**COVID-19 Impact Concerns on the Rise in CRE: NAIOP Study**

NAIOP’s latest monthly survey finds improved activity in some aspects of the industrial and office markets but increasing pessimism about the pandemic’s long-term effects.

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NAIOP’s fourth monthly survey of its U.S. members on the impacts of COVID-19 on their businesses showed improved deal activity in the industrial, office and multifamily sectors in July, but also found 50 percent of respondents now expect the coronavirus to impact their business operations for more than a year. That number is up, compared to 39.7 percent in June and 36.4 percent in April, and may be a reaction to the recent surge in reported coronavirus cases across the U.S.

**READ ALSO**: [**CPE’s Coronavirus Coverage**](https://www.cpexecutive.com/post/cpes-coronavirus-coverage/)

NAIOP’s July Coronavirus Impacts Survey results also found that more developers are facing delays in permitting and entitlements, delayed financing, supply shortages and contractors declaring force majeure or filing for bankruptcy due to the pandemic. The report noted the increase in disruptions is a reversal of previous trends, evident in June, that indicated improving conditions for current development projects. The persistence of the disruptions is likely contributing to some developers extending their expectations for the length of time COVID-19 will affect their operations. When asked how the coronavirus outbreak is currently affecting their development projects, nearly 76 percent, or 134 respondents, cited “added delays in permitting/entitlements.” Respondents were able to select all the options that applied to them. Of the nine options, the choice with the second-highest number of responses was “*significant decline in leasing/preleasing of space,*” with nearly 52 percent, or 92 respondents, selecting that option. The report stated that slightly fewer respondents in July (22 percent) chose “*halted construction due to order by state/local government*.”

The July COVID-19 impacts survey results also found that more developers are facing delays in permitting and entitlements, delayed financing, supply shortages and contractors declaring force majeure or filing for bankruptcy due to the pandemic. The NAIOP report notes the increase in disruptions is a reversal of previous trends that had been showing improving conditions for current development projects since June. The persistence of the disruptions is likely contributing to some developers extending their expectations for the length of time COVID-19 will affect their operations. When asked how the coronavirus outbreak is currently affecting their development projects, nearly 76 percent, or 134 respondents, cited “added delays in permitting/entitlements.” Respondents were able to select all of the options that applied to them. Of the nine options, the choice with the second-highest responses was “*significant decline in leasing/preleasing of space*” with nearly 52 percent, or 92 respondents, selecting that option. The report stated that slightly fewer respondents in July (22 percent) chose “*halted construction due to order by state/local government*.”

The delays and disruptions cited by the developers, as well as the spike in U.S. cases in recent weeks, may have led to the increased pessimism of the respondents when estimating how long they expect their businesses to be impacted by the pandemic. Approximately 40.5 percent, or 140 respondents, stated they expected the outbreak to significantly impact their businesses for six to 12 months. Nearly 31 percent, or 104 people, responded 13 to 18 months and almost 20 percent, or 69 members, said more than 18 months. Just 3 percent, accounting for 10 respondents, said they expected no impact and 6.7 percent, or 23 people, said less than six months.

The July Coronavirus Impacts Survey also continued a trend that emerged in NAIOP’s latest [**CRE Sentiment Index**](https://www.cpexecutive.com/post/naiop-finds-drop-in-cre-confidence/), released in May. That biannual survey went into negative territory for the first time since it began in 2016. The index dropped to 45, down substantially from the September 2019 score of 57. An index score below 50 indicates that unfavorable commercial real estate conditions are expected in 12 months.

**SOME GOOD NEWS**

The July survey wasn’t all doom and gloom. The month continued a trend of positive growth in reported industrial, office and multifamily building acquisitions activity, with more respondents having witnessed these deals than in previous months, according to a prepared statement by Thomas Bisacquino, NAIOP president & CEO.

Industrial saw the most activity in July, according to the respondents, with 92.6 percent of them reporting witnessing acquisitions in July, compared with 70.7 percent in June. The July survey also found the first significant increase in office development activity since April. While still a small number, 16.5 percent in July compared to 8.5 percent in June, reported new office development. But NAIOP cautioned that office deals are still uncommon in many markets, with 52.2 percent of respondents reporting they had not seen any office deals in recent weeks. The numbers for retail were even higher, with 79.6 percent of respondents reporting they had not witnessed any new retail deals, acquisitions or development in July, Bisacquino said.

The NAIOP survey was completed by 347 NAIOP members between July 15 and July 20. NAIOP has about 10,500 members in the U.S. Those members are developers, building owners or managers, brokers, analysts, consultants, lenders and investors in the office, industrial, retail and multifamily sectors.

Read the full report on [**NAIOP’s website**](http://blog.naiop.org/2020/08/naiops-july-coronavirus-impacts-survey-results-cre-continues-to-recover/).