



COVID and its Affect on Commercial Market Trends

Mary Ludgin, Heitman Presentation for the Illinois Financial Forecast Forum 2021

No Empirical Evidence For Permanent Mass Exodus From Cities

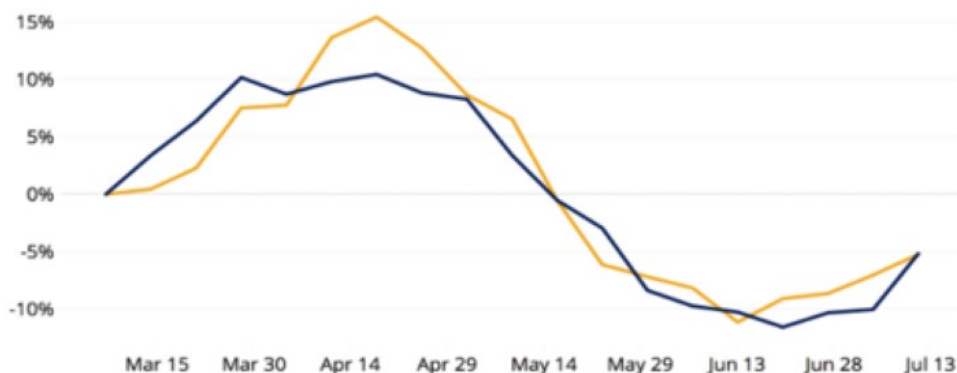
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COVID impact

- Pandemic moves skewed to higher-income cohorts
- Some moves temporary relocation to a second home, Mom & Dad's house
- Others are permanent, but just expediting a planned move
- No empirical evidence of widespread urban exodus
- No divergence of housing market indicators from Zillow
- Most people leaving big cities moving to...other big cities

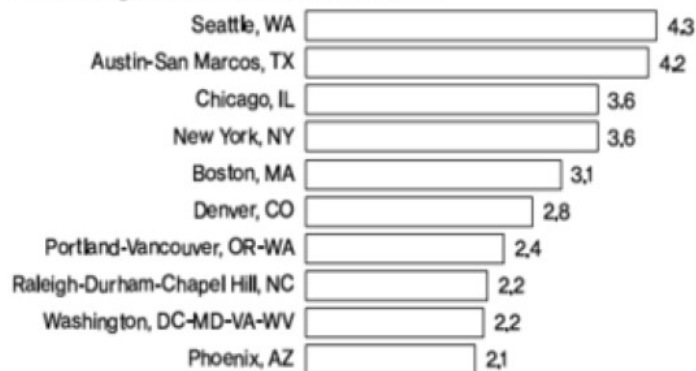
Change in YoY Share of Sales Sold Above the List Price, by **urban** and **suburban** ZIP codes



Source: New York Times; Zillow; United Van Lines; Heitman Research

Moving Out of San Francisco

Percentage total moves out of San Francisco



Source: United Van Lines

Note: Numbers are interest in moving, which is the number of people requesting a quote to move out of a specific location

The Triumph of Technology Has Been on Display During the Pandemic

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How will
18-24 months of
tele-everything
change our
spatial behaviors?

Technology Makes Work From Home Possible But Adoption Won't Be Universal

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WFH Here to Stay But Multiple Factors Affect Where Work Occurs

Future office demand will be determined by both cyclical and structural factors



Current conversation is too simplistic...

Increase in work-from-home



Decrease in demand for office space



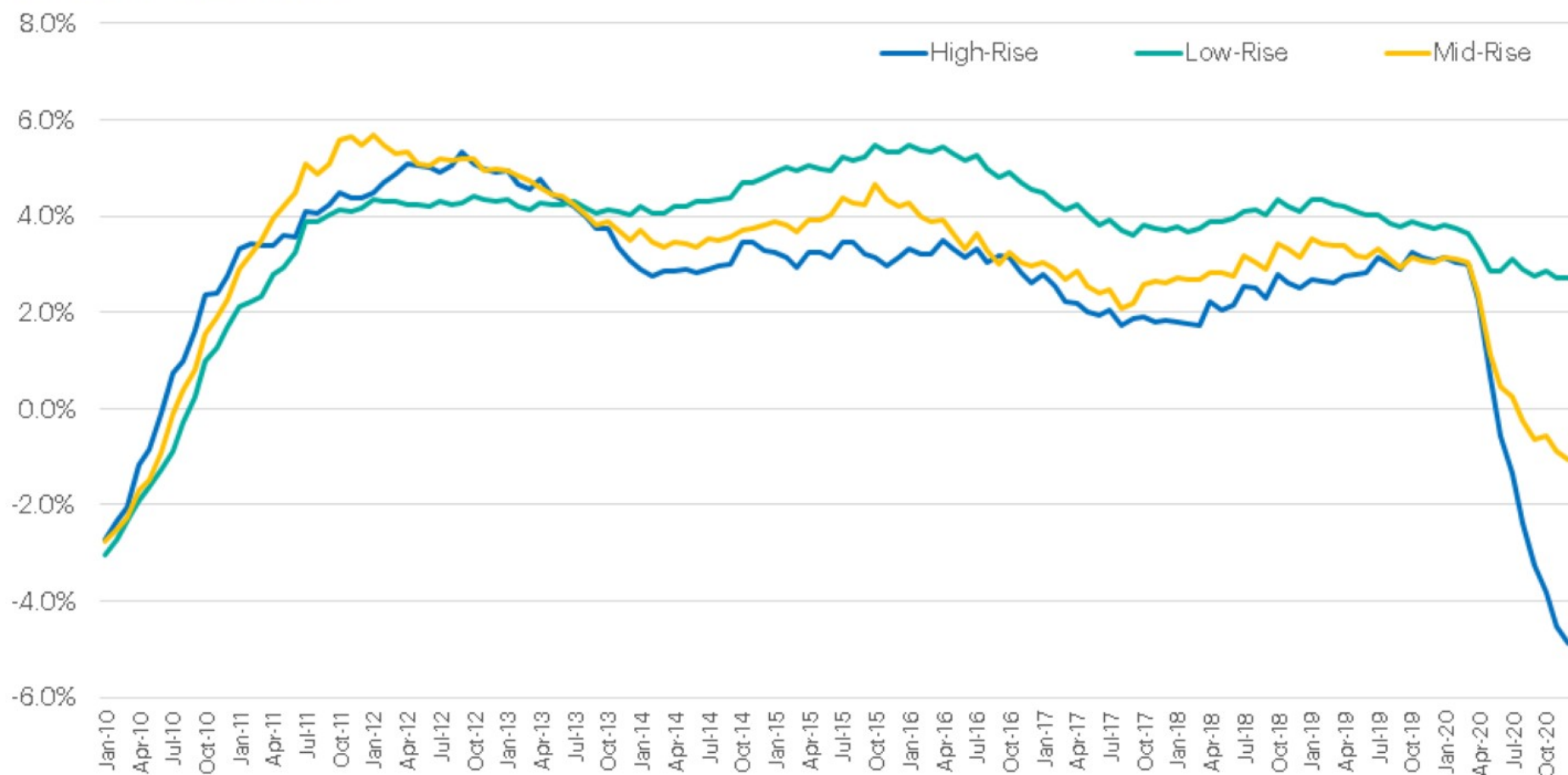
Future demand impact more complex with a broad mix of factors at play...



Apartments: Urban High-Rise Properties See Greatest Revenue Declines

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YOY REVENUE CHANGE (REV/ASF) BY BUILDING HEIGHT
UNITED STATES, 2010-2020



Source: RealPage, Heitman Research

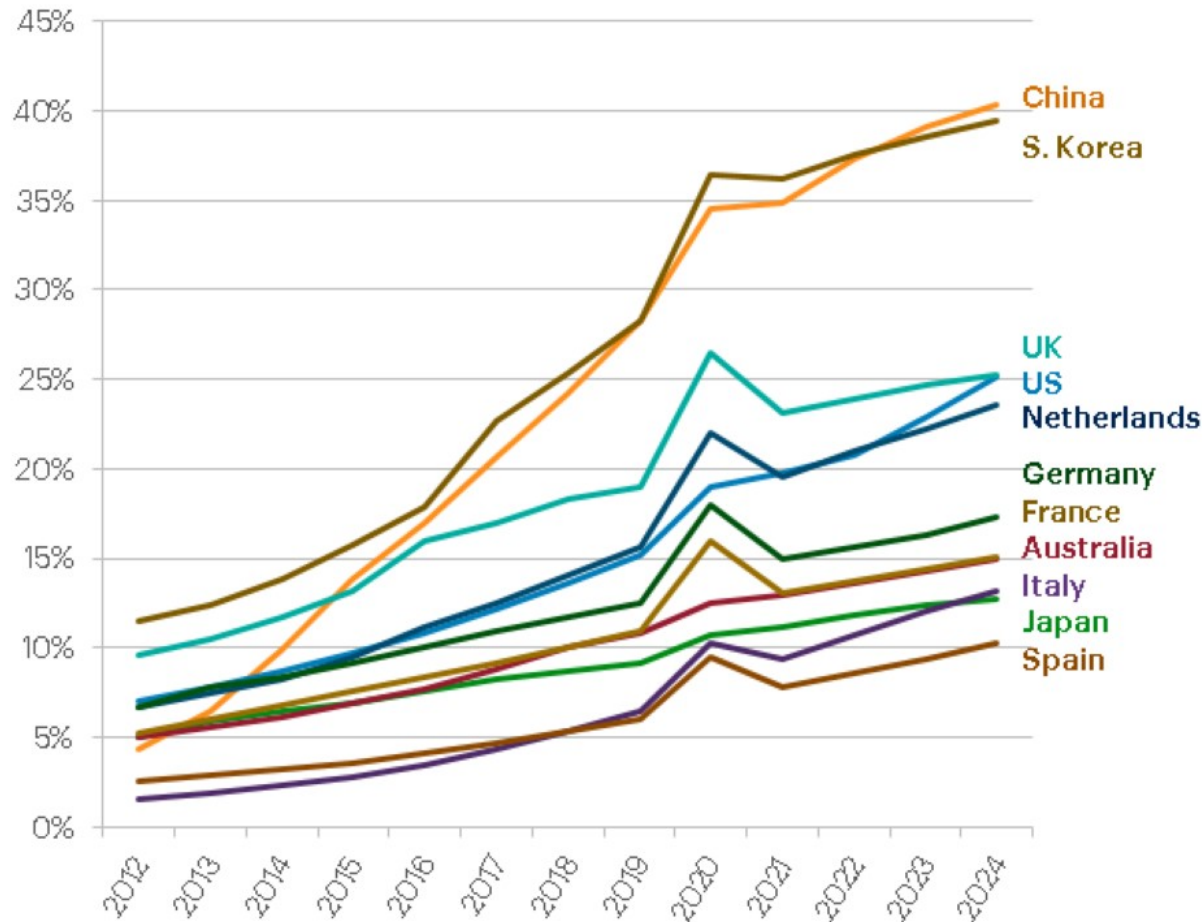
Single-family rentals emerged as an institutional sector in the US in the aftermath of the Global Financial Crisis

The sector's characteristics fit well with demographic trends, including the maturation of the Millennial generation into its child-rearing stage



E-Commerce Up Around the World, But Stores Remain Essential

**ONLINE SHARE OF RETAIL SALES, %
2012 - 2024(F)**



Retail is at the intersection of recession, movement restrictions, and fears about public places

Accelerated e-commerce penetration amplifies risk for retailers without online sales channels

Retailers with strong omni-channel operations were able to pivot during the lockdowns. BOPIS up 259% year-over-year in August

Source for online share of retail sales: CBRE/emarketer; Heitman Research; Source for Reason for not buying online, UNCTAD B2C E-commerce Index, 2019; Heitman Research

However, Retail Remains Oversupplied Globally

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Source: Dead Malls.com; Heitman Research

Retail Vacancies Will Create Opportunities

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**Last Mile Distribution
High Bay Warehouse**

1085
Old Country Road
Westbury, New York



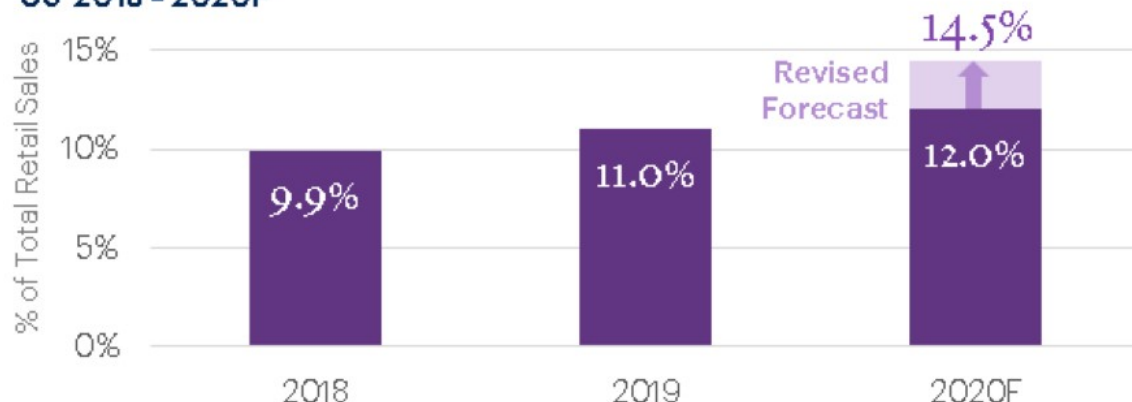
Near-term COVID Impacts

- Positives
 - E-commerce sales growth
 - Higher inventory levels
 - Cold storage demand
 - Reinforcement of omnichannel retail model
- Negatives
 - Some impact from slower economy, retailer woes

Things to Watch/Long-term Outlook

- Potential reshoring/supply chain restructuring
- Rethinking of lean just-in-time inventory model
- Reuse of empty retail boxes as fulfillment centers

**E-COMMERCE PENETRATION RATE
US 2018 - 2020F**



MOST ACTIVE OCCUPIERS YTD - NOV 2020

Occupier	SF*
Amazon	80,727,979
Walmart	7,978,465
Lowe's	5,089,447
Big Lots	3,440,119
FedEx	3,239,162
Uline	2,845,602
Geodis	2,529,432
XPO Logistics	2,505,572
US Elogistics	2,213,654
Home Depot	2,117,768

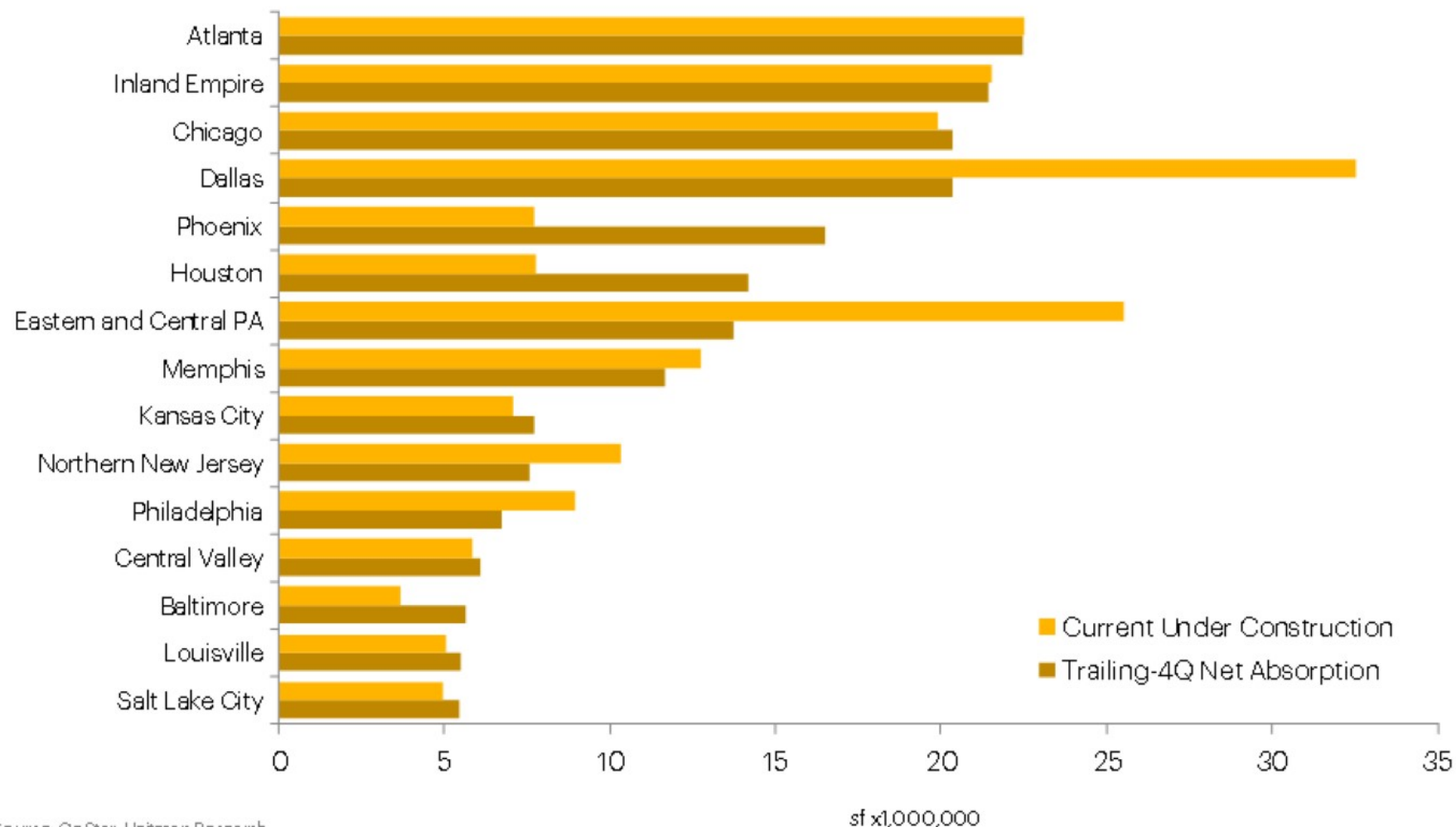
*Includes New Leases, Renewals, and User Sales



Few Major Markets See Large Imbalance Between Supply Pipeline and Trailing Demand

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INDUSTRIAL NET ABSORPTION VS. SPACE UNDER CONSTRUCTION MAJOR MARKETS (Q4 2020)

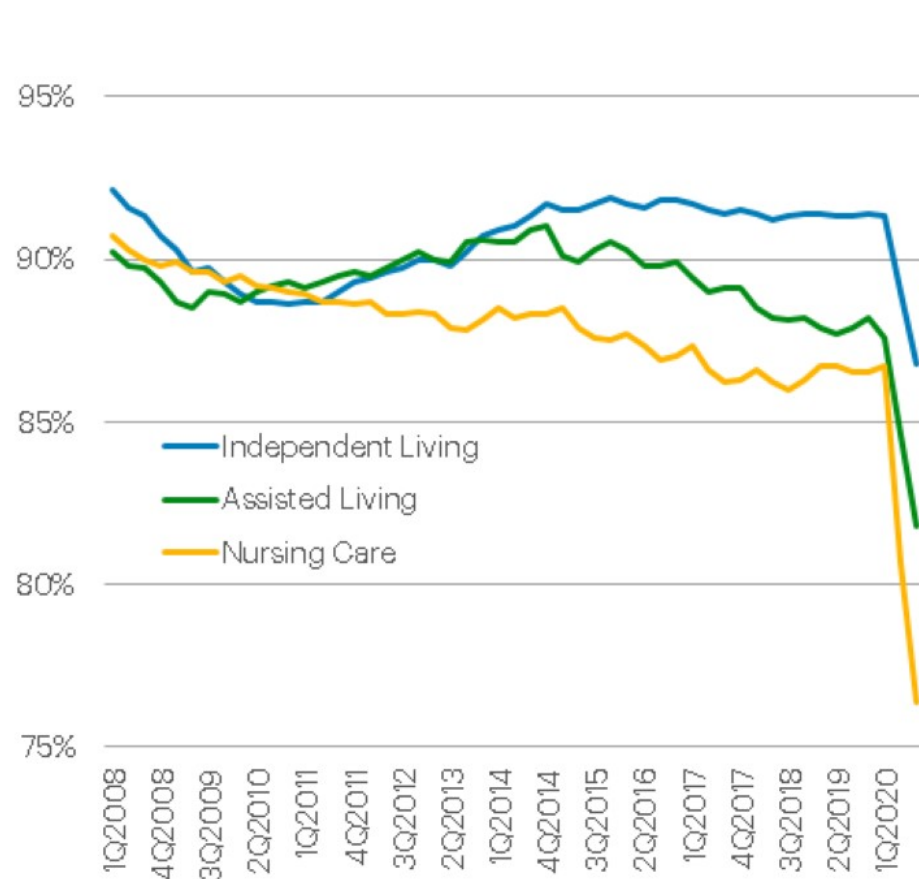


Source: CoStar, Heitman Research

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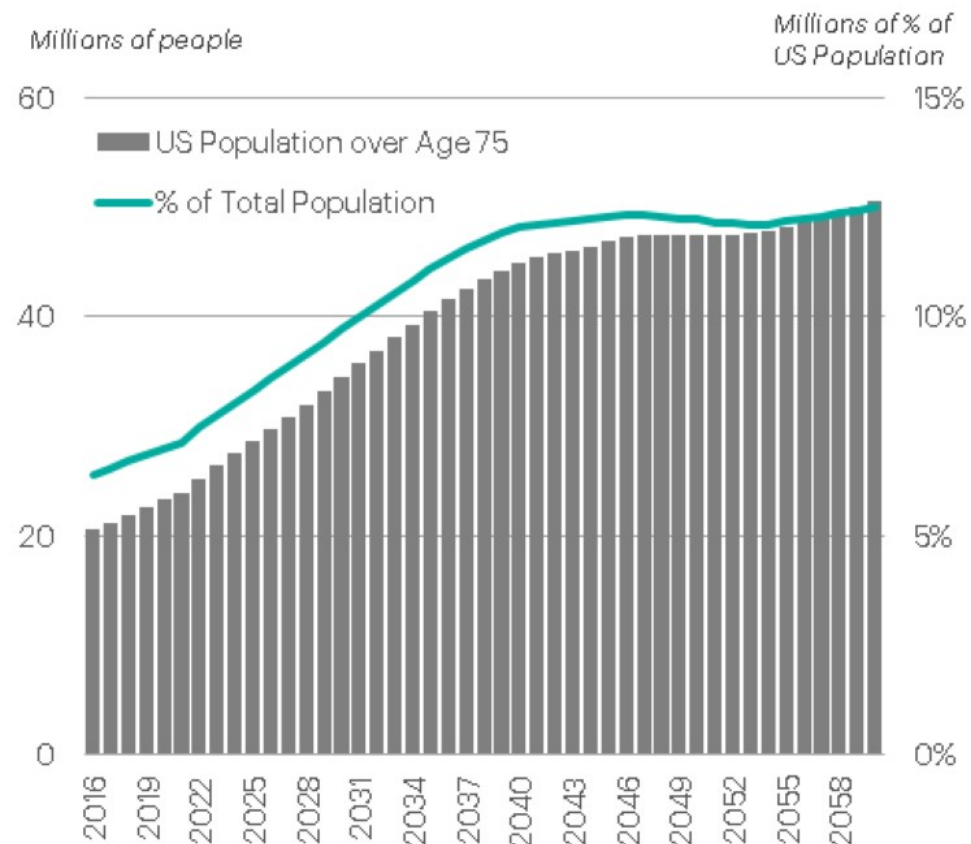
Senior Housing Occupancies Down But Don't Count this Sector Out

**SENIOR HOUSING OCCUPANCY BY CARE SEGMENT
US 2008 Q1 - 2020 Q3**



Source: NIO, Heitman Research

**PROJECTED US POPULATION OVER AGE 75
US 2016 - 2059(F)**



Source: U.S. Census Bureau, Heitman Research

