

Net Takeaways



The 21st Century's Own Roaring Twenties - What it Means for Commercial Real Estate

The “Roaring Twenties” hold a certain nostalgia in the collective American mindset, harkening back to the days of flappers, speakeasies, and the headiness of the economic boom that preceded the Great Depression. While most have some recollection of the period from their history books, it’s easy to lose sight of what fundamentally fueled the age. Borne of the national tragedy and hardship of both the Spanish Flu Pandemic and the terrible losses of World War I, Americans were desperate for a return to normalcy and longed to live their lives in an, at times, ostentatious manner.

It is time to consider that America may be primed to enter the 21st Century’s own “Roaring Twenties.” Eighteen months or more of social distancing (by the time herd immunity is achieved) has created a vast and seemingly limitless well of pent-up demand to simply live and experience freedom amongst American society. Delayed weddings, canceled travel, missed birthdays and graduations, and more broadly, a deeper appreciation for those things once taken for granted, have instilled a voracious desire to get out into the world and live.

We believe that the years between 2022 and 2025 (perhaps beginning sooner and going longer) will exhibit some of the most pronounced consumer spending on virtually all swaths of the American economy. Flights will soar, hotels will fill, and retailers will see their registers ringing abundantly. The impact of this bounty on commercial real estate will be profound, if uneven. As we saw with the Great Recession, as quickly as we troughed through the implosion of sub-prime lending and overbuilt real estate markets, it was in our rear-view mirror quickly, and discretionary spending outdid itself year after year after year.

The commercial real estate industry, which by and large has been written off for 2020 and 2021, may very well spring back to life quicker than we thought. Downtown tourist-centric hotels, airport-related commercial, and shopping malls in high-end demographics are some of the areas of the market that are likely to experience a bonanza as this trend takes hold.

The wave is not likely to be evenly distributed. Office assets nationally (CBD and suburban) will not benefit as workers get back to some normalcy. Remote and flexible working has entrenched itself as a permanent fixture of the American workplace. Additionally, hospitality-focused on business travel is likely to be a laggard, as American businessfolk have discovered new ways to conduct business once thought to require travel.

Regardless of its distribution, the potential 21st Century Roaring Twenties will be a godsend that the commercial real estate world will relish and look to capitalize upon.

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