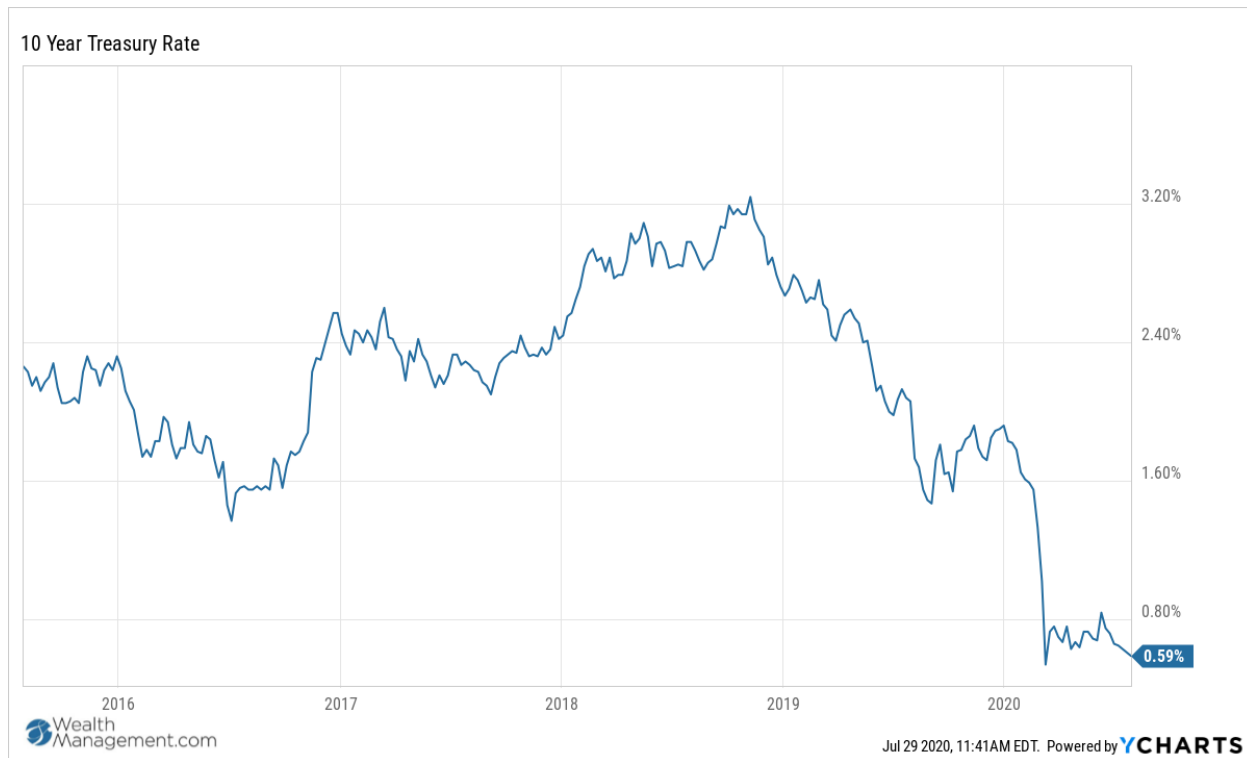


Profimex Market Review Update – August 11, 2020

The Rush to Refinance Multifamily Properties Continues

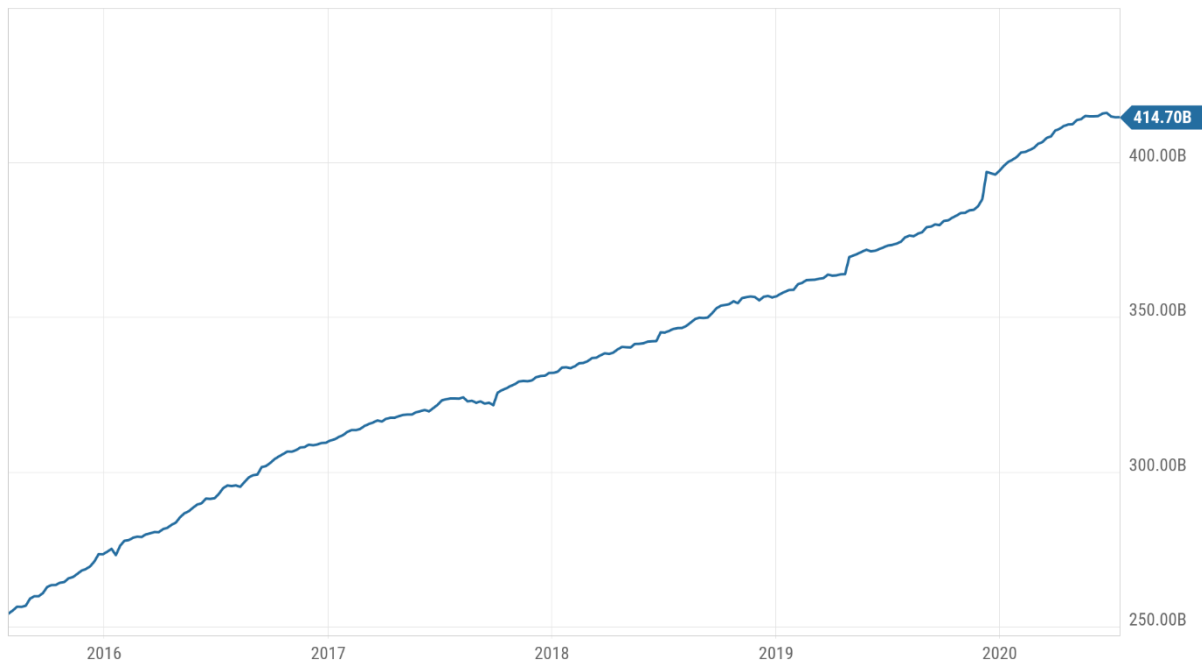
As a result of the pandemic, long-term interest rates, like the 10-year Treasury bond yield, fell below 1% in March 2020, and remained below 1% through the summer. On July 28, the benchmark yield was 0.58% and has been moving between 0.6% and 0.7% throughout the previous months. Tony Solomon, senior vice president and national director at Marcus & Millichap Capital Corp. believes that “[rates] are very low now and we know that there is an ‘open window’ of various capital sources for the right asset and borrowers.”



Multifamily borrowers have been trying to capitalize on the favorable terms to refinance their properties. However, for many it has been challenging to find lenders, as lenders have become much more selective about the loans they are issuing. Most of the borrowers in the market are looking for refinancing, as opposed to acquisition loans, due to the high prices that sellers continue to demand. Many borrowers also don't have an option to leverage on the low rates when their previous loans still have years left before not having to pay prepayment penalties.

Freddie Mac and Fannie Mae lenders have been very supportive in the market and continue to provide loans to borrowers. That's partly because of Freddie Mac and Fannie Mae's mission to provide capital at all stages of the real estate cycle. Whereas banks, who have been traditionally in favor of providing short-term, floating rate loans for multifamily properties, are now waiting in the background and only lend to their best customers.

US Commercial Banks Commercial Real Estate Loans: Secured by Multifamily Properties



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Wawa to build first drive-thru, pickup only store

The convenience store, Wawa, which operates 630 stores announced its plans to develop its first store solely focused on drive-thru and curbside pickup service. “Wawa continues to test new store concepts with this latest drive-thru format, providing an opportunity for our customers to still experience and enjoy their favorite Wawa products while remaining inside their vehicle,” said Terri Micklin, director of construction, Wawa. “It is critical to provide new ways to access Wawa, increase convenience, and provide new options for service.”

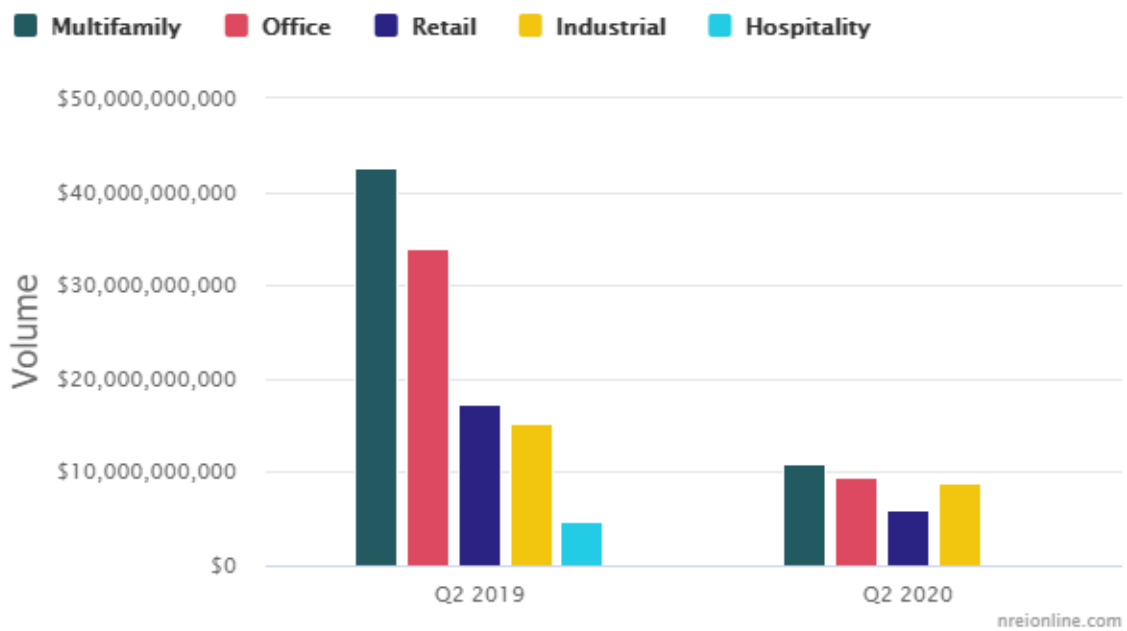
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COVID-19 Battered the Investment Sales Market During the Second Quarter

The great disruption in the market, because of the COVID-19 pandemic, has led to 70% drop in sales volumes in the commercial real estate sector. The main reason for fewer transactions happening in the market is the general uncertainty due to COVID-19, including the course it's taking and impact on the economy, consumer behavior and demand for space. This uncertainty in turn makes underwriting future revenue streams and assessing property values very difficult.

First Half 2020 Investment Sales Volumes

Source: CoStar



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