



Understanding the sector impact of COVID-19 Real Estate

As the effects of COVID-19 are felt around the world, real estate companies are being impacted in many different ways, depending on region and asset class. In the near term, executives are concerned with preserving value and liquidity, keeping tenants and visitors safe, and complying with governmental agency requirements. In addition, tenants may be faced with liquidity pressures that result in deferring or ceasing contractual lease payments. Certain subsectors, such as hospitality, retail and developers will face more immediate impacts while other subsectors, such as multifamily and non-traditional owners (cell towers, data centers) will likely feel less immediate impact. Longer term, subsectors such as office and industrial could be impacted by changes in where people work and changes in supply chain. Finally, transaction volumes are expected to decrease in the near term but should pick up during recovery and later phases.

Potential long-term impact on Real Estate companies

Prior to COVID-19, real estate base fundamentals were strong: leasing activity, amount of available capital, and strong leverage ratios. Looking ahead, real estate executives are trying to understand how quickly recovery will occur and what to do with available capital and potential opportunities. Owners and occupiers face varying impacts: owners with longer-term leases may feel less near-term impact, depending on tenant liquidity capacity, while occupiers will be focused on liquidity needs and operating effectively with a remote and/or reduced workforce. Near-term impacts may be offset by tax relief or other governmental incentives.

Key questions executives and boards should be asking

- Will this accelerate a change in the way people live and work and use real estate?
- What will impact be on the valuation of assets?
- What impact will this have on pending acquisitions, dispositions, development and capital spend?
- What will be the impact of investment capital and where will it focus (opportunistic, sourcing)?
- How will this impact liquidity and debt covenants for owners & occupiers?
- What investment in building technologies will occur for sustainability, safety & remote collaboration?



Practical next steps

Real Estate leaders will be defined by what they do along the three dimensions to managing a crisis: respond, recover, and thrive. Items top-of-mind include:

- Prioritizing safety and wellbeing of people and tenants
- Short-term liquidity needs
- Remote working considerations, including: location and access to information/data, financial reporting processes and internal controls; and cyber/IT infrastructure constraints

For additional steps that companies should consider taking, visit [Combating COVID-19 with resilience](#).

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