

# Real Estate Industry Alerts Tracker - August 28, 2020 Issue

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A green rectangular banner with white text. The text reads "Kelley Drye Real Estate" in a large font, with "INDUSTRY ALERTS" in a smaller font below it. A white arrow points from the end of "INDUSTRY ALERTS" back towards the "Real Estate" part of the text.

**Kelley Drye Real Estate**  
INDUSTRY ALERTS

## Retail Landlords are Offering to Include Pandemic Clauses in New Leases

Retail landlords are offering to include pandemic language in new leases in an attempt to attract and retain tenants. For example, EastBanc, the owner and manager of 45 open-air retail properties in Washington, D.C., has offered to reduce minimum base rent to 50% if the District orders another shutdown due to the pandemic with the deferred amounts to be repaid in six equal installments starting on the day after re-opening. In Detroit, Bedrock has offered tenants a waiver of base rents in exchange for 7% of the gross sales, in addition to permitting security deposits to be used for re-opening or re-configuring stores.

Additional information may be found [here](#).

## Report Shows Contraction of Office Market During the Second Quarter

In its latest report on the state of the U.S. office market, Colliers International explored the state of the top ten U.S. markets and how they have been impacted by the pandemic. According to the report, net absorption fell in each of the top ten markets in the second quarter, as eight of the top ten markets posted negative absorption numbers. Boston, Manhattan, and the San Francisco Bay area suffered most, accounting for five million square feet of negative absorption combined. Nationally, the vacancy rate rose 40 basis points to 11.9%, but in Boston and the Bay Area, posted vacancy rates were four or five times higher than the national 40 basis point increase. Despite having four consecutive quarters of negative absorption, Manhattan still had the lowest vacancy rate of the major markets.

A copy of the report may be found [here](#).

## 1031 Exchange Identification Deadline Drives

## Triple Net Sales Transactions

The CARES Act extended deadlines under 1031 exchange transactions, for both the identification of replacement properties and the closing on the purchase of the replacement properties, but only if the deadline fell after March 31, 2020 and before July 15, 2020. In that case, the 45-day deadline to identify potential replacement properties and the 180 period to close on the purchase was extended to July 15, 2020. In the rush by investors to find, and close on, replacement properties before the July 15 extended deadline, purchasers looked to single-tenant net lease assets such as drug stores, quick-service restaurants and dollar stores. As a result, the NNN Market Intelligence Report for July revealed that the single-tenant net lease sales rose from 271 in June 2020 to 320 in July 2020, an 18% jump month-over-month. By comparison, there were only 162 single tenant sale transactions in May 2020. Total sales increased by 38%, from \$719 million to \$989 million.

Additional information may be found [here](#).

## New York Landlords Push City's Biggest Employers to Return to Offices

Arguing that it is safe to return, a coalition of New York City's top property owners is pushing the City's biggest employers, including financial firms such as Goldman Sachs, Blackstone and BlackRock, to accelerate the return of workers into New York City. They are also asking the City's giant law firms to do the same. Response from large employers has been tepid due to the unnecessary risks involved. In addition, many workers remain reluctant to use public transportation or be in crowded elevators until a vaccine is readily available.

Additional information may be found [here](#).

## Moody's Analytics Provides a Bleak Forecast for the Office Sector

Effective office rents will drop 10.4% nationally, and as much as 21% in major markets such as New York this year, according to a recent report from Moody's Analytics. The report also predicts office vacancy rates to hit a record high of 19.9% in 2021. The current record high is 19.7% in 1991. For 2022, the report projects an office vacancy rate of 20%.

Additional information may be found [here](#).

## Europe Passes United States as Hub for Commercial Real Estate Investment

In the second quarter of this year, for the first time since the Global Financial Crisis, deal volume in Europe surpassed that of the United States. Commercial real estate investment in the United States has plummeted due to the pandemic and resulting recession. Deal volume in Europe for deals priced \$10 million or more surpassed that of the U.S. by \$19 billion. The harsher public health situation in the U.S. and increased investor uncertainty around underwriting future income trends have been factors in the European market surpassing the U.S. This is in contrast with Europe, where social safety nets (which normally make deals look more expensive) are more attractive in a time of crises,

as they can help investors understand how economic losses will be distributed.

Additional information may be found [here](#).

## Rent Payments Down 29% in August

Rentec Direct, a property management software company, recently issued a report that found that rent payments in August of 2020 were down 29% year-over-year and 12% in the last five months. The report was compiled using data from the company's anonymized internal data of 620,000 rental properties across the nation. The report is based on rent payment figures for the first week of each of the previous five months (when most rent is due) and it examined payments from January and February 2020 as a baseline.

Additional information may be found [here](#) and the full report may be found [here](#).