CUSHMAN & WAKEFIELD RESEARCH

COVID-19: A WHOLLY UNPRECEDENTED POLICY RESPONSE

Historic $2 Trillion COVID-19 Relief Package

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WHAT HAPPENED?

On March 27, 2020, an enormous $2.2 trillion emergency coronavirus stimulus package was signed into law by President Trump. The legislative package—the Coronavirus Aid, Relief and Economic Security (CARES) Act—is the largest rescue package in U.S. history. The stimulus bill is aimed at providing immediate economic relief to households and businesses large and small.

Below is a summary of coronavirus fiscal policy responses so far:

Legislation	Estimated Value*	Key Provision
Coronavirus Preparedness and Response Supplemental Appropriations Act	**$8.3 billion**	• Funds for medical supplies, vaccine trials and treatment R&D
Families First Coronavirus Response Act	**$140 billion**	• $105B for paid sick leave and childcare benefits • $30B for state Medicaid programs • $5B for free testing, unemployment insurance and nutrition
Coronavirus Aid, Relief and Economic Security (CARES) Act	**$2.2 trillion**	• $500B for industries and companies via Fed credit facilities ○ $454B in lending programs via Fed, $50B to airlines (grants + loans), $17B firms key to national security (loans), $8B cargo (grants + loans) • $377B for small business loans via SBA ○ $349B in guarantee loans via 7(a), remainder via expanded microloan, express bridge and disaster loan programs • $340B funding for healthcare, veteran's care, transit, education and other programs (generally provided to states) • $290B direct household payments • $250B in tax breaks, tax deferrals • $150B in funds for states for COVID-19 expenses

*Source for costs Oxford Economics. Cost estimates vary by firm/analyst and program, although some are explicit in the bill.

ECONOMIC IMPACT

- This round of fiscal stimulus is massive, accounting for 11% of 2019 nominal U.S. GDP. When we sum the CARES Act with the other two pieces of COVID-19 legislation, along with the potential value of the new policy initiatives launched by the Federal Reserve, the total value could easily total more than 20% of GDP. (The Fed's balance sheet has already expanded by over $1 trillion in March alone.)

- This level of government policy response is unprecedented both in terms of scope and the speed at which it has been implemented. For perspective, the full fiscal stimulus pumped into the economy throughout 2008, 2009 and 2010 combined totaled about 10% of 2007 nominal U.S. GDP.

- The stimulus is needed. Layoffs are quickly soaring. Jobless claims rose from 282,000 to 3.28 million in the week ending on March 21, 2020. Some estimate that the total number of layoffs could increase by another 5-10 million by the end of Q2 2020.

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ECONOMIC IMPACT *(continued)*

- Although the stimulus will help cushion the economic impact from this unique shock, it will not be enough to prevent a recession. U.S. real GDP growth forecasts for Q2 2020 range from -10% to -30% when annualized. The recently passed stimulus will likely add somewhere between 5% and 10% to Q2 real GDP growth (also when annualized), so while real GDP growth in Q2 will be negative, it will be less so.
- The president and lawmakers are already hinting at additional economic relief packages. The next round is likely to include funds for states whose tax revenues have been significantly reduced, an extension of household support from the CARES Act, as well as other possible spending measures.

WHAT IT MEANS FOR PROPERTY

- Anything that is good for the economy will ultimately be good for commercial real estate.
- Many occupiers, both large and small in terms of headcount, will qualify for some financial relief. This will help stem the ultimate number of layoffs and limit the impact on vacancy rates across most CRE sectors. Even so, we still anticipate a rise across most, if not all sectors.
- Many households will qualify to receive checks for $1,200 and $500 per child. Further, regulators and state and local governments have eased conditions surrounding near-term mortgage/rent payments. These resources and actions will help support consumer spending, which accounts for 68% of U.S. GDP, and consumer creditworthiness. This will have positive feed-through effects on most property types in the near- and medium-term.
- Fiscal and monetary policy actions are also working in tandem to provide liquidity to businesses, households and financial markets. This is critically important for CRE because it mitigates the number of bankruptcies, credit stress and a prolonged period of reduced economic activity.
- Most heartening is the signal that these actions have sent to the world: governments and their central banks will do whatever it takes to get the global economy through this pandemic.

Be on the lookout for our **Global Policy Response to COVID-19** which will provide a comprehensive overview of all policy actions being taken around the world.

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