

## Profimex Market Research Update – May 25, 2020

### Warehouse Demand Poised to Rise as US Economy Restarts

CBRE, one of the largest commercial real estate services and investment firms, believes that there will be an increased demand for warehouse space, caused by changes to business supply chains. Given that the COVID-19 pandemic has led to a strong decrease in import and exports, companies may have to develop more domestically orientated supply chains. This may result in additional 400 to 500 million square feet of warehouse space.



Further, as people continue to follow social distancing guidelines, a rise in e-commerce use is expected, demanding extra warehouse space. The firm continues that super-regional distribution markets like Chicago seem to be particularly well positioned. “Established e-commerce hubs at major transportation centres should see strong fundamentals as many occupiers recalibrate their supply chains and build automation and efficiencies into their distribution networks,” CBRE said. Profimex has recently invested substantial equity into a diversified logistics portfolio in the urban Chicago area that will significantly benefit from those industry and market circumstances.

The pandemic also shed light on niche products in the logistics space that have been affected by the Pandemic. Just-in-time production networks, heavily relying on global supply chains in which goods often go back and forth across international boards, are more fragile to the current transportation and trade limitations.

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### Companies Are Mostly Still Paying Rent ... For Now

The accounting and management software company, Visual Lease, recently published a survey of over 100 companies across a broad range of industry sectors. The firm found that even through the massive upheaval of the real estate industry, most tenants have so far continued paying their rent obligations.



However, the firm found that 30% of the respondents said between 75% and 100% of their leased property spaces were currently unoccupied. Of those respondents, 60% were still paying rent on all those unoccupied properties for the month of April. Marc Betesh, founder, chairman and CEO of Visual Lease said that “as the financial impact of shelter-in-place mandates and forced office closures continues in the months ahead, landlords and

tenants will need to maintain an open dialogue regarding expectations for rent payments and potential penalties for failure to pay.” The firm also found that 17% of the respondents already paid only some, but not all, of their leased properties and that 3% have started to no pay any rent at all. Some large commercial tenants in fact have announced to withhold some rent payments and still press for rent relief from their landlords.

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## Biggest U.S. Mall Is Two Months Delinquent on \$1.4 Billion Loan

The 5.6 million-square-foot Mall of America, the largest U.S. shopping centre, missed two months of payments on their \$1.4 billion CMBS loan. The trustee of the debt, Wells Fargo & Co. confirmed that the borrower has notified the lender about their hardships. The mall was ordered to close on March 17 and has announced plans to begin reopening on June 1 under



strict safety standards. The Mall of America plans to begin reopening retailers, followed by food service and attractions, such as the mega-mall’s aquarium, cinema, miniature golf course and indoor theme park.

While e-commerce has become a challenging competition for most of the mall operators and retailers, the recent COVID-19 pandemic and the resulting shutdowns made things worse. Nationwide rock-bottom April collection rates were reported by mall owners and are expected to continue to be stress for the near future. Large mall operators, such as Brookfield Property Partners LP reported collection rates of roughly 20%.

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