

Profimex Market Research Update – June 8, 2020

The Best Markets For Real Estate Investment During The Coronavirus

Looking ahead in 2020 and beyond, Forbes explains that understanding which market will be most attractive post-COVID-19 will be different than traditional analysis. Generally, the strongest real estate markets will be ones that have high job creation to spur demand for housing and commercial real estate. However, with job losses in virtually every market in the US, it's important to approach real estate investing in a different manner today.

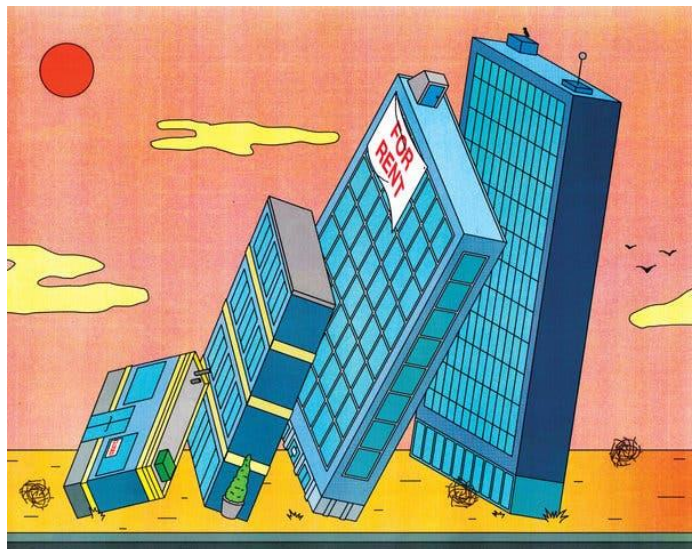


Growth before the recession, job loss during the recession, the speed with which jobs come back, long-term job vulnerabilities, and the 'favored price range'. These are tools every investor should take advantage of. You still have to make the final decision, but these easy indicators can help make it the best one.

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Tenants' Troubles Put Stress on Commercial Real Estate

As COVID-19 caused sales for most companies to plunge, companies are attempting to renegotiate rental leases with landlords using brokers. This has given rise to fierce negotiations with building owners, who are trying to hold the line on rents for fear that rising vacancies and falling revenues could threaten their own survival. Simon Property Group, the biggest mall operator in the US sued Gap, a large retail clothing brand, last week for nearly \$66 million in unpaid rent for April, May and June. The highest amount of rent relief and deferment requests are coming from strong credit tenants like LVM and Starbucks.



As a result many landlords have begun to fall behind on their on loans used to purchase properties. In May, 19 percent of loans backed by hotel properties were more than 30 days past due, and the figure was 10 percent for retail properties, according to Trepp, which collected the data from the loans bundled into commercial mortgage-backed securities.

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