

# COVID-19 Accelerates Shift in North American Commercial Real Estate Market

**Retail and hospitality sectors are particularly affected as PERE market sees a sharp fall**

The COVID-19 pandemic has hit the North American commercial real estate market hard. Private equity real estate (PERE) fundraising reached a peak in 2019, as funds secured \$83bn, and seemed to be set to match that in 2020. But as of June, just \$23bn has been raised for the sector. Deal-making has also declined, from over 3,600 deals made in 2019 to less than a thousand in the first half of 2020. The retail and hospitality sectors have been most severely impacted, as these properties have been most exposed to the economic slowdown, but office and industrial activity has also declined. Looking forward, though, the market is ready to return to action. US commercial real estate dry powder stands at a record \$147bn (as of December 2019), with fund managers poised to return to the market as it emerges from this crisis.

**For more information and analysis, see the full [US Commercial Real Estate report here](#):**

<https://www.preqin.com/insights/research/reports/preqin-special-report-us-commercial-real-estate>

## Christopher Beales, Real Estate Spokesperson:

*“As consumers and businesses adapt to enforced distancing and lockdown measures, the way in which Americans use commercial property has abruptly changed. This has accelerated longer-term trends, like the rise of ecommerce, that have seen bricks-and-mortar retail and hospitality assets become less sought-after in favor of industrial assets. However, the commercial real estate market in North America is still growing, and fund managers have a lot of dry powder to spend. As new ways of life arise, new opportunities will come to the market. The challenge for managers will be to gauge what the next 10 years of working, shopping and holidaying will look like.”*

## Key US Commercial Real Estate Facts:

- North America-focused commercial private equity real estate **funds raised just \$23bn** through 47 closures in H1 2020, a sharp fall from 152 funds that secured \$83bn in 2019 as a whole.
- **PERE dealmaking also fell:** 3,639 deals were completed in 2019, but as of June 2020 just 968 have been made. Deal values have fallen from \$180bn to \$38bn in the same period.
- H1 2020 saw **just \$3.4bn in PERE deals made in the retail sector and \$6.0bn in the hospitality sector**. Deal-making for office assets also declined from \$90bn in deal value in 2019 to \$19bn in H1 2020.
- **California is still the most valuable dealmaking state**, with \$5.3bn in deal value recorded in H1 2020. But Massachusetts and Texas have proved the most resilient markets. Their mid-year totals of \$3.2bn and \$2.0bn respectively put them on track to match their 2019 totals.
- As at December 2019, North America-focused commercial PERE **assets under management (AUM) stand at \$416bn**. Dry powder stands at a record high of \$147bn.

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