

# WEATHERING COVID-19

*An Initial Industry Impact Report*

PREPARED BY:



**CONCORD**  
DEVELOPMENT PARTNERS

# EXECUTIVE SUMMARY

There is no doubt COVID-19 has changed the world. As we navigate toward a new normal, Concord Development Partners wanted to better understand how the commercial real estate industry is navigating the major changes impacting vertical markets.

There are many conversations, questions, and speculations around navigating today's market and forecasting for the future. We've uncovered the common sentiments about where the industry is now and how the industry feels going forward.

## In This Report, We Will:

- Break down the audience segments of those who responded to our survey
- Give an overview of their current investment types
- Share their risk tolerance characterization
- Deliver data trends on pricing impact, expected financial lending changes, and overall investor sentiments for new opportunities
- Include key insights on sentiments that vary region to region

Plus, we've included direct feedback, commentary, and responses from survey participants that measures the overall outlook on the future of commercial real estate investments.

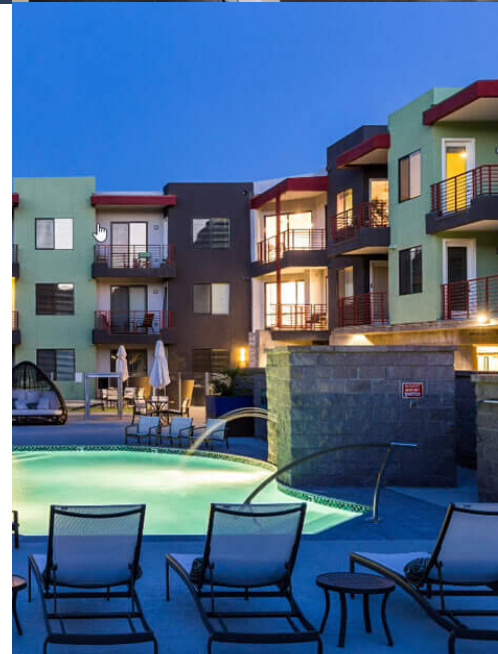
While we are only at the beginning of the impact of this pandemic, economic outlooks prior to COVID-19 were strong, development was booming, and the overall outlook was positive. This novel coronavirus has impacted the pace of the industry, but it is clear throughout all of our survey responses that optimism and positive forecasts are in store once we've weathered this current pandemic storm.

## About Survey

In an effort to gather a full spectrum of opinions from across **all sectors, regions, and stakeholders in commercial real estate**, our team offered this survey to over 65,000 professionals who focus on the development, investment, and operators/users within our industry.

*“So far the impact is limited to waiting for clarity into impact on operations. Return expectations haven't changed.”*

From the responses we received in this survey, we've prepared this insightful industry report that covers overall industry outlook, sentiment by region, and feedback for how current stakeholders are choosing to navigate new opportunities, financing, and more.

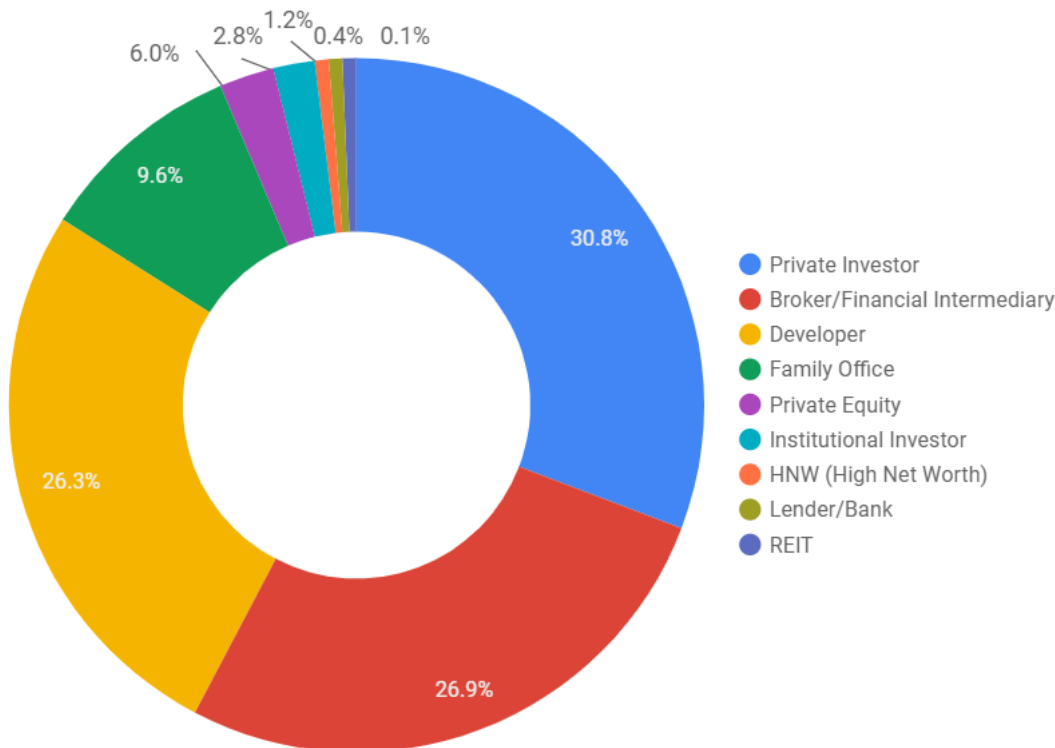




# WHO PARTICIPATED?

The real estate development industry has a variety of types of stakeholders who are all navigating the current economic environment. This industry outlook report is compiled of feedback from stakeholders across the full spectrum of investor types.

When looking at the data in our report, we find it important to understand who responded, their asset portfolio, and how they characterize their investments.



**30.8%**

**Private investors** represented the largest segment of respondents.

**26.9%**

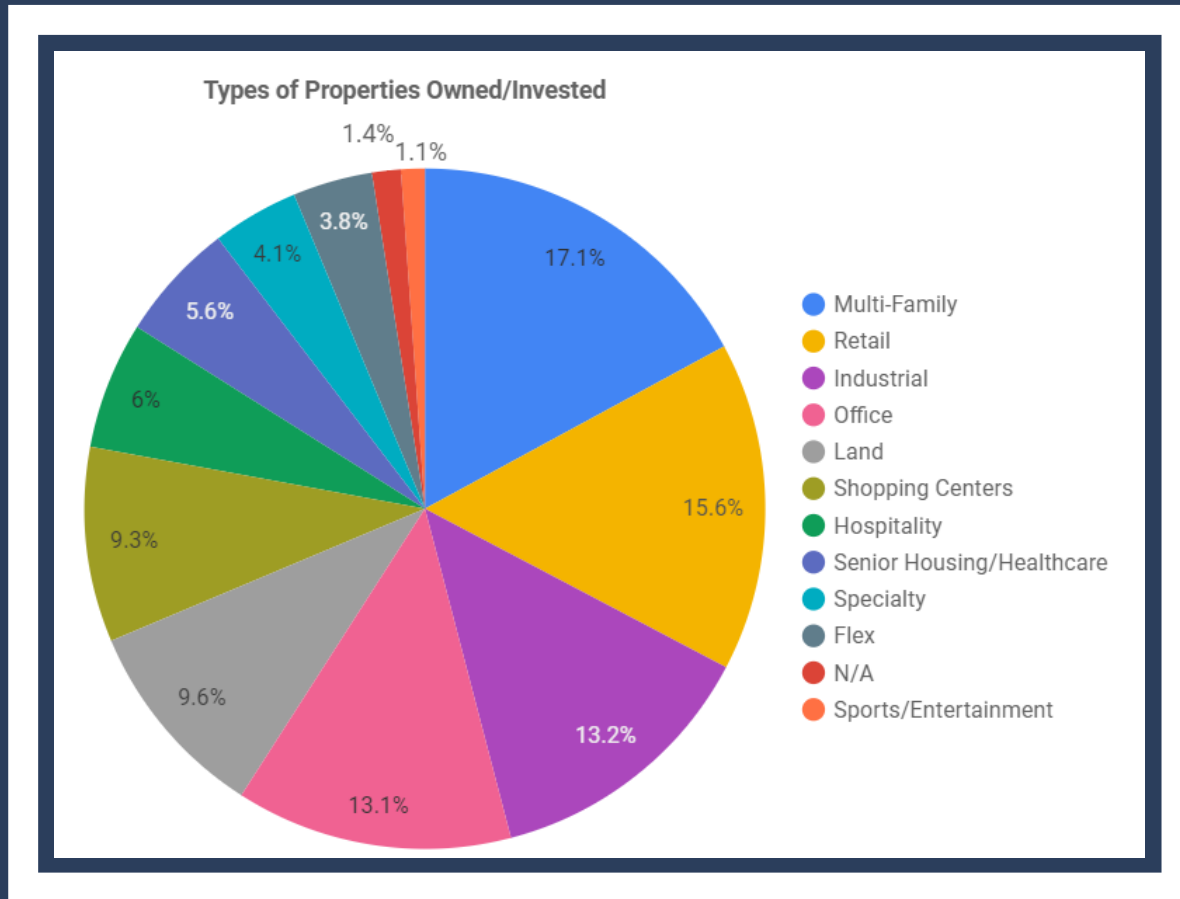
**Brokers/Financial Intermediaries** shared the second largest percentage

**26.3%**

**Developers** had the 3rd largest participation



# WHAT SECTORS ARE REPRESENTED?



In addition to knowing who completed this survey, the sentiment and feedback within industry verticals were clear. Survey respondents had stakes in a variety of real estate investments across all vertical markets.

In fact, **almost all** of the survey participants had a **diversified portfolio** across multiple real estate markets.

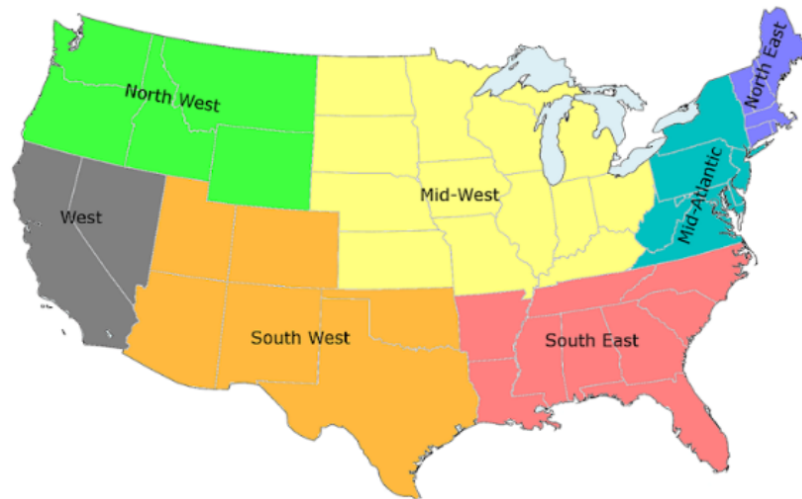
The **largest investments** were the **multi-family housing and retail spaces**, which have taken some direct hits when it comes to the economic shutdown.

Retail space has been closed, while multi-family housing is navigating the impact of unemployment, rent controls, and eviction moratorium.

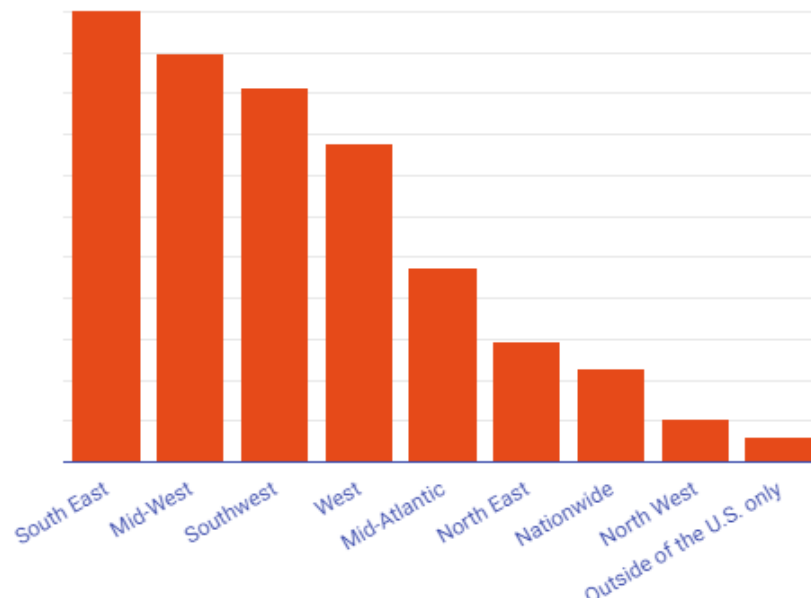
# REGIONS REPRESENTED IN OUR SURVEY

Survey responses encompass all regions of the United States. Almost all participants in the survey served multiple regions.

While seven participants served the entire United States, only two had investments outside of the United States.



For a breakdown by region, we found that the **South East** had the highest number of responses with **over 22.2% of our total**. The Mid-West and Southwest regions round out the top 50% of regions served by our participants.



# OVERALL INVESTMENT TYPE

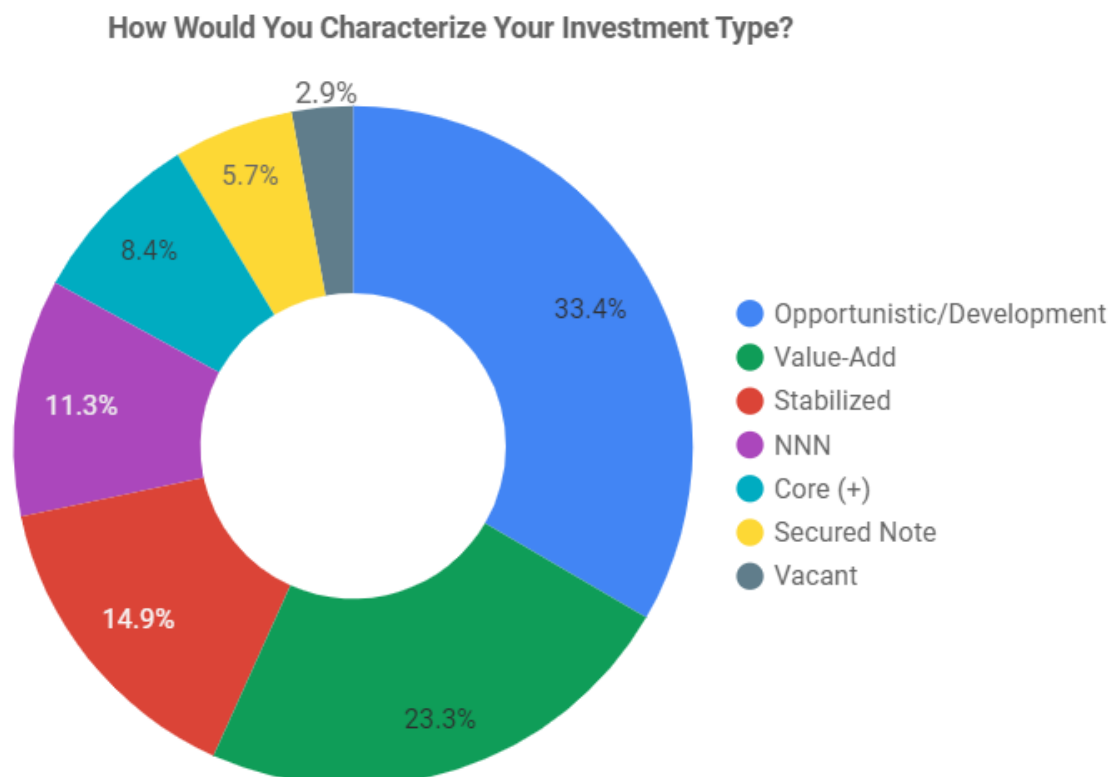
## Risk Tolerance Characterization

In consideration for gauging the current disposition of those who took the survey, it is important to know how they characterize their investments.

The majority of participants characterized their investments in one of the two riskier categories - Opportunistic and Value-Add.

Overall, this is not problematic, but it does add a layer of flavor to the sentiments we will be sharing in this report.

Knowing that the survey results are based on the current viewpoint of **investors willing to tolerate a bit more risk** gives context to some of the more opportunistic feedback.







# IMMEDIATE PRICING IMPACT

One of the more immediate and obvious impacts on the industry has been the pricing for current properties, upcoming deals, and overall valuation.

When assessing the current disposition of industry stakeholders, we wanted to understand the current impact on pricing. A clear **63% indicated that, “Yes”**, pricing has been impacted by COVID-19. While **32% shared that pricing has “Not Yet”** been impacted.

It is not surprising that a full economic shutdown from the pandemic has impacted current pricing, deals, and left some anticipation for pricing impacts that are yet to come.

Some feedback and comments include:

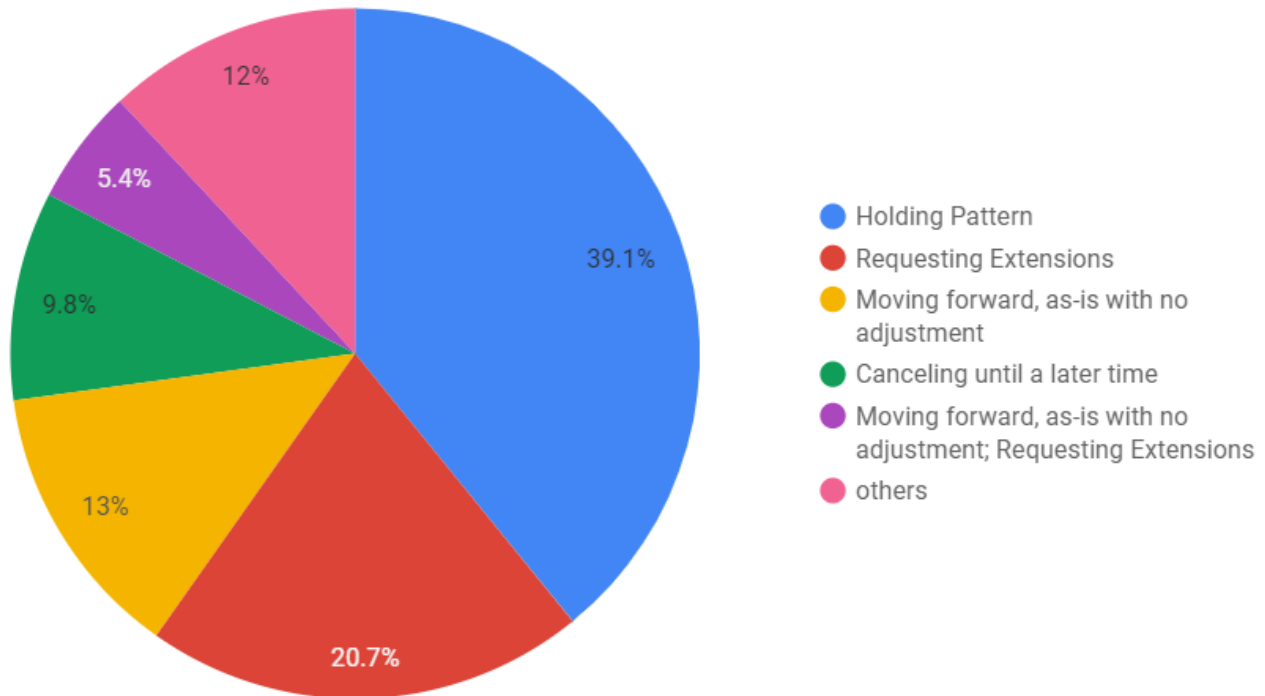
*“I expect vacancies to increase, lease and sales prices to decrease.”*

AND

*“...opportunistic buyers [are] looking for discounted pricing from values prior to [the] pandemic.”*

# RESPONSE TO PRICING IMPACT

## RESPONSE BREAKDOWN



When asked how pricing was impacted, the majority of responses indicated companies are in a “Holding Pattern” with current pricing, deals, and contracts.

*“Investment[s] on hold until the receipt of revenues becomes more stable.”*

This data is clearly identifying the collective breath we are all holding as we navigate the rapidly changing economic circumstances.

**Some are predicting prices will decrease for the next 12 to 18 months.**

## HAS COVID-19 HAD AN IMPACT ON PRICING?

**63%**

**YES**

**32%**

**NOT YET**

# CURRENT PRICING IMPACT BY REGION

Overwhelmingly, COVID-19 and the impact on pricing is still unclear throughout the United States. Those in **the West had the largest number** of respondents who are **reporting NO change** to their pricing at this time.

All other regions are reporting that the **pricing impact has not yet occurred**. This means we could continue to see fluctuations in price, new deal opportunities, and overall development assessments.

Interestingly, those who report that COVID-19 has not impacted pricing, are sharing that contracts and deals are also currently in a holding pattern.

This possibly presents an opportunistic outlook that the holding pattern will yield no change to price once this pandemic subsides.

***“Rent roll isn't as strong. Vacancy projection [is] higher. Rent growth [is] lower. Lower future cash flows.”***

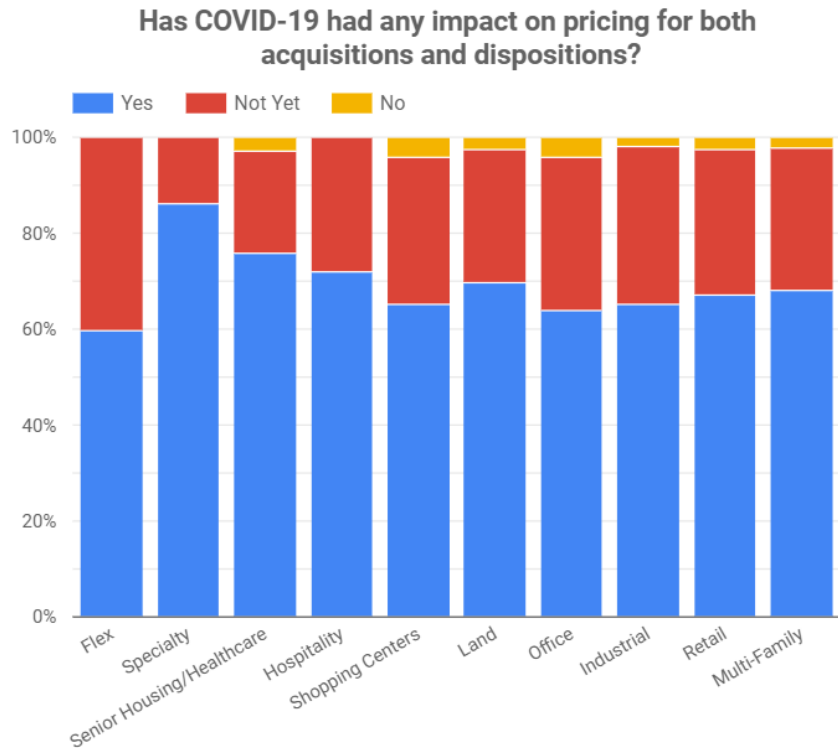




# HOW INVESTMENTS ARE WEATHERING THE COVID-19 STORM?

As the data is showing, the pricing impact is being felt for everyone in some capacity.

It is clear that no investment type has been immune to a pricing impact in the last eight weeks. All major property types are seeing a pricing impact.



One of the more extreme notes of feedback stated

*“Deal flow stopped, price discovery [is] difficult”*

*Others are more opportunistic stating,*

*“We are looking to acquire land or existing assets for development of multi family product...”*

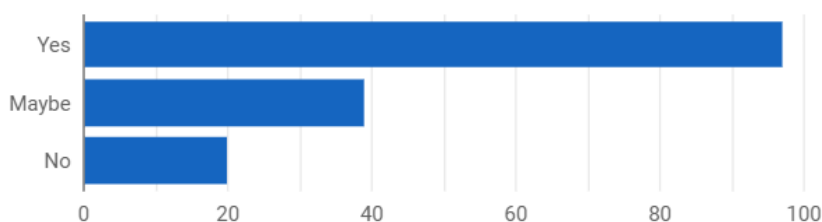
A few sectors report they have not seen an impact on their pricing. However, this only represented the sentiments of a tiny number of individuals.

The large percentage of those answering “Not Yet” is clear that while current pricing may not be impacted, there is **future anticipation of pricing adjustments in all property development markets.**

# PURSUING NEW OPPORTUNITIES

So what about new opportunities in the market and how are investors analyzing new opportunities in today's condition?

## Are You Pursuing New Opportunities



Overwhelmingly, **over two-thirds of survey respondents are pursuing new opportunities** in the current market condition.

There are distinct regional differences in how investors are looking at their opportunities. In the South East region, the majority of investors are making no changes to how they are analyzing new opportunities. Out West, investors are expanding cap rates.

*“Cap rates up across the board except for highest quality industrial.”*

In most cases, there was not just one consideration for how they are analyzing the opportunities. As to be expected, how they analyze opportunities varies depending on their primary investment type.

*“No one knows where values are going. That uncertainty is leading to inaction.”*



## WHERE ARE THE NEW OPPORTUNITIES?

Retail investors are predicting no change to how they analyze new opportunities, multi-family investors are analyzing new opportunities by expanding cap rates and a conservative lease-up.

When it comes to the types of assets with the highest interest of new opportunities, here is **where many are looking for new opportunities**:

- 51% of survey participants are looking at multi-family developments
- 41% are looking at industrial developments
- 29% are looking at retail investments or shopping centers
- 22% are looking at land
- 16% are looking at hospitality
- 12% are looking at investments in senior housing/healthcare

One proactive developer shared the following insights to their strategy,

*“We are looking to acquire land or existing assets for development of multi family products, we are trying to forecast future rents and demand. At the same time trying to figure out land value based on projected rents, rent growth and demand.”*

As with any diversified portfolio, most of those who responded to our survey indicated they are **open to new opportunities in multiple sectors**.



# ARE YOU GETTING THE FINANCING YOU NEED?

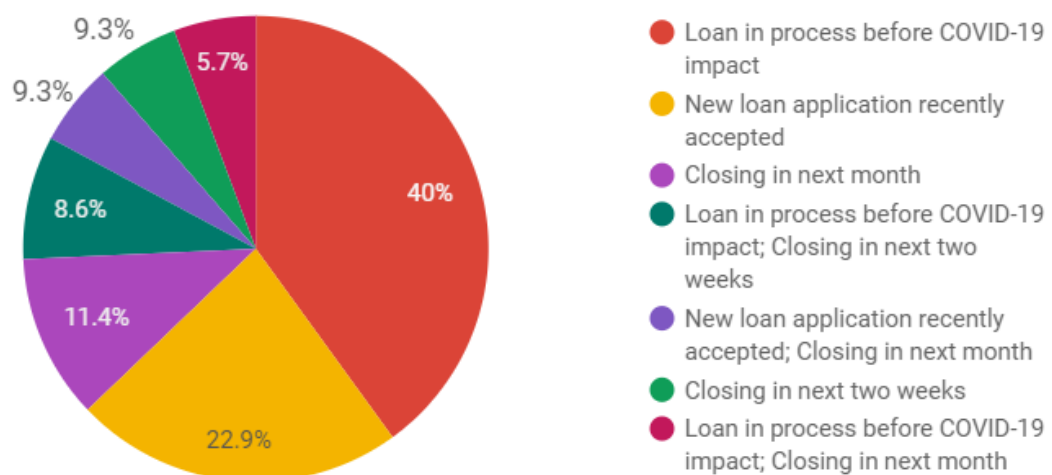
Pursuing new opportunities and financing those opportunities go hand-in-hand. At the time of this survey, 38% of respondents are able to get the financing they need. Yet 47% found our question “Not Applicable”.

For those who are able to get the financing they need, 40% had loans in process before COVID-19.

And 22% had a new loan recently accepted. 17% of loans accepted are expected to close within 30 days of the date of the survey.

These are all positive signs that post-COVID-19 opportunities will continue in an expansion mode.

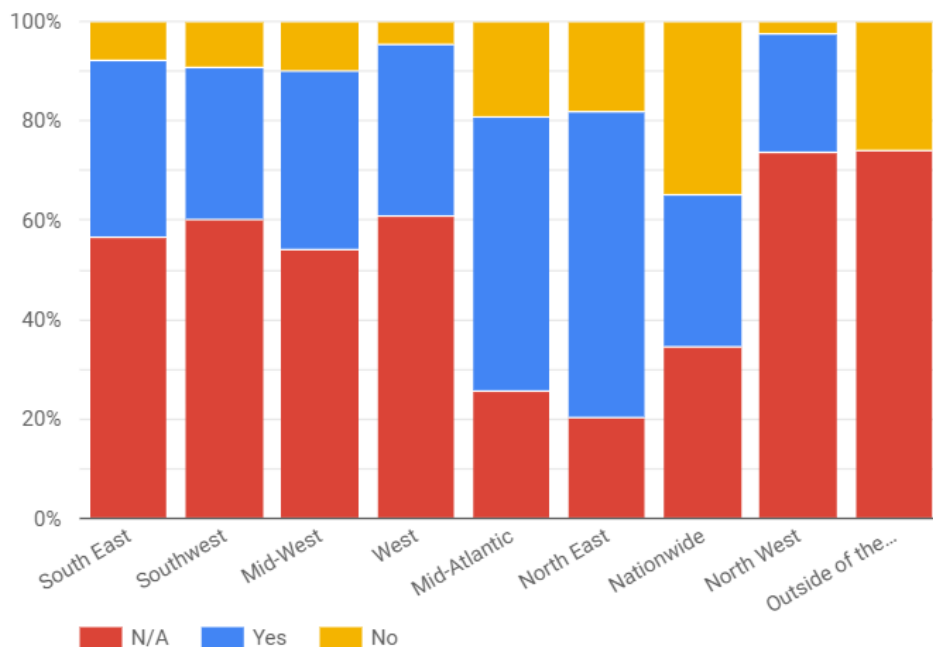
## What is the status of your loan?



For those who are not able to obtain financing, most are unsure when they will begin pursuing financing opportunities in the future. Approximately 22% are expecting to wait 6 to 12 months before pursuing financing opportunities.

# REGIONALLY SPEAKING

## Ability to Obtain Debt Financing by Region



Geographically, the debt outlook shows some interesting trends. The Mid-Atlantic region had the highest number of respondents who are NOT pursuing financing at this time (outside of nationwide investors).

In the Northeast region, we saw the most interest and optimism. For those in this region, obtaining necessary financing appears to be on track with the most **new loan applications being approved and expected to close within two weeks.**

In the Western regions, these investors have indicated to have the highest volume of loans in progress before COVID-19 with an outlook of expecting funds to close within the next month.

One lender shared,

*"We are stress testing valuations on loan assets to understand possible impairments."*

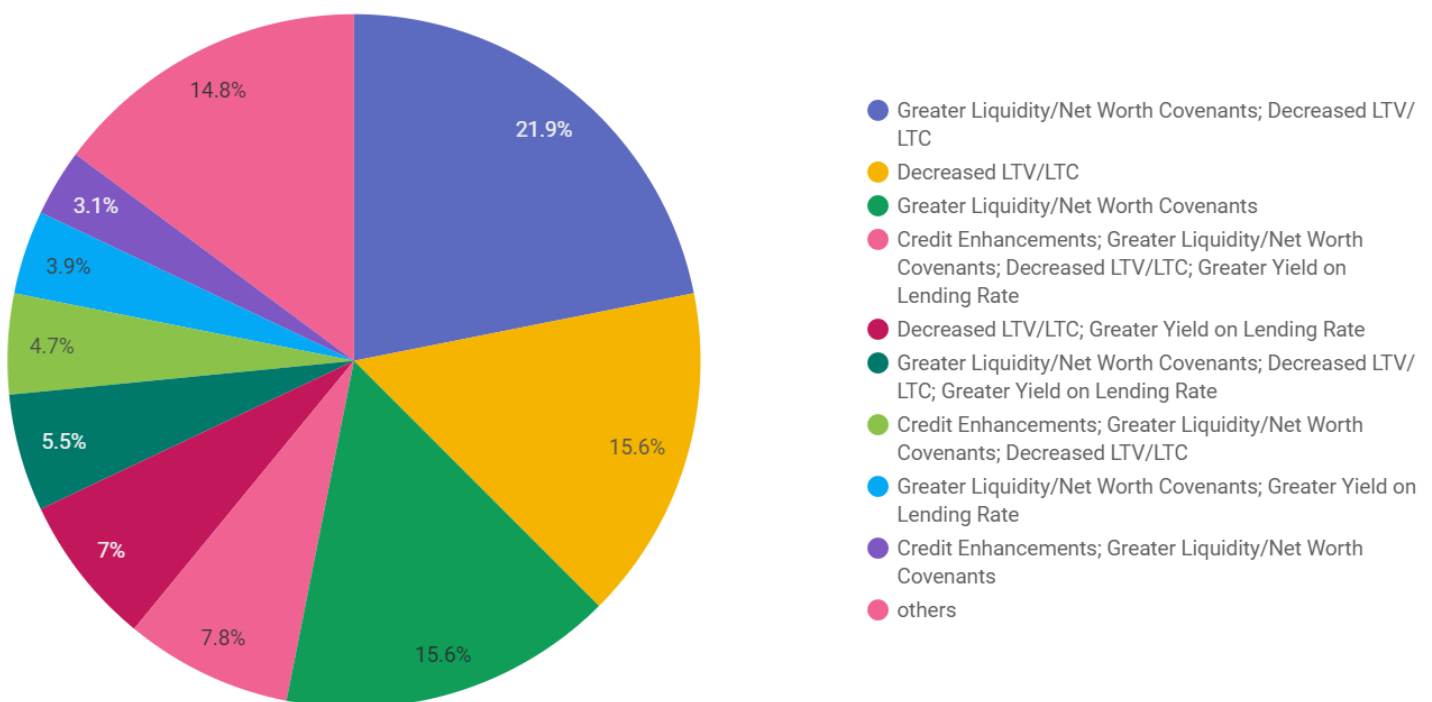
In one instance, a developer cited that

*"Harder to get financing. Sellers have not yet adjusted pricing expectations"*

# IMPACT ON LENDING GUIDELINES

The financing outlook for investors is leaning optimistic at this time. As we all watch the changes to the economic environment, it is important we ask about future lending guidelines.

How will lenders tighten guidelines?



## OTHER SURVEY FEEDBACK WE RECEIVED ON LENDER GUIDELINES:

*"We expect cap rate expansion in retail and office and possibly multifamily. We expect this even while spreads to 10-year treasuries are already wide."*

**67%**

Expect Guidelines  
to Tighten

**21%**

Expect Guidelines to  
Require Greater Liquidity



# OVERALL SENTIMENT

Though our survey data appeared to show **an optimistic outlook on how the industry is navigating the COVID-19 crisis**, when asked about general thoughts and sentiment for the next few months, investors don't seem as optimistic. 30% had a "Not Good" outlook, 23.9% were "Unsure" and 23.4% were openly "Optimistic".

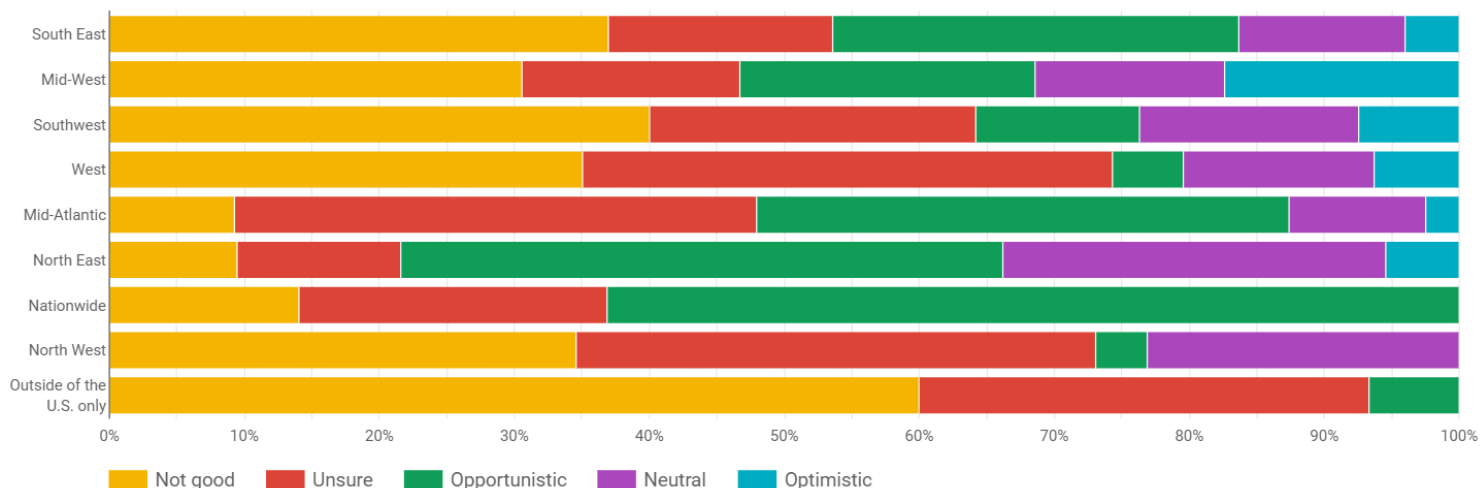
For most, this sums up the sentiment: *"Total uncertainty about the future."*

Regionally speaking, the South East seemed to have the least amount of optimism while the Mid-Atlantic region was the most optimistic and the West was wildly unsure.

Although optimism represents 23.4%, according to our data, **25% of our survey participants are feeling "Opportunistic"** with the state of the market.

As one broker stated, *"Capital on the sidelines is looking for 'opportunistic deals', not considering pre-COVID values"*

Sentiment by Region



One thing is clear, our industry is weathering COVID-19 with anticipated optimism. It may be difficult to predict the future, but through smart investments and the right partnerships, we will get through this together.

# ABOUT



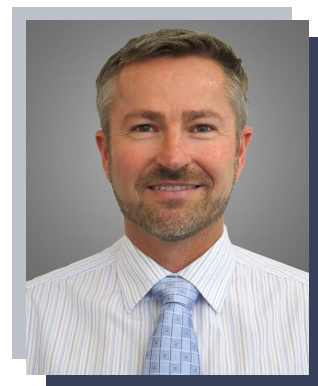
Concord Development Partners (CDP) is a privately held real estate investment and development company based in Scottsdale, Arizona. Our team has been built with a focus on investing in and developing Independent Living, Assisted Living, and Memory Care facilities.

Our passion for quality and professional strategy allows us to offer the most comprehensive approach to developing much-needed facilities in under-served communities throughout select MSAs within California, Nevada, Arizona, New Mexico, Colorado, Texas, Oklahoma, Louisiana, Missouri, Illinois, Tennessee, Michigan and Hawaii.



**Brad Ahrens**  
**President**

Phone: 480-477-6741 ext. 5188  
E-mail: [bahrens@cdpdevco.com](mailto:bahrens@cdpdevco.com)



**Mike Levitt**  
**Acquisitions Analyst**

Phone: 480-477-6741 ext. 5187  
E-mail: [mlevitt@cdpdevco.com](mailto:mlevitt@cdpdevco.com)

**Learn more about our investment & development report at  
[www.cdpdevco.com](http://www.cdpdevco.com)**

**If you are interested in partnering with Concord Development Partners for your next real estate investment project, give us a call at 480-477-6740**