

Profimex Market Research Update – July 5, 2020

Industrial Spaces in High Demand, Leads Post-COVID Recovery

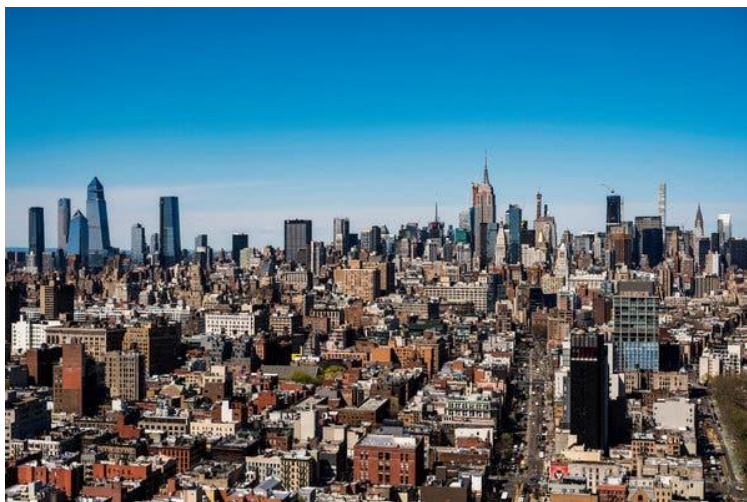
According to a newly released study by Colliers on the Industrial Sector, the sector is expected to weather the economic impact of COVID-19 better than other areas of the US economy. This is primarily due to the accelerated demand in e-commerce and grocery deliveries that was brought upon by COVID-19. For example, there will be a need to store a larger amount of inventory to help create a more efficient logistics network for third party logistics providers. The need for industrial space stays high, with 329 million square feet of industrial project under construction at the end of this quarter. Furthermore, an economic recovery will only further increase demand for industrial space. Most of the new developments are expected to take place in the southern US states.



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Real Estate Prices Fall Sharply in New York

The COVID-19 pandemic had a large negative impact on New York real estate, specifically on the Manhattan real estate market. The number of closed sales in the second quarter were down 54 percent compared to the same period last year, the largest decline in at least 30 years, according to a new report from the brokerage Douglas Elliman. The median sales price fell 17.7 percent, compared to the same time last year, to \$1 million, the biggest drop in a decade. Pent-up demand from potential buyers who couldn't view apartments and commercial properties



in-person will likely fuel a resurgence in sales over the next quarter. Interestingly, brokers are learning that there is a growing demand for larger apartment spaces and in smaller buildings (to avoid overcrowding).

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Diversifying Your Portfolio Through Real Estate Investing

During a time of high volatility for many asset classes that has emerged from COVID-19, real estate has emerged as a relatively stable asset class. Investors that have a long-term horizon for their investments can benefit from the stability that real estate can offer the totality of their portfolio. Real estate provides a stable anchor to a portfolio because real estate values move slowly and provide built-in inflation hedging. In addition, private real estate investment returns are typically higher because investors are trading liquidity for longevity. For family offices, that are focused on longevity, UBS reports



that real estate has become the third largest asset class holding at 17%, on average. To reduce large swings in your portfolio value, adding diversification can be a key differentiator.

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