

## Profimex Market Research Update – June 30, 2020

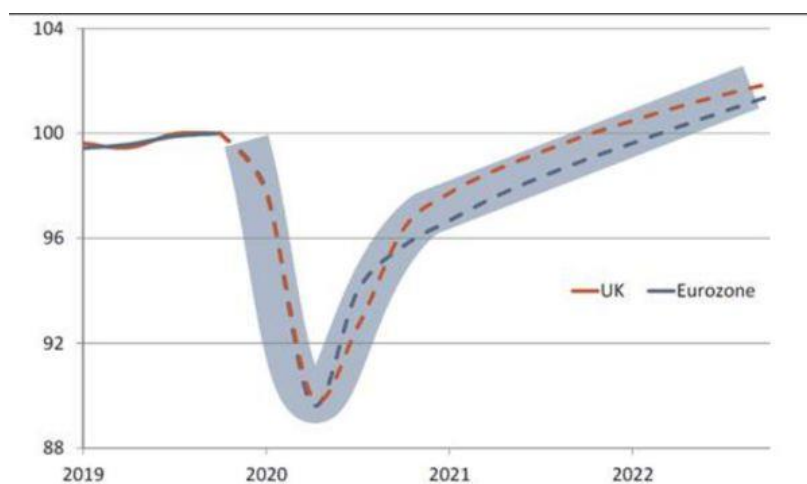
### Some Types of Office Tenants are Returning Faster than Others



Ensuring employee health and safety has been the major decision-making component of whether employees should work from the office or from home. Out of necessity, some employees had to return to their offices earlier than others, but also jobs that can be done productively from home are starting to return. Some of the jobs that must be done on-site including supply chain, manufacturing, and agriculture. Also, sales and trading staff of investment banks, as well as governmental regulation and oversight many times require to work at the office, close to their teams. With regards to real estate, PwC believes that business functions such as “budget preparation and planning; new product training or demos; activities that involve clients; completing complex transactions that require multiple signatures; and on-boarding new talent” should take place in shared environments.

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### The Recovery Will Look Like a Nike Swoosh



Q4 2019 = 100. Quarterly data. Source: Berenberg, Eurostat, ONS

According to the senior economist David Shulman, the economy had a great fall and many parts of it are broken. “Our view is that this is not going to be a V-shaped recovery. It is going to take time to get back to where the economy was in the fourth quarter of 2019 in terms of GDP and unemployment.” Further, Shulman believes that even after a vaccine is available, the recovery will not happen right away. Therefore, the economic recovery will look like a Nike swoosh, with a strong decline and a slow and steady recovery.

With regards to the Fed rate, Shulman predicts the rate to remain at zero through 2022 and a moderate growth thereafter. “We have the economy growing at 4% to 5% in 2022, so we don’t think it will be possible to sustain a 1% 10-Year Treasury. That will go higher unless the Fed does a maintenance program,” he said. As a side note, Shulman was surprised by the strong performance of the housing market. “Housing is doing much better than we thought, and most of the activity is in the suburbs.”

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## Online Grocery Sales Still Surging, But Down from April Peak



The year 2020 has been a landmark year for internet purchases as online grocery sales have skyrocketed. April online sales has grown 300% beyond the same period in 2019. In the first half of June, this number is somewhat lower and has dropped to a 200% expansion. Even before the coronavirus emerged as a force that would destabilize the U.S. economy, the online grocery sector was poised for a strong 2020. Researchers at global measurement company Nielsen said at the end of 2019 that online sales had grown an average of 45% for each of the past three years. “COVID-19 has

accelerated online grocery adoption at a rate the industry hadn’t expected to see for years,” Mercatus CEO at Sylvain Perrier said in a statement. “The online surge may level off slightly as various states strive to return to ‘normal.’ However, what has changed in shoppers’ eyes is the realization of the immediate benefits of online grocery shopping.”

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