



New Study Reveals 87% of Institutional Investors Expect More or Similar Investment Levels in Commercial Real Estate in 2021 Compared to 2020

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FTI Consulting and REFI Release Joint Study on COVID-19's Impact on Investment Trends and the Expected Recovery

NEW YORK, Jan. 27, 2021 (GLOBE NEWSWIRE) -- Although the initial lockdowns at the start of the COVID-19 pandemic led to a widespread, sudden halt to many commercial real estate transactions, certain pockets of the industry are projected to have a slow, steady comeback in 2021, while others may experience a V-shaped recovery or a continuing lag, according to a survey of U.S.-based commercial real estate debt and equity investment professionals. The research was conducted by [FTI Consulting, Inc.](#) (NYSE: FCN) and [Real Estate Fund Intelligence](#) ("REFI") during the third quarter of 2020.

"Our research shows how varied the expectations for the recovery across commercial real estate sectors are," said [Josh Herrenkohl](#), a Senior Managing Director and Leader of [Business Transformation Services](#) within the [Real Estate Solutions](#) practice at FTI Consulting. "The areas where investors expect a V-shaped recovery reflect the thinking that in 2021 there will be a vaccine and that everything gets back to normal. But investors also believe that the recovery for some asset classes will take either a slow, steady U-shaped recovery or an L-shaped scenario, with a further drop and no recovery for an extended period (depression)."

Among the FTI Consulting/REFI study's key findings:

- In the short-term, 77% of respondents said they were attracted to traditional asset classes, with another 39% interested in debt.
- Looking long term, traditional assets classes are the favorite, with 81% of respondents indicating so. However, 39% also said they were attracted to specialty housing such as affordable housing, senior housing and student housing.
- The industrial sector — which has remained relatively stable throughout the pandemic — is expected to recover the quickest, with 75% of respondents predicting a quick, decisive V-shaped recovery for the asset class. Another 13% of respondents expect a U-shaped recovery for the sector.
- For urban multifamily assets, 56% of institutional believe the recovery will be U-shaped, while another 15% expect to see either a V-shaped or W-shaped recovery, which shows a quick recovery, followed by a downturn, and then another quick uptick.
- In suburban multifamily, 41% foresee a V-shaped, quick recovery; 33% foresee a U-shaped recovery; and 22% predict a W-shaped recovery.
- For office, a U-shaped recovery was strongly predicted for both urban (49%) and suburban (48%) assets; only 7% expect to see a V-shaped recovery in urban office, and 21% expect a V-shaped recovery in the suburban office market.

[Jahn S. Brodwin](#), a Senior Managing Director and Co-Leader of the [Strategic and Transaction Advisory](#) group within the Real Estate Solutions practice at FTI Consulting, said, "The office market will be a zero-sum game over time: a shift to more remote workers, office occupants demanding more square footage per head, and select suburban offices becoming the spokes to urban hubs for the next two to three years. However, over the long term, I expect the workforce will return to urban centers."

The survey revealed expectations for a far slower recovery of the retail and hospitality sectors:

- Only 1% of respondents expect a quick revival of high street retail and mall shopping. For shopping malls, 70% predict an L-shaped recovery.
- Fifty-eight percent of respondents foresee a U-shaped recovery, and 16% of respondents expect a V-shaped recovery in neighborhood shopping.
- The hospitality sector is projected to make a slower rebound, with 75% predicting a U- or L-shaped recovery for that asset class.

The 2021 Outlook

In general, U.S.-based institutional investors expect transaction volume will be significantly higher in 2021: 44% of respondents believe 2021 transaction volume will be above average or at record highs if there is a cure or vaccinate by the end of 2020.

The research also revealed that because other kinds of investments will be more turbulent as a result of market volatility, institutional investors may remain keen on long-term commercial real estate investment: 87% of respondents said they thought there will be more or similar amounts of institutional investment in 2021 than in 2020.

With 38% of investors seeing distress in the commercial real estate market in 2020 and 54% expecting to see it in 2021, institutional investors foresee new opportunities in the marketplace.

"Institutional investors have the capital and fortitude to play the long game and weather the storm, which will create opportunity," Herrenkohl said. "Real estate continues to be a good hedge for many investors looking to manage risk and diversify their portfolios."

About the FTI Consulting/REFI Study

REFI Global conducted the survey for FTI Consulting over a two-month period in partnership with REFI's July 2020 Global Investors Virtual Summit

among 64 U.S.-based commercial real estate investment professionals, including fund and investment managers, REITs and other institutional investors. These findings and insight from FTI Consulting are the basis of a new white paper, [How the COVID-19 Pandemic has Impacted the Commercial Real Estate Landscape in the Short and Long Term](#).

About the FTI Consulting Real Estate Solutions Industry Practice

FTI Consulting Real Estate Solutions professionals have the industry expertise and experience to help real estate owners, users, investors and lenders better navigate the market's complexities and manage its inherent risks. As unbiased and independent advisors, FTI Consulting represents leading public and private real estate entities and stakeholders, including REITs, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, pension advisors and owners/developers, offering real estate consulting services that help align strategy with business goals.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 6,200 employees located in 28 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated \$2.35 billion in revenues during fiscal year 2019. For more information, visit www.fticonsulting.com and connect with us on [Twitter \(@FTIConsulting\)](#), [Facebook](#) and [LinkedIn](#).

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