

# ACCELERATOR OF MACRO TRENDS

Many of the outcomes from COVID-19 lockdowns are trends that were already in motion.

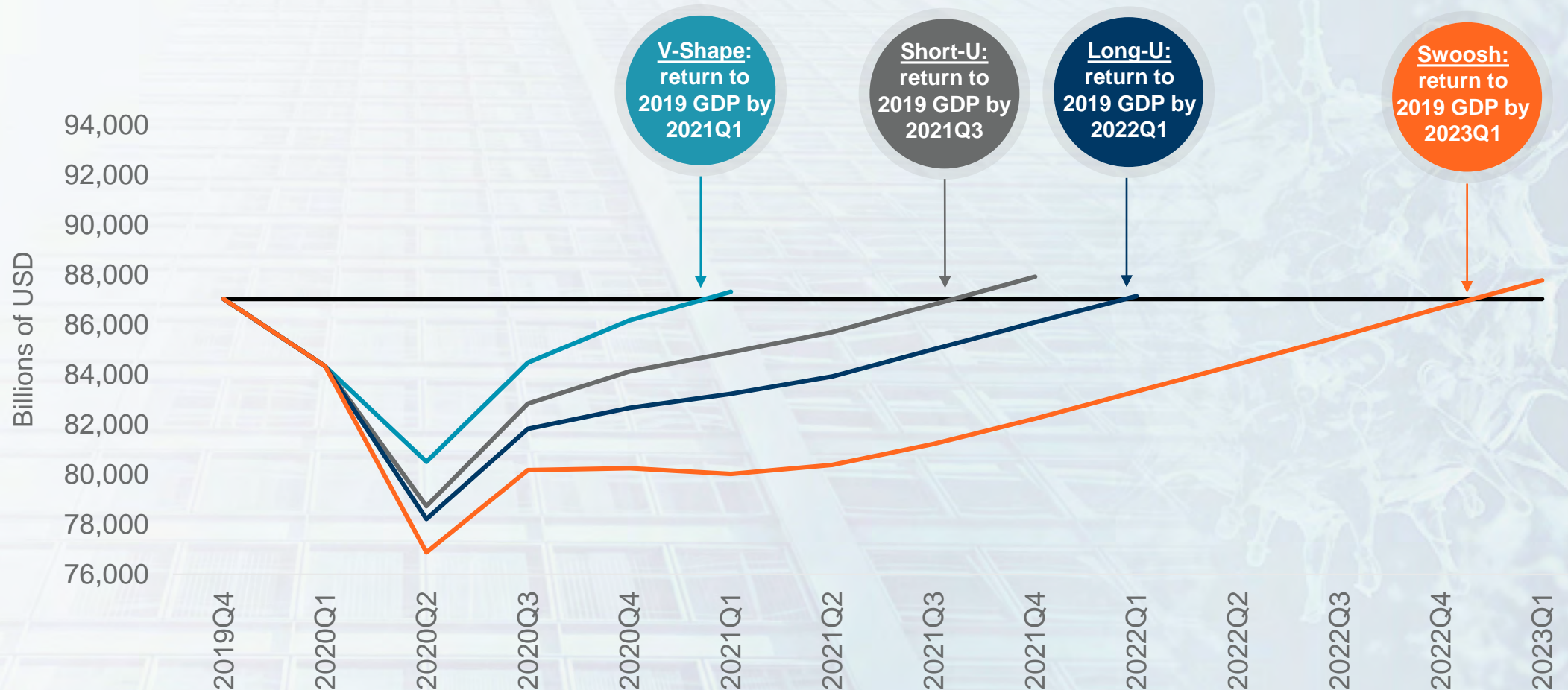
Kevin J. Thorpe, Global Chief Economist

June 2020



# A LONG ROAD BACK TO 2019

## Global Real GDP



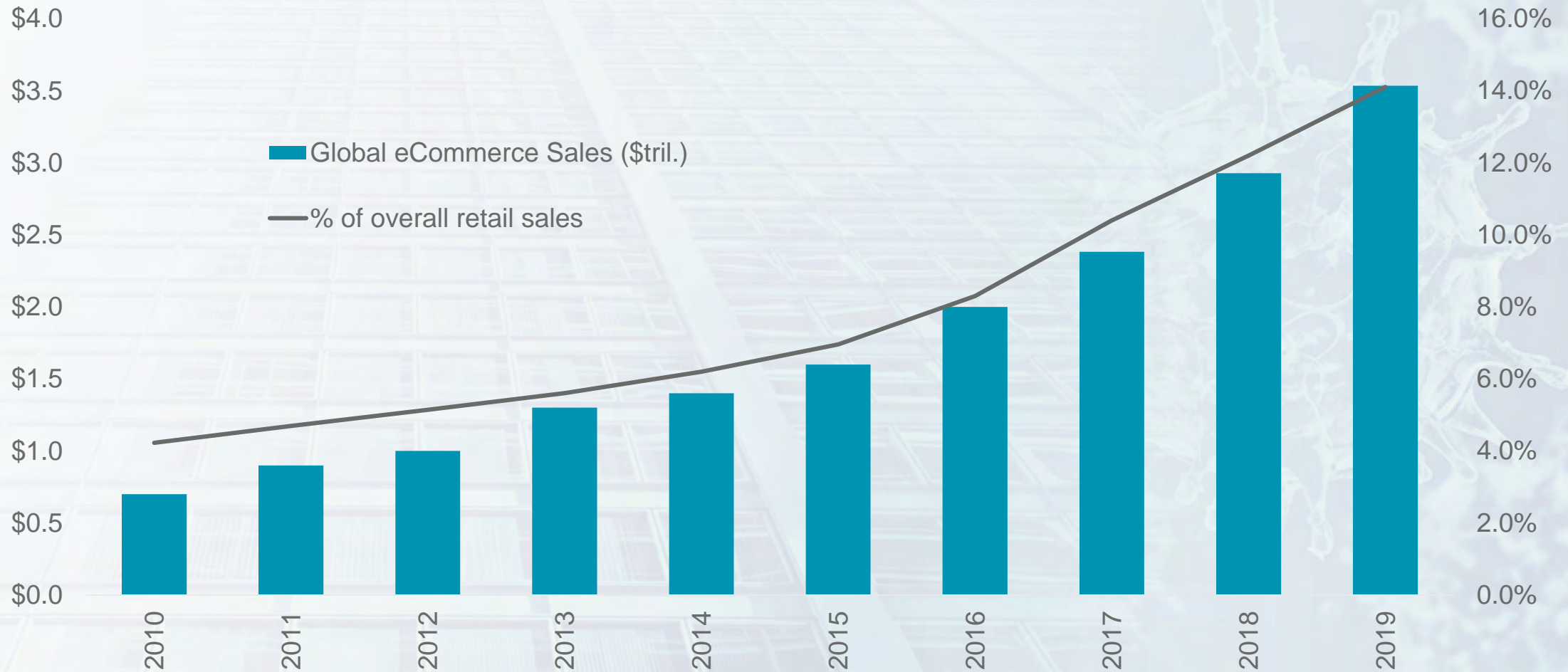
Source: V-shape = Moody's Analytics S1 Update Scenario, Short U = Moody's Baseline Scenario, Long U = Moody's S2 Downside Scenario, Swoosh = Moody's S3 Downside Scenario

Forecast as of 5-11-2020

# ECOMMERCE

# ECOMMERCE GAINING MARKET SHARE GOING INTO CRISIS

## eCommerce Sales Worldwide

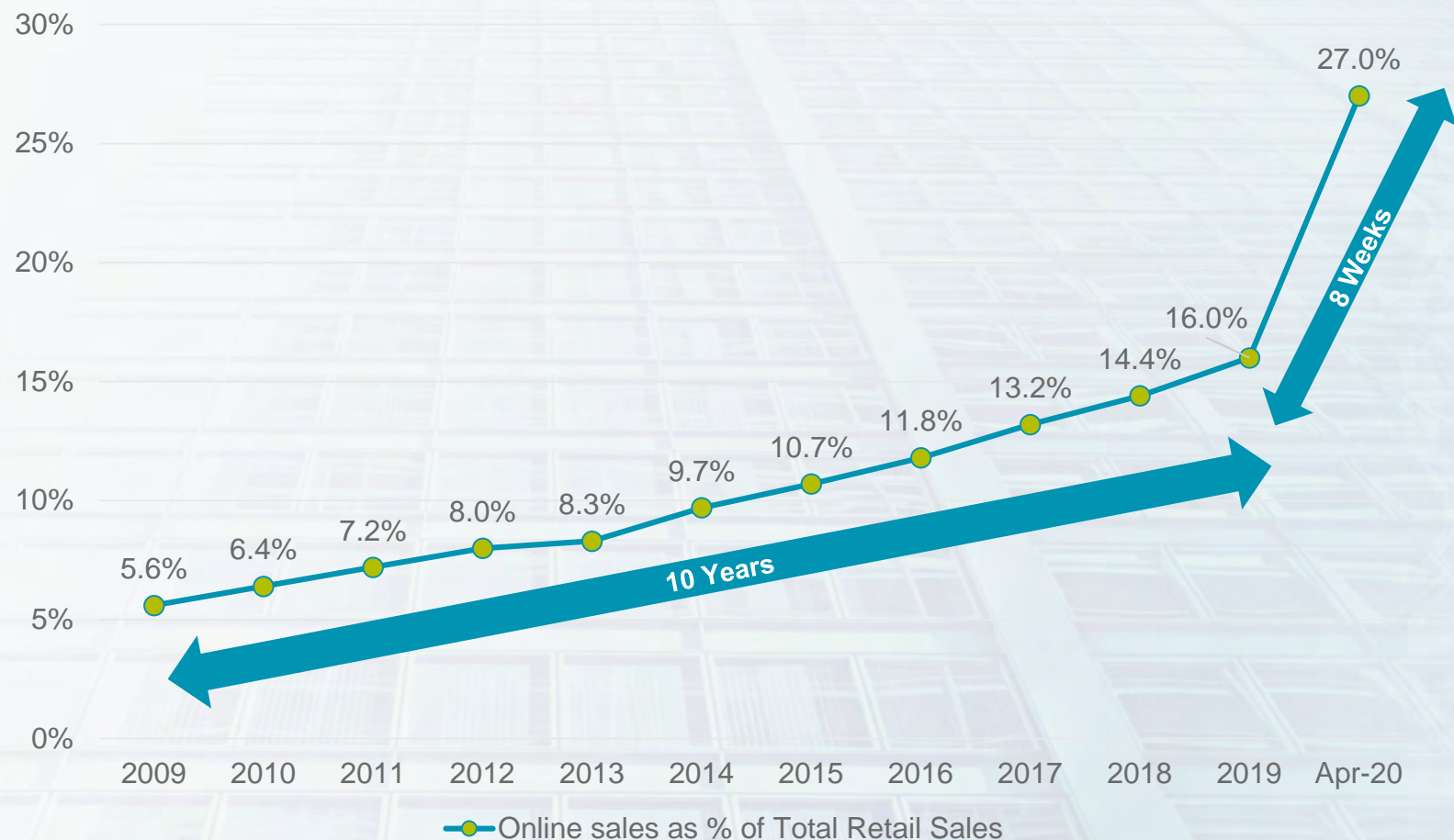


Source: eMarketer 2019 Global eCommerce Forecast

Note: Includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales.

# COVID-19 ACCELERATES THIS TREND

## United States: eCommerce as a % of Total Retail Sales



eCommerce Penetration	Before	After (F)
Apparel & Accessories	29%	40%
Auto & Parts	5%	10%
Books, Music & Video	55%	68%
Consumer Electronics	43%	55%
Food & Beverage	3%	15%
Furniture & Furnishings	24%	42%
Health & Beauty	11%	25%
Office Supplies	27%	60%
Other	24%	40%
Toys & Hobby	37%	50%

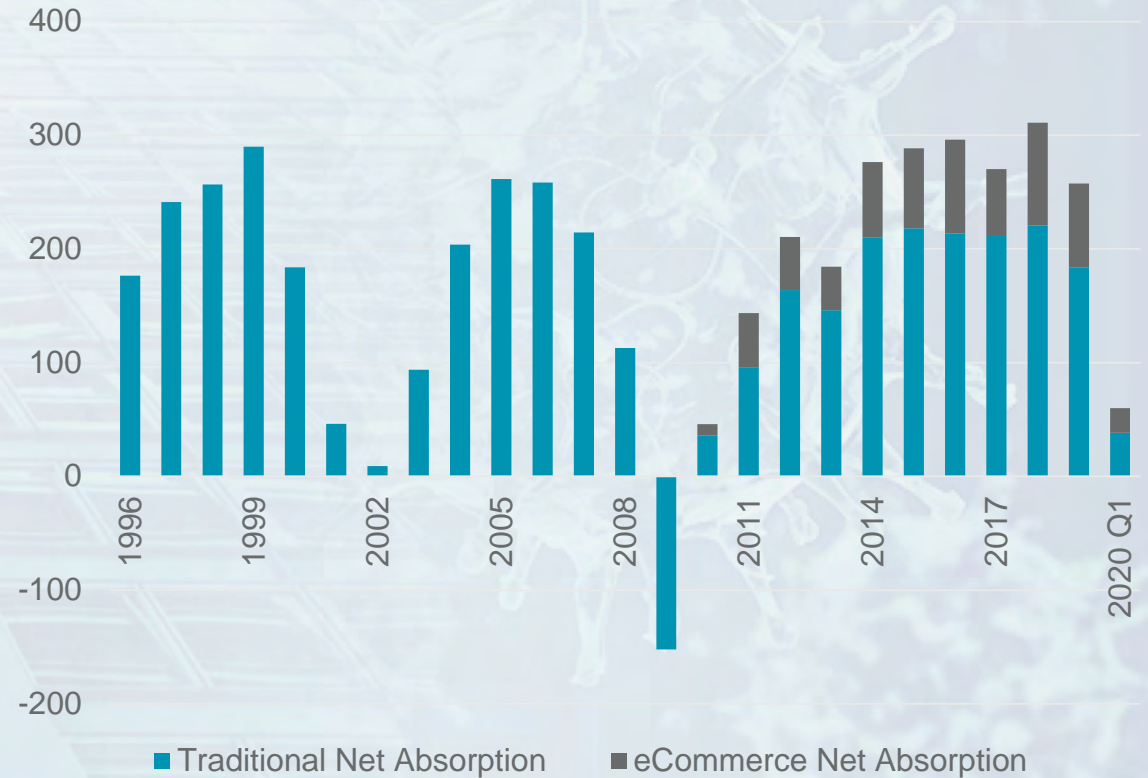
Source: U.S. Department of Commerce, ShawSpring Partners, Bank of America

# ACCELERATES THE INDUSTRIAL-LOGISTICS BOOM

## Global Vacancy Record Low



## \*Record High Demand (MSF)



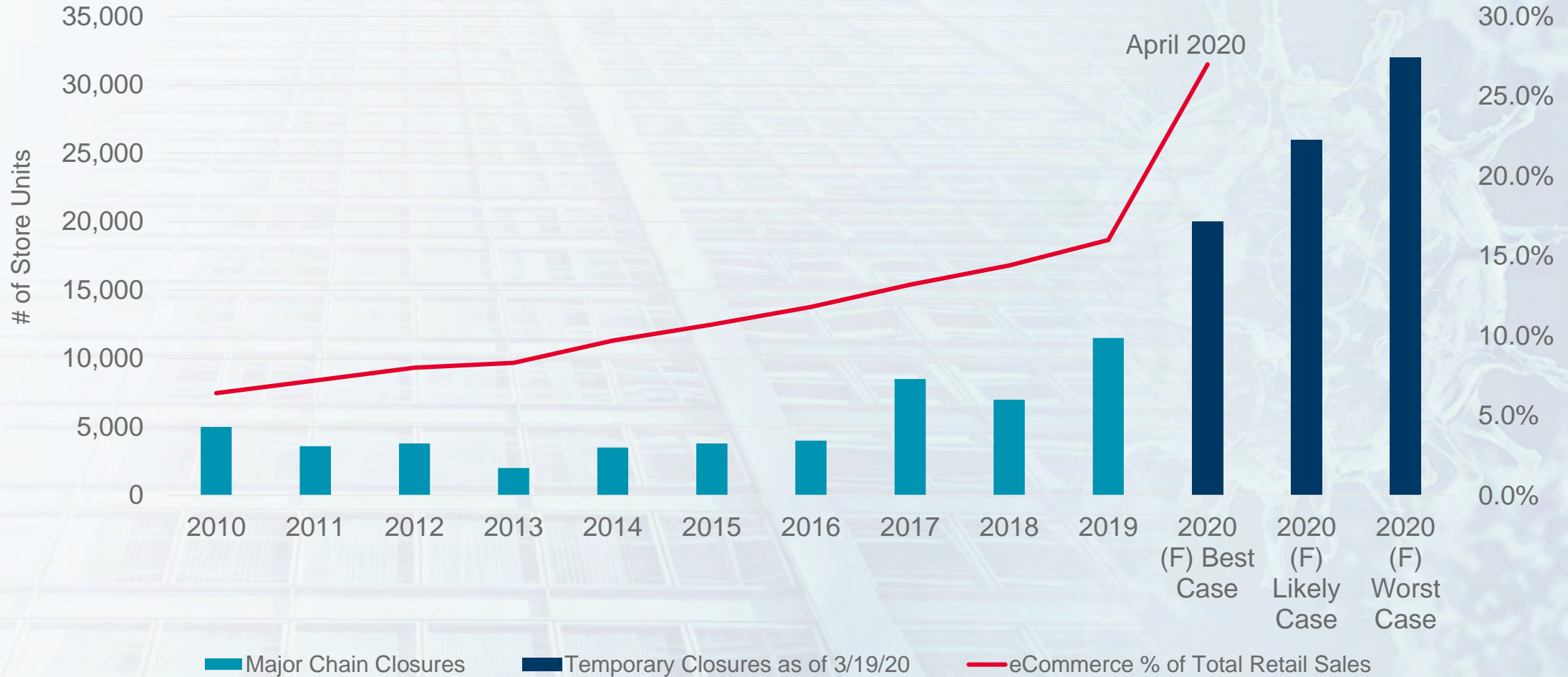
Source: Cushman & Wakefield Research

\*Net Absorption = Americas



# ACCELERATES THE RETAIL DECLINE

## Major Chain Closures



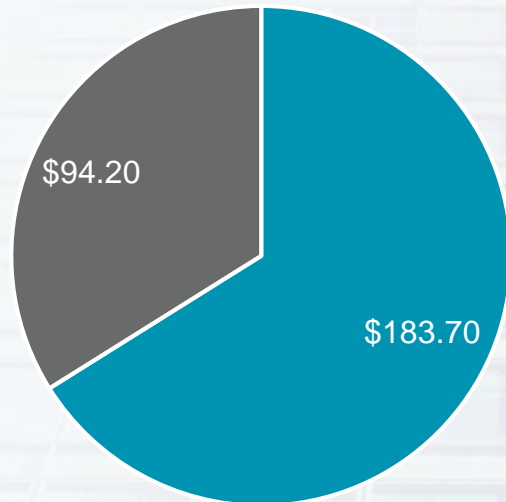
Source: Company filings, U.S. Department of Commerce, CoreSight Research, Cushman & Wakefield Research

Note: Does not include independent retail closures

# ACCELERATES CAPITAL FLOWING INTO INDUSTRIAL-LOGISTICS

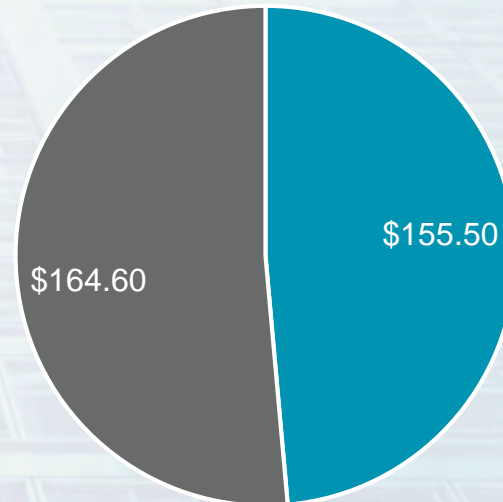
Global Sales Volume, \$bil.

2016



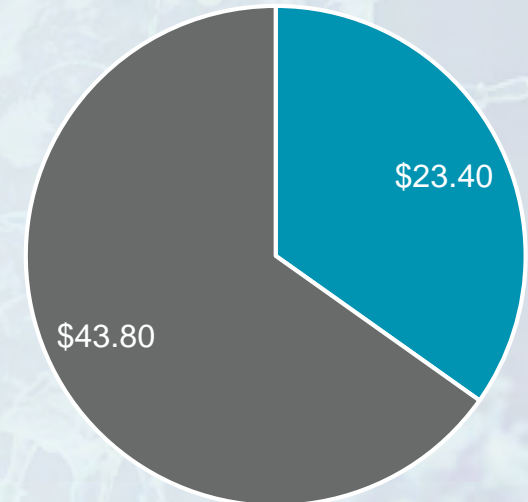
■ Retail ■ Industrial-logistics

2018



■ Retail ■ Industrial-logistics

2020Q1

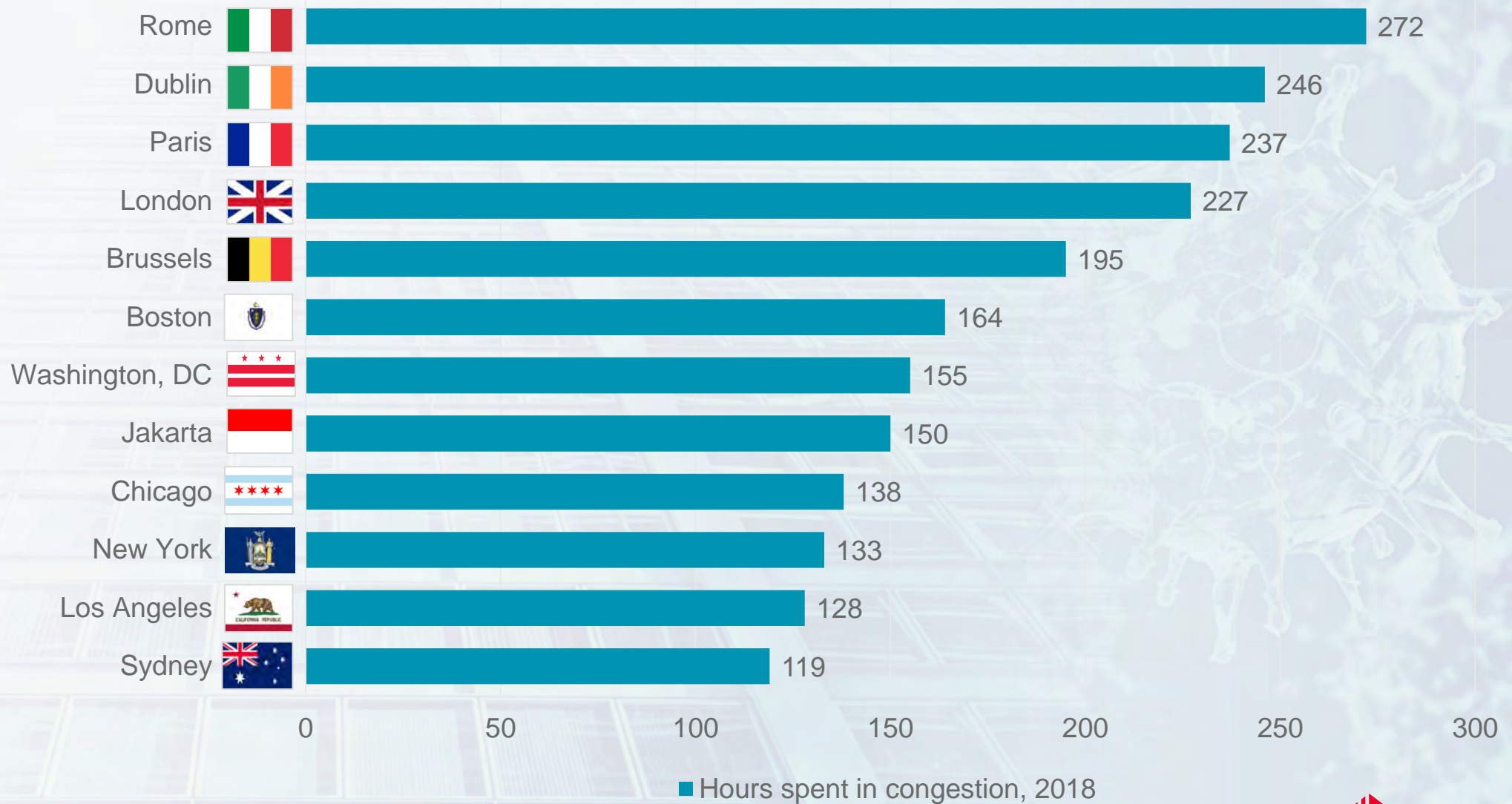


■ Retail ■ Industrial-logistics



# WORKING FROM HOME

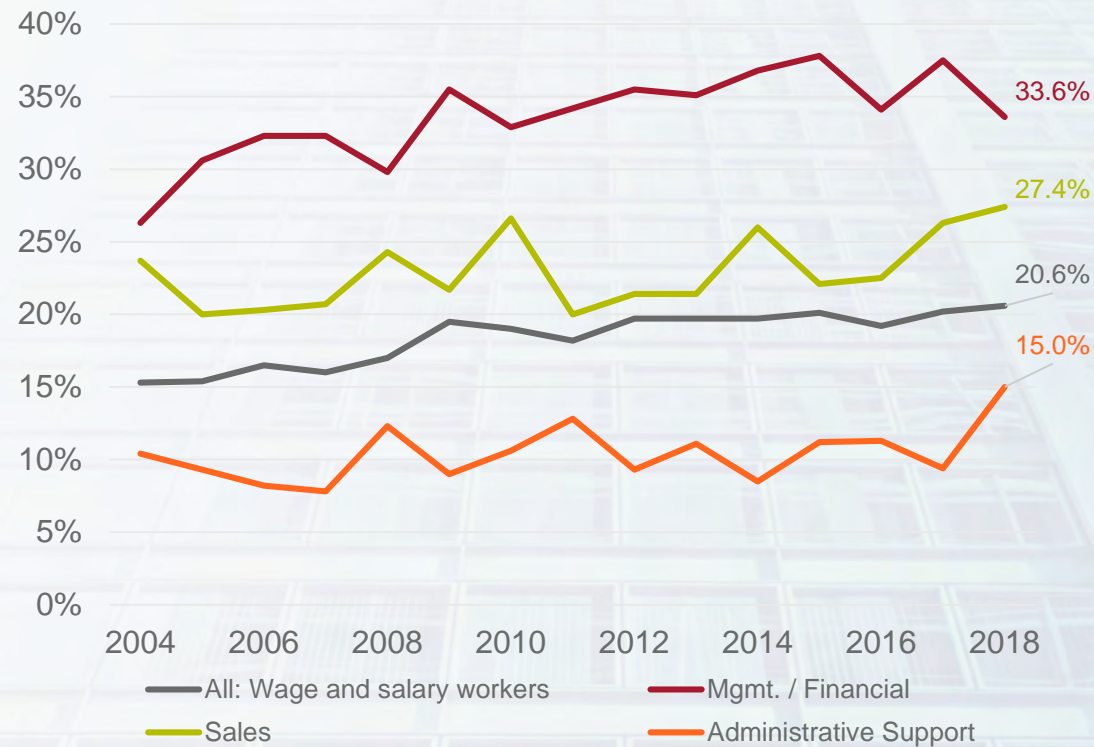
# TIME SPENT COMMUTING



Source: INRIX Global Traffic Scorecard

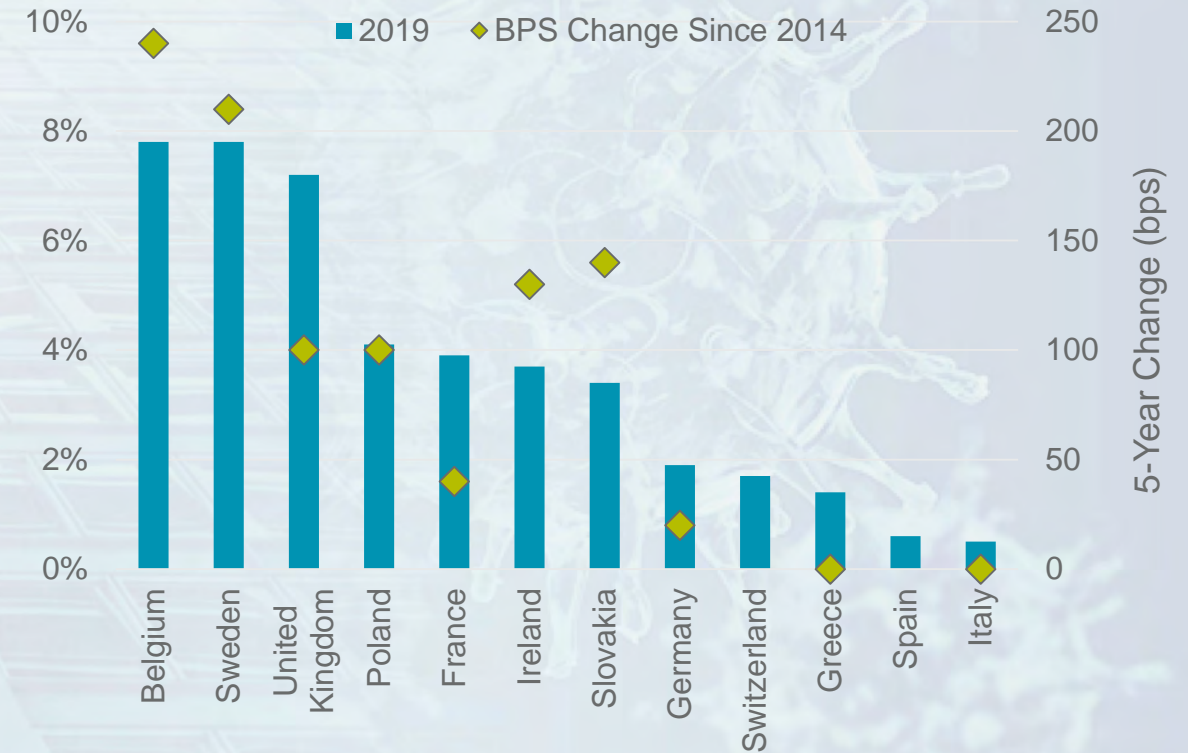
# REMOTE WORKING ALREADY GROWING PRE-COVID-19

## United States (% working main job from home\*)



Source: U.S. Census Bureau; % working main job from home on average day

## Europe (% of total employed working from home)



Source: European Commission, Eurostat

# COVID ACCELERATES THIS TREND

Percent of U.S. Workers Who Have Worked Remotely At Least Some of the Time



Source: Gallup Panel 2020

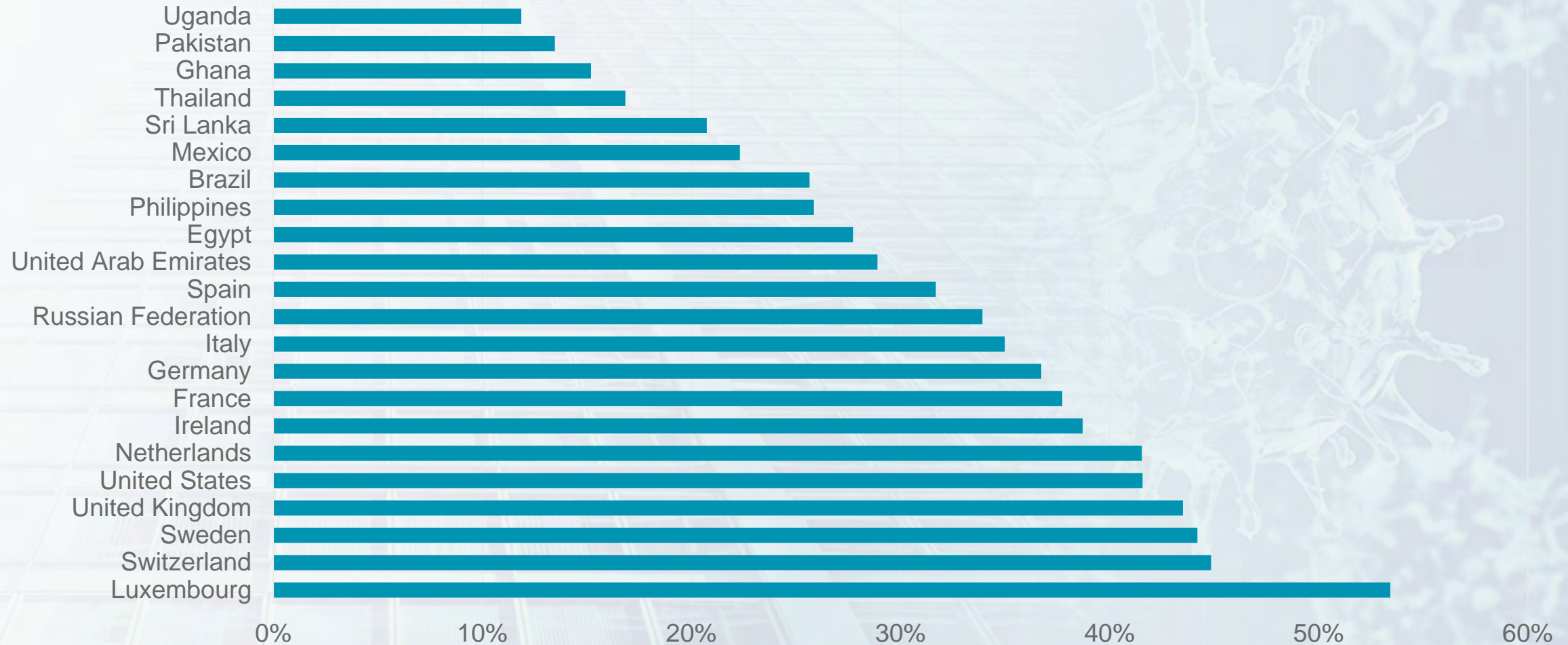


**PERCENT EXPECTED TO  
WORK FROM HOME ON  
MULTIPLE DAYS BY THE  
END OF 2021**

Source: Global Workforce Analytics

# WHAT'S THE LONG-TERM POTENTIAL?

Percentage of Total Jobs Compatible With Working From Home, Select Countries



Source: Brecker Friedman Institute of Economics, University of Chicago

\*Includes "work from home" and "working from home"

# BUSINESSES STILL NEED OFFICE SPACE



**OF BUSINESSES SAY  
THEY PLAN TO BRING  
EMPLOYEES BACK TO  
THE OFFICE**



**SAY WILL ULTIMATELY  
REQUIRE LESS SPACE  
PER EMPLOYEE**

# OTHER THINGS TO THINK ABOUT

## Key Themes

## Considerations

Destruction of Weak Businesses

Chapter 11 bankruptcies of large companies already rival the peak during the GFC. Micro businesses also are expected to fail en masse. Creative destruction is already underway.

Suburban Revival

The suburbs were already making a comeback going into the crisis. Would multiple outposts be a benefit to employees? Yes. Are millennials headed their anyway? Yes.

Reshoring/Manufacturing

The virus may intensify the pushback against globalization, which started well before the crisis.

Migration Out of Highly Dense Big Cities

In addition to the suburban revival, might we also see migration to low cost tier 2 or tier 3 cities? Working from home means working from home anywhere in the world.

Data Center Boom

Working from home? Watching more Netflix? Guess what you're using... Skyrocketing Internet usage = greater need for Internet capability and cyber security.

# OTHER THINGS TO THINK ABOUT

## Key Themes

## Considerations

Automation

Businesses were already looking for ways to automate certain job functions. COVID-19 creates extra incentive to replace labor with technology.

Gov't Debt Burdens

Gov't debt was already high going into this crisis. Given the unprecedented policy response, debt-to-GDP ratios will climb to record levels in many countries. Translation: higher interest rates.

Death of the Open Floor? De-densification?

The average square foot per worker has been steadily declining for the past 10 years. This trend ends with COVID-19.

Other Sectors Will Come Out Stronger

Likely growth areas include: industrial logistics, data centers, multifamily, R&D, life sciences, necessity retail and manufacturing.

Experiential Retail

What if there is a widespread vaccine by early 2021? People will be bursting for human interaction. The experiential concepts that can survive this will be in position to thrive.



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## About Cushman & Wakefield

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