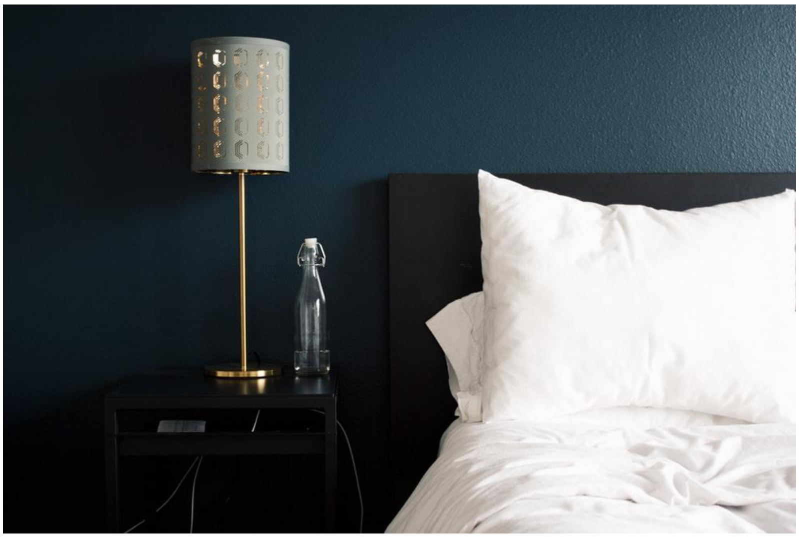
Profimex Market Research Update – June 16, 2020

New Data Suggests That We're Past the Bottom Reached in Those Dreadful April Numbers



As previously communicated, the hotel sector is one the sectors that is hit the hardest by the pandemic. In the month of April, revenue per available room was down 96% for the year and most U.S. hotels had to suspend operations to minimize expenses. A recent report by the National Association of Real Estate Investment Trusts showed statistics for May that indicate that the worst may lie behind us. The reopening phase of the economy is expected to continue in more business and leisure travellers. Adding to the optimism is the most recent jobs report by the Department of Labor's Bureau of Labor Statistics, noting that 2.5 million jobs were added in May. However, optimism for hotel operators should be conservative as many management teams predict revenue per available room to return to 2019 levels by 2023. This may indicate an interesting entry-point into the lodging industry. Another potential threat to the industry however is the potential suppressed demand from business travellers due to more common online conference calls. Lodging real estate investment trusts deny this trend and believe in the future of their market segment.

(Read)

One of Manhattan's Priciest Hotels Is in Default. A Foreclosure Sale Is Scheduled for This Month

New York's most expensive hotel, the Mark Hotel, is defaulting on its loan and could soon change owner during the UCC foreclosure auction in mid-June. The current owner has not been paying his loan obligation and the special servicer of the $115M CMBS loan issued a default notice on May 13. The hotel is home to the most expensive hotel room in the New York City with $75k per night. The question on what the true value of the hotel is will be clarified soon during the auction, the last valuation done by S&P Global was about $200M.

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Medical Office Rents Weather the Storm

The medical office sector has not been immune to the effects of the COVID-19 pandemic, but according to many real estate professionals, it is still the most sought-after asset class. “The medical health care sector and the science sector seems to be holding up a bit better than some other property types,” says O’Connor, founder of MLL Capital. However, due to the specialty nature of the asset class one should not expect too many investors rush into this segment. “For a small asset class like medical is, it’s too early to make any real prognostications,” O’Connor says. “We do think that it is the right time to be in the market and looking for investment opportunities, which we’re trying to put a lot of energy into doing right now.”

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