



Trends in Real Estate

Prepared by Siegle & Associates

Second Quarter | 2020



Current Market Conditions and COVID-19



Ken Siegle, MAI

Siegle & Associates has been carefully monitoring the impact of the COVID-19 pandemic and its consequences on the real estate market. Siegle & Associates will continue to interview market participants, report quantifiable and anecdotal evidence, and adjust our values for market conditions accordingly. The following is a summary of findings as of mid-April 2020:

Siegle & Associates has surveyed local brokers active in the office, retail, and industrial markets. They reported that active listings have typically remained in place, but with little interest and little or no new activity. Brokers reported that deals that were already in progress have continued – that is, buyers continue in their due diligence, environmental research, etc. Some brokers have reported that buyers are backing out of deals, but most reported a “wait and see” attitude among buyers and sellers. One broker in northwest Michigan indicated that he expects prices to fall at least 5 percent for office and retail properties. Many market participants are optimistic and believe the shutdown won’t last long; many say they anticipate a resurgence of market activity soon after the shutdown order is lifted.



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Lease renewals are still taking place, and landlords are working on concessions to help their tenants through this time. To date, brokers have reported no tenants trying to get out of their leases. They said it appears to be too soon for people to walk away. A few brokers have reported there are some landlords who have agreed to provide rent adjustments during the stay-at-home order.

Overall, market participants are uneasy and concerned about how long this economic situation will last. As already mentioned, most are somewhat optimistic, but it has become increasingly clear that on the other side of this crisis there will be a “new normal.” Restarting the economy will be slow, and businesses will open with new rules in place — social distancing, checking individuals for temperatures or other symptoms before entering office buildings, etc. Additionally, with a large number of employees learning to work remotely, many of them may continue to do their jobs from home, creating more office vacancy in the near term.

Marcus & Millichap, CBRE, PWC, and other firms have released opinions and analyses regarding the impact of the COVID-19 pandemic on the real estate market. All this information has a national view and, while helpful, it doesn't contain local analysis or

conclusions. Here are some of the market analyses from these national real estate sources:

Marcus & Millichap compared the current state of the economy to the downturn in 2008-2009 and concluded the nation was in a much better place going into this crisis than it was 12 years ago. Also, the federal government has acted quickly to help lessen the impact on businesses, especially small business in danger of closing after only a brief time with no economic activity.

Based on health care information that has been released, Marcus & Millichap estimates that the recession resulting from COVID-19 will last through the second quarter of 2020, with the recovery starting in the third quarter. This recovery will start slowly, but will accelerate in the fourth quarter and early 2021.

PWC released an **Investor Survey** on April 6, 2020, with input from investors in the retail, office, industrial, and apartment

markets. Many investors stated that we are already in a recession (60-70 percent) and said most tenants, except industrial, are already experiencing a negative impact and are seeking rent relief. For industrial properties, investors estimate the negative impact to be a few months out. **CBRE** reports that industrial properties are positioned well to absorb the current disruption, and it believes they should “emerge on solid footing.”

Some market participants estimate that 25 to 30 percent of small businesses will close permanently if the current economic situation isn't resolved in 60 days.

Michigan Gov. Gretchen Whitmer extended her “Stay Home, Stay Safe” orders through May 15.

Siegle & Associates will continue to monitor market conditions for the property types and markets we serve, and will update our signature sale/resale tables in our reports as market transactions occur.

During this time of uncertainty, Siegle & Associates will continue to provide the exceptional commercial and residential appraisal services that clients have come to expect for more than 17 years.

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Siegle & Associates Client Testimonials

“I found your report quality to be excellent. Your reports were well-researched and your analysis was well-presented. Thanks for providing (our) bank with very fine service.”

— *A member of a commercial lending appraisal group*

“Just a note to thank you for a great appraisal report. Your appraisal was well-written and researched, and well-documented. Very good national data on mini-storage facilities was presented in the report, with very good market and income analysis provided. Keep up the good work.”

— *A senior review appraiser*

“Thanks for the timely appraisal. I also want to compliment you on a great appraisal. Well-documented, well-written, and with very good supporting information and analysis for the negative time adjustments made in the sales approach. This is especially needed in the current real estate market.”

— *A senior review appraiser*

“I would like to thank you for a fine quality report. You anticipate and address a reader's questions and provide thorough and logical explanations and analyses throughout, toward a substantiated and reasonable conclusion.

“Many of the reports we see are unnecessarily excessive in volume while merely adequate in valuation methodology, data, and analyses. It is reassuring to see that the art of the appraisal is still being practiced.”

— *A former chief appraiser, current contract reviewer*

“Recently I was asked to render some opinions on a property and I was handed a Siegle & Associates appraisal. The quality of the appraisal was world-class in the quality of presentation and useful in the suitable information within.

“As professional real estate developers and consultants, appraisals are a tool of the trade. Your product rose above the crowd and gave us a running start in our work. Your firm is an asset to the industry.”

— *A principal at a real estate development and consulting firm*

“I am reading your report and it is one of the better reports that have come across my desk, from the maps, graphics, layout, and overall appearance to the content and analysis.”

— *A senior review appraiser*

Who we are...

Founded in 2003 by Ken and Kathy Siegle, Siegle & Associates is a full-service commercial and residential appraisal services firm specializing in property valuation, consulting, feasibility analysis, and appraisal review services primarily in Macomb, Oakland, Wayne, St. Clair, Monroe, and Lapeer counties. We also service other counties across Michigan.



Kenneth R. Siegle, MAI, M.S.F., was a commercial real estate loan servicing officer for seven years and a staff appraiser for six years. He has expertise in appraising a variety of properties, including apartments, general office buildings, medical office buildings, retail centers, subdivisions, industrial buildings, vacant land, single-family residential, self-storage facilities, car washes, and more. Ken holds a bachelor's degree in business administration with a minor in systems analysis from Taylor University, and a master's of science degree in finance from Walsh College. He is a Designated Member of the Appraisal Institute (MAI), as well as a state-certified general real estate appraiser. He presently serves as a member of the board of directors of the Great Lakes Chapter of the Appraisal Institute, and also serves in other capacities for the chapter, and is a member of the Macomb Township Board of Review.



Rhea D. Allen is a certified general real estate appraiser who began her appraisal career in 1997 as a research assistant at Stout Risius Ross Inc. After obtaining her limited license in 2003, she was promoted to an appraiser and then to senior appraiser in 2006, when she earned her certified general license. Rhea has appraised numerous properties including industrial buildings, self-storage facilities, retail buildings, general and medical office buildings, apartments, vacant land, and subdivisions. She joined Siegle & Associates in 2008. Rhea received a bachelor's degree in public relations from Grand Valley State University in 1992.



Gerald S. Daugherty has been involved in various aspects of the commercial and residential real estate industry since 1977. He was employed by a major financial institution for 25 years in a number of real-estate-related positions. As a residential REO property manager, he managed and sold hundreds of residential real estate properties. For nine years he was a commercial real estate loan senior analyst. His experience in this position included commercial real estate loan collateral analysis, and managing and selling foreclosed commercial real estate. He has been appraising real estate since the mid-1980s and has been a licensed real estate appraiser since the state appraisal licensing law was enacted in the 1990s. Jerry has a bachelor's degree in finance from Walsh College.



Kathy Siegle, chief financial officer, oversees the firm's financial operations. Her duties include supervising accounts receivable and accounts payable, as well as purchasing and tax preparation. Kathy also assists with a variety of office duties. She attended Prairie Bible Institute near Calgary, Alberta, Canada, and completed courses in business and accounting at Macomb Community College.



Don Pedde is a research assistant and limited license real estate appraiser. He is a graduate of Pensacola Christian College and holds a certificate of legal assistant studies from Oakland University, with specialties in business law and litigation. He has a wide range of professional experience, including teaching, production control, automotive management, and church ministry. Since joining Siegle & Associates in 2010, Don has gained valuable experience with commercial properties, and has focused on specialty properties including apartments, restaurants, and churches.



Karen Relph is the office administrator, a research assistant, and a residential appraiser for Siegle & Associates. Karen keeps the office running smoothly by setting up appointments, scheduling property inspections, filing reports, ordering supplies, and performing a host of other duties. In addition to managing the office, Karen assists in residential appraising, and researches industrial and commercial properties for the firm's commercial appraisers. Karen's experience and expertise in appraisal services have been an invaluable asset to the company.