

Profimex Market Review Update – August 16, 2020

Suburban Home Prices Are Rising. But So Are Most Urban Home Prices

Since the COVID-19 Pandemic began, suburban housing markets have been rising in demand. At the same time, while certain urban markets have experienced weak demand during this time period, most urban markets have experienced a similar rise to that of suburban markets. This new analysis from Zillow is in contrast to the outlook of many experts who believe that many people will move to suburban homes as people demand greater spacing.



According to Zillow's analysis, in June median sales for suburban homes were up 3.3% year over year. Additionally, median urban home prices at the end of June were flat from a year earlier, Zillow said. Home values in the urban ZIP Codes tracked by Zillow were dragged down in part by San Francisco and Manhattan where demand has been relatively weak. Furthermore, June prices largely reflect properties that went under contract in May, when some of America's biggest cities were under lockdowns. In the Midwest, urban and suburban ZIP Codes showed little difference in price growth.

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Lenders Are Slowing Down Their Affordable Housing Financing In Another Hurdle For Sector

As the global pandemic hurt the economy of the US, many states have cut certain parts of their budgets. At the same time, many real estate investment companies have become more conservative in their approval for process for new investments. Specifically, in New York, the city council recently approved a 40% cut to affordable housing funding for Fiscal Year 2021. The cuts are expected to affect 20,000 affordable units. Meanwhile, private funders are being more selective and credit committees are being increasingly fastidious, Citi Community Capital's Eastern Region Director Tricia Yarger, explained in a recent interview. "The budget cuts in New York City, specifically, are really slowing things down and kind of creating a big question mark around how some of those projects are going to get funded and gonna get done and when," Yarger said. This has caused a negative impact on current and future projects focused on affordable housing.



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CBRE Economist Sees Favorable Signs For Office Sector, Wider Economy

The global chief economist for CBRE explained in a recent interview that he is optimistic about the long-run outlook for the office sector in spite of businesses' rapid adoption of technology that facilitates remote meetings. "I remain convinced that the office sector is viable in the long term," Richard Barkham said. "It's where people meet. It's where creativity happens. It's where clients get helped. That's where we train and bring in younger people into the workforce. And all those things are going to need to reestablish themselves." He continued to explain that an adjustment in how space is used can offset a decline in the amount office employees at a particular location. Despite the current economic climate, he believes that the US economy should bounce back by 2021.

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