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## Commercial Real-Estate Prices Stumble in Global Capitals

Murky economic outlook and trade tension weigh on sentiment about property



Singapore property prices fell 0.6% in the quarter. A view of the Singapore Central Business District skyline. PHOTO: SUHAIMI ABDULLAH/GETTY IMAGES

*By Esther Fung*

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Commercial-property prices in major cities around the world tumbled in the second quarter, amid signs of slower global growth and heightened trade tension between China and the U.S.

Average property prices fell in the second quarter from the first quarter in Hong Kong and Seoul to London and Washington, D.C., according to data from Real Capital Analytics.

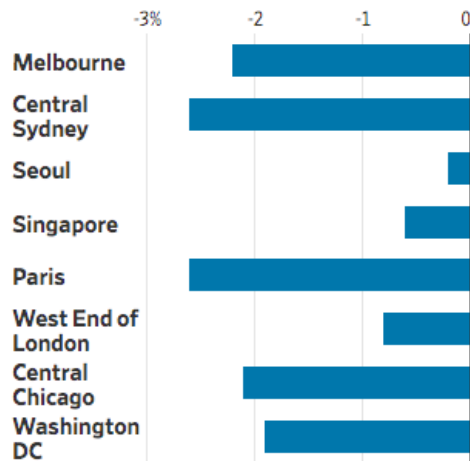
Paris commercial real-estate prices declined the most among the markets that Real Capital Analytics tracks in Europe, tumbling 2.6% for the quarter. Prices in Central Chicago fell 2.1%, making it the worst performer among U.S. cities.

In Australia, where the economic growth has slowed sharply since mid-2018, property prices were down more than 2% in Melbourne and Central Sydney.

“Investors are less hungry to take on risks in major markets,” said Jim Costello, senior vice president at Real Capital Analytics.

### Real-Estate Retreat

Quarter-on-quarter change in commercial-property prices in 2Q



Source: Real Capital Analytics

The quarter marked the first time in years that property prices in so many of the world’s major cities were weaker than the previous quarter. Prices for hotels, office buildings, malls and other commercial property in these metro areas enjoyed a big run-up in recent years, but an increasingly murky economic outlook is weighing on sentiment.

Some economists believe that the recent phenomenon of shorter-term U.S. government-bond yields climbing above longer-term ones could be signaling a recession. The Federal Reserve last month cut the federal-funds rate by a quarter-percentage point, citing slower growth overseas as one reason. The U.S. trade dispute with China—despite the

administration’s decision on Tuesday to [delay the next round of tariffs](#) until December—could set the stage for additional rate cuts.

Some real-estate executives suggest that the low interest-rate backdrop had kept prices edging higher, and that investors are only now starting to focus on deteriorating economic fundamentals.

“I think ample liquidity is potentially covering a multitude of sins,” said Brian Ward, chief executive officer of Trimont Real Estate Advisors.

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In Singapore, an economy heavily reliant on trade, second-quarter gross domestic product contracted 3.3% from the first quarter, reversing the 3.8% growth recorded in the first quarter. Singapore’s government also lowered the country’s GDP forecast this year, to a range of 0

to 1% from a previous estimate of 1.5% to 2.5%. Singapore property prices fell 0.6% in the quarter.

High construction costs have limited new supply and helped stabilize U.S. commercial-property prices. Industrial, apartment and office values rose between 2% and 9% over the past 12 months, according to real-estate research firm Green Street's Commercial Property Price Index.

But some sectors still experienced price declines, such as apartment and office market prices in Chicago and New York. U.S. mall values also fell 7% over the past year, Green Street said.

Cedrik Lachance, director of Green Street's REIT research, said that while the economic backdrop has become more difficult for real-estate companies in the U.S., there has been slow but steady growth. He expects property prices in the U.S. to be flat in the next six to 12 months, with lower interest rates helping to offset slowing growth and a dip in business confidence and investment.

"Obviously, rates have helped a lot in terms of sustaining property prices," he said.