COMMERCIAL REAL ESTATE

A Review of 2020 and Planning for 2021

Practical Law Real Estate asked leading real estate practitioners to share their thoughts on recent trends and developments impacting the commercial real estate market, including the COVID-19 pandemic, and provide predictions for the year ahead.

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In March 2020, the COVID-19 pandemic changed the world and affected almost every aspect of the global economy and world order. The impacts of the COVID-19 pandemic are vast and, as many experts predict, will be long lasting.

The COVID-19 pandemic caused a shift to a work-from-home model that has driven the housing market to explode. All over the US, individuals fled cities and moved to suburban areas seeking more space and a better work/life balance. This mass departure caused home prices to skyrocket and many builders could not keep pace with the demand. The low interest rate environment that carried over from 2019 also fueled this trend.

However, as prices in the housing market rise, the more unaffordable housing becomes for certain segments of the population. Looking towards 2021, many experts predict that the affordable housing market will suffer and that there will be a glut in availability of affordable and low-income housing. Coupled with a record number of possible evictions as tenant eviction moratoriums across the country expire, the differential between those who can afford housing and those who cannot may increase exponentially.

The COVID-19 pandemic also further strained retailers and retail properties. With business shutdowns and stay-at-home orders in place across the country, already struggling retailers were required to close for extended periods and many were unable to recover. Some retailers were forced to re-examine their business models by turning their retail locations into distribution-like centers for curbside pickup and delivery. Many experts believe that the COVID-19 pandemic only accelerated what was already an inevitable shift in the retail market towards a smaller physical footprint and more automation for fulfillment. Nonetheless, many people still prefer to purchase certain retail goods in stores and once COVID-19 restrictions are lifted, retail may have the opportunity to right and reinvent itself.

The hospitality industry faced an unprecedented number of foreclosures in 2020. With travel shut down for most of the year, transactions in the hotel and lodging sector were almost nonexistent. Experts predict that deal flow should increase in this sector in the first half of 2021 as vaccine distribution becomes more widespread and people become more comfortable with travel. However, despite the anticipated travel rebound, the COVID-19 pandemic will likely have a lasting effect on consumer preferences and where and how they travel, including regarding health and safety, amenities, and design. The lack of business travel also affects properties in this asset class.

Search Real Estate Global Coronavirus Toolkit for resources to assist counsel working on epidemic, pandemic (such as COVID-19), and business interruption issues.

Given the COVID-19 pandemic's impact on almost every aspect of life, it would be impossible to examine 2020 real estate market trends through any other lens. Notably, however, almost all of the trends observed this year were already identified by our experts in 2019 (for more information, search Commercial Real Estate: A Look at 2019 and Planning for 2020 on Practical Law). Examples include:

- The decline of the office leasing and retail markets.
- Increased activity in the industrial and warehousing sectors, fueled by the need for additional large-scale distribution centers.
- Interest in (primarily suburban) secondary and tertiary markets for investment.
- The lack of affordable and subsidized housing.

Against this background, Practical Law Real Estate asked leading real estate practitioners to share their views on the state of the US real estate market following the extraordinary events of 2020, including:

- A review of market trends and developments, including the impact of the COVID-19 pandemic.
- The status of dealmaking, including changes in pricing, structure, and negotiating practices.
- Real estate investment opportunities.
- Predictions for the year ahead.

2020 MARKET TRENDS

What already-occurring real estate market trends were accelerated due to the COVID-19 pandemic?

Claramargaret Groover

Lenders have tended to enter into three- to six-month forbearance agreements, as there appears to be sufficient rescue capital with investors looking for distressed properties. COVID-19 pandemic-related investment in new construction of warehouse facilities in the Southeast and West appears to be increasing. Investment and expansion of residential construction throughout Florida and the rest of the Southeast continues to be aggressive and is expected to continue to accommodate those who are relocating.

Kathleen Wu

Sadly, the retail industry, with a few notable exceptions, worsened its slide, with several high-profile stores becoming insolvent. This will continue to have ripple effects throughout the economy.

Employers will continue trying to reduce the amount of square footage per employee, but that has been complicated by the COVID-19 pandemic. On the one hand, both employers and employees have realized the benefits of working from home and how this arrangement can help reduce their expenses. On the other hand, working from home has reminded us all how much we appreciate the community and collaboration

our offices provide. Employers (and real estate developers) will be looking for a way to hit that sweet spot by providing areas for workers to collaborate while minimizing unneeded space.

The hospitality and tourism industries have been quite hard hit, but with the vaccine rolling out and the hope of a post-COVID-19 world around the corner, I am optimistic that those industries will not just bounce back, but will roar back as everyone satisfies their pent-up demand for restaurants, vacations, events, movies, theatre, and in-person gatherings. We lost some great businesses during the COVID-19 pandemic, but I am confident others will take their place.

One of the brightest spots of 2020 has been the boom in industrial space. Online shopping and the desire to bring some elements of the supply chain back to the US (to build more resilience in to our domestic supplies of critical needs) has created a huge need for warehouse space. And with everyone working from home, cloud-based computing has boosted the need for server space.

Jennifer Chavez

Retail uses were already in decline and the COVID-19 pandemic accelerated that pressure. Retail owners continue to think about how to reenergize retail centers, shopping malls, and similar uses, but compatible options, such as adding multifamily residential or office uses, are not practical in the current COVID-19 environment.

The COVID-19 pandemic probably has accelerated the trend in favor of data centers, warehouses, distribution centers, and other land uses that support the ever-growing e-commerce market, as people are shopping online more in response to stay-at-home orders.

Todd Eisner

Retail bankruptcies and general distress in the retail market have been accelerated and I do not see this changing until almost all of the COVID-19-related restrictions are lifted.

Also, prior to the COVID-19 pandemic, remote working was already trending upwards and that trend has now been accelerated even further. After some initial difficulty adjusting to the change, both employers and employees have realized that working from home or remotely in other locations is a viable option for many positions, and we will see that trend continue to increase.

This does not mean that the traditional office market is disappearing or anywhere close to disappearing. Rather, it means that there could be a downtick in the amount of space office users need, as well as densification, shared offices, and other ways of reconfiguring traditional office space. Despite this change, the need for a physical presence in the office will continue to ultimately cause the office market to thrive, albeit with the differences noted above.

Andy Van Noord

The decline of retail was absolutely accelerated by the effects of COVID-19 and the continued success of industrial has seen even more growth as e-commerce continues to push demand for warehouse space. I think we will see more of this trend even post-COVID-19, as there has been a real shift in the way consumers transact.

Stuart Saft

A surprising consequence of the COVID-19 pandemic is that many people found that they dislike working remotely. Prior to the COVID-19 pandemic more and more professionals worked remotely. However, when whole offices were forced to do it, they quickly learned that it can be a very inefficient way to work because we must be our own secretaries, receptionists, and telephone operators.

Every morning since March 13, 2020 when Holland & Knight closed its offices, I have hosted a conference call for whoever among the 40 attorneys, paralegals, and secretaries want to attend to talk and maintain the group's cohesiveness. We typically have about 20 participants and no one likes working remotely. Several attorneys have complained that they lost the separation between home life and office life and they miss that a great deal. They also found that, as much as they disliked commuting before the COVID-19 pandemic, they now miss that free hour or so where, before the workday began, they could just read and relax, and, after the workday ended, they could turn off the office. Now there is no separation between days and nights and weekdays and weekends.

No one among my group intends to continue working remotely once the COVID-19 pandemic ends. In speaking to clients and other attorneys, I am hearing the same thing. There was a large movement toward remote working prior to the COVID-19 pandemic, which will recede afterwards.

Search Retail Leasing Toolkit for resources to assist both landlords and tenants in effectively negotiating, drafting, and amending retail leases.

How do you think the work-from-home model will affect the residential market? Will residential landlords need to offer more amenity-rich properties to attract renters willing to pay a premium?

Peter Fisch

The remote working model has benefitted the suburban residential market relative to the city, as people have looked to move from the urban centers based on better pricing and the desire for access to green space, among other factors. We have seen an uptick in suburban multifamily development from our clients. The real question is whether this trend will survive when the COVID-19 pandemic has faded.

Kathleen Wu

Mixed-use developments will see a resurgence after the COVID-19 pandemic is brought to heel. People will have a renewed desire for community and nightlife close to home. If that happens, amenity-rich properties may have an edge, but one of the big selling points may be size.

Residents will want the ability to work from home without putting a desk in the corner of their bedroom or dining area. Two-bedrooms will have an edge over one-bedrooms, and three-bedrooms will have an edge over two-bedrooms. High-speed internet has always been a plus, but it will become mandatory as more companies allow employees to work from home. Old buildings with outdated IT infrastructure will need to be updated to remain competitive.

Jennifer Chavez

We have learned that people can work effectively from home and I expect that people will want to continue doing so to some extent, even after the COVID-19 restrictions are lifted. When you have two parents and a couple of kids working and distance learning under the same roof, having comfortable, spacious accommodations (and solid internet service) becomes really important.

Considering that, it is not surprising that the COVID-19 pandemic has not slowed down the homebuilding market, particularly in suburban areas that offer larger homes, yards, parks, and other amenities. I do not think many industries will transition to be 100% virtual, but I also do not think the 40-hour workweek will be spent entirely in the office. The work-from-home model is not going to decimate urban communities, but there may be more interest in the suburbs if commutes can be managed better with a work schedule that tolerates some flexibility to work from home.

Claramargaret Groover

The realization that people can work from home and be at least as productive will prompt an increase in development of mixed-use properties and properties with live/work units. Depending on permitted uses, this will change the typical impact studies required of the local jurisdictions.

Recreational amenities will have to yield to an increased demand for amenities that complement business use. The demand for upgrades for built-in technology that allows for business meetings and related communications will continue to increase. With the long-existing tension between commercial units and residential units in mixed-use buildings due to the differing demands of those divergent uses, the required amenities for parking and traffic management, security, and disproportionate demands for services will lead to the inevitable disputes over equitable cost allocations.

Andy Van Noord

There is no doubt that COVID-19 has changed the way people work. The ease of working remotely, coupled with the widespread acceptance of the practice, will permanently affect the way we do business. I expect there will be a large percentage of office users that allow more flexible remote working post-COVID-19, although I do not expect everyone will work from home all of the time. Developers are adapting as tenants' demands are shifting. Tenants want amenities that allow them to work from home more easily and effectively (for example, a home office or second bedroom).

What market segments do you believe have come out of 2020 as winners? Are there any property sectors that benefited from the events of the past year or suffered less than the economy as a whole?

Kathleen Wu

Data centers and warehouses are definitely booming. Medical centers, especially in second-tier cities and suburban areas, are also a bright spot, as people look to leave more dense cities. Residential real estate is fairly inelastic, as people will always need places to live. Suburbs and exurbs are booming. Master planned communities are growing their inventory of rental properties to meet the demand of those who want a higher-end home, but do not want to be locked into a long-term mortgage.

Todd Eisner

I found that all asset classes experienced a slowdown when the COVID-19 pandemic began. However, after the initial shock, some segments of the market have remained stable or have experienced growth during the COVID-19 pandemic. Examples include manufactured housing, mobile home parks, self-storage, warehouse and distribution centers, and high-end residential (particularly in non-urban markets). We are also seeing some retail assets becoming re-purposed for industrial or office uses.

Jennifer Chavez

The single-family home market was a winner in 2020. The year was tougher on the multifamily market, especially rental projects contending with eviction moratorium and other COVID-19 challenges. It was also a good year for distribution centers, as the demand for online shopping got a boost with stay-at-home orders and general concerns about visiting public spaces.

Andy Van Noord

Industrial was a clear winner this year. The pace of transactions has accelerated, and the demand seems to be inexhaustible.

Stuart Saft

A great many young families moved out of New York City and bought houses in the suburbs and rural areas as

soon as the lockdown ended. It forced house prices to escalate and caused a softening in the rental market and condo market in New York City. However, when the COVID-19 pandemic ends and those who left have to deal with the reality of owning a house and the absence of a city's amenities, the former city dwellers will want to return, but will not be able to do so because the suburban market will deflate as quickly as it inflated and they will not be able to sell those houses.

I expect that the soft real estate market in the urban areas will entice many people who always wanted to live in the city but could not afford to do so, and offer them the opportunity to purchase an apartment. The influx of people returning will cause retailers and restaurants to recover. This resurgence may take three or more years, but there is a reason why rents and co-op and condo prices were so high and suburban houses sat on the market. The COVID-19 pandemic will just be an interlude. We are already seeing investors entering the market looking for bargains, just as they did after the Great Recession.

What market segments have experienced the greatest downturn due to the COVID-19 pandemic? To what extent have office leasing, retail, and hospitality been impacted?

Kathleen Wu

Pre-COVID-19, you could conceivably obtain financing for an office tower without having a massive anchor tenant, but the ability to do that now or, I predict, in the future will be limited, to say the least. Retail and hospitality are clearly facing some of the biggest hits. Retail was already in trouble before the COVID-19 pandemic, and this just accelerated it. I foresee a much healthier hospitality industry post-COVID-19.

Todd Eisner

Hotels, urban housing, retail, and other entertainment-related assets (for example, movie theaters and theme parks) have all suffered the greatest downturn in 2020.

Jennifer Chavez

The COVID-19 pandemic was especially hard on the hospitality industry for obvious reasons. The office and retail leasing markets also suffered, as public health orders required most people to stay at home, significantly curtailed hotel, restaurant, and retail operations, and shut down movie theaters and gyms and just about everything else.

Andy Van Noord

The impact of travel restrictions and general consumer hesitation are short-term issues. The real question is what does short term mean. Investors are definitely looking at hospitality assets as potential windfalls when they rebound, as the general view is consumers want to get back to traveling as soon as they can. They just have to get the timing right.

Stuart Saft

There is no doubt that hospitality and restaurants have taken the biggest beating. I expect that one-third of the hotels and half of the restaurants will not reopen, but that just reduces the competition for those that have the ability to recover. Based on actions New York City and New York State are taking, it is unlikely that many new hotels or restaurants will open because of the tax and regulatory burden, but that will benefit the ones that can survive. Certainly rents will be soft for a while until the empty space is absorbed, but the COVID-19 pandemic just accelerated the need for landlords and tenants to identify what the market rent should be, which is what is presently occurring. The COVID-19 pandemic forced

landlords to be more realistic about pricing and that will help fill space when the recovery begins.

What is the future of the hospitality and lodging sector considering travel restrictions and general consumer hesitation? Is there a path forward in both the short and long term? Are your clients considering these types of properties when looking for investments?

Jennifer Chavez

In the right location, there continues to be interest in hospitality, restaurant, and entertainment uses. COVID-19 restrictions will not last forever, and there is some optimism with positive news about the availability of COVID-19 vaccines.

Real estate investors have to think long term, and if the right opportunity presents itself, the interest will be there. We have represented clients in significant transactions involving the trade of office buildings, warehouse buildings, hotels, and apartments in the past few months. The volume may be down a little as compared to years past, but it has not gone away.

Kathleen Wu

Last year, I said "barring a major cataclysm, I anticipate a busy 2020." Mind you, I prefaced that with "I am not in the prediction business," and I think I proved that my prognostication skills could use some work. I should add that I made my comments before we knew about the coming COVID-19 pandemic.

In any event, I do not think that the hit the hospitality, lodging, and event sectors took in 2020 will lift entirely in 2021. It will take time to come back from this. Once COVID-19 is under control, the demand for travel, entertainment, and in-person conferences and other events will be unleashed and the industry's biggest problem is likely to be meeting that demand. In the short term, however, the hospitality industry is likely to struggle.

Peter Fisch

Both travel restrictions and the hesitation to travel are temporary phenomena, and there is a lot of pent-up demand to support hospitality and leisure properties in the future. Unfortunately, due to the duration and depth of the impact of the COVID-19 pandemic on hospitality and leisure properties, many of these assets have been lost, but the remaining assets should rebound more quickly than other asset classes.

Todd Eisner

The downturn in the hospitality and lodging sector is just a short-term issue. Investors with capital seem to feel the same way. I am seeing them buying assets at distressed pricing to hold in anticipation of a turnaround and comeback in these sectors. Many investors have been hurt by this downturn, but I believe the overall industry will eventually completely rebound.

Stuart Saft

We have many clients that own or operate hotels and none of them are attempting to sell their properties. They are aggressively reducing their overhead, but also taking this time to make repairs and renovations and plan for the future. Their expectation is that it will take several years, but business travelers and tourists will return. It may take three to five years to get back to pre-COVID-19 pandemic levels, but that is what happened during the Great Recession.

However, one of my clients correctly pointed out that one day his hotels went from being 85% occupied to zero and it is very difficult to prepare for that. In a recession, business slows but does not just turn off. In a pandemic, it does.

Search Hospitality Law: Overview and Key Issues in Financing Hospitality Properties for more on hospitality and lodging real estate transactions.

MAKING THE DEAL

Have your clients repriced or re-traded any existing deals that were in contract during the last six months? If so, have you seen any trends emerge?

Peter Fisch

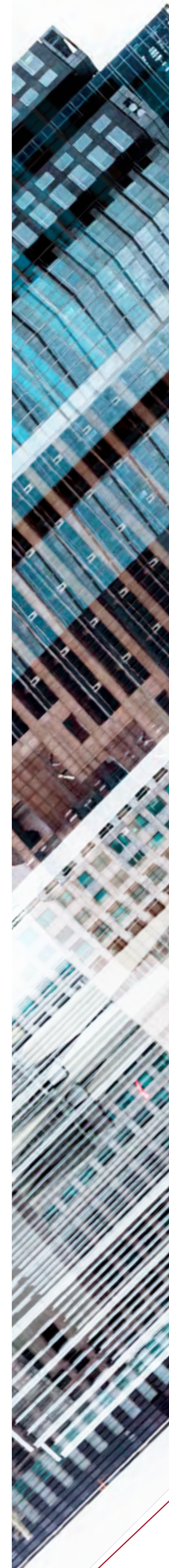
I am not sure I have seen any clear trends. Early in the COVID-19 pandemic, there was a crisis mentality around liquidity, and buyers were able to take advantage of the crisis with significant re-trading on price, sometimes at shocking levels. Sellers often had no choice but to capitulate. While the distress is still there, investors are taking a more level-headed approach and I am not seeing massive discounts, but pricing is still very soft compared to pre-COVID-19 pandemic levels.

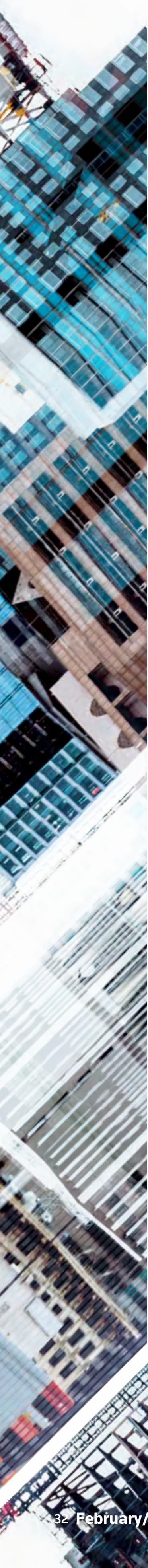
Jennifer Chavez

I have had a couple of retail deals suffer significant purchase price adjustments after the COVID-19 pandemic hit. Conditions seemed especially bad early in the COVID-19 pandemic as people were trying to understand what stay-at-home orders would mean for retail. Now that we have more clarity, pricing seems to have stabilized.

Stuart Saft

We have had several transactions that did not move forward, but far more proceeded and closed, even development deals that will not be completed for two to four years. They are moving slower because of the pause during which everything stopped for about six months, including due to the breakdown in the supply chain because so many products came from China, so production stopped even before COVID-19 hit, and the government's shutdown of the economy and the time it takes to restart. There has been some re-trading on price, but I have not seen significant discounts.





Have there been any changes in how you are negotiating purchase and sale agreements this year? If so, what are the primary legal issues being negotiated in the current market? Do you anticipate any changes going forward?

Jennifer Chavez

It depends on the asset type, but buyers are definitely focused on protections around COVID-19, including extending due diligence dates and closing dates if there are more governmental shutdowns and being really thoughtful about closing conditions and force majeure provisions, particularly where there is a deadline by which an improvement or governmental approval has to be delivered. I expect that many of these terms will become standard in future contracts even after the COVID-19 pandemic is behind us.

Todd Eisner

I have not seen much of a change in negotiating legal issues in purchase and sale agreements, other than seeking COVID-19 pandemic-related extension rights and the right to terminate for a material adverse event. I have also seen more focus on the casualty-related provisions due to the increase in protests, fires, and severe weather, coupled with the delays in repairing damage due to COVID-19.

Peter Fisch

Clients are very focused on force majeure relief and buyers are resisting time of the essence closings. I also think that the overall negotiating dynamic favors buyers in this market.

Stuart Saft

Every deal has a very specific force majeure provision with the idea of government shutdowns built into the agreements. We learned a very important lesson in 2020 and it will never be forgotten. Hopefully manufacturers will bring supply chains back to the US so that merchandise can be loaded onto trains and trucks and moved throughout the country and we do not have multiple interruptions in business. How anyone thought having everything manufactured abroad was a good idea is an incredible failure of imagination by strategic planners. 2020 has taught us, as Margaret Thatcher once said, "the unexpected happens."

Search Force Majeure Clauses: Key Issues for more on drafting and negotiating force majeure provisions.

Search Amendment to Purchase and Sale Agreement due to a Public Crisis (Commercial Real Estate) for a model amendment for use when renegotiating certain terms of a purchase and sale agreement, with explanatory notes and drafting tips.

For recent commercial leases, have you drafted any specific clauses related to COVID-19 and the risk associated with future business shutdowns?

Claramargaret Groover

In construction agreements, COVID-19 acknowledgements that all construction costs and schedule requirements are budgeted and addressed in the proposed price and schedule are an added provision. Force majeure provisions that allow only a schedule extension and no compensation for "Acts of God" and other no-fault causes for project interruption are closely examined and negotiated. A pandemic is specifically listed as a cause and these issues are being more precisely negotiated between the parties.

Stuart Saft

Yes. We are now building into every agreement, including when restructuring old deals, what happens if there is another shutdown, so that we do not have to reinvent the wheel when it happens again.

REAL ESTATE INVESTING

Are your clients viewing the current market as an opportunity to pick up underpriced deals that they can hold until the market rebounds? If so, where are they looking and how deep are the discounts?

Jennifer Chavez

Yes, some are. There is capital out there willing to invest in the right opportunity. It is also a very good time to process land use entitlements so that developers can have projects ready to build and operate when things turn around. In a down economy, governments are sometimes more receptive to development and less demanding when it comes to exactions. I cannot say that I am seeing deep discounts, though.

Stuart Saft

We are seeing less than we did during the Great Recession because lenders are not prepared to take a hit when they feel comfortable that the COVID-19 pandemic will end by the close of 2021 and the Federal Reserve is being very supportive. An investor with cash can pick up certain assets at a decent discount, but it is not a fire sale across sectors.

Is US real estate still seen as one of the more stable investments for foreign investors? Have you seen a decline in the influx of foreign investors in the US market?

Kathleen Wu

Foreign investors are more interested in US real estate investments now. Partly, that is because of a change in administration to one that is less skeptical of immigration. But for investors with money to invest, there are plenty of bargains to be had in the US commercial real estate market.

Jennifer Chavez

I have not seen a decline in foreign investment in the US market.

Stuart Saft

No. They are here looking for bargains.

Search Foreign Investment in Real Estate: Overview for more on important considerations when an out-of-state domestic entity or a foreign entity invests in commercial real estate in the US.

Are your clients looking at new markets, specifically smaller city centers, given the reported exodus from larger cities? Besides the COVID-19 pandemic pressures, are there other factors driving investors into smaller cities and do you see any comeback opportunities for larger cities?

Jennifer Chavez

I have not seen this in my practice.

Kathleen Wu

This trend predates the COVID-19 pandemic, but it has been accelerated. Cities such as Nashville, Tennessee, Salt Lake City, Utah, Tampa, Florida, and other so-called "second-tier" cities are getting more interest. As more companies allow remote work, I would not be surprised to see more cities do what Tulsa, Oklahoma did and offer incentives for people to move there and work remotely.

LOOKING AHEAD

Where do you see investments being made in 2021?

Kathleen Wu

Industrial and warehousing should still be hot in 2021 and beyond. I also expect to see more growth in some of the second-tier cities I mentioned. With a new administration, I suspect we will see more infrastructure development, especially public-private partnerships, such as high-speed rail and tollways. Once the COVID-19 pandemic is fully under control, hospitality and event-focused businesses will see an incredible resurgence.

Jennifer Chavez

It will be similar to 2020. Data centers, distribution centers, warehouses, single-family residential and, in the choice locations, multifamily should do okay, too.

Do you think sale-leaseback transactions will become more prevalent as investors look for different ways to monetize their portfolios?

Todd Eisner

Sale-leasebacks were already prevalent, and they will continue to be into 2021. Sale-leaseback transactions have also become popular in the cannabis industry. As that market grows, I anticipate that sale-leasebacks will continue to be an attractive deal structure.

Peter Fisch

The sale-leaseback market has exploded during the COVID-19 pandemic. Many operating companies are searching for liquidity, and with the debt markets less robust, many of our clients have turned to sale-leasebacks. Pricing in the sale-leaseback market has held up relatively well (other than for companies particularly hard hit by the COVID-19 pandemic) and the momentum for the sale-leaseback market seems to have continued into 2021.

Search Key Leasing Issues in Sale-Leaseback Transactions for more on the key issues to consider in sale-leasebacks.

Is there a concern in the construction industry about an insufficient backlog of projects to carry companies through 2021 and beyond?

Jennifer Chavez

It seems like there is plenty in the pipeline and the consultants I have spoken with all seem to be busy.

Kathleen Wu

Construction never shut down because it is deemed essential. And because most general contractors maintain a 12-month backlog, they had enough work to keep them busy during the worst months of the COVID-19 pandemic. Getting that backlog filled back up for the next 12 months has been more challenging. Those specializing in industrial projects are fine, but those who focus more on office towers are having to look for different work, which makes the market more competitive, and less profitable, for everyone in construction.

Stuart Saft

Nothing has changed. The construction projects that were underway are continuing and the ones that were going to start in 2021 are moving forward. It is very hard to stop a construction project in midstream because the loans have to be repaid whether you move forward or stop, and if you stop, the property has no value. Again, lenders have been very cooperative because there is no one to blame for a pandemic.

How will the current long-term low interest rate environment affect loan origination, underwriting, or enforcement moving into 2021?

Kathleen Wu

As I am writing this, we are in the early days of vaccine distribution, which is generating optimism. However, there are some glitches and the distribution of the vaccine is proceeding more slowly than expected, which may dampen consumer confidence. By the time this is published, it is anybody's guess where we will be.

Right now, lending is still strong for single-family and multifamily, but for commercial projects, lenders need commitments from major tenants. I am not seeing lots of those commitments forthcoming. In fact, many major employers have been putting their growth plans on hold, so office leasing will remain unstable for a while.

Stuart Saft

The low interest rate environment and the $4 trillion that has been pumped into the economy have been the right moves at the right time. As soon as the government figures out how to distribute the vaccine, the economy will quickly recover. We may have inflation down the road, but that is a small price to pay for avoiding a decade-long depression.