



MARQUETTE
UNIVERSITY

College of Business Administration
Center for Real Estate

Beyond MU – Lifelong Learning

Tuesday, April 14, 2020

Coronavirus Impacts on
Businesses and Real Estate:
*What Tenants, Owners and
Banks are Doing*

SPEAKERS



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Mid-America Asset Management

*Chair, Center for Real Estate Advisory Board
Marquette University*



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Director, Center for Real Estate
College of Business Administration

Marquette University



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AGENDA

- **Quick overview: Center for Real Estate & Mid-America**
- **What we've been doing**
- **Survey Recap and Discussion: COVID-19 Impacts & Strategies**
 - *Tenants, "Good Guys" and "Bad Guys"*
 - *Landlords*
 - *Banks*
 - *Transactions*
- **Parting Thoughts:**
 - *(a) How long this will last*
 - *(b) How the CRE world will change*
- **Q & A**



Quick overview

Marquette University Center for Real Estate

- Established in 2008
- Students, alumni, industry
- Ranked #12 nationally (*U.S. News & World Report*)

Mid-America Asset Management

- 60 million square feet of real estate (leasing and management)
- Primarily retail-focused
- Offices in four states throughout the Midwest



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WHAT WE'VE BEEN DOING

Center for Real Estate at Marquette University

- Residential summit moved online March 23 (recording available)
- CRE Industry Flash Poll March 30-31
- Supporting students



WHAT WE'VE BEEN DOING

Mid-America Asset Management

- Strategies with owners
- Discussions with tenants and banks
- April rent – collections, negotiations



CRE Industry Partners Flash Poll

- March 30-31, 2020
- Six partners
 - Marquette, NAIOP Wisconsin, Commercial Association of REALTORS Wisconsin (CARW), Wisconsin Commercial Real Estate Women (WCREW), Building Owners and Managers Association (BOMA), Institute for Real Estate Management (IREM)
- ~350 responses
- Goal – help industry determine “***What is market right now?***” Specifically:
 - Strategies landlords were considering with tenants & banks
 - What tenants were asking for
 - Strategies banks were considering with borrowers

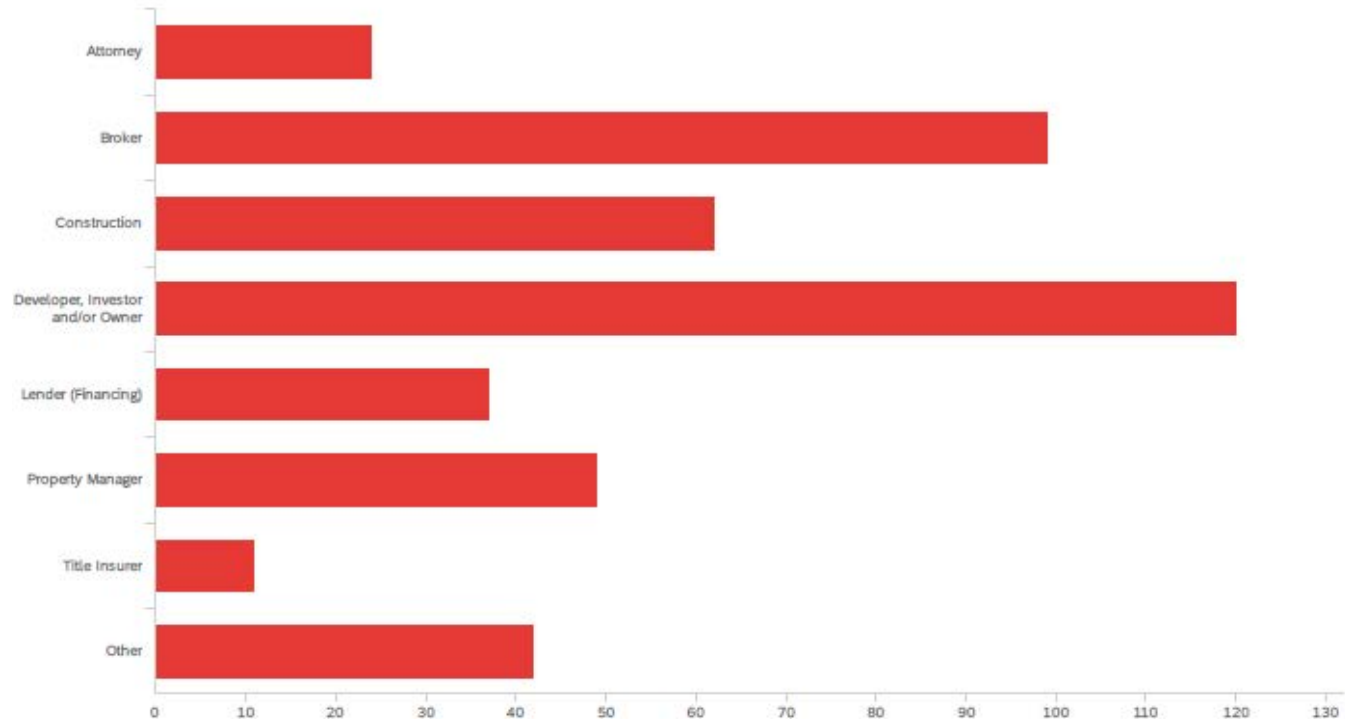


CRE Industry Partners Flash Poll

Q1: Please indicate the areas of the real estate world in which you actively work (select all that apply):

#	Field	Choice Count
1	Attorney	5.41% 24
2	Broker	22.30% 99
3	Construction	13.96% 62
4	Developer, Investor and/or Owner	27.03% 120
5	Lender (Financing)	8.33% 37
6	Property Manager	11.04% 49
7	Title Insurer	2.48% 11
8	Other	9.46% 42

444

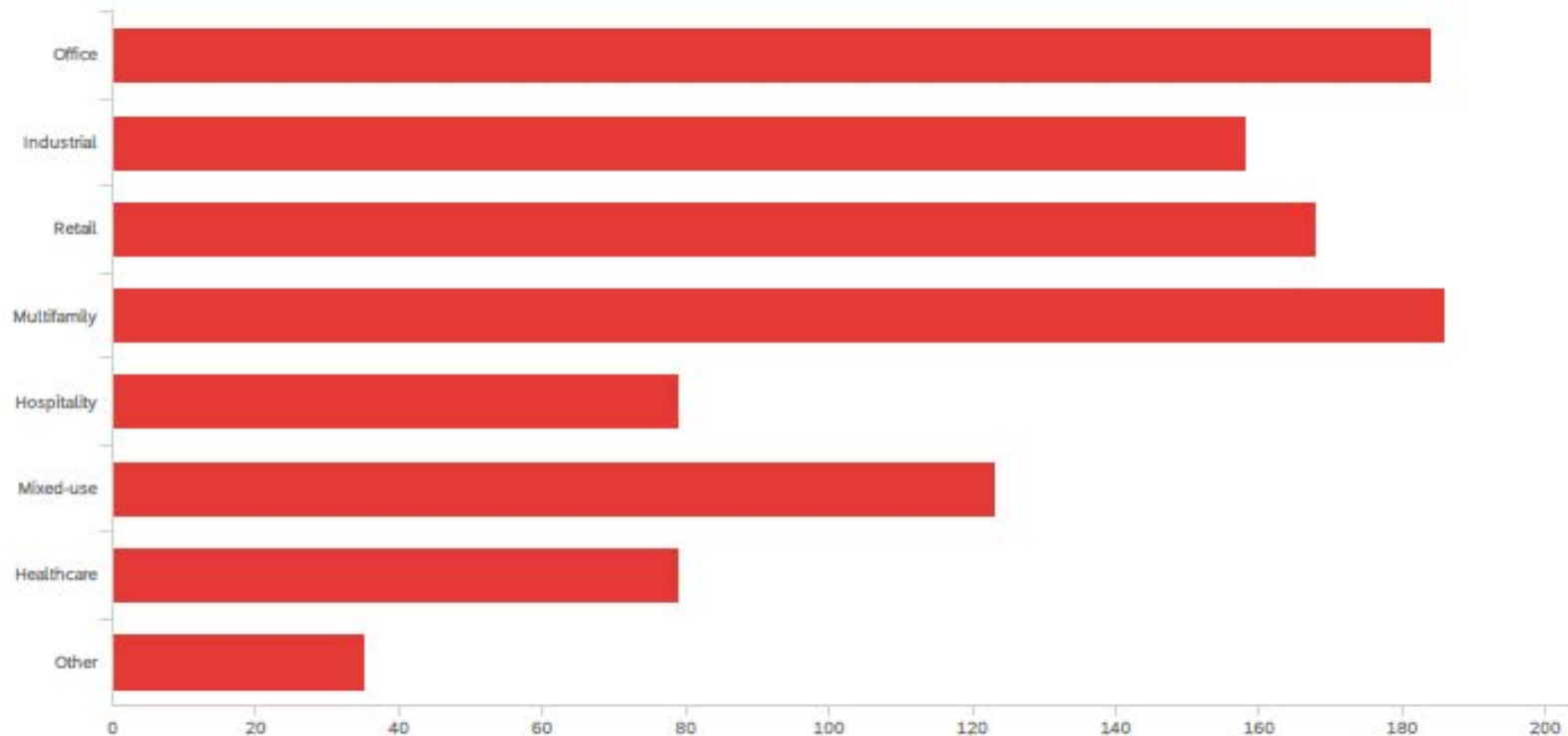


CRE Industry Partners Flash Poll

Q2: Please select the asset types you most commonly work with , develop, and/or own (select all that apply):

#	Field	Choice Count
1	Office	18.18% 184
2	Industrial	15.61% 158
3	Retail	16.60% 168
4	Multifamily	18.38% 186
5	Hospitality	7.81% 79
6	Mixed-use	12.15% 123
7	Healthcare	7.81% 79
8	Other	3.46% 35

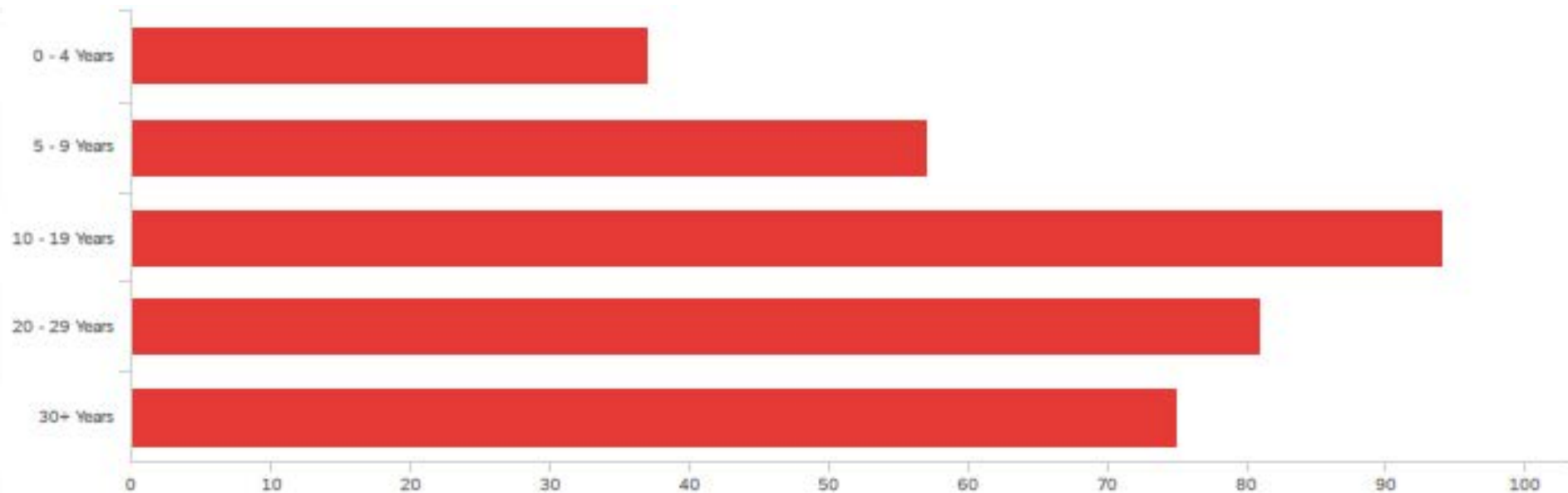
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CRE Industry Partners Flash Poll

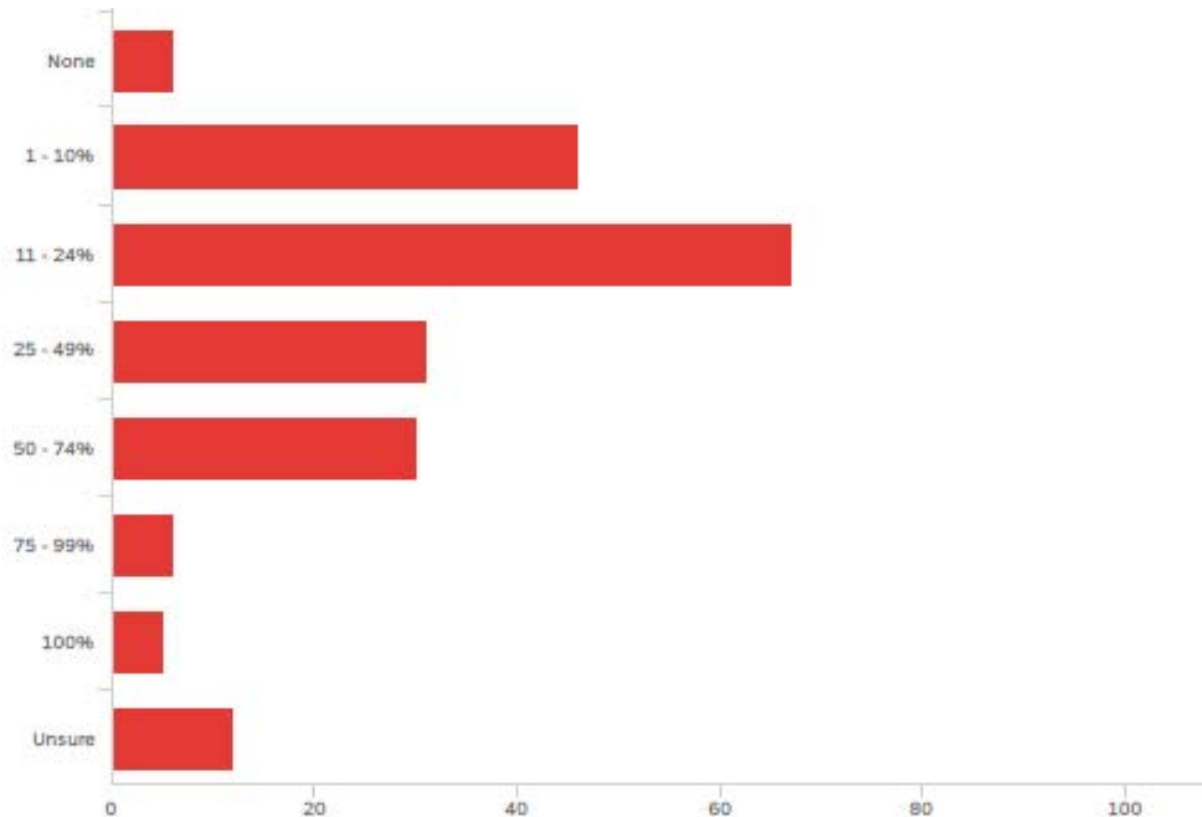
Q3: Please select the number of years of experience you have in the real estate industry:

#	Field	Choice Count
1	0 - 4 Years	10.76% 37
2	5 - 9 Years	16.57% 57
3	10 - 19 Years	27.33% 94
4	20 - 29 Years	23.55% 81
5	30+ Years	21.80% 75
		344



CRE Industry Partners Flash Poll

Q4: If applicable, what percentage of tenants in your properties do you expect will have approached you **before April 15** regarding rent reduction or relief?



CRE Industry Partners Flash Poll

Q4: If applicable, what percentage of tenants in your properties do you expect will have approached you **before April 15** regarding rent reduction or relief?

		Q2: Please select the asset types you most commonly work with, develop, and/or own (select all that apply):								
		Total	Multifamily	Office	Retail	Industrial	Mixed-use	Healthcare	Hospitality	Other
Q4: If applicable: what percentage of tenants in your properties do you expect will have approached you before April 15 regarding rent reduction or relief?	Total Count	507	98	98	96	87	51	33	25	19
	None	1.4%	2.0%	3.1%	0.0%	1.1%	0.0%	0.0%	0.0%	5.3%
	1 - 10%	22.5%	24.5%	25.5%	19.8%	25.3%	17.6%	18.2%	20.0%	21.1%
	11 - 24%	34.7%	34.7%	34.7%	31.3%	40.2%	41.2%	27.3%	28.0%	31.6%
	25 - 49%	17.0%	19.4%	14.3%	15.6%	14.9%	19.6%	21.2%	20.0%	15.8%
	50 - 74%	15.6%	12.2%	14.3%	24.0%	8.0%	13.7%	21.2%	24.0%	15.8%
	75 - 99%	2.4%	2.0%	3.1%	1.0%	1.1%	3.9%	3.0%	4.0%	5.3%
	100%	1.6%	1.0%	1.0%	3.1%	1.1%	0.0%	6.1%	0.0%	0.0%
	Unsure	4.9%	4.1%	4.1%	5.2%	8.0%	3.9%	3.0%	4.0%	5.3%

CRE Industry Partners Flash Poll

Q4: If applicable, what percentage of tenants in your properties do you expect will have approached you **before April 15** regarding rent reduction or relief?

	All Professions Retail		Property Manager Retail		
Total Count	58		12		
Q4: If applicable: what percentage of tenants in your properties do you expect will have approached you before April 15 regarding rent reduction or relief?	None	0	0.0%	0	0.0%
	1 - 10%	9	15.5%	0	0.0%
	11 - 24%	21	36.2%	4	33.3%
	25 - 49%	6	10.3%	3	25.0%
	50 - 74%	15	25.9%	5	41.7%
	75 - 99%	1	1.7%	0	0.0%
	100%	2	3.4%	0	0.0%
	Unsure	4	6.9%	0	0.0%

CRE Industry Partners Flash Poll

Q5: Properties – What tenant strategies are you most seriously considering right now when working with your tenants' businesses? (select all that apply):

Adjustments to term (extending term in exchange for rent relief)	20.4%	107
Adjustments to rent (lower rent or free rent periods)	17.7%	93
Requesting financials and/or proof of distress	17.0%	89
Helping tenants with SBA loans	12.6%	66
Asking tenants about their business interruption insurance	11.8%	62
No adjustments to in-place contracts at this time	6.5%	34
Financial assistance (helping apply for unemployment or other help)	6.3%	33
Unsure	4.6%	24
Other	3.2%	17
Total	100%	525



“Good Guys” and “Bad Guys”

- “Good Guy” Tenants
 - Paying April rents
 - Proactive communication about non-paying
 - Paying employees
- “Bad Guy” Tenants
 - Rent relief despite sales being up
 - Poor communication



CRE Industry Partners Flash Poll

Q7 - If applicable: if your primary business is lending, what percentage of your borrowers do you expect will have approached you by April 15 regarding mortgage payment relief or modification of loan terms?

None	1.85%	1
1 - 10%	25.93%	14
11 - 24%	25.93%	14
25 - 49%	25.93%	14
50 - 74%	5.56%	3
75 - 99%	1.85%	1
100%	3.70%	2
Unsure	9.26%	5
Total	100%	54



CRE Industry Partners Flash Poll

Q8 – On financing: what level of adjustment to loans is most seriously being considered (select all that apply)?

Periods of interest-only payments and deferment of principal payments	27	73.0%
Delaying payments and amortizing them over the remainder of the term	11	29.7%
Requesting borrowers have tenants pursue SBA loans	9	24.3%
Extension of loan term covenants	8	21.6%
Requesting borrowers have tenants use business interruption insurance	6	16.2%
Adjustment to interest rates	5	13.5%
Unsure	5	13.5%
Extension of loan periods	3	8.1%
<i>Total # of self-identified “Lender” category responses</i>	37	



Transactions

- Slowing dramatically
- “Wait and see” approach
- Example: creative contingencies
- Example: walking away



CRE Industry Partners Flash Poll

Q12 – Full-time Staffing: what are your planned changes to full-time staffing over the next three (3) months?

Answer	%	Count
No change - we were not planning on hiring or reducing staff in the next three months anyway	37.53%	140
Undecided: waiting a few weeks to see what happens	23.59%	88
Total hiring freeze right now	16.62%	62
Likely reducing staff	9.92%	37
Other	6.70%	25
Adding new hires	5.63%	21
Total	100%	373



CRE Industry Partners Flash Poll

Q13 – Intern hiring: what are your planned changes for hiring interns over the next three (3) months?

Answer	%	Count
No change - we were not planning on hiring or reducing interns in the next three months anyway	36.87%	132
Total hiring freeze right now	17.04%	61
Undecided: waiting a few weeks to see what happens	16.76%	60
Only hiring and/or keeping interns if we are back in the office by June (social distancing rules are relaxed)	8.10%	29
Likely dropping internships completely this summer	8.10%	29
Adding new hires	6.70%	24
Other	6.42%	23
Total	100%	358



CRE Industry Partners Flash Poll

Qualitative questions

Q6 - If possible, please include additional detail around what you are considering offering tenants:

Q9 - If possible, please include additional detail on loan adjustments being considered:

Q11 - What, if any, opportunities do you see coming as a result of this pandemic crisis?

Q14 - Lastly, what resources, programming, and/or tools do you need to help get through this difficult period?



Parting Thoughts

- (a) How long will this last?
- (b) How will this change the CRE industry?



(a) How long will this last?

- Poll responses:

Total Count	345
No impact	0.9%
1 - 3 months	20.7%
3 - 6 months	42.0%
6 - 12 months	24.5%
More than 12 months	9.0%
Not applicable / Unsure	2.7%
Other	0.2%



(a) How long will this last?

- Poll responses:

		Q1: Please indicate the areas of the real estate world in which you actively work (select all that apply): - Selected Choice								
		Total	Attorney	Broker	Construction	Developer, Investor and/or Owner	Lender (Financing)	Other	Property Manager	Title Insurer
Q10: How long are you expecting the events of COVID-19 to seriously impact your business operations? - Selected Choice	Total Count	445	24	100	62	120	37	42	49	11
	1 - 3 months	20.7%	8.3%	21.0%	27.4%	18.3%	13.5%	16.7%	28.6%	36.4%
	3 - 6 months	42.0%	45.8%	56.0%	38.7%	38.3%	35.1%	38.1%	40.8%	9.1%
	6 - 12 months	24.5%	41.7%	15.0%	19.4%	26.7%	35.1%	23.8%	22.4%	54.5%
	More than 12 months	9.0%	4.2%	7.0%	8.1%	10.8%	10.8%	14.3%	8.2%	0.0%
	No impact	0.90%	0.0%	1.0%	0.0%	0.8%	0.0%	4.8%	0.0%	0.0%
	Not applicable / Unsure	2.7%	0.0%	0.0%	6.5%	5.0%	5.4%	0.0%	0.0%	0.0%
	Other	0.22%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	0.0%	0.0%

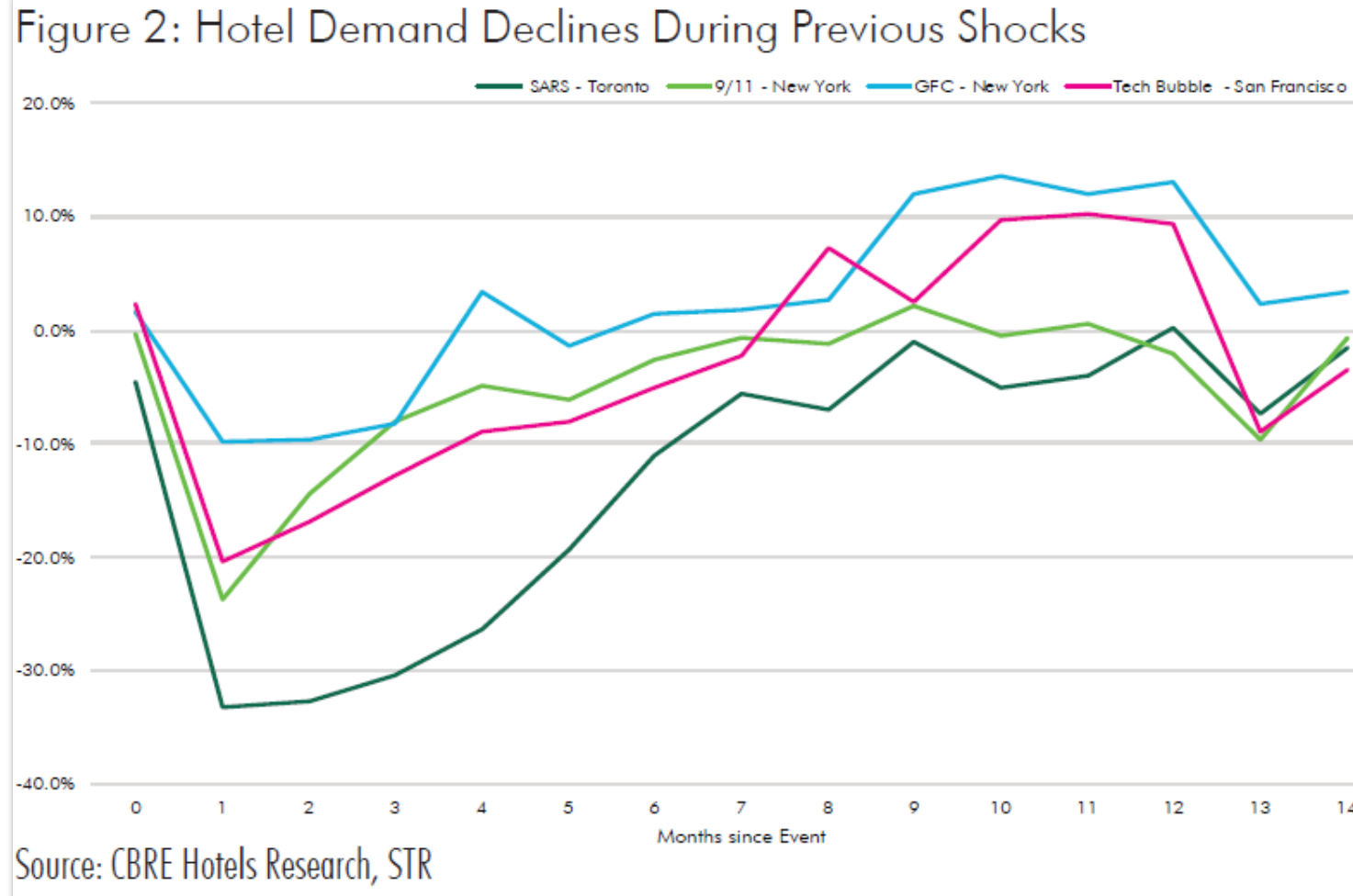
(a) How long will this last?

- Poll responses:

		Q3: Please select the number of years of experience you have in the real estate industry:					
		Total	0 - 4 Years	5 - 9 Years	10 - 19 Yea	20 - 29 Yea	30+ Years
Q10: How long are you expecting the events of COVID-19 to seriously impact your business operations? - Selected Choice	Total Count	345	37	57	94	82	75
	1 - 3 months	18.0%	27.0%	19.3%	19.1%	11.0%	18.7%
	3 - 6 months	42.6%	43.2%	43.9%	42.6%	48.8%	34.7%
	6 - 12 months	25.8%	18.9%	21.1%	24.5%	26.8%	33.3%
	More than 12 months	9.3%	5.4%	10.5%	7.4%	11.0%	10.7%
	No impact	1.2%	2.7%	0.0%	2.1%	0.0%	1.3%
	Not applicable / Unsure	2.9%	2.7%	5.3%	3.2%	2.4%	1.3%
	Other	0.29%	0.0%	0.0%	1.1%	0.0%	0.0%

(a) How long will this last?

- CBRE chart:



(b) How will this change the CRE industry?

- WFH policies
- Contracts
- Tenant underwriting & 'credit'
- Virtual transactions
- Need for office space?



Q & A

Please type your questions into
the Zoom chat function

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THANK YOU!



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