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## **Virus crisis: Impact on real estate, some beneficial - by Daniel Calano**

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We are all getting a little tired and anxious, in hearing about coronavirus. The news is full of uncertainty, which continues to drive down American confidence, stock value, and yes, even real estate values.

Recently, Green Street Advisors, which tracks sector performance in public REITS, published a chart of relative real estate value declines by sector. Without going through each sector, here are a few highlights: not surprisingly, senior housing is down the most by 49%; also not a surprise, shopping malls are down 29%; office at 23% with similar decline in apartments. Not so affected are self-storage at -16% and least impacted is data storage at 11%.

So these are the basic facts, but there is more nuance to it. Clearly, these declines will bounce back, in varying degrees, at varying points. However, depending upon the duration some of these impacts will become cultural or paradigm shifts. Some will be the new reality. Here are a few examples.

First, everybody will learn how to work from home. Since most of us are under mandatory stay at home, we cannot survive without remote work skills. Further, as we become more comfortable in our home offices, we may think more positively about the time we no longer spend in traffic, the greener footprint we are leaving, and perhaps improved ability to focus without typical office distraction. There is of course downside: well-documented lack of camaraderie, creative discussion, spontaneous thinking among others. All this said, many see a “new norm”, a blend of work at home with more moderate use of office space going forward from this crisis.

Next, there is already the obvious impact on travel. By edict, planes are grounded, the airports are empty, and Boeing airlines is getting a \$50 billion bailout from Congress. Additionally, taxis, Uber and Lyft, are all being seriously impacted. These sectors will bounce back, but there may well be less usage. Related to work at home, less travel will be required. Corporations will realize they don't need expensive private jet travel to meetings across the country. Collateral consequences will

impact business stay and tourism in hotels, convention facilities, etc. With every convention this spring cancelled, organizations may find that the need for such is not as critical as once thought.

Office needs will decline. Real estate deals will be executed more with electronic signatures. DocuSign will be relied upon, signatures will be witnessed online, and so on. Office design will accommodate new technological change. Retail is well known to be under stress. Coronavirus is clearly sending more business to Amazon and mail order.

Hospitals will be overwhelmed over the next couple of months, but as a result, telemedicine will increase in the future. As people become more comfortable with occasional work at home, more people will “check in” to hospitals via their computer. This is already quickly evolving, as hospitals no longer encourage (allow) people to visit unnecessarily.

Manufacturing in America may increase. As there is recent scarcity in medical instruments, ventilators, masks, and handi wipes, we will rely less on all of our important needs being produced in other countries. Made in America will continue to be a brand in and of itself.

Winston Churchill allegedly said, “to never waste a good crisis.” This crisis is very serious clearly, perhaps one of the greatest we will face. Many changes are being made in order to deal with it. The silver lining is that many of these changes could be extremely beneficial, with new creative thinking, new focus on efficiency, new technology and new behavior. That said, some new lessons will also be soon forgotten. After the horrible crisis of 9/11, people said living in high rises would no longer be desirable. Given the new high towers throughout urban America, that fear has clearly been forgotten. Nonetheless, other behavioral changes will stick. They will become part of our culture. This crisis will impact us in areas impossible to foresee, and we should all be aware of the possibilities of permanent change.

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