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Once we all trust each other we will be able to move forward and work in these unusual times - by Thomas Sweeney

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Thomas Sweeney

As we get finished up with the ninth week of the COVID pandemic, we must realize that the entire globe is going through a major change. While everyone is affected both globally and nationally, our state governments are independently in charge. While we did see an initial slow in inquires, the commercial real estate market is still very active. The major factor that is going to determine how impactful this pandemic will be on our local economy is trust. Similarly to our speed limits on the road or health and safety codes we have to trust that everyone will do their best to keep others around them safe. Once we all trust each other we will be able to move forward and work in these unusual times.

Rhode Islanders have begun to reopen their businesses and host their first customers. Restaurants are preparing their spaces by the new seating regulations. While some are working through these safety measures to get back to business we are seeing others altering how they are conducting business and some that are altering their product offerings, such as a local fine clothier that pivoted to making PPE . For others, such as cleaning or delivery services, they are trying their best to meet demand. Everyone is working hard to conduct business in the unusual.

This pandemic has altered many things in our professional and personal lives and it really puts in perspective the value of our health and the health of others around us. We expect to see a change around the structure of paid sick leave with an even stronger pull on remote employees. This entire experience has forced us to re-think productivity. Shared office spaces were trending before COVID-19, these business resources will be relied on heavily as alternative office hours are adapted and companies determine how to safely bring employees back. We expect to see an uptick in short term lease requests but positively an uptick on the square footage requirement per employee. As the need for social distancing continues, companies will need to rely upon more flexible designs to accommodate the requirements. While some see work at home as becoming significantly more prevalent, we see flexibility being much more likely, with employers allowing their employees to utilize a combination of home based and office based work styles.

There is a heavy reliance on technology, cleaning services, delivery services and goods manufacturing that are all pushing a higher demand on the already sought after industrial, warehouse and manufacturing spaces. Prime Restoration and Remediation LLC just purchased a 20,000 s/f facility in northern Rhode Island and plan to use this site as their new headquarters for their restoration company, a segment of the market that has seen significant growth due to the need for spaces to be sanitized. The need for more warehouse to support e-commerce and last mile deliveries are also expected to increase dramatically.

Retailers will be hit the hardest from this pandemic, especially those relying on on-site sales, foot traffic and tourist seasons. Those that were able and agile turned to delivery, online services and altered product offerings to maintain their businesses. We are seeing a number of bankruptcies from well-known names Neiman Marcus, JC Penney and J. Crew, but many of these type retailers were already fighting a very uphill battle against e-commerce already. Restaurants which already were operating at razor thin margins, also have been pushed over the edge by the crisis. It will be interesting to see how these segments reset themselves going forward, if they can, and come out the other side. Landlords are just beginning to try and determine how to react to what will be a very challenging period and the answers may lie in rent abatement and / or restructuring or in some new way to react based upon a crisis that none of us has ever had to deal with.

With every other crisis that I've been through in the last 35+ years; inflation of the early 1980s, the 1991 downturn and Rhode Island bank closings, and the recession of 2008, there has always been an economic basis, but this one is different as the pandemic has literally forced us to shut our economy down. The recovery will be economically based and will rely on getting people back to work, but we must also do that while taking into consideration people's health concerns. The development of a vaccine will obviously be a tipping point but until then, we must move forward with trust that businesses abide by these new precautions, so we can begin and continue to do business in the unusual.

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