



The pandemic introduces new takeaways and opportunities in commercial real estate - by Anthony Racanelli

August 04, 2020 - Long Island

Anthony Racanelli

While the pandemic is a chapter in our history we would all soon like to forget, it is important that we recognize and appreciate how our healthcare professionals and law enforcement have been stepping up with great courage and dedication worthy of the phrase “frontline heroes,” there are many examples of everyday people doing the right thing to help one another and act responsibly to prevent the spread of COVID-19. On the economic side, it’s hard to think about anything positive coming from the pandemic, but within the real estate industry, there are some valuable takeaways and even opportunities.

For Property Managers

Many professionally managed properties are covered by some form of disaster recovery or continuity plan. Largely, these plans are focused on “disasters” such as hurricanes, fires, floods, etc. Few, if any, have pandemic-related business disruptions addressed. COVID-19 changed all that. Now, many property managers have developed pandemic plans that effectively strive to contain and mitigate future risks.

The Institute of Real Estate Management (IREM) created a comprehensive “Pandemic Guide for Real Estate Managers,” which outlines all of the essential steps to take for developing and implementing a pandemic plan. It begins with setting goals, assessing workplace exposure risks, activating and deactivating the plan, and goes on to cover key areas such as infection control, considerations for multifamily properties, vendor and supplier guidelines, legal considerations and communications, all the way to reopening a property. The IREM guide even includes helpful checklists for tasks relating to communications, disease prevention, social distancing, operations and maintenance, indoor air quality, waste management and ongoing operations, as well as specific checklists for reopening different property types (i.e., industrial, office, multifamily, retail and workplace). It is an excellent tool for property managers who haven’t already developed a pandemic plan, or would like to make sure their plan is as thorough as possible. Other associations such as the Building Owners and Managers Association International also have valuable pandemic-related

guidance which should be reviewed in addition to the IREM guide.

For Real Estate Investors

This may be hard for real estate professionals to hear, but the pandemic has fueled some good opportunities for investors. Identifying those opportunities isn't that difficult either. There are some very good commercial real estate and retail properties being sold at rock-bottom prices.

Depending on the specific market, opportunities may exist in office space, industrial and retail properties. This is good news for the real estate funds which, prior to the pandemic driven shutdown, were preparing to snap up properties in an already strong buyer's market. This is particularly true for institutional investors seeking to bolster their portfolios. Now, with the emphasis on the economic recovery, the opportunities have been further enhanced by the federal government, regulators' policies and lending institutions' modified terms. For example, many lenders are allowing borrowers to avoid payments for two to three months and the SBA is offering terms of up to six months and then restructuring the financing. Additionally, there are commercial mortgage-backed securities being offered as real estate loans to investors. Understandably, the deluge of foreclosures that followed past financial crises is something the lenders want to avoid happening in the post-pandemic period.

Basic Tenets of Sound Investing Still Apply

Regardless of the opportunities, investors should not forego following sound principles of real estate investing even if the bounty seems too good to pass up. This is especially true in a period of high volatility, fluidity and uncertainty. Investors should continue to assess any new opportunities against key criteria, asking themselves:

Does this property align with my overall investment goals?

Will this property hold its value even if I invest at this low price?

Is this property in an especially vulnerable industry (e.g., retail, hospitality, travel) which may lead to a greater risk?

Will this property enhance my portfolio in terms of diversification in property type and geography?

Can I secure the right financing and structure a good deal for long-term investment success?

An investor's best opportunity for a successful transaction starts with having the right professional team to provide their expertise and resources. An experienced real estate broker, who knows the market and understands the intricacies involved in today's post-pandemic environment, can present sound opportunities that have the greatest likelihood of upholding their value. A well-connected real estate financing professional, who has strong working relationships with a variety of lenders, can help an investor secure the best financing terms. Even the most astute investors are best served with a team of professionals to help them navigate the current real estate landscape.

Anthony Racanelli is the president of Racanelli Realty Services, Inc., Commack, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540