

IN THE NEWS



SPECIAL DELIVERY: INDUSTRIAL REAL ESTATE JUMPS INTO SPOTLIGHT

While Mercer has recommended for several years that clients grow their industrial exposure – as well as niche sectors that are less GDP-dependent such as data centers, self storage, life sciences, and student housing – it's hard to make big moves in any of them. This statement from Mercer's Allison Yager really highlights the benefit of having a long run build up of these sectors because they are smaller, relatively speaking, than office and apartment, for example, and difficult to do large scale reallocations.

Source: FundFire

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BLACKSTONE WARNS OF A 'LOST DECADE' WHERE STOCK MARKET RETURNS ARE 'ANEMIC'

Blackstone's Tony James joins a number of prognosticators in pessimism about forward stock market returns which are being short term driven by very low interest rates and unprecedented monetary policy.

Source: CNBC

[READ FULL STORY](#)

REAL ESTATE'S ROLE AS AN INFLATION HEDGE IN A POST- COVID WORLD

Excessive increases in M2 money supply are creating inflation concerns. How might inflation impact institutional real estate pricing? Higher inflation would likely lead to higher real estate rents and net operating incomes perhaps offsetting any impacts from higher interest rates.

Source: Principal Real Estate

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RECENT COMMERCIAL PRICE INDICES SHOW LITTLE MOVEMENT

Transaction based property price indexes were mostly flat to slightly higher in recent months, but lower year over year. Much of the year over year declines were in retail and hotel while other sectors fared much better.

Source: National Real Estate Investor

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FEATURE STORY



FALL 2020 ECONOMIC OUTLOOK FOR REITS AND COMMERCIAL REAL ESTATE

Astute assessment of the varying impacts of the COVID-19 pandemic. "Specifically, the food and accommodations (restaurants, bars, and hotels), recreation, and transportation services (includes air travel), which represented just 9% of total GDP in 2019, accounted for 35% of the decline in second-quarter GDP. These sectors have a high exposure to face-to-face contact and are likely to remain depressed and recover slowly until the COVID-19 virus is under better control."

Source: NAREIT

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QUOTES OF THE QUARTER

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“All of that will be economic headwinds for companies. So I think you can have disappointing long term earnings growth with multiples coming in a little bit, and I can see anemic equity returns over the next five to 10 years.”

Tony James,

Blackstone Executive Vice Chairman

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“We’re not the only ones who saw the trends in e-commerce, but they’ve accelerated because of COVID, and where people used to expect delivery within a week, now we expect things to be delivered in two hours. These industrial properties need to be closer and closer to the end consumer.”

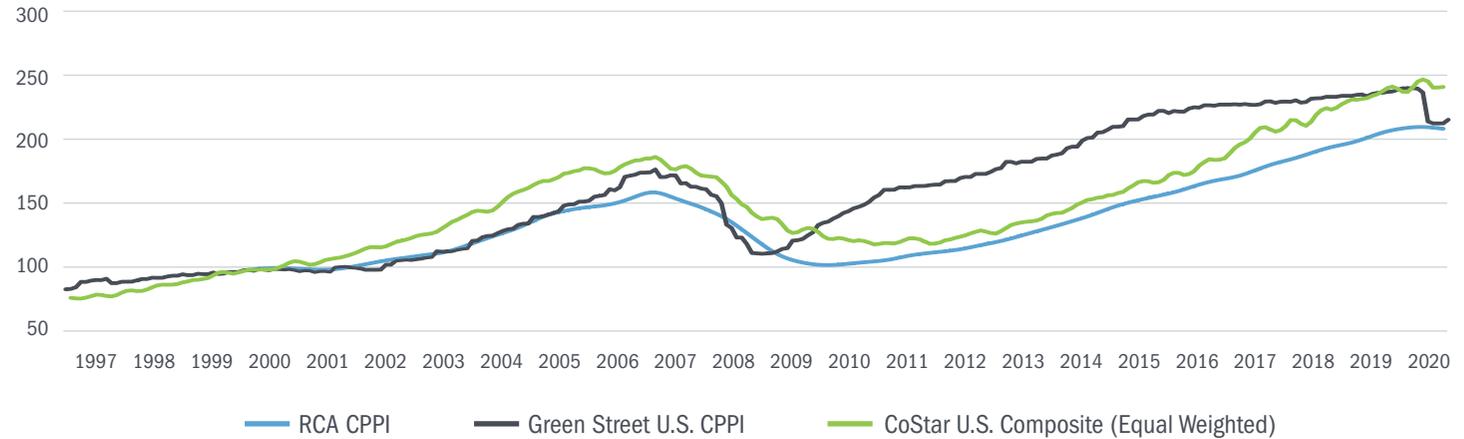
Michael Levy,

CEO at Crow Holdings

NEW DATA

U.S. COMMERCIAL REAL ESTATE PRICE INDICES

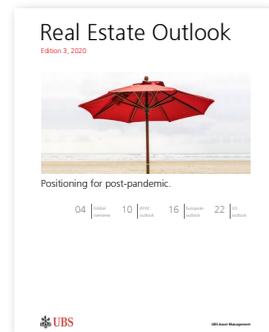
A comparison of three major commercial real estate property price indices. (100 = average prices in December 2000.)



Source: National Real Estate Investor

RESEARCH REPORT

UBS Real Estate Outlook 2020 | EDITION 3



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“The industrial sector has benefited greatly from fulfilling e-commerce orders as consumers have shifted a lot of their buying, including grocery purchases, from bricks-and-mortar stores to online. **Year-over-year rent growth in the sector reached 4.8 percent in the second quarter, slower than during recent quarters**, but still showing strength in a downturn. Helping keep industrial fundamental in check going forward could be the fact that **new space supply deliveries are expected to slow for the rest of 2020.**”

“**Occupancy rates in the office sector have benefited from the prevalence of long, multi-year leases**, even while many offices have remain closed and office users considering long-term work from home options.”