How the Corona Virus May Affect Commercial Real Estate in Major US Cities

25 March 2020
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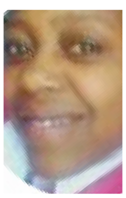

The outbreak of the Covid 19 virus is causing a global scare. The virus that started in China is now a global pandemic, and the US has already reported tens of thousands of cases and hundreds of deaths. The economic impact of the virus is also clear. To contain the spread of Covid 19, state and local level officials are issuing stay-at-home orders, effectively shutting any economic activity in their jurisdiction.

New York, the current epicenter of the coronavirus, is currently on full lockdown. The case is also the same in California's major cities including Los Angeles. Unemployment claims are also rising across the country with experts now predicting that the US economy may be headed for a recession over the coming weeks. But how will this outbreak affect commercial real estate investments in major US cities? Well, there is no doubt this is a pertinent question for many real asset investors and we will try to answer it the best way we can.

Disruptions of Covid 19 in US Real Estate Markets

The obvious hit during this time of crisis is retail. As people continue to stay home, restaurants, storefronts, and most retail locations are shutting down. Some may not be able to open over the next few months.

The hotel industry is also seeing huge disruptions as a result of the Covid 19 virus. Hotels are expected to see a sharp decline in bookings, which will, in turn, affect projected revenues this year. Investors earning income from hotel investments will see a dip in returns this year. The extent of this dip will, however, depend on how long the US economy remains shut.

The shutdown is also affecting new developments in the real estate sector. For starters, the stay at home orders in several states means that the crucial labor force needed to keep these developments going is not available. Developers are also having a hard time moving the materials and supplies needed to maintain construction activities. If the shutdown continues for months, there may be a sharp decline in the number of real estate assets entering the market in the near term.

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Reasons to Be Optimistic

Despite the challenges we have listed above, the real estate industry could still show some resilience and come out of this crisis with very little damage done. First of all, China is starting to reopen its economy after the Coronavirus pandemic. There are still a lot of sick people in the country but recent data shows that the number of new infections is declining.

A return to normalcy in China could provide important supplies to shore up the construction sector in the US. China's recovery could also help mitigate fears of a global recession that may affect the real estate industry massively in the future.

Secondly, and perhaps more realistically, the United States is expected to pass a $2 trillion economic stimulus legislation package. The package is designed to cushion the economy against the disruption of the coronavirus pandemic. It may help keep businesses alive and maintain if not increase demand for real estate, especially in the retail sector.

Investing In Real Assets

Compared to traditional liquid assets, real assets like real estate are far more resilient during times of emergency. In case you want to increase your exposure to real estate and other real assets like infrastructure, you can get in touch with the Brookfield Infrastructure Income Fund for more info.