

Capital Alert

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April 30, 2021

Coming Out of the Fog

In commercial real estate lending, the COVID-19 fog is beginning to lift, though the long-term view remains hazy. Incremental progress appears the order of the day – one cautious foot in front of the other. On April 27, the Centers for Disease Control and Prevention (CDC) **said** it's safe for vaccinated people to assemble outdoors without masks, except for crowded settings like stadiums, and last week the government lifted the temporary pause on Johnson & Johnson's coronavirus vaccine.

The employment outlook is improving, with initial unemployment claims for the week of April 22 falling to a new pandemic low. Corporate earnings appear solid, with companies such as Google parent Alphabet blowing past estimates. Inoculated consumers are starting to unleash their pent-up savings, which **Moody's Analytics** estimated at \$2 trillion in the U.S., even before the launch of the \$1.9 trillion stimulus. Travel is bouncing back, with major airlines such as **Southwest** and **American** recalling pilots and other staff, and the European Union **opening up** to vaccinated tourists this summer.

Meanwhile, sales at bars and restaurants jumped 13.4 percent in March from the previous month. That demand, of course, is focused on fewer establishments, as more than 10 percent permanently closed during the pandemic, according to **one report**. On the upside, a \$29 billion grant **program** targeting the industry will start taking applications on May 3. In addition, some healthy retailers are **expanding** to scoop up prime locations at discounted rents.



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Lenders are still putting money out, but momentum is building slowly rather than racing ahead. Institutions still favor existing relationships, and closely scrutinize potential borrowers' creditworthiness, track records and historical performance. Lending to certain sub-sectors of retail and hospitality remains challenged. Interest rates are holding steady in a narrow range as banks show **continued appetite** for Treasury securities. We are watching to see if Congress has any appetite for a White House **proposal** to nearly double the capital gains tax to 39.6 percent for people earning more than \$1 million.

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L A T E S T D E B T M A R K E T I N F O R M A T I O N

The outlook for office may be brightening, as more employers announce plans to return to the workplace. J.P. Morgan Chase, for example, **expects** all staff to show up on a rotating basis by July. A new University of Chicago **working paper** suggests 20 percent of full workdays will occur at home, up from 5 percent before the pandemic, and spending will decline 5 to 10 percent in major city centers as a result. Separately, multifamily rentals could get a boost as potential homebuyers are thwarted by scarce inventory and soaring prices. Home prices rose 17.2 percent last month from the year-earlier period, the **biggest jump** on record.

In short, the landscape remains highly dynamic. Marcus and Millichap Capital Corporation is ideally positioned to help clients identify and secure the right capital solutions for their specific needs. We invite you to leverage our unparalleled network of banks, insurance companies, CMBS and other lenders, and our capital advisors' expertise, to position your portfolio for success.

RECENT TRANSACTIONS



INDUSTRIAL

Mequon, WI
\$8,500,000
3.45% Fixed Rate
7 year term/25 year amort.



OFFICE

Eastlake, OH
\$2,800,000
3.30% Fixed Rate
7 year term/25 year amort.



MULTIFAMILY

Long Beach, CA
\$18,000,000
3.25% Fixed Rate
30 year term/30 year amort.
5 year Interest Only



NET LEASE - DRUG STORE

Norfolk, VA
\$3,200,000
3.81% Fixed Rate
10 year term/30 year amort.



SENIORS HOUSING

Syracuse, NY
\$7,300,000
3.33% Fixed Rate
10 year term/30 year amort.



MULTIFAMILY

Pueblo, CO
\$9,295,000
3.84% Fixed Rate
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