

Profimex Market Research Update – June 21, 2020

Using the Past to Predict CRE Pricing



Omar Eltorai, the market analyst at Reonomy, believes that real estate prices will not depreciate the same way they did during the last financial crisis. He believes that there is strong investor appetite for commercial real estate and multifamily and that lenders are in much better health than they were in the last financial crisis. "Bringing all of these factors together and looking at multifamily across the nation, I believe that the next 18 to 24 months will show many properties selling at discounts to last years' highs. Though there will be greater pricing support than the last recession from the large amount of

appetite and dry powder ready to be deployed."

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This is how long the coronavirus pandemic could delay millennials' homeownership



The pandemic starts to pressure millennials, who currently pay rent for the apartments they live in. While still paying for rent obligations, many lost their jobs, leaving a huge dent in millennials' savings and delaying potential home ownership. On average, it will take nine months for a millennial to save the equivalent of one month's worth of expenses. At this rate it would take millennials over 4 years to recoup the funds if they had no income for six months (assuming a savings target of 10%, national average is 6%). Additionally, stricter lending requirements, such as a 20% down payment for many home loans make home ownership even more unlikely. This is a trend that may certainly have a positive effect on multifamily investments.

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NMHC Rent Payment Tracker Finds 89 Percent of Apartment Households Paid Rent as of June 13

In a survey of 11.4 million units of professionally managed apartment units across the U.S., The National Multifamily Housing Council (NMHC) found that 89% of apartments households pay in full or partially. This number is consistent with the one from June and slightly higher compared to the 87.7% in May. NMHC's president, Doug Bibby, mentions that "once again, it appears that residents of professionally managed apartments were able to largely pay their rent. However, there is a growing realization that renters outside of this universe are experiencing profound hardships as the nation continues to grapple with historic unemployment and economic dislocation."

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