

Q: What property types are best positioned to withstand the downturn?

- **Single-tenant** risk aligns with tenant credit and government action to make credit accessible for business. High credit tenants with long-term leases face the least risk whereas small local non-credit tenants face higher risk levels. However, the Fed's moves to expand lending to small businesses will be a positive factor.
- **Apartment** risk is being driven as a byproduct of economic risk. Should we face significant job losses, the impact could ripple into the multifamily sector, causing rental demand instability. In addition, public policy may create some additional challenges for apartment investors in areas where the government has determined that evictions must be delayed. Hopefully, recent fiscal policy actions will help alleviate the added strain on multifamily owners in these areas.
- **Self-storage** demand should remain stable, though absorption could flatten over the short term as more people shelter in place. However, if there is significant movement in the apartment market as a byproduct of the new coronavirus, it's possible self-storage will fill a role as people consolidate households.
- Some **office** and **industrial** properties may see a drop-off in leasing activity over the short term that could extend, depending on how the COVID-19 outbreak plays out in the U.S. over the coming weeks and months. However, these sectors face less structural risk than most other property types. Industrial, in particular, could be positioned for a bounce back once the immediate crisis comes to an end.
- **Retail** investments face significant challenges as consumers pull back on activities including visiting bars, restaurants, gyms, etc. This could potentially create additional risk for retail center owners. Investors will need to closely monitor their tenants and engage in open conversations to ensure we all manage through the risks we're facing.
- Although it is difficult to forecast the broad range of potential outcomes over the next few months – some things have quickly become apparent. **Hospitality** and **seniors housing** face significant headwinds that will require aggressive operational and financial management. The Federal Reserve's commitment to funding small businesses together with the federal government's fiscal stimulus will be key for these sectors.

Q: What are current investment market activity levels?

- There is considerable variance depending on local market and property type nuances. Many institutions focusing on larger assets have slowed their activity to await additional information while private investors remain active and many are targeting assets while there's less competition from other buyers. There are a lot of variables impacting the landscape and this is changing quickly, but the current transaction activity level is easing modestly.

Q: Is now a better/worse time to buy/sell than 6-12 months from now (when it all settles)?

- There are a lot of factors at play. We do know that the current climate is supportive of transactions for most property types. While market activity could accelerate quickly as the pandemic moves toward a resolution, there is a lot of uncertainty regarding that timeline. The combination of low interest rates and market liquidity levels supports the current investment climate.
- Investors who are in the midst of a 1031 exchange right now continue to be highly active and private investors remain active in local markets. This will sustain market liquidity over the short term. The longer-term outlook remains difficult to assess.

Q: How can investors manage the flow of information?

- As with any period of flux, information is flowing at an exceptionally rapid pace. Events may occur that can dramatically change the outlook for the economy and investment climate. To help investors stay abreast on the latest developments, Marcus & Millichap Research Services will provide insights as new information becomes available. View our dedicated [coronavirus page](#) on Marcus & Millichap's website for ongoing special coverage.

For information on national commercial real estate trends, contact:

John Chang

Senior Vice President, National Director | Research Services Division

Tel: (602) 707-9700 | john.chang@marcusmillichap.com