

# 2020 MID-YEAR PERSPECTIVE ON CHICAGO REAL ESTATE MARKETS



Having Technical Issues? Email: [Chicago@uli.org](mailto:Chicago@uli.org) or Call/Text: 773-677-3026


Question and Answer


You 04:36 PM  
When is the next session?

Type your question here...


☐ Send anonymously Send

You are viewing NAIOP Chicago's screen View Options Speaker View Exit Full Screen


 **DEPAUL UNIVERSITY**  
DRIEHAUS COLLEGE OF BUSINESS  
*Department of Real Estate*

 **Chicago**

**2020 MID-YEAR PERSPECTIVE  
ON CHICAGO REAL ESTATE MARKETS**



Having Technical Issues? Email: [Chicago@uli.org](mailto:Chicago@uli.org) or Call/Text: 773-677-3026



Q&A Chat Leave Meeting

Having Technical Issues? Email: [Chicago@uli.org](mailto:Chicago@uli.org) or Call/Text: 773-677-3026

# 2020 MID-YEAR PERSPECTIVE ON CHICAGO REAL ESTATE MARKETS



Having Technical Issues? Email: [Chicago@uli.org](mailto:Chicago@uli.org) or Call/Text: 773-677-3026

## Mid-Year Perspective on Chicago Real Estate Markets

### What's in this Report?:

1. How worried should we be about Chicago's real estate markets?
2. The recovery in Chicago: Just do it
3. Where should our greatest concerns lie?
4. What are the threats to Chicago's real estate markets in the years to come?
5. Office market outlook
6. Hints of what will likely happen in the longer run assuming the pandemic ends quickly

# How Worried Should We Be About Real Estate Markets

## Macro Outlook

- A year like no other
- In Jan., economic growth was forecasted to be slow but stable for the year.
- Then the bottom fell out.
- Today the entire world is in recession. US GDP growth is expected to be -6.5% for 2020. Unemployment rate is improving, even though the level is still above anything we have seen since the great depression.

## Sentiment

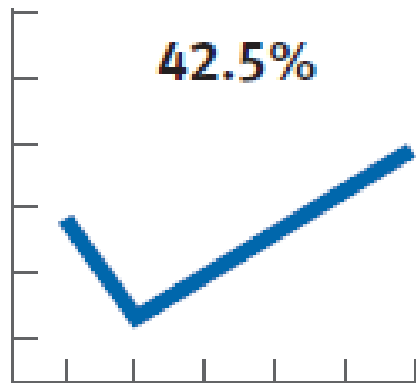
- Concern over Covid-19 continues, with 40% of participants feeling concerned about Chicago's real estate markets and 26% view themselves as trending toward optimistic. Almost one-third are optimistic or trending to optimistic.

## Development and Construction

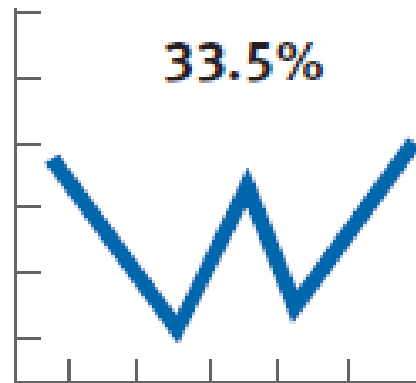
- Signs of equilibrium. Almost 90 percent agreed that construction of any new retail space makes little sense right now; 73 percent agreed new construction of rental housing will fall well below normal; and 80 percent believe the pace of industrial construction will continue over the next 3 years.

# The Recovery in Chicago: Just Do It

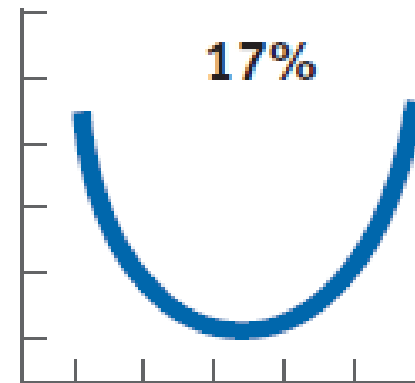
**Pent-up Demand is Coming Through Now as the Economy Opens**



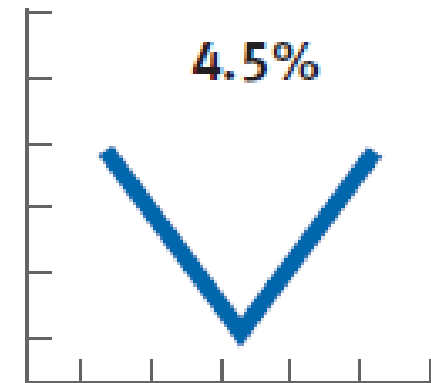
**Swoosh-Shape Recovery**  
(2021 and beyond)  
*Sharp decline and slow recovery*



**W-Shape Recovery**  
(2021-2024)  
*Sharp and repeated ups and downs*



**U-Shape Recovery**  
(2022)  
*Extended period of time until recovery*



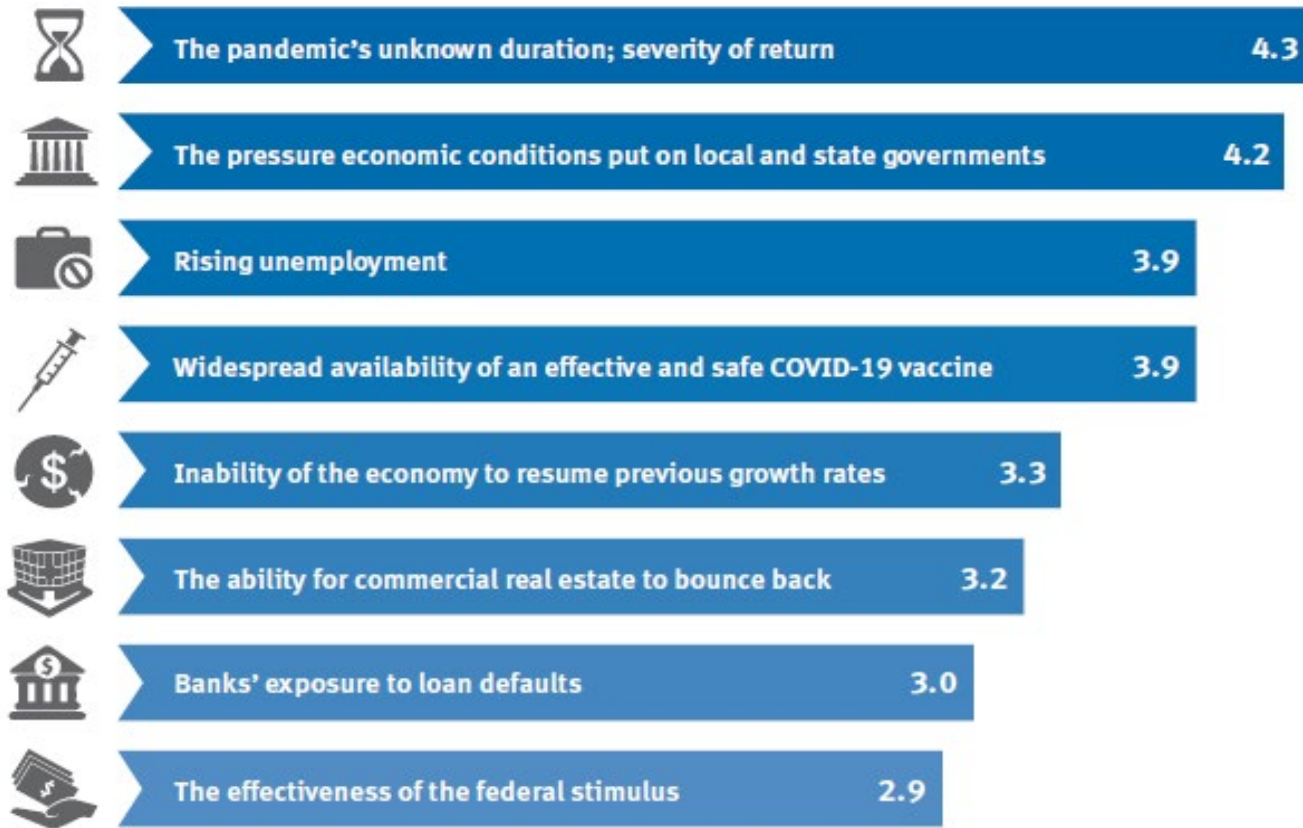
**V-Shape Recovery**  
(2021)  
*Sharp decline, but quick recovery*

Yet in this environment ... “It’s tough to make predictions, especially about the future.” Yogi Berra.

# Where Should Our Greatest Concerns Lie?

## Ranking the greatest concerns

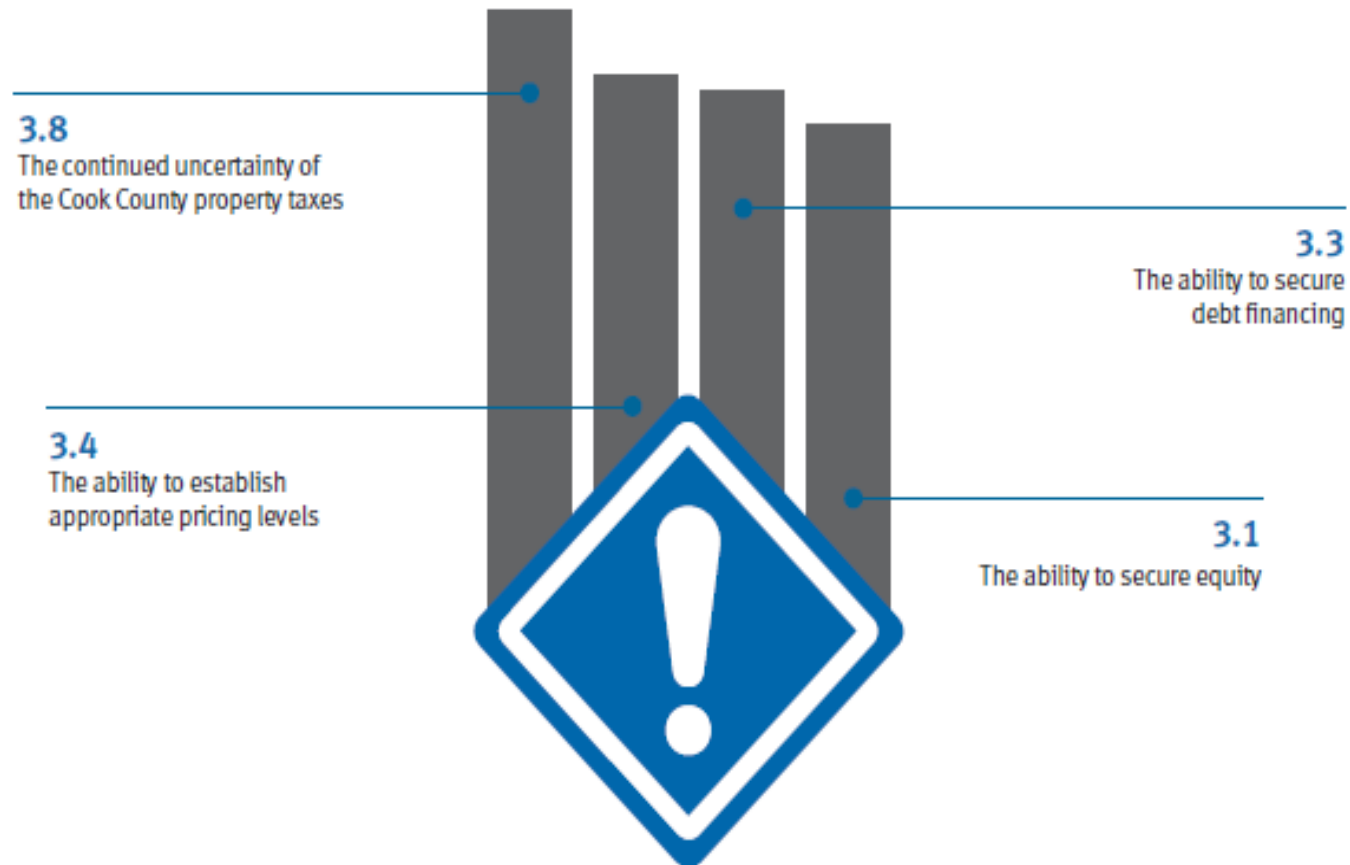
*Note: Respondents assigned a score for each concern on a scale from 1 (unconcerned) to 5 (very concerned). The values shown reflected the weighted average of each, sorted from highest to lowest.*



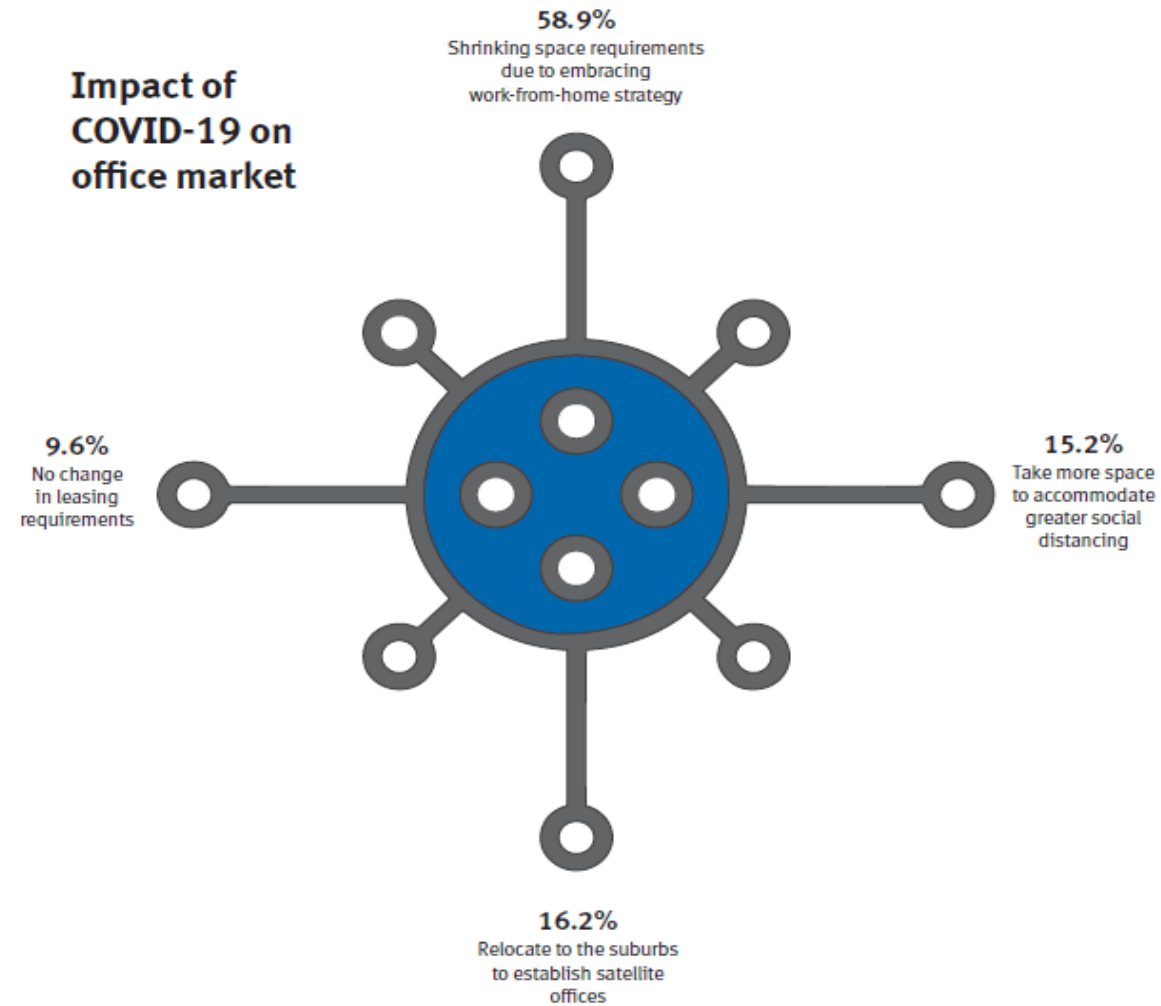
# What are the Threats to Chicago's RE Markets in the Years to Come?

## Ranking the greatest threats

*Note: Respondents assigned a score for each concern on a scale from 1 (unconcerned) to 5 (very concerned). The values shown reflected the weighted average of each, sorted from highest to lowest.*

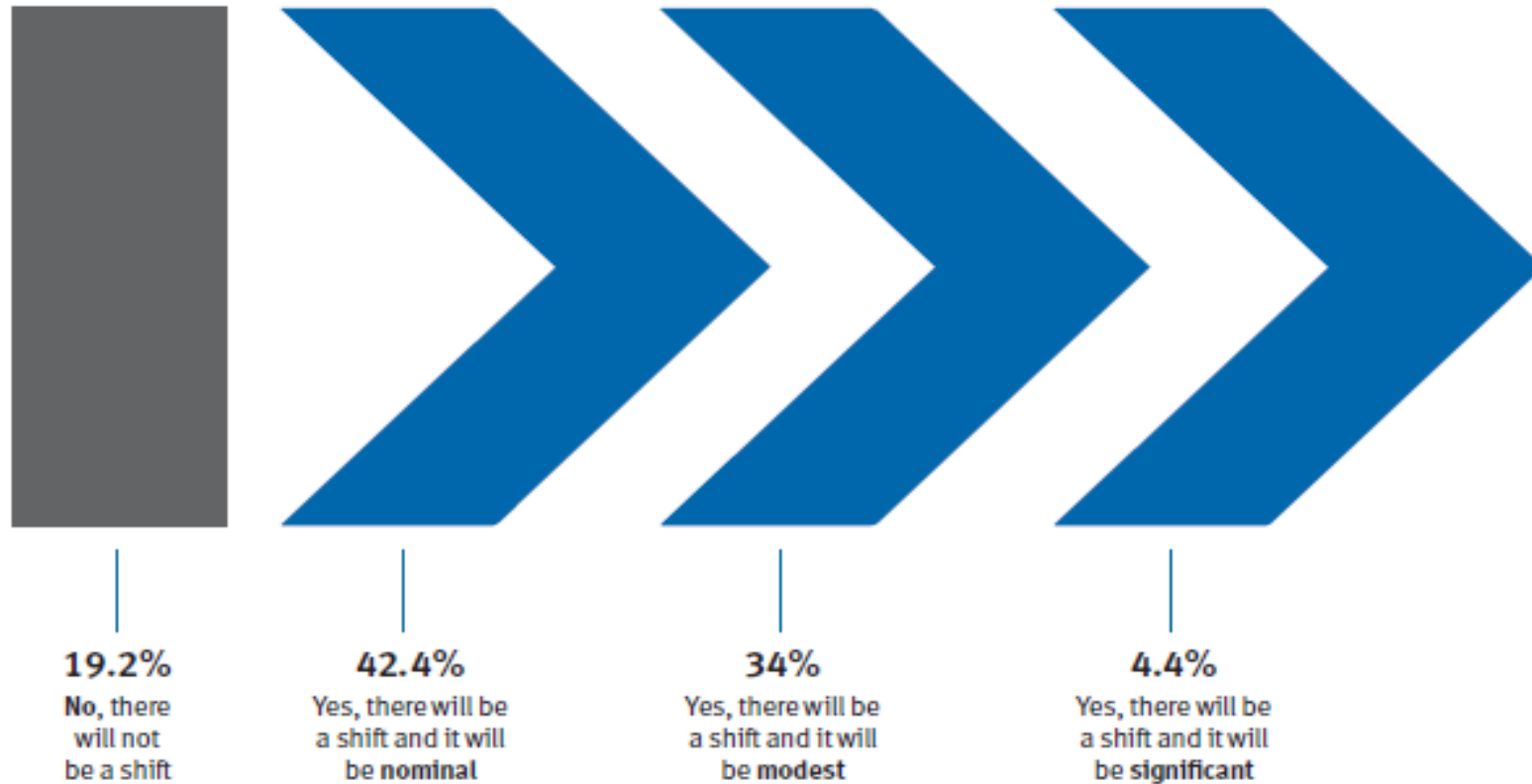


# Office Market Outlook



# Hints of What will Likely Happen in the Longer Run Assuming the Pandemic Ends Quickly

## Shift to suburban investments?



# Key Takeaways

- My crystal ball (with several grains of salt)
- Everything depends on the duration of the pandemic risk.
- If the shock ends quickly and if pandemics do not reappear, then the shock is real but doesn't change urban life massively.

**PANELISTS:**

**SUE BLUMBERG**

Senior VP, Managing Director  
North Marq

**MICHAEL EPISCOPE**

Principal & Co-Founder  
Origin Investments

**KEITH LARGAY**

Senior Managing Director  
Chicago Office Co-Head  
JLL

**MARY LUDGIN**

Senior Managing Director  
Head of Global Research  
Heitman

Having Technical Issues? Email: [Chicago@uli.org](mailto:Chicago@uli.org) or Call/Text: 773-677-3026