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# COMMERCIAL REAL ESTATE IN A COVID-19 WORLD



LLOYD ALLEN  
CBRE Managing Director, Salt Lake  
[lloyd.allen@cbre.com](mailto:lloyd.allen@cbre.com)

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## ECONOMIC IMPACT OF COVID-19

- Commercial real estate will be proportionately impacted by the global recession
- CRE recovery will trail the economic rebound and could span 12-30 months
  - Tourist based, and maybe some energy based markets will take longer
- Federal fiscal stimulus will prevent worst-case scenarios and underpin a recovery
- Debt market availability will be critical
  - CMBS sidelined
  - Others remain available
    - more stringent underwriting
    - wider spreads

## NATIONAL:

- Somewhat insulated as compared to other product types
- Leasing activity has slowed
- Rise in vacancy
- Sublease space back to the market

## QUESTIONS:

- Will we see a solid change to a Tenant's Market?
- Are some pausing because they think that June will be a better time to negotiate?
- Will occupancy concepts change?



# RETAIL

## NATIONAL:

- Hardest hit sector
- Grocery and pharmacy—most resilient
- Most likely to seek rent relief

## LOCAL:

- Absorption of empty mid-box stores
  - Planet Fitness
  - VASA Fitness



# INDUSTRIAL AND LOGISTICS

## NATIONAL:

- Short-term slowdown
- Moderate increase in vacancies
- Net long-term beneficiary due to strong e-commerce growth and inventory control

## LOCAL:

- High level of construction at almost 7M SF
- Overall, a healthy market



# INVESTMENT/CAPITAL MARKETS

## SLOWED BUT NOT STALLED

### MULTIFAMILY TRANSACTIONS:

- Renters will continue to need a place to live

### FEDERAL POLICY CHANGES:

- 120-day moratorium on evictions for Freddie Mac and Fannie Mae backed mortgages
- 90-day forbearance for federally backed mortgages, if...

### FINANCING:

- Expect more aggressive underwriting
- CMBS on pause



## KEY CLAUSES INSIDE THE LEASE

- Interruption of essential services
- Force majeure
- Casualty
- Condemnation



# KEY CLAUSES INSIDE THE LEASE

## KEY QUESTIONS FOR LANDLORDS AND TENANTS TO CONSIDER

- **Access to the premises**  
Is the tenant's space available for use? Can the tenant access the premises?
- **Governmental action**  
Has the tenant's decision not to occupy the space been caused by government action (e.g., Curfew or shelter-in-place order)?
- **Essential services**  
Is the landlord providing all required services to the tenant (e.g., Utilities and HVAC, cleaning, and security services)?
- **Damage**  
Has there been damage to the premises?

# SOLUTIONS FOR LANDLORDS AND TENANTS TO CONSIDER

## Rent Deferral

Tenant receives free rent for several months to be paid back over a short period of time once operations resume

## Month-For-Month Deferral

Tenant receives free rent for several months in exchange for the same number of months added to the lease term

## Blend and Extend

Tenant receives free rent for several months in exchange for adding additional years of term

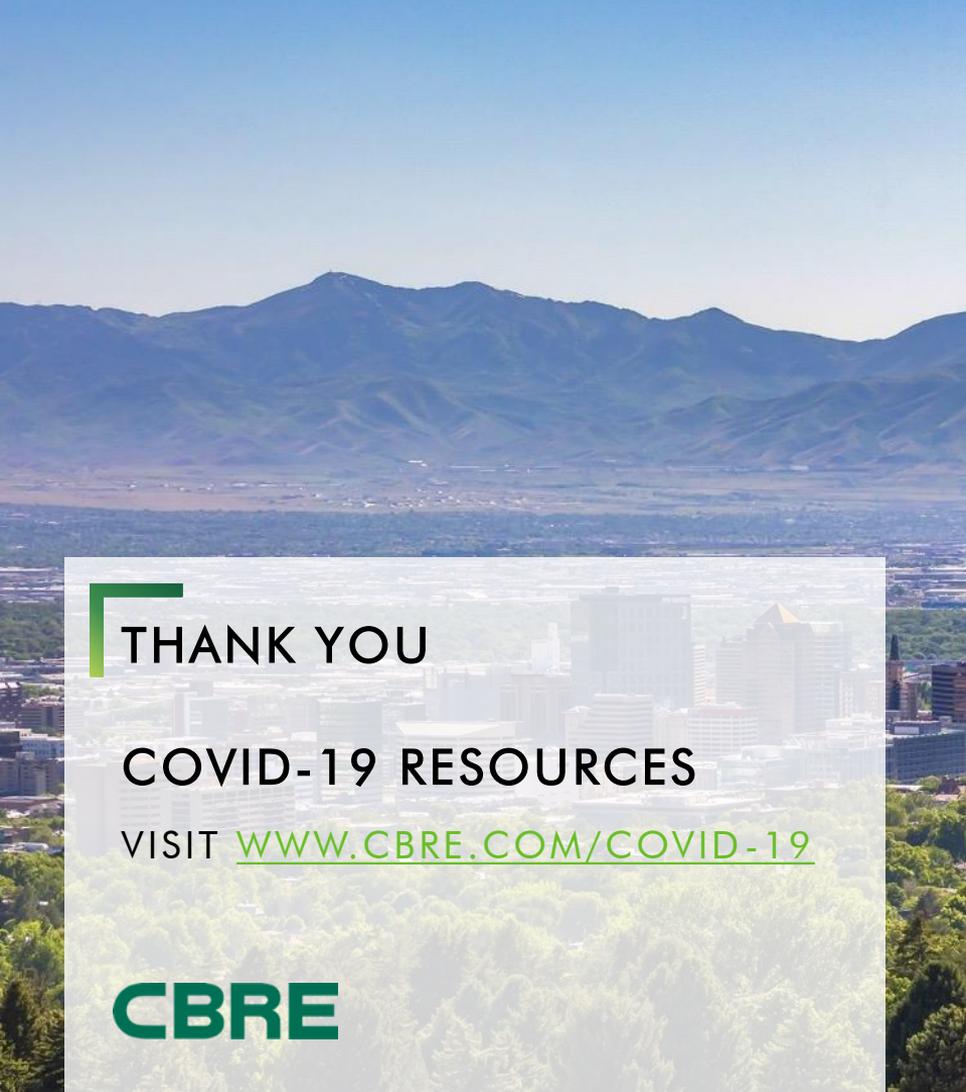
## Security Deposit Burn Down

Landlord applies existing security deposit to satisfy immediate rent.

## CONSIDERATIONS TO ENSURE SAFE AND PRODUCTIVE WORKPLACE RE-ENTRY

- Employees must perceive safety
- Plan ahead and start early
- Re-open safe environments first
- Reset your janitorial protocols
- Consider vulnerability in equipment such as restrooms and communal areas
- Engage your landlord
- Carefully study new workplace standard





THANK YOU

COVID-19 RESOURCES

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