

Profimex Market Research Update – July 21, 2020

Outlook for Hotels Worsens, Again

Till recently, with the slowing of COVID-19 and easing of social restrictions, the hotel sector had begun to experience a rebound. But tens of thousands of people have now tested positive for the novel coronavirus every day in the first weeks of July, setting new records across the Southeast and Western U.S. That's brought a new blow to the hotel sector. "The number of COVID-19 cases has increased dramatically. It has led to leisure travelers not going on trips or not staying overnight if they do travel," says Jan Freitag, senior vice president for STR.



While hotel occupancy rebounded to 44.2% by the end of July 4, it is still well below the pre-COVID average national occupancy of 72.4%. However, now, with a recent surge new COVID-19 cases, occupancy at hotels has fallen dramatically again. In order to break even, limited service hotels need to have an average occupancy rate between 40-50%.

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Small Multifamily Owners Struggle With Eviction Moratorium As Tenants Face An Uncertain Future

Many small multifamily property owners have been hurt as a result of the 120 day eviction moratorium from the CARES act. This law was enacted to help the US economy recover from the onslaught of the global COVID-19 pandemic. As a result of this, many smaller multifamily property owners have not been able to collect on a large portion of rent for the last two months. While the NMHC reported between 94% and 96% of rent collections for April through June, this only accounts professionally managed market-rate apartment units and doesn't capture the performance of smaller multifamily



owners, who typically don't join the NMHC or report their rent collections. As a result, there some small multifamily property owners who are grouping together to sue the Federal government in order to end the moratorium so that they can either evict non-paying tenants are collect on rents with more ease. The property owners are their investors are, in effect, stuck paying the unpaid rent.

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Retail bankruptcies 'tip of the iceberg', says Levi Strauss boss

As many competitors of Levi's file for bankruptcy, such as, Lucky Brand, the CEO of Levi, Chip Bergh said "the list [of recent failures] is already pretty long and I expect it's going to get longer. What's happened from a health and economic impact obviously is devastating. But our whole attitude on this has been, crisis creates an opportunity." Similar to many retail clothing brands, Levi had its worst quarter in decades during Q2 2020. Net revenues

were 62% lower than the same period last year. Additionally, demand for jeans and other high-end clothes is lower as more people are working from home. Chip Bergh adds that the company has experienced a surge in demand for online shopping and believes the shift to only shopping has only accelerated.



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