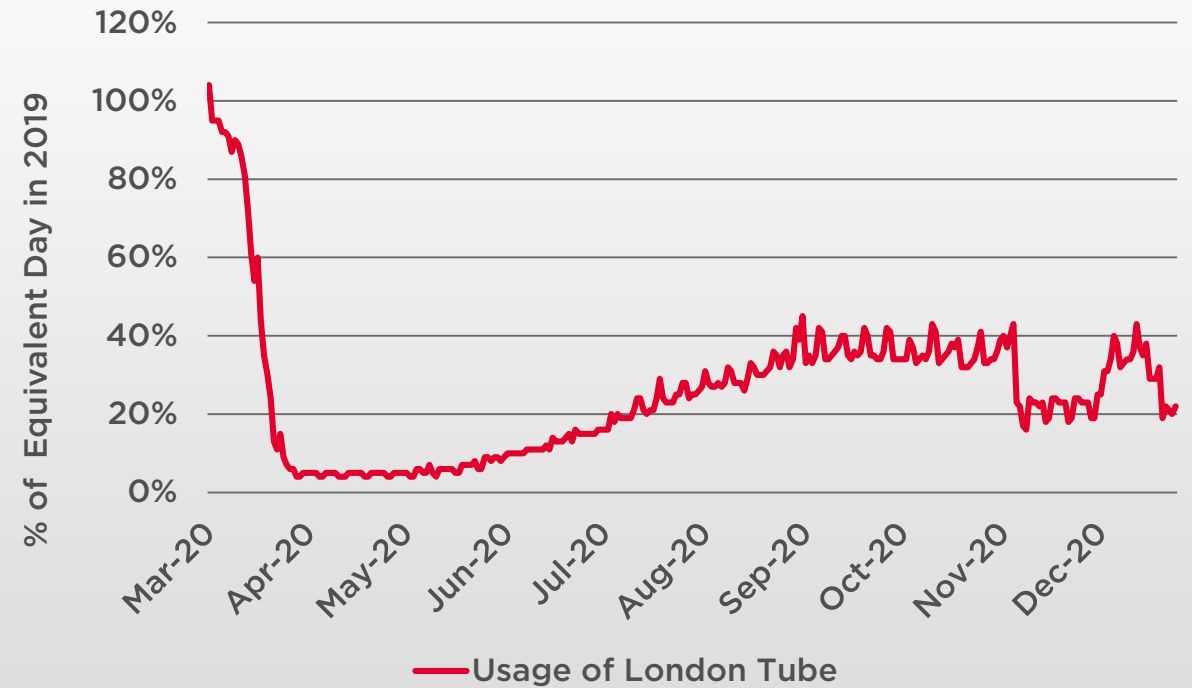
### PUBLIC TRANSIT

In markets around the world, intra-city passenger transportation volume remains muted.

Watch for an increase in passenger ridership, indicating heightened confidence in public transportation. That should in turn help support cities across the world transition to a recovery phase.



### Usage of London Tube March – December 2020



Source: GOV.UK

# WATCH FOR

## DEVELOPERS RECOUP CONFIDENCE

### CONSTRUCTION FINANCING

Watch for financial institutions to regain confidence in the market and return to funding more commercial projects.

**81%** of U.S. banks tightened  
lending standards  
(Q3 2020)



### U.S. Bank Construction Lending Standards



Source: FRB, Cushman & Wakefield Research

# WATCH FOR

## OFFICE LEASING INFLECTION POINTS

### RENT

Watch for rising vacancy to put downward pressure on rents leading to movement in more cities in 2021. Look for leasing volumes to rise as tenants look for bargains.

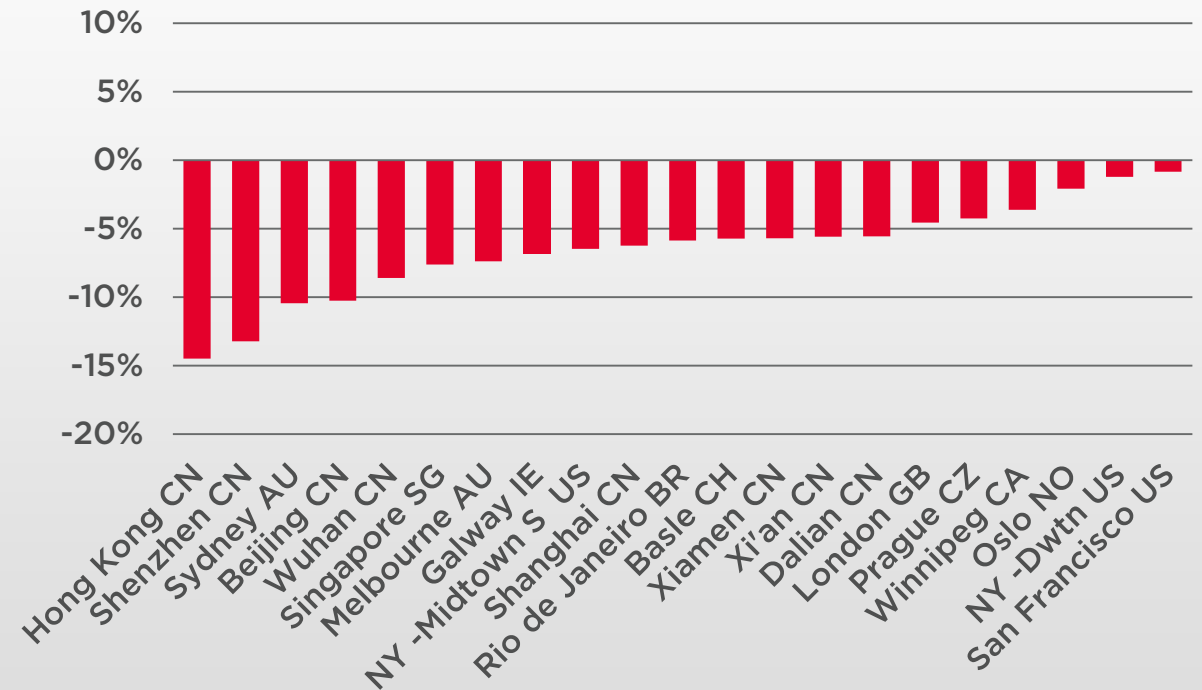


[Click to read Cushman & Wakefield's report](#)

[GLOBAL OFFICE IMPACT  
STUDY](#)



### Asking Rents (Select Cities) % Change (Q3 2020 / Q3 2019)



Source: Cushman & Wakefield Research

# WATCH FOR

## OFFICE LEASING INFLECTION POINTS

### DEMAND FOR OFFICE SPACE

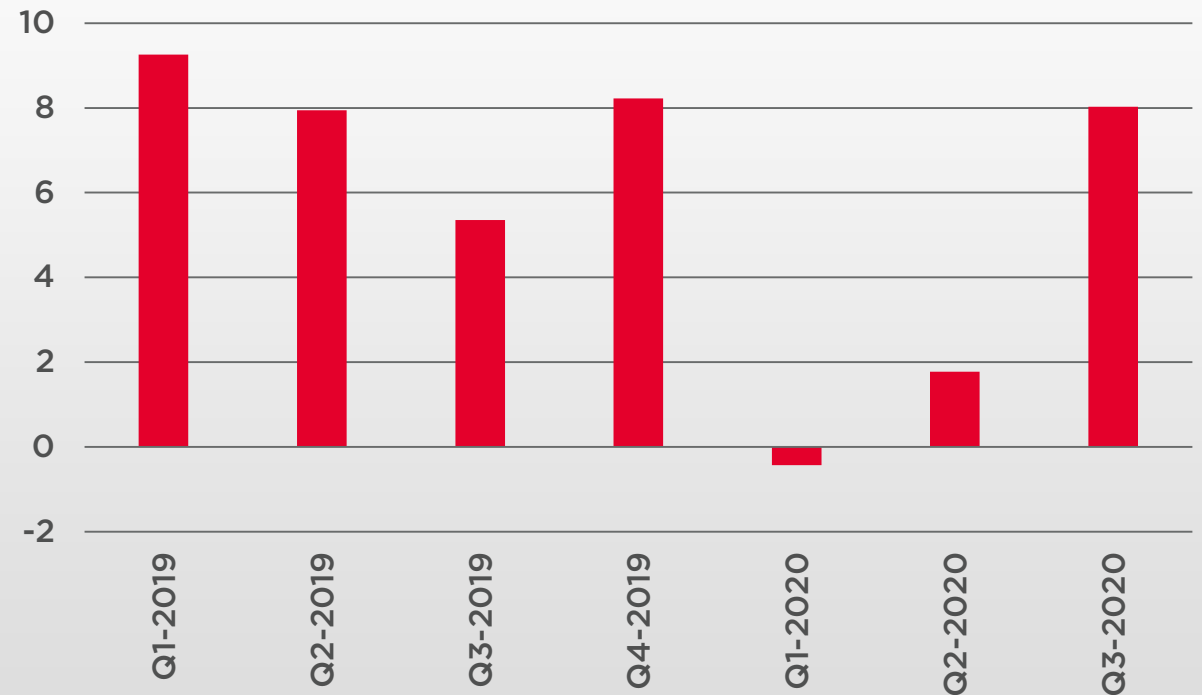
Watch for clarity on whether Greater China represents a leading indicator or remains an anomaly. The global office sector is expected to start absorbing space in early 2022 and vacancy is expected to trend down from that point forward. Asia Pacific should continue to see improved demand for office space in 2021, leading the West but lagging Greater China.

[Click to read Cushman & Wakefield's report](#)

[GLOBAL OFFICE IMPACT  
STUDY](#)



### Greater China Office Net Absorption (msf)



Source: Cushman & Wakefield Research

# WATCH FOR

## PENT-UP CONSUMER DEMAND UNLEASHED

### SPENDING RESUMES

Household savings surged to the highest level in history due to a combination of factors, reaching a third of total after tax income. These savings represent pent-up demand.

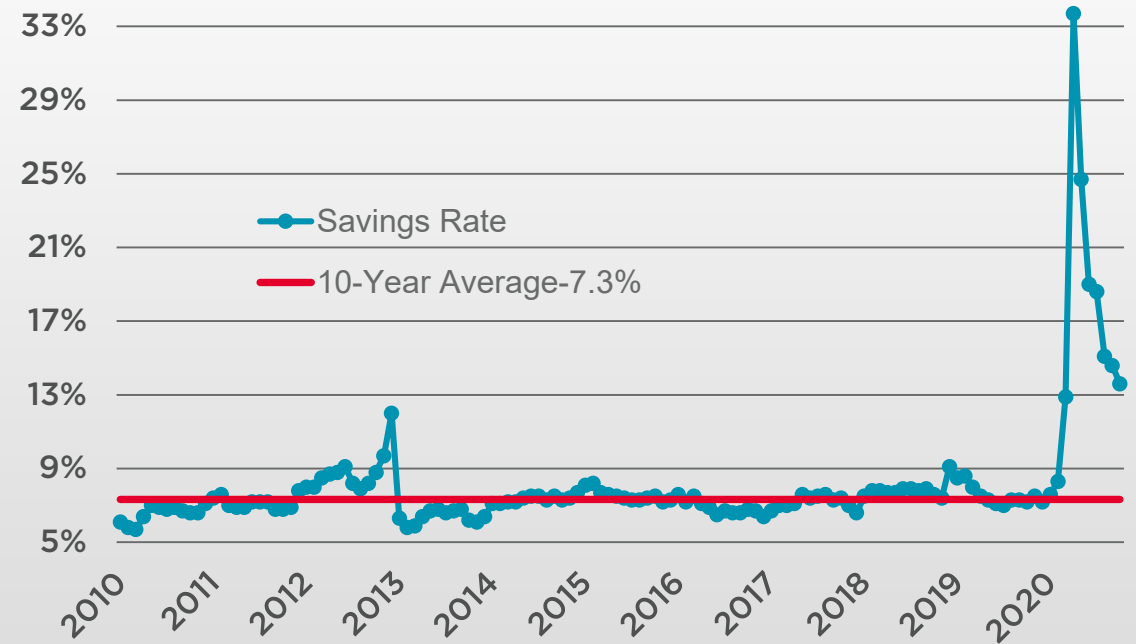
Watch for surging sales at stores and venues that consumers were not able to patronize during the pandemic. Think restaurants, movie theaters, shows, sporting events and travel destinations.

[Click to read Cushman & Wakefield's report](#)

[GLOBAL ECONOMY  
REOPENING TRACKER](#)



### U.S. Savings as a % of After-Tax Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis

# WATCH FOR

## DISPERSED INDUSTRIAL DEMAND

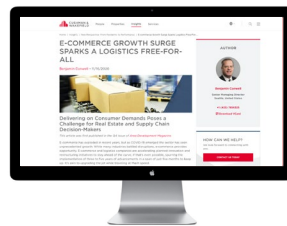
### E-COMMERCE DRIVES LOGISTICS DEMAND

Logistics has carried the load for the industrial market in 2020, accounting for more than 95% of global industrial leasing activity. Although manufacturing and flex deal activity slowed amid the pandemic, logistics-related leasing surged.

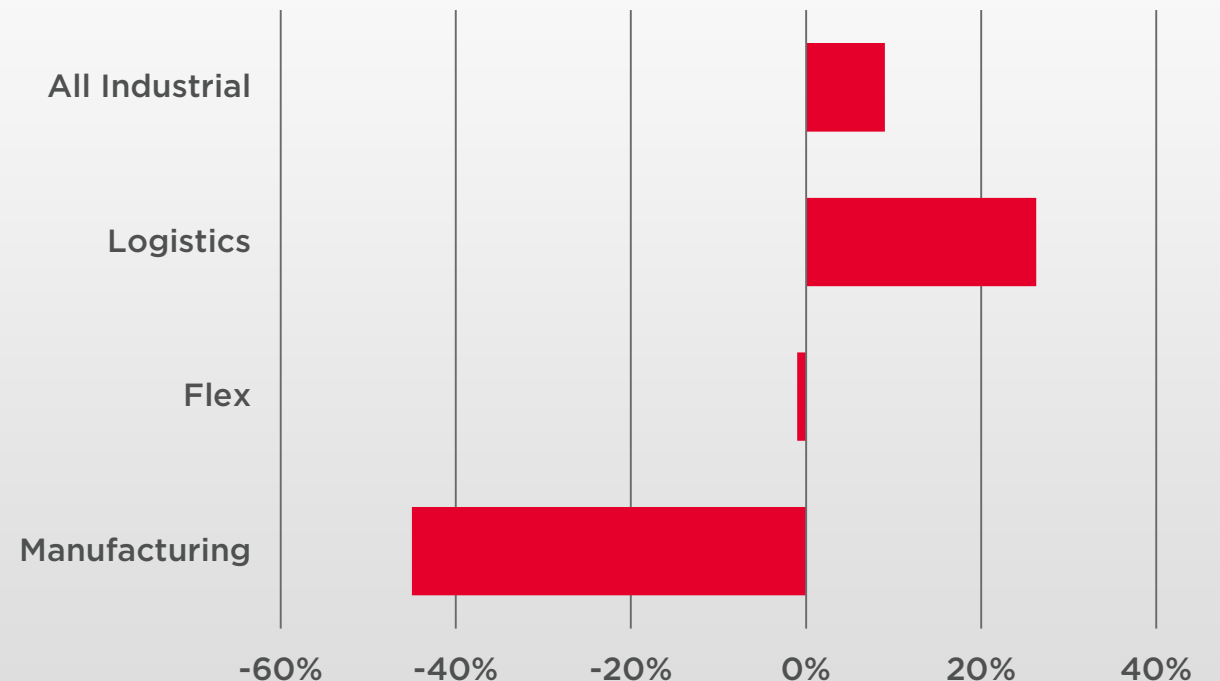
Watch for a bounce back in leasing of manufacturing space and stronger demand for flex product, particularly high technology and R&D space in 2021.

**Click to read Cushman & Wakefield's article**

**E-COMMERCE GROWTH SURGE SPARKS A LOGISTICS FREE-FOR-ALL**



### Global Logistics Leasing has Carried the Load % Change in leasing activity (2020 / 2019)



Source: Cushman & Wakefield Research

# WATCH FOR

## RETURN TO TRAVEL

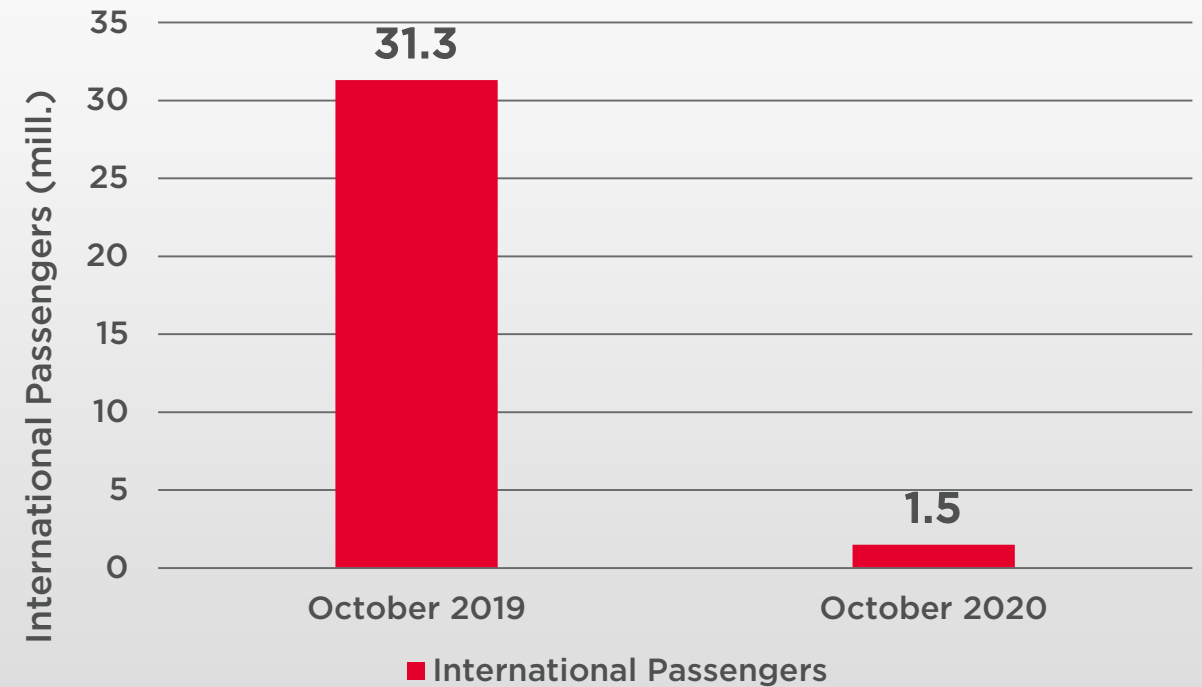
### INCREASED AIRPORT PASSENGER TRAFFIC

Both the airline and hotel industries suffered as domestic and international travel came to a halt for the majority of 2020.

Watch for an uptick in business, domestic and international airport passenger traffic, coupled with a rise in hotel occupancy, as travelers increasingly become less wary of exposure.



### Asia Pacific Airline's International Passengers



Source: Association of Asia Pacific Airlines