

Profimex Market Research Update – June 18, 2020

Real Estate Valuation in the Wake of COVID-19



[\(Read\)](#)

Property valuations are an essential part of the real estate business. Without a valuation, no transaction can be done with certainty. The process of valuing a property is by many considered both art and science. As a result of the pandemic, this job has become more difficult than it has ever been. Many factors need to be given extra consideration, including anticipation of future benefits, supply and demand/desire, substitution/comparison, balance (the relationship between cost, added cost, and returns), and progression/regression (increases or decreases in the price of a property with perceived value). Multiple market-derived assumptions and methodologies will be necessary to develop a fair and reliable value based on current market conditions. To assess the current market, it will be important to survey brokers, investors, and other market participants. While there are different methods to value a property, the discounted cash flow method is likely to be the best option, as the valuer projects financial performance over a period of years. As most experts argue that this period is only a short-term correction and depending on the location and asset class there might be only a minimal impact on the value of property. However, the real impact on cap rates will be known only when the first transactions will take place.

How COVID-19 Could Inform the Future of Medical Office Design

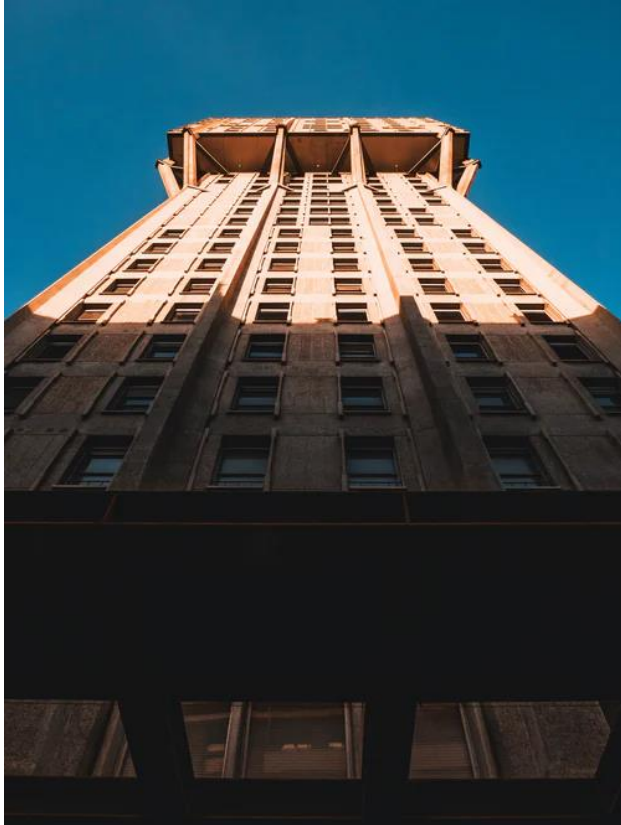
The time of walking into a crowded waiting room full of patients and filling out paperwork with a pen might be a memory of the past. As a result of COVID-19, medical office space may undergo change and with physical offices beginning to reopen, a first look of what a visit to the doctor may look like in the future is becoming more evident. In the future you may be required to wait in the car until being called by the physician's office. Paperwork filled out with pen and paper, may be substituted by online forms, filled out prior to the appointment.



Even the examination by the doctor may occur online or via phone if possible, to minimize time spent in the same room. Because of the need for physical distancing to prevent infection spread, future office space design may entail larger rooms, hallways, and reception areas. Other potential changes and trends can be found in the following article.

[\(Read\)](#)

Foreign Investors Have Stayed Away from U.S. Real Estate in Recent Months. That Trend Is Not Expected to Hold



As a result of the pandemic, foreign investment in U.S. properties has largely come to halt. In the 12 months through the first quarter of 2019, nearly \$88 billion in real estate capital poured into the U.S. from other countries, RCA research shows. But for the 12 months through the first quarter of 2020, that amount shrank to \$52 billion. However, first signs of buying appetite appear. The reason for this is that the U.S. remains an attractive market and foreign real estate investors cannot afford to hold off a long time. Cross-border investors “are currently in somewhat of a holding pattern and reluctant to make decisions just yet. They are assessing their existing portfolios to determine expectations for rent collection and tenant retention, which will drive future decisions,” executive managing partner Transwestern says. “Once they feel less uncertain about how this will play out, I expect they will begin making decisions about whether they want to buy or sell.” Some large investors, such as Norway’s \$1 trillion sovereign wealth fund, continue to be a net buyer of real estate and

rather believe that crisis is an interesting entry point.

[\(Read\)](#)