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COVID-19 has illustrated our ability to adapt to seemingly insurmountable challenges - by Paul Natalizio

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The ever changing effects of the ongoing COVID-19 pandemic have shaken the very substructure of our economy and have exposed our hidden vulnerabilities, but also have illustrated the country's ability to adapt to seemingly insurmountable challenges. Massachusetts itself has experienced some of the most significant consequences of this virus as the Commonwealth has reported nearly 90,000 total cases and over 6,000 deaths as of May 21st. These are not encouraging figures. That being said, Massachusetts possesses substantial advantages over other densely-populated states that aid in combating the virus as it has some of the best medical facilities in the world and a highly-educated workforce with significant capabilities to work from home. No one can accurately foretell what the "new normal" will truly manifest itself to be, but, in the meantime, many aspects of our economy continue on.

Although Cornerstone is involved in debt financing for all asset classes, our general focus, and an area in which we possess particular expertise, revolves around the acquisition, refinance, and development of multifamily properties. Multifamily, when compared to other harder-hit asset classes of hospitality, retail, and office, has been able to maintain a degree of stability in the central markets within the 495 belt. It is critical to note, however, that the longer this shutdown continues, unemployment benefits dwindle and corporate activity slows, the more substantial the implications will be on the residential market within the Boston Metro area for the foreseeable future.

Another key element in the continued strength of the Boston multifamily market will be determined by the decisions made and regulations put in place by local universities as to whether they decide to have students on campus in the fall. Generally, property owners and managers have mobilized to face the challenges presented by the virus head-on through both innovation and persistence despite new bureaucratic challenges. Examples include the proliferation of virtual touring for leasing and appraising, emphasis on open lines of communication with existing and potentially troubled tenants, the rolling out of detailed protocols to allow for the continuation of open-air construction, and adept utilization of government-backed Paycheck Protection Program (PPP) loans. These same PPP loans have almost entirely occupied bank lenders since they were first rolled out, but in recent

weeks these institutions have been able to finally shift their focus to their day-to-day pipeline, which, aided by record low index rates, is still resulting in remarkably competitive, albeit highly-vetted, terms.

According to a recent lender survey we performed, 90% of area banking institutions surveyed are actively lending with 100% of these active lenders looking to finance multifamily deals. That being said, many of these lenders are primarily looking to service existing clientele or borrowers with stellar and considerable records. With low rates still readily available through a multitude of lending vehicles, refinancing remains very much a viable option during these unprecedented times. For construction loans, a handful of lenders are cautiously looking past this pandemic, and are more apt to quote and proceed with a complex construction deal than an immediate acquisition. As a symptom of this crisis, all transactions are experiencing far more scrutiny these days throughout the underwriting process, and more deals are being turned down or modified in loan committee.

These are incredibly unpredictable times and the economic consequences during the next couple of months and their effects on the region's capital markets are impossible to predict as conditions and opinions change every day.

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