

Features

NAI Executives Report from the Front Lines of the Coronavirus

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By **Erika Morphy** | April 01, 2020 at 07:33 AM



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The impact of the health crises on the commercial real estate industry has dramatically changed the industry's landscape within the space of 30 days. With April getting underway, four NAI executives offered their perspectives on the impact of the pandemic and how they are addressing the challenge. These NAI officers have some of the biggest portfolios of managed properties in the company.

Brokerage Deals

“Most transactions near fruition are still being signed, with some tenants asking to push back start dates post stay-at-home orders, or landlords asking to push back on start dates when construction may be needed by the landlord as part of the deal. Other in-process deals are taking a ‘wait and see’ approach before they sign and some early stage deals are now frozen,” according to NAI Farbman President Andy Gutman, from Detroit, MI.

Dave Petersen, CEO of NAI Hiffman in Chicago echoed Gutman's sentiments, adding that “it is a great moment to solve lease issues with rent requests that could include blend and extend term, adding personal signatures, gain improved security or other landlord rights as part of a negotiation. Empathy is important but the request for relief should not be a one-way discussion either.”

In Albuquerque, NM, “we are seeing some tenants ask to go month-to-month, as well as many deals going unsigned, with others stalling deals to the degree possible due to uncertainty,” said Debbie Harms, CCIM, SIOR, CPM and CEO of NAI Maestas & Ward.

Petersen pointed out, however, that “there is a great amount of focus being placed on electronic showings whether that's the use of video conferencing platforms or actual video tours of the space available. Tenants still need space today and we have to use all tools at our resources to help the tenant and our clients to close transactions.

Requests for Rent Relief

Like everyone in the industry, NAI Global's property management teams have received requests for rent forgiveness or abatement yet it is not yet universal, with Gutman saying, “because the worst impact of the virus was in March, most tenants had already paid rent for the month, so April will be the first true test as to where we are.”

In Portland, OR, however, NAI Elliott is taking a proactive approach to guide the conversation with tenants once NAI Elliott managers receive requests for rental relief due to the COVID-19 virus. The company is issuing letters to all tenants in buildings managed by the firm.

“First, we ask them to discuss their situation with their insurance broker and specifically to discuss whether business interruption coverage can be applied to this situation, and further, we ask them to provide us with the outcome of their conversations with their insurance brokers,” said Jordan Elliott, president of NAI Elliott.

Elliott's tenant letter also includes “should you wish to pursue a discussion with the landlord regarding your rent, that conversation will likely include a request for further documentation and evidence of hardship.”

In other words, proof. Furthermore, NAI Elliott stipulated that any rental adjustments with their respective landlords remain confidential.

Harms, meanwhile, received notice from one nationally branded fitness studio “that essentially amounted to a demand – that they would not be paying rent for 12 months, like it or not.” Like the other NAI operators in this article, she is taking an empathetic approach to the crisis and conveying messages of “we are in this together” yet at the same time, gently reminding them that the Force Majeure clause in their lease is a reminder that landlords are not legally obligated to forego or forgive rent.

Development, Investment Slowly Proceeds

“Clients seem to realize we have a near-term blip but no signs of slowing planned acquisitions other than in retail and restaurant sectors and perhaps retirement and senior housing,” Petersen says.

Similarly in New Mexico, Harms said there is continued interest from investors with some of them sensing opportunity to buy in periods of doubt.

Construction on commercial projects underway in the Detroit area is continuing – for now, yet new construction jobs that were awarded earlier have been temporarily suspended, according to Gutman.

What To Do

Petersen said that some of his clients are using this quiet time to really delve into the businesses within their portfolios to understand which are the most impacted by the virus, “meaning are they medical based, food service, reliant on products supplied internationally or heavily committed to manufactured products from China, or otherwise temporarily in trouble due to supply chain disruption and container ship slowdowns?”

He added: “Obviously, some tenants may use the crisis as simply an event to manage cash flows. Our jobs as managers and leasing agents is to be equally versed in knowing what is really going on inside the walls of the assets we operate, and then being able to advise our owners and develop solutions where we can add value.”