

## Profimex Market Research Update – June 14, 2020

### Affordable Housing Developers Remain Eager to Build New Projects

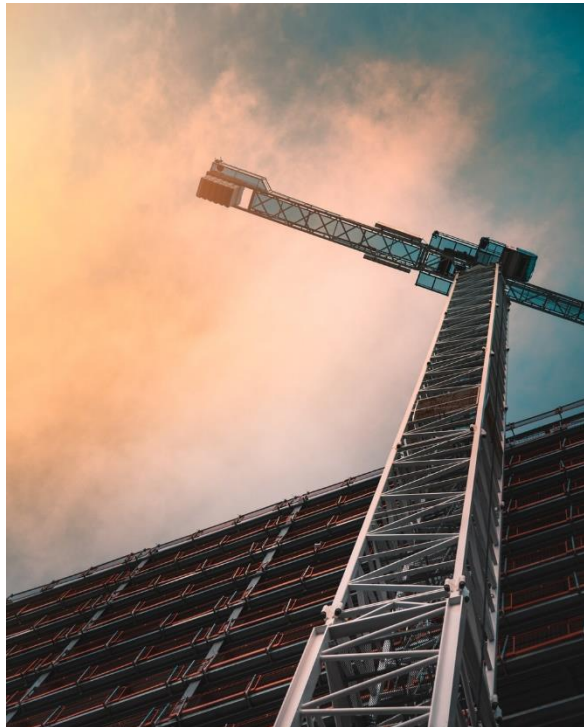
The novel Corona pandemic has forced shutdowns of many industries in the U.S. economy, including some real estate sectors. However, despite the challenging environment, affordable housing development has continued to move forward. While developers and investors have continued to work with federal, state, and local officials to keep their projects running, the projects experience higher expenses and longer development times. To



ensure the safety of the construction workers certain measures had to be taken, such as working in shifts and more frequent cleanings. Other factors influencing the development is the difficulty of receiving the certificate of occupancy, as building inspectors are unable to reach the property due to restrictions.

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### Survey Finds May Was Better Than April For Commercial Real Estate Developers

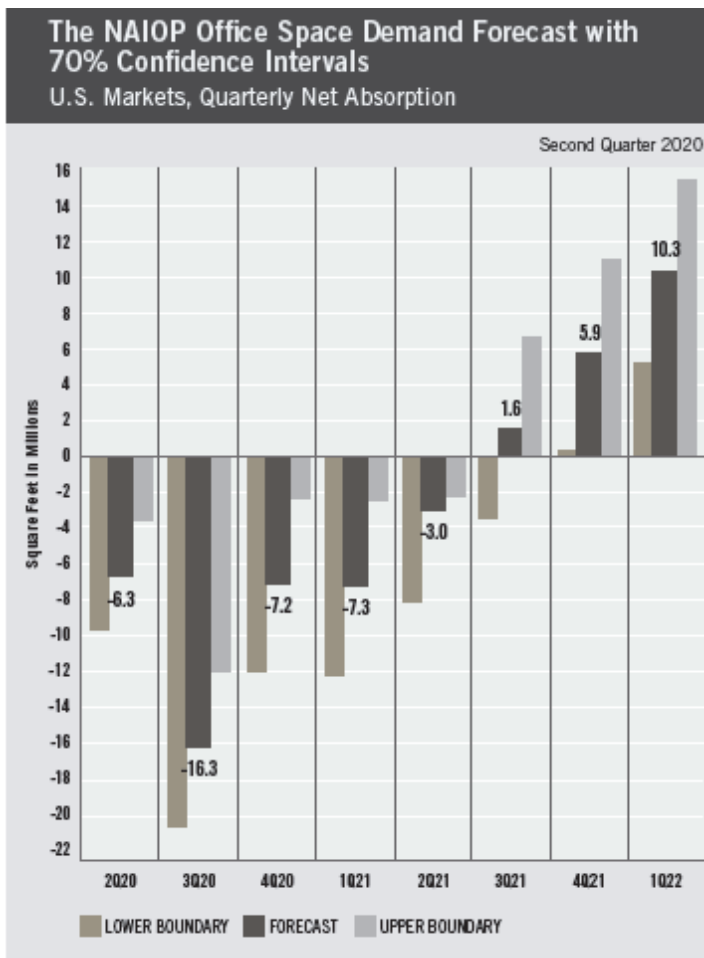


A survey by NAIPO (National Association for Industrial and Office Parks) found that compared to April, commercial real estate developers in May perceived fewer impacts from the pandemic. Coronavirus impacts, such as leasing, delays from social distancing, government mandated halts on construction and more slightly improved, compared to the previous month. 62% of the survey participants say that they are seeing permitting or entitlement delays and 57% are experiencing lower leasing activities. However, respondents were more concerned about financing delays in May than they were in April.

Sector specific findings suggest that industrial and multifamily are seeing increases in acquisitions and development activity. Respondents reported a 7% increase from April to May in industrial building new developments and a 5% increase in acquisitions of existing industrial buildings. As for multifamily properties, development increased by 4.7% and existing acquisitions increased by 10%.

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## Office Space Demand to Decrease, NAIOP Predicts

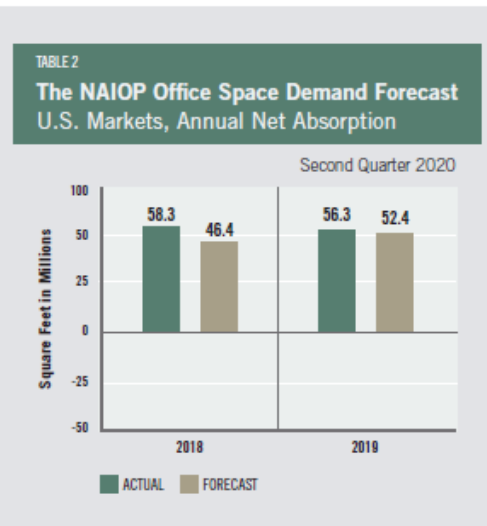


The commercial real estate development association, NAIPO, recently published a net negative U.S. office market absorption for the next four quarters. According to the report, national economic upheaval and increasing unemployment numbers will pressure the office sector further. NAIOP in fact anticipates that the steepest decline could happen in the third quarter with a decrease of approximately 16.3 million square-foot. Net absorption is expected to return as the economy starts to regain its footing in 2021. However, recent stock market increases could predict a faster rebound than initially predicted.

### Actual Versus Forecast

Table 2 compares the forecast to actual net absorption. The forecast for 2019 was 52.4 million square feet, which is 3.9 million square feet less than the 56.3 million square feet that were actually absorbed for the year. The forecast for 2018 was 46.4 million square feet, which is 11.9 million square feet less than the 58.3 million square feet that were actually absorbed for the year. CBRE revised upward the 2018 net absorption figures during the year. Lagged net absorption is a significant variable in the NAIOP Office Space Demand Forecast, so this restatement had significant impacts on the calculation of the fourth quarter 2018 forecast total (11.6 million square feet on average per quarter for 2018) compared to the prior forecast issued in the second quarter of 2018 (8.4 million square feet on average per quarter).

The NAIOP Office Space Demand Forecast is published in the second and fourth quarters of each year by the NAIOP Research Foundation.



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