

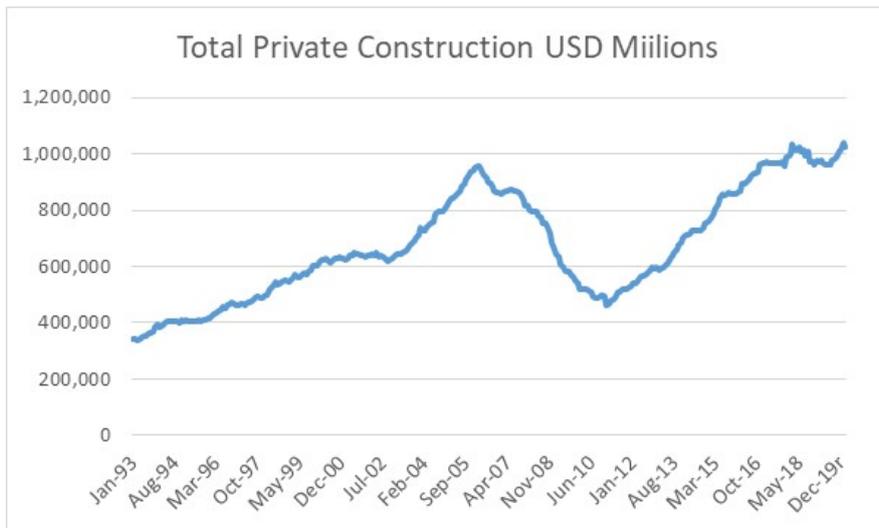
COMMERICAL BREAK



Russell Clark's  
Market Views

“Typically a downturn sees commercial rents fall, and then supply falls as construction is halted.”

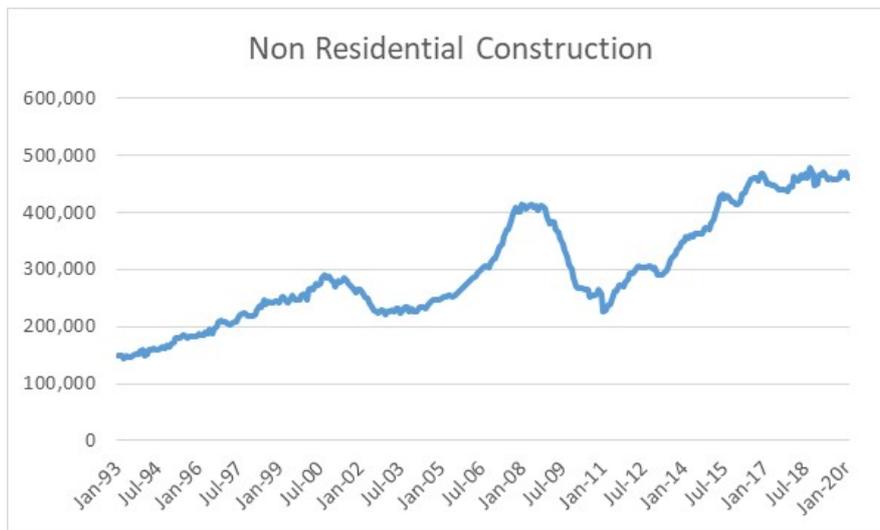
According to US Census data, 2019 total private construction revenue passed the 2007 peak in 2016 and has remained at high levels for the past 4 years.



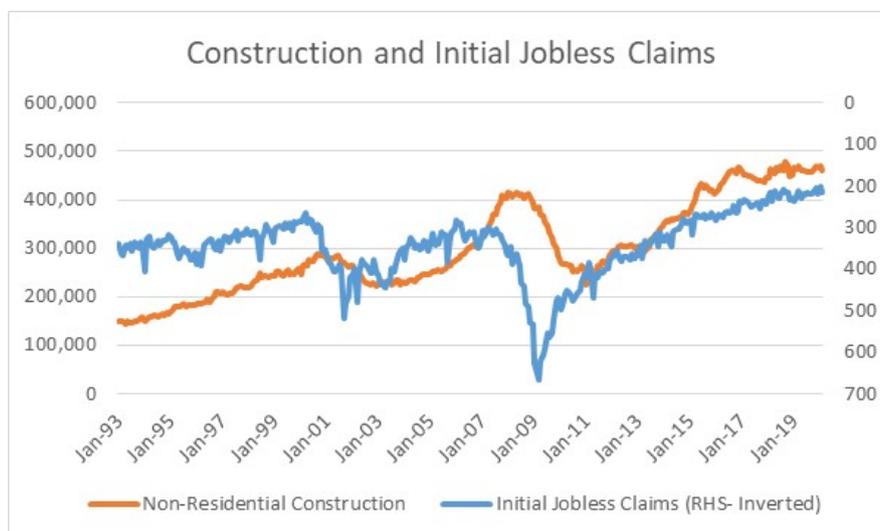
The previous peak was driven by residential construction, and particularly single home construction.



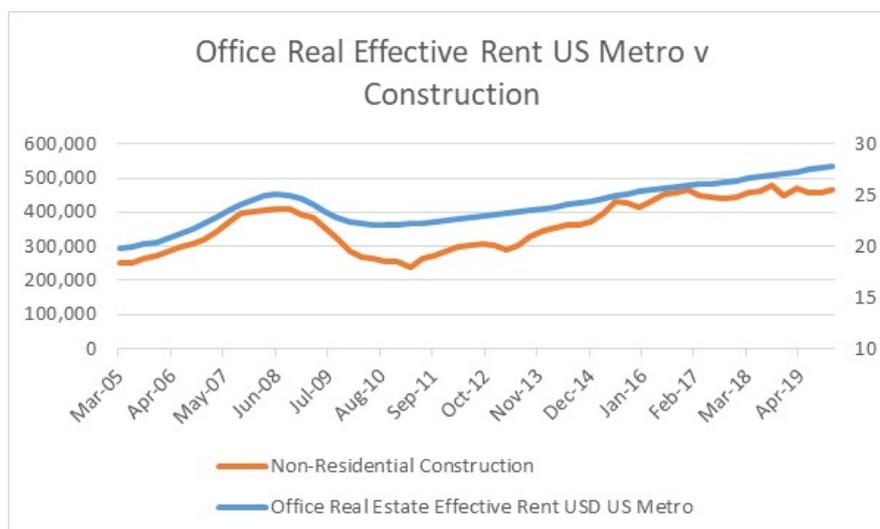
Non Residential construction has been the big driver of construction since the 2009 financial crisis.



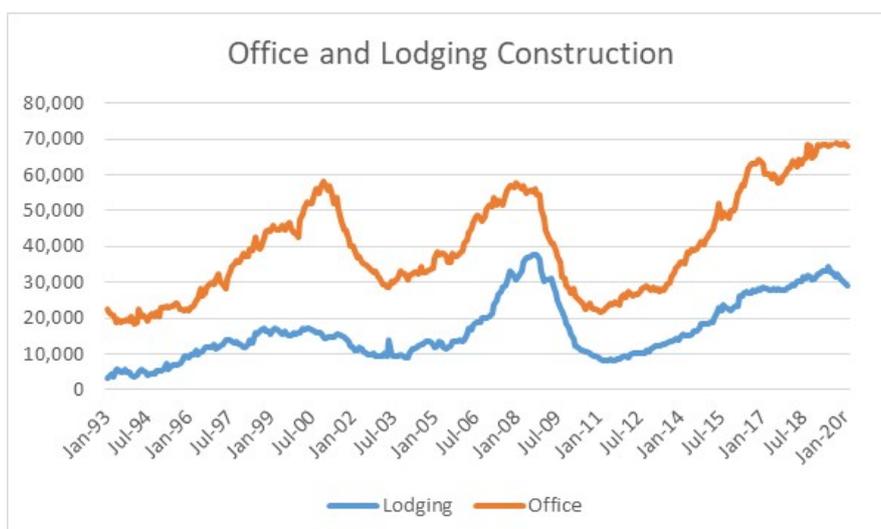
Non residential construction is highly correlated to initial jobless claims, with construction falling soon after initial jobless claims increase. Note the most recent initial jobless claim is not shown in this graph.



Non residential construction trends also tend to follow rents but with a lag. Typically, a downturn sees rents fall, and supply falls as construction is halted.



We can break non residential construction into various subsectors to see which areas are at most risk of oversupply. Both US office and lodging have seen elevated levels of construction in recent years.



The US office and lodging property market look at risk of prolonged recession in any downturn.

## INFORMATION

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