

# Real Estate Market Update

March 2020

We believe the risk of coronavirus to U.S. real estate performance remains relatively small. The SARS virus of the early 2000's is likely the best parallel; it is estimated that SARS reduced China's 2003 GDP growth by about 200 basis points,<sup>1</sup> but had very little measurable economic impact on countries outside of China. We believe there remains downside risk to the U.S. and the rest of the global economy due to [1] China playing a bigger role in the global economy today than it did in 2003; and [2] the possibility of coronavirus becoming worse than SARS was. As of this writing, MetLife Investment Management's Global Economic Market Strategy view is that the virus may have a moderate impact on economic output this year in the range of 50 basis points; however, they believe the impact will be relatively short-lived and do not expect the virus to carry the U.S. directly into a recession. We recognize this is a very fluid situation and will continue to closely monitor the impacts of the virus and update the below analysis accordingly.

## Real Estate Outlook

- **Coronavirus could hinder a rebound in manufacturing activity:** In our view, the manufacturing sector is already in a fragile state given the multi-front trade war and the halting of Boeing's 737 MAX production. As such, we expect any additional global demand slowdown caused by coronavirus could further impact manufacturing. U.S. markets with the largest concentrations of manufacturing employment include San Jose, Portland, Minneapolis, Charlotte and Chicago, but as mentioned above, we would expect any impact to be limited.
- **Coronavirus will likely impact the hotel real estate sector in the U.S.:** The U.S. is a primary destination for Chinese and global travelers, and hotel properties in markets with a high dependency on tourism from China (or tourism generally) are currently at risk in our view. These markets include London, Los Angeles, Chicago, Orlando, New York City, Seattle, San Francisco, Riverside/San Bernardino, and Boston. The spread of the virus will likely continue to curtail business travel—both in terms of group meetings and transient travel—in the coming months as companies have placed restrictions on employees. This may soften hotel revenues across the nation, but we would not expect a material impact on values.
- **We do not expect a material or long-term impact:** In the past, the effects of similar economic events have been notable but short lived. We expect the most significant impacts could be in developing countries that are less well-equipped to combat infectious diseases as well as countries who rely more on tourism than the United States. Nonetheless, this is a risk that we will monitor in the coming months.

<sup>1</sup> Wen Hai, Zhong Zhao, Jian Wang, and Zhen-Gang Hou, MIT Press Journals, 2004.

# About MetLife Investment Management

MetLife Investment Management (MIM),<sup>1</sup> MetLife, Inc.'s (MetLife's) institutional investment management business, serves institutional investors by combining a client-centric approach with deep and long-established asset class expertise. Focused on managing Public Fixed Income, Private Capital and Real Estate assets, we aim to deliver strong, risk-adjusted returns by building tailored portfolio solutions. We listen first, strategize second, and collaborate constantly as we strive to meet clients' long-term investment objectives. Leveraging the broader resources and 150-year history of the MetLife enterprise helps provide us with deep expertise in navigating ever changing markets. We are institutional, but far from typical.

For more information, visit: [metlife.com/investmentmanagement](https://www.metlife.com/investmentmanagement)

---

## Disclosure

This document has been prepared by MetLife Investment Management ("MIM") solely for informational purposes and does not constitute a recommendation regarding any investments or the provision of any investment advice, or constitute or form part of any advertisement of, offer for sale or subscription of, solicitation or invitation of any offer or recommendation to purchase or subscribe for any securities or investment advisory services. The views expressed herein are solely those of MIM and do not necessarily reflect, nor are they necessarily consistent with, the views held by, or the forecasts utilized by, the entities within the MetLife enterprise that provide insurance products, annuities and employee benefit programs. The information and opinions presented or contained in this document are provided as the date it was written. It should be understood that subsequent developments may materially affect the information contained in this document, which none of MIM, its affiliates, advisors or representatives are under an obligation to update, revise or affirm. It is not MIM's intention to provide, and you may not rely on this document as providing, a recommendation with respect to any particular investment strategy or investment. The information provided herein is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation. Investment involves risk including possible loss of principal. Affiliates of MIM may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned herein. This document may contain forward-looking statements, as well as predictions, projections and forecasts of the economy or economic trends of the markets, which are not necessarily indicative of the future. Any or all forward-looking statements, as well as those included in any other material discussed at the presentation, may turn out to be wrong.

For Institutional and Professional Investor use only.

<sup>1</sup> MetLife Investment Management ("MIM") is MetLife, Inc.'s institutional management business and the marketing name for the following affiliates that provide investment management services to MetLife's general account, separate accounts and/or unaffiliated/third party investors: Metropolitan Life Insurance Company, MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), and MIM I LLC.

L0320002448[exp0321][All States]

