

## Profimex Market Research Update – July 27, 2020

### Why Covid-19 Makes It Harder for Cities to Fight Climate Change

While many major global cities are working to reduce carbon emissions in office buildings, it is becoming ever more difficult as these cities are trying to contain COVID-19. Today, in order to create a more safe working environment for tenants, landlords are increasing their energy usage in order to reduce the likelihood that someone catches the virus in their building.

Buildings and construction account for 39% of all energy-related carbon emissions, according to a 2019 report by the United Nations Environment Programme. In order to reduce the likelihood of



infection, many landlords are being told to run their HVAC system 24 hours a day in order to have fresh air inside the building, which may increase energy costs by 36%. Landlords in some cities face not just higher energy bills, but also steep fines. In New York, the country's largest office market, the city council last year passed a bill that set emission caps for buildings with a goal of reducing carbon emissions 40% by 2030, compared with 2005 levels. Landlords may face up to one-million dollars per year in fines as a result.

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### NYC Apartment Rents Are Dropping As Residents Leave In Droves

Rental rates for NYC's multifamily market have been falling since March 2020 due to many people leaving the urban area. This has hit demand hard and industry experts expect that it will take some time before rental prices are back to pre-COVID 19 levels (around 2021). In addition the demand dropping, tens of thousands of new units currently in construction expected to hit the market over the next 18 months, which will only add pressure to falling rental rates. In Manhattan, where the drop has been most drastic, average rents have gone down 6.4% from March to June, according to data compiled by MNS Real Estate. Additionally, a further increase vacancies has been brought about students leaving their rentals with many universities and colleges switching to online schooling.



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## Tech Office Markets Take A Beating From Pandemic, But Chicago Avoids The Worst

Though many large tech-heavy cities, such as San Francisco, have fared the worst of the impact from COVID-19, many other more diversified cities, such as Chicago and Dallas, have fared better during the same time period. Since March 2020 there has been a large increase subleases offered in the largest 10 cities in America by about 12% according to CBRE. Tech-heavy San Francisco and Denver led the way with increases of 33%, the study shows, while Boston, another tech center, had 5.5M SF for sublease, an 18% increase since March. During the same time, Chicago in June had 5.6M SF for sublease, which puts the city in the middle of the list with an 8% increase.



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