

Real property ownership in the Post Covid-19 market.

- *The Covid-19 pandemic has caused the biggest blow to the US economy since the Great Depression.*
- *GDP fell at a 32.9% annualized rate, the deepest decline since records began back in 1947.*
- *30.2 million Americans were receiving unemployment checks in the week ending July 11 (2020).*
Reuters, July 31, 2020

“80% of all US dollars in existence were printed in the last 22 months (from \$4 trillion in January 2020 to \$20 trillion in October 2021)”

Article by, Daniel Levi, Tech Startups

“Between March 18, 2020, and March 18, 2021, the wealth held by the world's billionaires jumped from \$8.04 trillion to \$12.39 trillion, according to the IPS' analysis of data from Forbes, Bloomberg, and Wealth-X. Amazon.com founder Jeff Bezos, the world's wealthiest person, saw his fortune soar to \$178 billion from \$113 billion, or 57%, during that time, the study found. All told, the total wealth of the world's billionaire class grew 54% during the pandemic year, IPS reported.”

Article written by, Aimee Picchi, March 31, 2021, Money Watch

I can only assume that if you are now reading this on my website you are not one of those fortunate few who overwhelmingly benefited through the Covid-19 pandemic.

Prior to the Covid-19 pandemic, the U.S. economy had been riding on an extraordinary wave of high economic growth and prosperity. Real estate in general, had been experiencing historic financial gains due to record high employment, low interest rates, aggressive bank lending practices, and comparatively stable costs, such as energy, property insurance and real estate taxes.

These and other contributing factors spurred high demand for virtually all forms of real estate. Property valuations were rising, income was growing. It was relatively a good time to own real estate.

As Covid-19 worked its way to America, government shut down our schools, churches, and businesses, mandated that millions of Americans were no longer allowed to work, or make a living. Forced over 30 million people to file for unemployment, and millions more could not qualify for unemployment and were left to fend for themselves.

Local government sponsored (paid) staff actually went door-to-door in many areas throughout the nation to inform tenants that they no longer had to pay rent and landlords were told that they could not evict tenants for not non-payment.

Office workers, if they were fortunate enough to retain their jobs, were forced to work from home. It is now 2024 and many workers have still not returned to their place of business and are now refusing to do so.

Very little in our Post Covid-19 world is the same. Inflation has run roughshod throughout the U.S. economy, and throughout the world. The shadowing effects of the Covid-19 pandemic continue to significantly lead to supply chains disruptions, higher inflation, labor shortages and geopolitical conflicts. Sweeping social and cultural changes, technological changes, health and healthcare, education, altered virtually every sector of the U.S. economic. The small business and real estate sectors are no exception. Our challenge today is first to acknowledge and understand how these changes are impacting your small business or real property ownership and then to find new and creative ways to navigate through these

challenging times to find new pathways that will allow us to grow and thrive in an exceedingly changing and competitive new market environment.

Focusing on your local market.

"The problem with real estate is that it's local. You have to understand the local market."

Robert Kiyosaki-Author of "Rich Dad Poor Dad"

Understanding current events and local market conditions is crucial for small business owners and real estate property owners as it directly influences their success and decision-making. Here are some key points highlighting the importance:

1. **Informed Decision-making:**
Being aware of current events and local market conditions allows small business owners and property owners to make informed decisions. This knowledge provides insights into trends, potential risks, and opportunities, enabling you to adapt strategies accordingly.
2. **Mitigating Risk:**
Awareness of current events helps in identifying potential risks that may impact businesses or real estate values. Whether it's economic downturns, regulatory changes, or geopolitical events, understanding these factors allows owners to implement risk mitigation strategies and safeguard their investments.
3. **Adaptability to Economic Trends:**
Economic conditions directly impact businesses and real estate values. Understanding economic trends, such as the impact that rising costs, higher interest rates and consumer spending have on your operations and investments in a changing market environment.
4. **Market Competition:**
Local market conditions play a significant role in determining the level of competition. Small businesses need to be aware of what competitors are doing and how market dynamics may affect their customer base. Similarly, property owners need to understand the demand and supply dynamics in the real estate market to better set realistic expectations related to prices and asset valuation.
5. **Financial Planning:**
Awareness of current economic conditions is crucial for financial planning. Small businesses can adjust their budgeting, pricing, and financing strategies based on the prevailing economic climate. Real estate owners can assess the impact on property values and adjust their investment strategies and plans accordingly.
6. **Policy and Regulatory Changes:**
Changes in local and national legislative policies and regulations have a direct impact on both small businesses and real estate. Being informed about these changes allows owners to stay compliant and make necessary adjustments to their operations or property management practices.
7. **Consumer Behavior:**
Local market conditions are closely tied to consumer behavior. Small businesses need to understand the preferences and buying patterns of local consumers to tailor their products and services effectively. Real estate owners must be aware, not only of shifts in housing preferences and demographics, but also trends in banking and lending policy that affect consumer access and demand.
8. **Crisis Preparedness:**
In times of crisis, such as natural disasters or global pandemics, staying informed about current events is crucial for immediate response and recovery. Small businesses and property owners can implement contingency plans to minimize disruptions and protect their assets.

A clear understanding of current events and local market conditions empowers small business owners and real estate property owners to navigate challenges, capitalize on opportunities, and build resilient and successful enterprises. It is an essential aspect of strategic planning and risk management in the dynamic landscape of business and real estate.

September 2023

Adjusting to the New Market

“The ability to learn faster than competitors may be the only sustainable competitive advantage.”

Quote by: Arie De Geus

The real estate sector has undergone significant transformations in the aftermath of the COVID-19 pandemic. Emerging from the shadows of the pandemic, the real estate industry is now subject to a new set of rules and considerations that are reshape its landscape. Changes in the debt and credit markets, price inflation, the rising green agenda movement, the expansion of government policy and legislative mandates, growing geopolitical conflicts, and a widening gap between the rich and poor are all impacting our national and international real estate markets.

One of the primary shifts in real estate post-COVID centers on changes in debt and credit markets. Traditional financial institutions have been forced to adapted by tightening borrowing requirements to limit risk while building bank reserves and liquidity. Borrowers have been finding that their ability to secure loans have been significantly hampered and the costs associated with new loans have significantly increased. Lenders are increasingly scrutinizing not only the borrower’s creditworthiness but also the intended use of the property (e.g. investment property, vacant land, owner-user business property). The pandemic has prompted tightened risk management assessment, leading to a more cautious approach by lenders and borrowers alike.

Energy sustainability has gained unprecedented focus in the post-COVID real estate paradigm. The green agenda, fueled by environmental concerns and societal expectations, has become a pivotal factor impacting on all forms of real estate. Current and developing government policies, new regulations and growing legislative actions and will greatly impact property values, development projects, and investment decisions. Governments, developers, and investors are increasingly prioritizing eco-friendly and energy-efficient initiatives, promoting sustainable building practices, and incorporating green certifications. The integration of these considerations not only aligns with global environmental initiatives but can either enhances or reduce the marketability and long-term value of real estate assets.

Governments worldwide have responded to the challenges posed by the pandemic by introducing legislative measures that impact virtually all sectors of the real estate market. These regulations encompass a spectrum of issues, including eviction moratoriums, rent controls, and tax incentives for affordable housing. Additionally, governments are mandating sustainable and inclusive development practices through policy interventions. Owners and investors in the real estate market must stay abreast of these legislative changes as they significantly influence investment strategies, project timelines, investment costs and projected returns as an expanding part of the and overall market dynamics.

Many post-COVID-19 policies and recently approved legislative actions intended to address the needs of those adversely impacted, have exacerbated socioeconomic disparities, and will continue to contribute to a widening gap between the rich and poor. These disparities are also evident within local small business and real estate markets, where affordability challenges have intensified for owners, investors, renters, and consumers alike. The collaboration between world governments and multi-national business interests unfairly tilts the playing field in favor of these mega-companies. The growing gap between the rich and poor will remain a geopolitical and legislative minefield for small business owners and real property investors moving forward. Addressing this disparity will requires innovative policy measures,

collaborative efforts, and a reevaluation of traditional small business and real estate development models to ensure your personal success and economic viability moving forward.

The new rules governing real estate post-COVID are multi-faceted and dynamic, with space for both traditional financing methods and for new opportunities for creative non-traditional financing models. Government regulations will continue to expand and will likely continue to further restrict individual property ownership rights while expanding the role of government to control, and secure more power to enforce a political paradigm based on diversity, equity, and inclusion. Real estate and small business owners must learn to adapt to these changes by staying informed, adopting to sustainable practices, and actively participating in legislative practices that help shape laws and policies. As the industry navigates this evolving landscape, the collaboration of governments, businesses, and communities will play a crucial role in fostering a resilient and sustainable business future.

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Current Real Property Market Trends

The COVID-19 pandemic has dramatically impacted the entire real estate asset class. Impacting the single-family home market, retail, office, industrial, hospitality, medical and even agricultural land uses.

Single-family home ownership has been a part of the American Dream for many decades. Achieving this dream is increasingly becoming out of reach for many Americans. Popular news reports routinely comment about the state of the 'single-family' housing market. There is not *one* single-family housing market. Your single-family market is unique to your local community and your specific area within your community. Single-family housing demand, housing supply and market activity can vary dramatically from one area to another. There are however some broad generalities that all single-family housing markets share. Rising interest rates, restrictive bank lending policies, escalating home pricing and inflation all serve to widen the gap between affordability and home ownership. Single-family housing production has fallen significantly following the Covid-19 pandemic. Single-family housing available inventory in many markets throughout the U.S and Canada have been impacted by wall street hedge funds buyers and investors who have been acquiring, by some estimates, hundreds of thousands of single-family homes throughout North America and have added these units to their investment inventories of rental properties.

Nationally, the multi-family rental market development has been growing at an exponential rate. People are motivated by the human need to reside somewhere. With limited access to single-family home ownership, multifamily rental housing is increasingly becoming the housing of last resort. The enormous growth and development of hundreds of thousands on new rental multi-family government subsidized housing units will continue due in large part to heavily subsidized government financing incentives and supportive local government policy and regulations. These pro-development multi-family rental housing policies will likely continue with little to no consideration of the negative long-term impact this housing trend will have on our overall cultural landscape for generations to come. This asset group is heavily sponsored by Federal, State, and local funding, favorable government policies, regulations and legislation that, by design, establishes greater government control of this sector while simultaneously limiting and redefining private ownership rights.

The commercial real estate asset class covers a wide range of product classifications and in general, includes office, retail, industrial, hospitality, special-use properties, mixed-use developments, and includes multi-family housing.

Broad market economic instability post COVID-19 has impacted all types of properties within the commercial real estate asset class. High inflation, supply and logistical problems, job market instability, and instability in consumer income and inflation have significantly impacted commercial real estate. Many current commercial property owners and potential buyers and tenants remain reluctant to commit to new investments and are waiting to see how national, and local events unfold. Geopolitical uncertainty, the

current restrictive lending environment and tightening money supply, also put additional downward pressure on the asset group.

Large office properties have been particularly negatively impacted. The same remote work cultural shift that has changed the priorities within the single-family housing market has also proven to be devastating to owners of office properties in many markets. Office vacancy rates have been soaring and the value of office buildings have been falling in many markets to historic lows. Many business tenants are reevaluating their office needs, and many owners are looking to alternate uses for their office space, such as conversions to residential, warehousing, and self-storage. The economic viability of these conversions is still largely untested.

While many national big box retailers, regionally shopping centers and traditional big box retailers have been significantly damaged post COVID-19. Many small well-established community and neighborhood-based local retail sales and services businesses have rebounded and are now limited by a lack of adequate qualified labor and affordable financing terms to support expansion.

The industrial asset class significantly expanded during the COVID-19 lock-down. Large international retail warehousing and distributing companies used the COVID-19 period to acquire thousands of additional acres of land and developed millions of square feet of warehouse and distribution centers throughout North America, despite widely recognized supply chain disruptions and logistical issues that occurred throughout this time. Warehousing and distribution centers are still in high demand but are more focused, targeted, and location specific.

The surge in e-commerce has increased the need for last-mile distribution centers. However, finding suitable locations for these facilities, especially in densely populated areas, poses a challenge. Balancing the convenience of last-mile delivery with zoning regulations and space availability is a complex task.

The hospitality industry was especially hard hit during the COVID-19 pandemic period. The lockdowns and travel restrictions nearly bankrupted this industry. Today however, hospitality appears to have recovered and is currently growing with new and existing properties in high demand.

Understanding where your specific property is positioned in your local market is the key to projecting your success. Your property type, configuration, condition, location, size, and condition factor greatly to determine where your property is positioned within your local market. The demand you can reasonably expect to receive will depend on your understanding of your asset and how it is, or can be, positioned within your particular marketplace. Understanding how new government policies and regulations will impact you and your property class should also be a major consideration for property owners as you plan for your future.

The post-COVID real estate landscape is characterized by shifting preferences, economic uncertainties, and the need for adaptive strategies. Each real estate classification faces unique challenges requiring innovative solutions to navigate the evolving market conditions.

Services

Capital Investor Services, Inc., is focused on the singularly unique attributes that each individual property affords to its owners. We are also acutely focused on the individual needs and goals of a property's ownership. To help you achieve your goals, we offer the following services.

- Our initial no pressure, no commitment is 'free'. This is an opportunity to confidentially discuss your property issue(s) and receive 'free' feedback from an experience real estate professional.
- Property Condition Report
- Project Feasibility Report
- Market Feasibility Report
- Broker Opinion of Price
- Independent Broker Review
- Owner and Tenant Leasing Representative
- Commercial Broker
- Problem Resolution Counseling
- Exchanging Equities/Property Trade Counseling

A Property Condition Report for commercial real estate typically provides a comprehensive assessment of the physical condition of a property. It can include details about the structural, mechanical, electrical, and plumbing systems, as well as the overall building envelope. The report often highlights any existing or potential issues, such as maintenance needs, issue concerning code compliance, and safety concerns. It may also address environmental factors, including hazardous materials or contamination risks. Additionally, the PCR may discuss the overall condition of the site, parking areas, landscaping, and other exterior features. The purpose of the report is to assist potential buyers, sellers, lenders, and other stakeholders in making informed decisions about the property by providing a thorough third-party analysis of a property's current condition.

A Project Feasibility Report typically encompasses crucial information essential for evaluating the viability of a proposed project. This comprehensive document includes an executive summary, providing an overview of the project, followed by a detailed introduction outlining its objectives and scope. The report delves into market analysis, examining the demand, competition, and potential risks associated with the proposed project. Financial considerations are addressed, encompassing cost estimations, revenue projections, and projected return on investment assessments. Technical aspects, such as the project's technology requirements and infrastructure needs, are outlined. Additionally, a feasibility report explores the legal and regulatory landscape, environmental impact, and potential socio-economic

implications. A conclusive recommendation or decision, supported by the findings, is often included, aiding stakeholders in making informed choices about whether to proceed with the project.

A Market Feasibility Report is a comprehensive analysis that assesses the viability and potential success of a business venture within a specific market. It typically covers key aspects such as market size, demographics, and trends, examining the target audience and their needs. The report evaluates the competitive landscape, identifying existing and potential competitors, along with their strengths and weaknesses. Market feasibility reports also review regulatory and legal considerations that may impact a proposed purchase, as well as potential barriers to entry. Additionally, the document often explores the economic environment, consumer behavior, and demand projections, providing insights into the overall market conditions. Financial feasibility, including cost estimates and revenue projections, is a crucial component of the report, helping stakeholders determine the financial viability of a proposed venture. Overall, a market feasibility report serves as a strategic tool to guide decision-making by providing a comprehensive understanding of the market dynamics and potential risks and opportunities.

A Broker's Opinion of Price is a crucial document that provides an opinion of the fair market pricing of a property. This opinion typically serves as a market pricing tool for both buyers and sellers in the real estate market. This document encapsulates a comprehensive assessment of a property's worth, offering a nuanced perspective that goes beyond mere market trends.

At its core, a broker's opinion of price generally includes an analysis of the property's physical attributes. This encompasses the structure's condition, age, and any noteworthy features that will either increase or limit property's market value.

Market dynamics play a pivotal role in shaping the broker's opinion. A thorough examination of recent comparable sales (comps) provides a benchmark for determining the property's fair market price. These comps are scrutinized for similarities in size, condition, location, and other pertinent factors that may influence how a property is likely to be perceived and the level of demand that can be expected within the marketplace.

Additionally, the document also considers the current state of the local real estate market, considering trends, supply and demand dynamics, and economic indicators. Brokers often incorporate their knowledge of the local market, bringing insights into potential shifts or unique factors influencing property values in the area.

The Broker's Opinion of Price is not a static proclamation but a dynamic reflection of the ever-evolving real estate landscape. It may include recommendations for strategic enhancements or renovations that could positively impact the property's value, providing actionable insights for sellers seeking to maximize their returns.

For prospective Buyers and Sellers, this document can serve as a guide, offering a professional experienced third-party opinion about a property's worth. Armed with this information, both buyers and sellers can navigate the complex negotiations with a better understanding of the market value, fostering a more transparent and equitable real estate transaction.

An Independent Broker Review can play a crucial role in evaluating and analyzing commercial leases, broker listings and marketing strategies to provide an unbiased review.

In addition to reviewing lease terms and conditions, an independent brokers will also highlight details that could potentially impact both landlords and tenants. This includes examining rental rates, escalation

clauses, and any special provisions that might impact the tenants use or effective operating costs. The broker must ensure that the lease aligns with prevailing market standards, protecting the interests of both parties involved.

Financial considerations and operational considerations are key during the analysis. Joint landlord, tenant considerations such as rent escalation provisions, common area maintenance charges, and any hidden costs that may emerge over the lease term. This financial scrutiny extends to evaluating the overall economic viability of the lease for both the landlord and the tenant.

Market rental comparable data is gathered and analyzed. By benchmarking the lease terms against similar properties in the local market area, the broker gauges the competitiveness of the proposed lease. This involves analyzing rental rates, lease concessions, and other market-driven factors to ensure that the agreement is fair and sustainable.

Moreover, the broker considers the long-term implications of the lease on the property's value and market positioning. Factors such as lease renewal options, restrictions on alterations or subleasing, and the potential impact on property appreciation over time. This review attempts to safeguard the interests of both parties and foster a mutually beneficial, sustainable leasing relationship.

The role of an independent review broker can also be used to evaluate the current marketing actions and market presentation to suggest market repositioning recommendations and suggest a fresh perspective to help renew and expand potential buyer interest in stagnant listing.

An Owner, Tenant Leasing Representative, connects property owners with prospective tenants or assisting tenants in finding suitable spaces. Understanding owner, tenant requirements, market dynamics, property features, and market nuances is critical.

Services may include creating comprehensive property listings, highlighting key features, and utilizing effective marketing strategies to attract potential tenants.

Broker responsibilities extend to coordinating lease documentation, ensuring legal compliance, and facilitating a smooth transition for both parties. Additionally, staying informed about market trends, property values, and relevant regulations is essential for providing informed advice and maintaining a competitive edge in the leasing market.

A Commercial Broker engages in an agency agreement representing a Buyer, Seller or may act as a Transaction-Broker to facilitate a smooth and successful sale transaction between Buyers and Sellers. A skilled commercial broker plays a key role in connecting suitable buyers and sellers while assisting and coordinating all related contract requirements specified within a mutually approved purchase agreement through closing. For both Sellers and Buyers, a commercial broker is a strategic partner, employing current technology, personal industry contacts and knowledge of the local commercial market to match client requirements with current market options. A Broker will typically provide an opinion of market price and develop a marketing strategy that will afford the greatest market exposure to present.

Throughout the entirety of the sale transaction, the commercial broker acts as a trusted advisor, providing guidance, fostering communication between parties, and ultimately, driving the deal to a successful closing. In this complex arena of business transactions, the commercial broker's expertise becomes the compass that guides both buyers and sellers through the intricate maze of deal-making, ensuring a mutually beneficial outcome for all involved.

Problem Resolution Counseling can play a key role in helping to resolve roadblocks that may be hindering a transaction or a desired outcome.

In the world of commercial real estate, a problem resolution counselor like Rachel plays a pivotal role in maintaining client relationships, safeguarding property value, and ensuring a seamless and comfortable environment for tenants. Her dedication and expertise make her an invaluable asset in navigating the challenges of the real estate industry.

Certainly! Let's start with equity trades and property exchanges in commercial real estate.

Exchanging Equities/Property Trade Counseling often referred to as 1031 exchanges, Delaware Statutory Trust (DST) and Real Estate Investment Trusts (REIT), are recognized form of sanctioned ownership can allow a seller to deferral the taxes on a sale of property by transferring their prior interest into another form of real estate ownership. These forms of ownership transactions enable investors to defer capital gains taxes when selling one property and acquiring a like-kind replacement property. This is based on Section 1031 of the Internal Revenue Code. Investors must identify and acquire the replacement property within a specific timeframe to qualify for tax deferral. Property exchanges are popular for those looking to optimize their real estate portfolios without incurring immediate tax liabilities.

In both equity trading and property exchanges, strategic decision-making, market analysis, and understanding financial implications are crucial for success in the dynamic commercial real estate landscape. Investors engage in these transactions to enhance returns, manage risk, and align their portfolios with changing market conditions.