

Profimex Market Research Update – June 24, 2020

NYC Apartment Vacancy Soars as New Lease Signings Plummet

COVID-19 has brought many functions of the real estate market to a hold and some economists are concerned about the long-term prospect of New York City. With real estate agents unable to physically show properties during the pandemic, it is no surprise that new leases (2,000 in May) are down by 62% year-over-year and that the vacancy rate in Manhattan reach almost 3%. For real estate services to recommence, it will take New York City to reach Phase 2 of the reopening plan, which is expected in July.



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Future of Investing Goes to Second-Tier Cities and College Towns

The “The Future of Real Estate Investing” report, published by SEI and Prequin shows that 60% of investors and 40% fund managers have shifted their emphasis to second and third-tier cities. “These are not all created equal from the standpoint of residents or investors. The most attractive growth prospects are often found in markets anchored by prominent universities, large medical facilities or major research and development centers,” the report states. The reason for it is on the one side that prices in first-tier cities have risen during the last business cycle, making assets pricy and on the side that younger people are flocking to second tier cities.



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Mall of America Said to Miss Another Payment on Mortgage Debt



We previously reported that Minnesota's Mall of America had missed payment on their mortgage. Bloomberg recently reported that the mall has now missed on an additional payment on their \$1.4 billion loan, putting the mall owner more than 60 days delinquent. This is now the third straight month of missed payments for the property. The ownership family pledged 49% of their equity interest in the mall as collateral to finance another mall in New Jersey that is currently under construction.

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Brookfield Doubles Down on Rent-Stretched Retailers

The Canadian private equity firm, Brookfield, owns 450 million square feet of global commercial real estate with 150 million in retail space and another 300 million in office, hotel and residential. The firm has now published it would invest \$5 billion to acquire minority stakes in retailers



struggling to pay their rent. Ron Bloom, managing partner said that "this initiative is being designed to assist medium-size enterprises in getting back on their feet. We believe this is a critical component to getting the economy moving again,". Private equity firms with dry powder to be deployed may explore those avenues for expansion and future growth during this recession.

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