

MARKET UPDATES

COVID-19 Impacts on U.S. Commercial Real Estate September 11, 2020

ECONOMY

DROP IN UNEMPLOYMENT MISLEADING, BUT DIGITAL ECONOMY GAINS STEAM

Unemployment dropped dramatically to 8.4% from 10.2% in August, falling to a level that hadn't been expected before at least Q1 2021. However, as a barometer of an improving economy, this decline in joblessness is misleading. This is because it is based on the household survey measure of employment, which can be quite volatile and could reverse. In addition, the labor participation rate remains low, so the headline unemployment rate doesn't account for the people who are not actively seeking work. The 8.4% rate relieves pressure on the federal government to deliver an additional stimulus package, which the economy needs to sustain its recovery.

There are bright spots in the economy. Retail sales are higher than they were prior to COVID-19 and credit card sales are almost back on par. With e-commerce penetration rising to 21% of retail sales from 16% in the past six months, the digital economy has accelerated.

As the digital economy gains steam, all of the data it generates needs a home, which is why investor demand for data centers has never been stronger. Our latest research, summarized below, gives a marvelous overview of this emerging sector.

SPOTLIGHT

DATA CENTERS PLAY INCREASINGLY CRITICAL ROLE IN CONTINUING BUSINESS ACTIVITY

- Data centers have been one of the real estate sectors least affected by COVID-related issues and the recession.
- Wholesale data centers in primary U.S. markets (Northern Virginia, Dallas, Silicon Valley, Chicago, Phoenix, New York Tri-State and Atlanta) recorded 134.9 megawatts (MW) of net absorption in H1 2020, down by 21% from the same period last year. Northern Virginia accounted for 69% of the total.
- New inventory in primary markets grew by 5% or 131.1 MW in H1 2020, bringing the overall footprint of the primary wholesale colocation market to more than 2.7 gigawatts (GW).
- More than 373 MW of capacity was under construction across primary markets in H1 2020, with Northern Virginia accounting for the lion's share at 239 MW. More than 100MW has broken ground so far this year, increasing the pipeline of new deliveries.

T H E
WeeklyTAKE

- Increased competition in primary markets, such as Northern Virginia and Dallas, led to a 5.8% drop in wholesale colocation asking rates for 250 to 500 kilowatt (kW) requirements this year to an average of \$121 per kW/month, compared with \$129 in 2019.
- Of the 373.6 MW currently under construction in primary markets, 125 MW has been preleased. This is a slight increase from the 112.3 MW of preleasing in 2019.

Read more in CBRE's [H1 2020 North American Data Center Report](#).

CONTACTS:

[Richard Barkham](#)

[Spencer Levy](#)

[Julie Whelan](#)