

## Profimex Market Review Update – August 18, 2020

### COVID-19 Creates Housing Boom



According to a survey, released by Redfin, a real estate brokerage firm, 75% of respondents, who are planning on purchasing a home within the next 12 months said that COVID-19 influenced their plans. “Of those buyers, 25% say it has caused them to move and/or speed up their moving timeline, while 20% say it has caused a delay in their moving plans and 17% say they’re now seeking a less expensive home.” Notwithstanding the

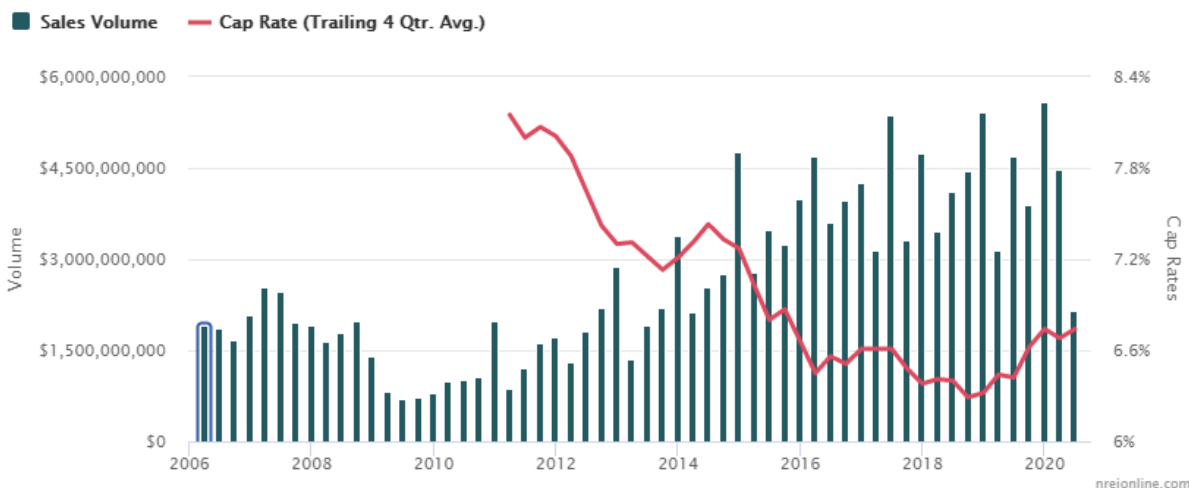
uncertainty of the U.S. economy and its impact on Americans, demand for homeownership is amazingly strong. The reason for it is that purchasers value homes more than ever and prioritizing a home purchase over other expenses. Other impacts are low mortgage rates and the amount of time, home buyers will spend in their new home. This is also shown by the fact that 21% of the survey respondents say that they need a home office in their new home.

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### MOB Sales Fell by Nearly 50 Percent in the Second Quarter, But the Sector’s Outlook Is Strong

Medical Office Investment Sales Trends

Source: CoStar Advisory Services



Even though, Medical Office sales volumes have decreased in the second quarter of 2020 and cap rates have flattened, the overall sector is predicted to have a strong come-back. Sales transactions for the second quarter were \$2.2B, which is 43% less than the same quarter last year. “The volume of sales has absolutely hit pause, it hit the brakes really hard in the second quarter. You saw a significant drop in sales volume,” says Keith Pierce, research manager for Southeastern region with real estate services firm Transwestern.

“The price per square foot did not really shift that much for those sales that did close. But by and large, just everybody froze in late March and largely stayed frozen until sometime in June.” With regards to cap rates, Russell Brenner, president of the medical office and life science division with real estate investment firm CA anticipates “seeing somewhat of a flattening. Once the market truly opens up again and lenders, which have been very selective in where they lend, come back into the market in droves and in a more significant way, I think you may well see cap rates continue to fall. But for probably the next two three quarters, I think it will be a largely flattening of cap rates.”

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## More than a dozen Massachusetts malls could be transformed as part of a deal with Amazon



According to the Wall Street Journal, Amazon is about to close a deal with Simon Property Group Inc. to utilize anchor department stores as Amazon distribution hubs. In discussion are 14 different locations in Massachusetts that are either vacant or occupied by Sears or JCPenny. These retailers have been under distress due to the pandemic and the repurposing of their leases for local distribution centers could be the beginning of a nation-wide strategy of Amazon. The firm apparently has deeply researched site-selections in most major markets in North America and will become the largest non-institutional occupier of real estate in the greater Boston region.

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