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
OFFICE

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

VISIT WWW.CBRE.COM/COVID-19