

## How are office tenants navigating COVID-19 right now? ▼

There's no doubt that retail is being hit the hardest. However, there are many industries that will be affected by this at some point. Right now, we are advising clients in traditional office settings to assess their current financial situation and negotiate with their landlords if there is a need for any type of rent relief. We are currently helping clients make sure they have all necessary documentation.

## Are rental rates changing due to COVID-19? ▼

We are not seeing any immediate rent compression right now. As we've learned from historical downturns in 2001 and 2008, there is a lag time before we see an impact on rental rates.

## What are my legal options regarding my office lease? ▼

There are not many legal options under leases that allow tenants to stop paying rent because of COVID-19, including force majeure (which refers to "Acts of God" and is often included for the benefit of landlords). Most leases count on business interruption insurance to help cover these types of events.

Any rights you have are set forth in your lease. Read it carefully and send it to a broker or attorney to determine if there are any clauses or provisions that might cover this type of event. Those may include:

- Force majeure clause
- Major tenant provision
- Continuance use provision

Reach out to your landlord as soon as possible to discuss your options. Try to create a dialogue and specifically discuss the "Go Dark" provision, if applicable, that addresses potential defaults in the lease if you are not using your office space for a period of time.

## What are future considerations for my lease? ▼

Going forward, lease agreements will include more information regarding situations like this, but it's too soon to know what exactly that will be.

## Will my business insurance help during COVID-19? ▼

On a case-by-case basis, each company should look at their policy terms with an insurance agent and evaluate if they should move forward with a claim or not. It will potentially take a lot of time to work its way through the system.

Regarding COVID-19, here are five policy forms to look for:

- Covered cause of loss
- Business interruption
- Extra expense
- Civil authority
- Contagious disease exclusion

## How should I work with my landlord during this time? ▼

The majority of landlords have a large amount of empathy. The most important thing you can do is to be proactive and open lines of communications with your landlord in a collaborative approach. Taking a hard-ball approach is not productive.

Approach your landlord before they approach you for rent. If you can pay your rent, then do it. Just as you have rent payments, landlords have loan covenants they need to uphold. It's important for both sides to have grace with each other. Before going to your landlord, put together a business package that includes:

- Current financials
- Previous two years of financials
- Projections on how COVID-19 will impact your business
- How you're using additional financial relief efforts under the CARES Act and Paycheck Protection Program

## How are lenders responding right now? ▼

Regulators have given banks a lot of flexibility to work with companies right now. Different banks are doing different things. Some are deferring up to 3 months of payments on certain loans, assessing each request on a case-by-case basis.

The Paycheck Protection Program (PPP) is an SBA loan that is fully forgivable as long as that money goes toward payroll or other business expenses, which can include rent, mortgage interest and utilities. Please note that at least 75% of it has to be used to keep your employees paid.

While the rollout of PPP has been challenging, it continues to move forward. So far, the SBA has processed \$70 billion through this program. To put that into perspective, in 2019 the SBA processed \$32 billion.

For tenants who have lower payroll and higher expenses, the Economic Injury Disaster Loan might make more sense, and that's administered directly through the SBA.

## How long is it taking to process PPP loans? ▼

While each bank is different, some are trying to get applications through and approved within 72 hours. New SBA guidance is requiring banks to fund those loans within 10 calendar days of approval, which is subject to change.

## What will commercial real estate look like over the next 1-2 years? ▼

We're in a period of disruption, and office space is going to be forever changed. Space needs will evolve, especially now that we have figured out how to work from home. With social distancing, we might see the need for a little more space in the office for people.

Both tenants and landlords will change how they evaluate real estate needs, including lease terms as well as how buildings are designed and operated from a health and sustainability perspective.