

RESEARCH SPOTLIGHT | Q1 2021

COVID-19 RECOVERY

WHAT TO WATCH
IN THE RECOVERY



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9 SIGNS OF RECOVERY

WHAT TO WATCH IN 2021

9 SIGNS OF RECOVERY

Explore the [interactive infographic](#) to learn more



Steadily Improving Economies

5.2%



2021 global GDP growth forecast



Return To Office

36%



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

31.5%



of 2020 U.S. renewals for one year or less
(Historical Average 19%)



Investors Moving From Sidelines

10 - Year Treasury

+10 bps=1.2%



Every 10 bps increase in the 10-year Treasury Yield is associated with a 1.2% increase in global CRE volume

REIT Markets



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



More Mobility



Foot Traffic + Public Transit



Return To Travel



Increased airport passenger traffic

9 SIGNS OF RECOVERY

Explore the [interactive infographic](#) to learn more



Developers Regain Confidence

81%

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



Office Leasing Inflection Points



Pre-COVID-19 rents were elevated in high-demand markets across the world



Pent-Up Consumer Demand Unleashed

The U.S. savings rate increased

12.9%

at the end of November 2020,
560 bps above the 10-year average



Dispersed Industrial Demand

E-commerce drives logistics demand

26%

of 2020 space demand was global
logistics

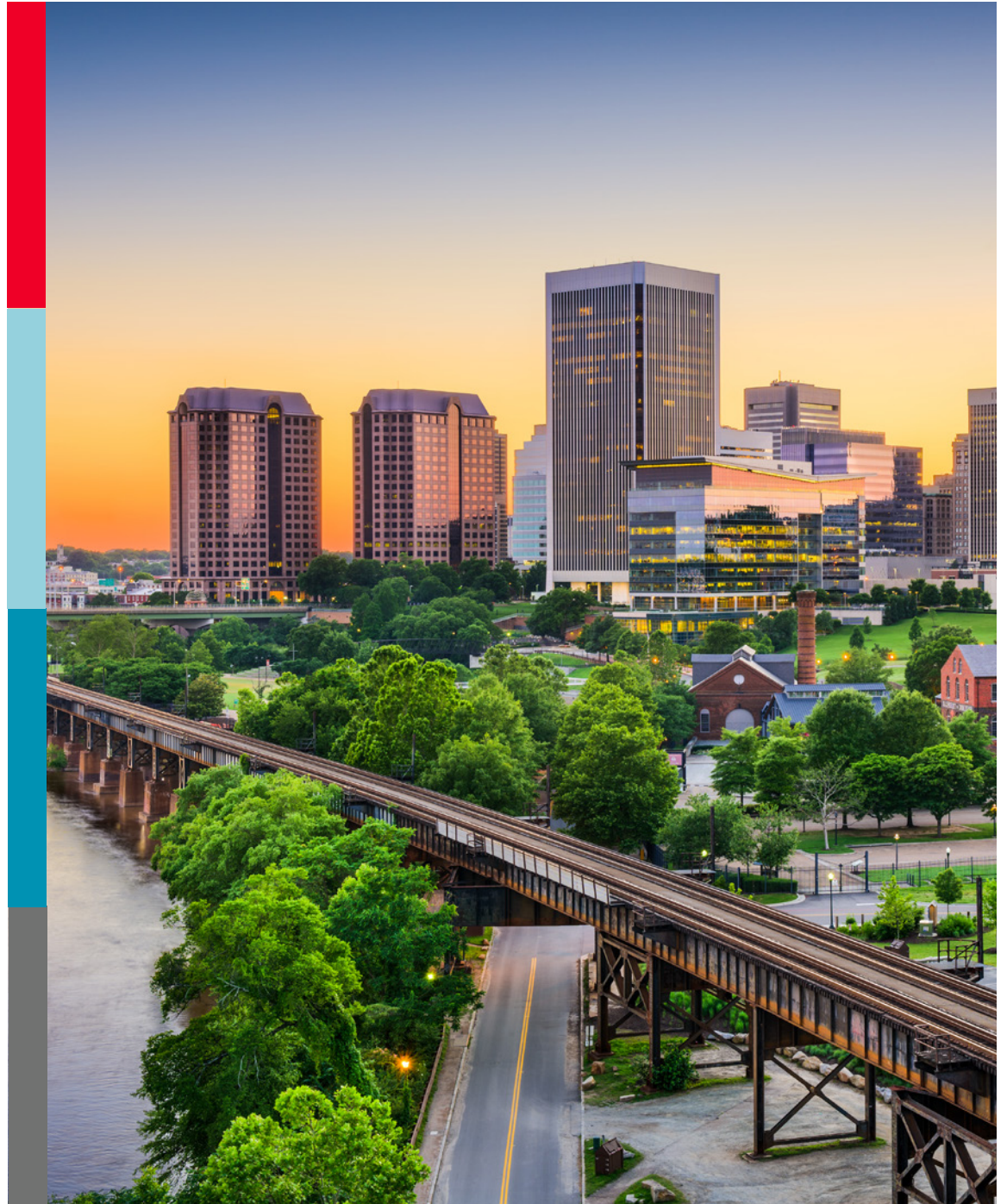


RECOVERY IN RICHMOND

WHERE DOES THE RECOVERY STAND IN RICHMOND?

REGIONAL EMPLOYMENT

- The Richmond region has regained **60% of jobs lost** from the pandemic in the past **eight months**
 - » It took **19 months** after the Great Financial Crisis (GFC) to recover 60% of job losses
 - » Current employment loss is **78% of the peak loss** during the GFC
- U.S. Economic Impact
 - » **6.6%** 2021 U.S. GDP growth forecast
 - The **fastest since 1983**
 - » Unemployment forecasted to **fall to 4.8%** at the end of 2021 from 6.7% in December 2020
 - In reference, it took nearly seven years to reach that level after the Great Financial Crisis and four years after the Dot Com bubble, from much lower peaks



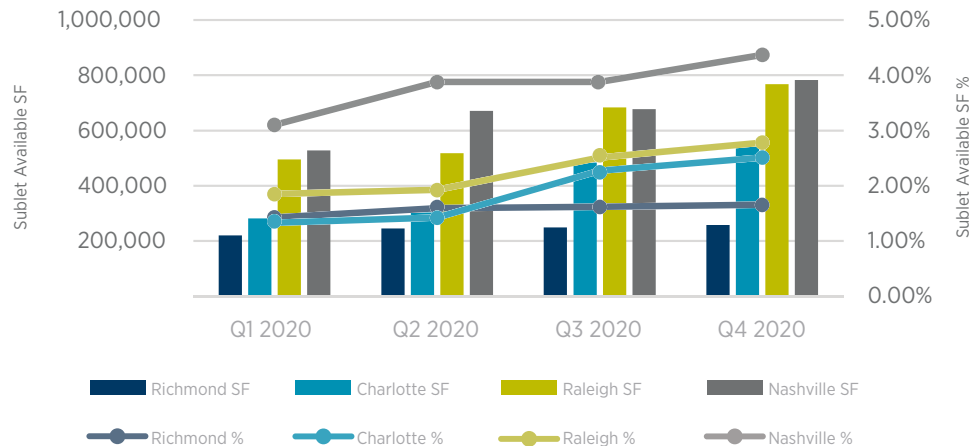
OFFICE

- Investors bet on a shift to the suburbs
 - » **96%** of all office transactions in 2020 were suburban
- Vacancy rates increased **170 bps YOY to 7.3%**
- Rental rate growth slowed, but stayed positive and increased **4.8% YOY to \$20.19/SF**
- Sublease space available did not experience a sharp increase in 2020

SUBLEASE SPACE AVAILABLE

Class A Suburban

Sublet Available SF v. Sublet Available SF %



INDUSTRIAL

- Demand for warehouse space is further driving development activity. A trend that was present prior to COVID-19 but has been enhanced by growth in e-commerce sales
 - » **1.5 MSF** of warehouse space is under construction
 - » Over **800,000 SF** of warehouse space delivered during 2020
- Vacancy rates increased **70 bps YOY to 3.7%**
- Rental rates declined **3.7% YOY to \$4.66/SF**
- Shift to e-commerce and increased demand for logistics space



E-COMMERCE SALES



27.6%



increase in 2020, despite total
retail sales declining 3.0%

Are projected to grow

14.3%



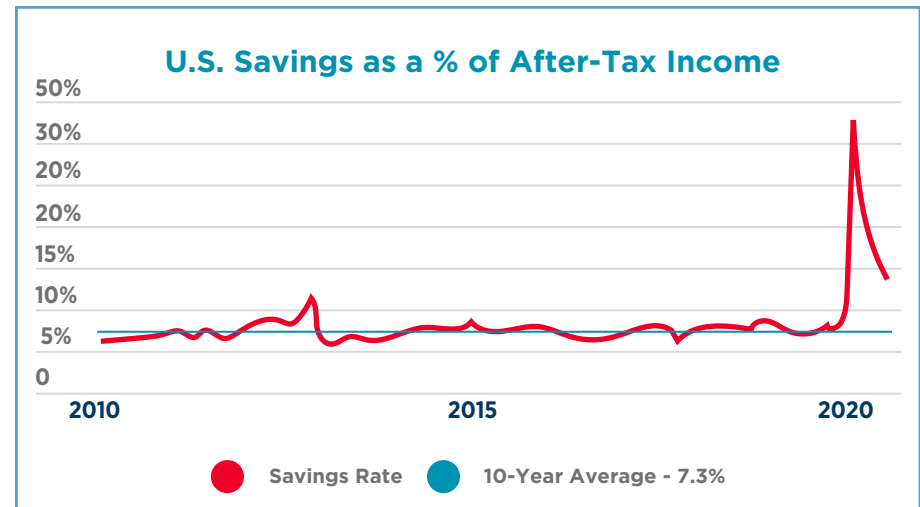
in 2021

Source: eMarketer, Global Ecommerce Update 2021

RETAIL

- Richmond median household income increased **1.0% YOY to \$69,000**, despite job losses
- **30+** Richmond area restaurants have permanently closed due to the pandemic
- Retail Foot Traffic is returning
 - » Foot traffic in shopping centers has returned to **80-90%** of pre-pandemic levels after falling below **30%** in some centers during April '20
 - » Centers with new retail openings, such as West Broad Marketplace and Stony Point Shopping Center, are seeing foot traffic exceed **100%** of pre-pandemic levels
- Vacancy rates increased **60 bps YOY to 5.1%**
- Rental rates declined **4.2% YOY to \$15.78/SF**

Source: Placer.ai



Consumers have been saving at unprecedented rates and retail sales are expected to rebound in 2021





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