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## **COVID-19 effect has been an interesting rollercoaster and ever-changing turn of events - by Dan Rosow**

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Dan Rosow

We were initially concerned about 25 years of work going down the toilet like a flush. We had three deals under contract to purchase when the first shut down, due to COVID-19, caused the first major drop in the stock market. When the market tanked, we lost 80% of our investment dollars for a great purchase deal just two weeks before closing. Fortunately, we were able to bridge the gap with local professionals who were interested in the investment. That deal closed as planned with only a two-week extension from the seller, and no price concession asked for by us as the purchaser. Ours was the only deal our lender was still closing on during that COVID-19 time period. The other two projects closed with very little delay as well.

We also have a partnership that has been active in Louisville, KY over the last several years. We had acquired the development rights on several failed projects back in 2008. One has led to the start of a large spec industrial building on some land we owned through a tax deferred exchange valued at \$500,000 (from an asset we had bought out of bankruptcy court for \$38,000 a few years earlier). After re-zoning and permitting for a 315,000 s/f industrial building, that land became an industrial parcel with a value of \$2 million. We were well underway with construction on a spec building when COVID-19 erupted but were fortunate to have very few supply-chain issues and thus were able to complete construction on schedule. We are currently completing a tenant fit out for half the building, and closing on a sale with a very aggressive price, on a half-occupied building with credit for it being full which the new owners will likely accomplish quickly. The cap rate is below 6!!!

All of our industrial space in Conn., Mass. and N.H. is soon to be fully leased, with significant growth in leasing activity for this sector. It is very exciting, and we are fortunate to have transitioned to primarily industrial assets in the past 5-6 years. REAG has also listed a few assets on the market for sale and has had responses and activity far exceeding pre-COVID-19 interest. With so many investment dollars looking to diversify or move from office and retail to industrial, it is no surprise! In general, industrial tenants have had far better success navigating through COVID-19 shutdowns than the other sectors.

We are finally closing a loan on a transfer act site in Conn. Started before COVID-19, this has been a long process, as most lenders are reluctant to work with properties that present environmental issues. However, we were able to navigate the intricacies of the situation and are due to close on this re-fi in the next couple of weeks.

REAG is also currently selling an industrial NNN lease asset in Conn. with a recent lease renewal at a very low cap rate. Our partnership had exchanged into this asset five years ago at half the current sale price, and the property has not needed any additional investment.

On the other hand, the volatility in the residential market was surprising. While large metropolitan areas have seen declines in value, the residential market in Conn., especially houses and condos, has seen quite exceptional increases in value, partially due to migration from New York and Boston areas. Although we are not very active in the residential real estate sector, we are currently considering the sale of two new construction multi-family properties due to this market situation. In addition, we had some residential properties (condos and houses) that have recently sold or are currently selling at very good pricing and fast all cash closings (hence, no appraisal issues!). We will use those equities for an exchange into industrial development land in Western Mass. adjacent to an existing net leased industrial building that we currently own. We continue to have a significant value add approach to the projects we acquire.

REAG is also active in advising current clients, tenants, and partners to assist them with their real estate investment strategies and objectives. We also offer real estate brokerage and management services where we know we can be effective.

Be well, stay safe and healthy, and keep in touch!!!

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