

Profimex Market Research Update – July 30, 2020

Office Rents Will Likely Drop — But Not Apartment Rents, Survey Finds

According to the [Allen Matkins/UCLA Anderson Forecast survey](#), which surveys commercial real estate properties in Southern California, office vacancies are likely to increase in the near-term and cause rental rates to fall. Retail, will likely take bigger hit. That being said, industrial properties will likely be a bright spot with surging demand; and multifamily rental rates will continue to remain around their current heights. California's tight housing market, the market for multi-unit homes is likely to stay strong, the survey found. Three-quarters of respondents in Southern California said their plans in this area hadn't changed. "It is hard to



envision a scenario in which COVID-19 and its fallout could remedy the underlying housing affordability issues that California faced coming into 2020," Tim Hutter, a partner at Allen Matkins, said in the survey report. "In light of that ongoing concern, we expect demand for multi-family housing to continue to be high.

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Hotels Hurry to Raise Cash as Federal Aid Could End

While large hotel owners have sold bonds and drawdown their credit line to navigate through the COVID-19 pandemic, smaller hotel owners are being aided by expensive loans and government aid through the federal Paycheck Protection Program. Many of these smaller hotels are hoping for additional government support in the next stimulus package from the US Congress. [Senate Republicans released another coronavirus-relief proposal](#) Monday with more funds for the Paycheck Protection Program and expanded liability protections for businesses, a priority for the hotel industry, said the American Hotel & Lodging Association. Congress still needs to pass this legislation.



The lodging industry's budding [recovery in June now looks impeded](#) by the recent [rise in coronavirus cases](#). U.S. revenue per available room fell 56% for the week of July 12-18 from a year earlier, according to data firm STR. Additionally, many hotel owners are being forced to sell properties at large discounts pre-COVID-19 prices to shore up their finances.

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Shoppers Are Still Wary Of Returning to Malls, Trying On Clothes and Traveling

According to First Insight, which polled over 1,200 people, 32% of people feel unsafe or very unsafe to visit shopping malls on Jul 10th. This is an uptick from 29%, from the same poll on April 30th. "Retail needs to be aware that while people are shopping and there is definitely pent-up demand, many consumers are still very much afraid to be in-store and to try products, or use dressing rooms," First Insight Chief Executive Greg Petro said. This has caused many retailers, like Walmart, Korger, and Kohl's to increase their safety measures in their stores. Additionally, growing number of people feel safer to shop at small retail locations; in contrast, to larger shopping malls.



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