

### Erratic Reopening Erodes Consumer Confidence

**Stop-and-go economy reflected in consumer confidence.** After surging as businesses reopened in June, the Consumer Confidence Index dipped in July as states reinstated some restrictions. The overall index is 92.6, down from 98.3 last month and 132.6 in February. July marks the fourth consecutive month the index has trended below the 100 threshold, following 44 months above the benchmark level. In addition to closures, uncertainty regarding the new level of federally supplemented unemployment benefits, a weak job market, and the shape of new stimulus all contributed to the decline.

**Expectations are primary drag on confidence.** After reopening plans were accelerated from the initial blueprints drawn up by states, positive COVID-19 tests spiked, removing some of the optimism of a V-shaped recovery. The Expectations Index declined from 106.1 to 91.5 between June and July, reflecting a rockier path ahead for the U.S. economy and consumer spending. Much of the decrease was driven by the under-35 cohort, whose confidence declined by 20.4 to 94.8. However, this group remains more optimistic than their older peers, potentially because many of them have limited experience with recessions and the health implications of contracting the virus are significantly reduced.

**Present Situation Index improved in July.** Although some states tapped the brakes on reopening in July, many of the nation's early hot spots were able to push forward with expanded economic activity, bringing more workers into the job market. The index advanced for the second consecutive month to 94.2 on the heels of 4.8 million jobs added in June and unemployment dipping to 11.1 percent. Confidence rose among households making less than \$50,000 annually, which were disproportionately impacted by shutdown policies. Although more Americans are confident in their current position, consumers are anticipating a checkmark-shaped recovery and purse strings could tighten to reflect slower growth.

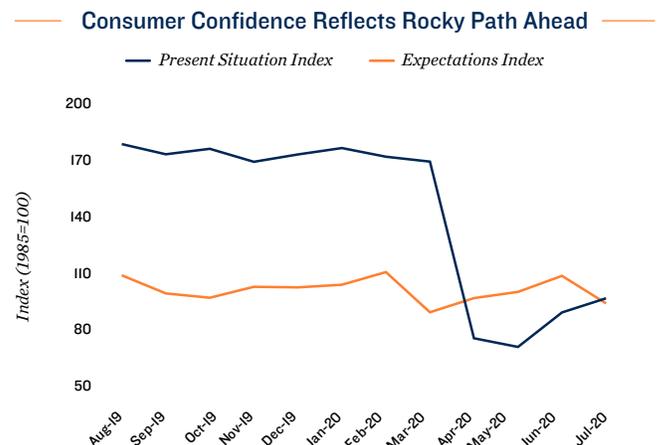
### Commercial Real Estate Implications

**Consumer confidence weighs on retail prospects.** An increase in confidence among low-income households and a corresponding decrease in the high-income brackets is indicative of the bumpy, but more predictable path ahead for the economy. Unfortunately for many retailers, and subsequently the space they occupy, a slower return to business as usual will result in closures. However, fewer options could benefit stores able to remain open as they attract dollars that would have been spread thinner otherwise.

**Economic picture comes into clearer focus.** Consumers, policy makers and the private sector will begin making longer-term plans over the next couple of months, more than four months after large sections of the economy were shut down by local governments. The implications across commercial real estate are also expected to stabilize. Core office, large hotels and tourism-related space will be challenged, while businesses deemed essential during shutdowns should prosper. Ambiguity rests mostly with those firms operating through limited openings.

92.6 Consumer Confidence Index in July

98.3 Consumer Confidence Index in June



Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; The Conference Board