
KEY TAKEAWAYS FROM REFA'S WEBINAR: THE IMPACT OF COVID-19, ONE YEAR LATER

In April 2021, the Real Estate Finance Association (REFA) hosted a webinar, **The Impact of COVID-19, One Year Later**. The program focused on the impact of the COVID-19 pandemic on the commercial real estate industry.

Moderated by **Paul Ayoub**, Nutter Chair and a partner in the firm's Real Estate Department, the panel consisted of:

- **Leslie Cohen**, Principal, COO, Head of Asset Management, Samuels & Associates
- **Jonathan Davis**, Founder & CEO, The Davis Companies
- **Robin Lidington**, Managing Director, Wells Fargo Bank
- **John Wolff**, SVP/Real Estate Market Executive, Bank of America

In addition, Robert Palter, Global Co-Head of McKinsey & Company's Real Estate Practice and Navjot Singh, Managing Partner of McKinsey's Boston office, provided an overview of current issues the commercial real estate market is facing, as well as insights into how the post-COVID workplace may develop.

KEY TAKEAWAYS FROM THE WEBINAR INCLUDE:

RETURN TO WORK

- The results of "the great working from home experiment" have been better than expected. 70-90% of employees like working from home and are productive at home, despite the challenges.
- However, the reality of remote work is that it has also made us more distant and is hard on younger colleagues, who are **missing out on mentorship** and training opportunities.
- Moving forward, employees want to be together, but they also want the **flexibility** to work remotely.
- Much of today's office space will be reduced or redesigned for more collaboration and to meet the needs of tenants and workers in a **hybrid world**.
- The race is on to find **collaboration tools** and technology to support hybrid working models.
- Companies are considering different models, such as having multiple microhubs, having employees work fully remotely and leasing flex space only, or having a partially remote workforce and multiple hubs.

BANKING INDUSTRY AND LABOR CAPACITY

- The massive scale of the federal fiscal and monetary response to the crisis has been a welcome surprise to the real estate industry.
- The **life sciences market** in Cambridge and Boston has seen **tremendous growth** in response to the pandemic.
- The **rebound in the capital markets** has been strong, which has helped the banking and real estate sectors with liquidity which has helped restore/maintain asset values.

BANKING INDUSTRY AND LABOR CAPACITY (CONTINUED)

- The economy may not be prepared for the consumer demand that is coming as a result of vaccines, pent-up demand, accumulated savings, and rising consumer confidence. **Goods shortages, capacity and labor shortages** are occurring and the possibility for sustained rising inflation exists. There will be increasing competition for CRE professionals in the coming years.

RESIDENTIAL, RETAIL, AND PARKING

- The **residential market** in Boston over the past year was negatively impacted by the pandemic and the related school closings and decrease in international travel, but the market is now showing positive signs.
- Many restaurants and retail outfits have closed, but the relief offered to tenants last year is allowing some tenants to reopen, and we are starting to see new **retail tenant deals**.
- The industry must figure out how **parking** will work for office tenants moving forward in the hybrid model.

LEASING

- Panelists predicted that this year will be a challenging time for owners and operators of office real estate. **Net office demand will likely continue to decline** and vacancy rates will rise. This trend is jarring in light of the robust economic growth that's being predicted, but may be the new normal, at least in the near term.
- There was a movement pre-pandemic toward more **flexible leasing arrangements**, which the pandemic accelerated.
- The bulk of leasing being transacted now is **short-term renewals** because tenants do not want to make long-term commitments.
- The desire to **"reimagine the workplace"** will increase the cost of leases and decrease lease renewal rates.

LASTING POSITIVES AND LESSONS LEARNED FROM THE COVID-19 ERA:

- A renewed and greater push for **diversity, equity and inclusion** in the commercial real estate industry. We are seeing the promise of meaningful change in this area.
- A deeper sense of corporate responsibility. The **inequality gap** was vastly accelerated by the pandemic. Companies that focus on social causes, giving back to the community, and the health and well-being of their employees will have a competitive advantage going forward.
- The pandemic has produced a shift in personal preference in behavior. Many people are choosing to retire early or wish to relocate. These are challenges for the real estate industry, but also present **opportunities for the next generation**.
- **Communication** with employees, colleagues, tenants, and residents is essential to keeping people calm, engaged, and informed.

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