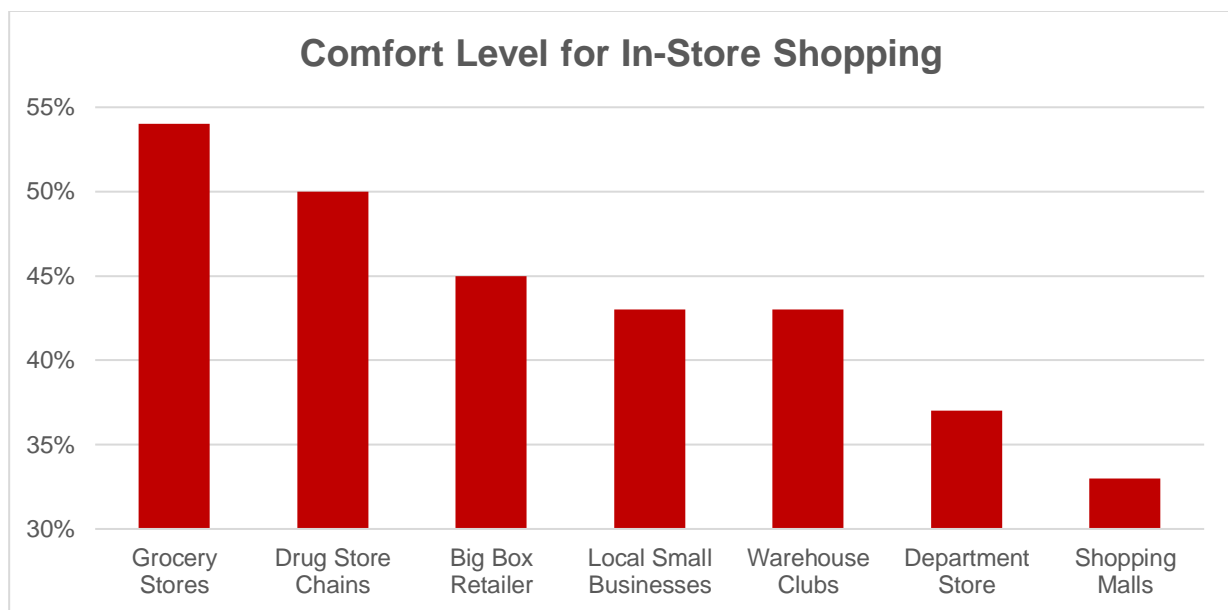


Profimex Market Research Update – May 10, 2020

Consumers Feel Safest in Grocery Stores, Least Safe at Shopping Malls

A recent survey of more than 500 US consumers, conducted by First Insight in mid-April, shows that shoppers have different degrees of comfort for distinct types of retail. This insight will be relevant for operators and retail owners, as governors issue new orders that allow some businesses to resume in-store operations. Consumers feel the safest in Grocery Stores (54% of survey participants) and the least safe at Shopping Malls (33% of survey participants). Greg Petro, CEO of First Insight, argues that retailers need to think of ways to ensure safety for consumers, beyond offering gloves and masks at the door. The survey additionally shows that men feel much safer overall than women when returning to stores. Retailers could therefore adapt their inventory and focus their marketing efforts on men.



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It's a Buyer's Market. Stan Johnson Tells US What Comes Next.

GlobeSt.com recently interviewed Stan Johnson, President and CEO of Stan Johnson Co. The firm is one of the nation's leading commercial real estate brokerage and advisory firms, focusing on investment sales transactions in all major asset classes. As Stan Johnson has an interest in describing an overly opportunistic market view to encourage real estate firms to resume purchasing assets, readers should consider his insights objectively. Nevertheless, we find his opinion insightful.

Stan believes that the market has shifted towards a buyer's market overnight, as the coronavirus impacted many real estate classes. While debt may be temporarily more difficult to access, interest rates are at a historic low and should stay there for some time. Inventory across most product types has become available and continues to increase as the coronavirus persists. Further, competition from other buyers has decreased, which will favourably impact pricing in the coming months. From his experience during the last downturn, those firms that were prepared to actively transact were greatly rewarded. He believes that firms should maintain or create liquidity, even if it means to sell a property at small loss, to reinvest the equity into other opportunities with greater return potential.

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Communication with equity investors and lenders during this time is vital to be able to act and execute on deals quickly as they are coming to the market. Investors should address assets, impacted by government orders, and keep their eyes focused on the horizon. He believes that business will adapt and that customers will return, thereby stabilizing business operations and creating value. Investors should now emphasis on underwriting the financial viability of tenants.

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This map shows the inadequacy of New York City sidewalk in the age of social distancing

An analysis of sidewalks in New York City by developer Meli Harvey, reveals that most sidewalks do not offer enough space to maintain social distancing. On the map below, red and orange indicate areas that are “too narrow for social distancing”. Meli Harvey developed the map as the City of New York moves to temporarily shut down at least 40 miles of city street to cars to give people more room to safely walk around the city. The city’s target is to make 100 miles car-free.



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Pandemic Unlikely to End Construction in 2020

The corona pandemic has had a swift impact on the commercial real estate arena in many different sectors. This article, written by the Commercial Property Executive examines the impact of the pandemic on construction projects. In short, construction starts, and plans have decreased, but overall, construction will not come to a halt.

According to the American Institute of Architect's Architecture Billing Index, there has been a steep decline in March and estimates are that billings will face a double digit decline in the second quarter of 2020. When considering this information into the perspective of development projects, which need architects in the beginning of a project, one can argue that construction activity will decrease in the second half of 2020 and into 2021. Development contractors however do not believe that projects will be cancelled, but rather that projects will be delayed for a few months.

Marcus & Millichap predict changes in deliveries for 2020 that follow the general trend of how much different sectors are affected by the pandemic. The industrial sector, the least affected sector, will still deliver 210 to 260 million square feet in 2020. Multifamily deliveries are predicted to decrease by 15% to 20%, office by 20% to 40% and retail by 40%.

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