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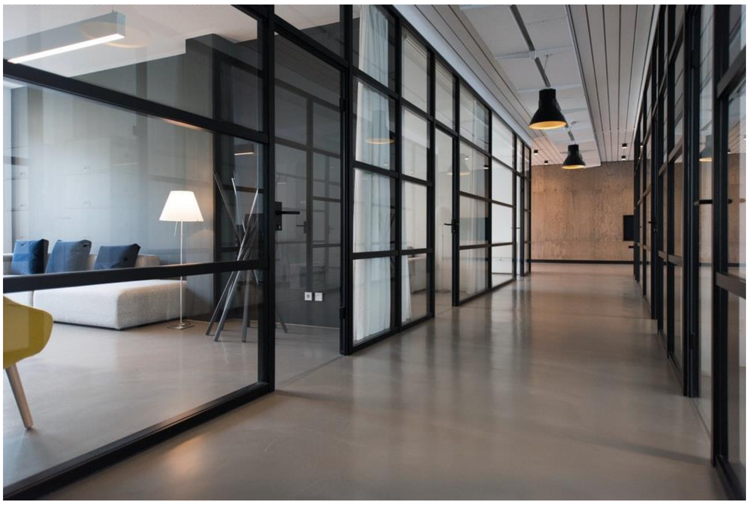
# Profimex Market Research Update – July 7, 2020

## Employees Want Workplace Flexibility. That Might Mean a Suburban Location



Greg Martin, principal at Avison Young, believes that providing flexibility to employees is now more important than ever before. This could mean that companies will move to suburban locations to provide more space and accommodate social distancing. "Flexibility will stretch longer than just the 'short term,' which is why we're gearing up to see even more movement to suburban locations," Martin says. Traditional downtown tenants, such as financials service providers or lawyers' offices, seem to get used to work-from-home concepts, which will in turn increase vacancy levels of certain downtown areas. "We expect to see an increase in sublease opportunities as well." Many firms may also move to the "hub-and-spoke" model, having a headquarter in a core location and more dispersed offices to allow for flexible working conditions. Martin says office users will be very selective about these suburban office spaces, preferring locations that are highly amenitized. "It's times like these when the location and quality of a building will ultimately attract tenants."

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## CRE Index Confirms Downturn But Indicates Higher Hopes for Future Conditions


The Real Estate Roundtables's 2020 Q2 Economic Sentiment Index reported a score of only 38, down from 52 in Q1, confirming a sharp downturn in market conditions. A score of over 50 is perceived as positive. "The economic damage to commercial real estate has been particularly harmful for the retail and lodging sectors of the industry," said DeBoer, president and CEO of the organization. "Although our Q2 survey results show there is hope for improved conditions within the next year, there are significant concerns that other sectors of the industry could be dragged down if jobs don't rebound and government assistance tapers off." This will depend on how quickly people will return to their jobs and the ability to safely reopen businesses.

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**Competition Lines Up to Buy Self-Storage Properties**

Nick Walker, executive vice president of CBRE Capital Markets, mentions the increased investor demand for self-storage properties, including drawing interest from private equity funds along with more traditional REITS and small, private investors. This comes at now surprise, as self-storage facilities were typically considered “essential” businesses and remained open even as most customers worked from home. “The storage industry once again performed well, just as it did through the Great Financial Crisis,” says Brian Somoza, managing director for JLL. While move-in rates for new storage leases are down between 5% and 15%, overall occupancy remains high as move-out rates remain low. “Self-storage is a needs-driven business, and what we know about the needs for self-storage is that they exist in both good and bad economic times,” says SmartStop’s Schwartz.

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