

White Paper

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Navigating coronavirus' impact on commercial real estate?

Between 2007 and 2009, the commercial real estate industry was dealt a heavy blow by what is now referred to as “The Great Recession”. Property values and sale volumes collapsed when businesses began prioritizing survival over growth. In the years that followed, real estate transactions required extreme deference on the part of sellers, as buyers capitalized on this dramatic shift in economic circumstances.

In the last few years though, the market had notably improved in response to steady economic gains and a corresponding growth in demand—demand that seemed unassailable until just over two weeks ago.

The unexpected surge of COVID-19 and the drastic measures put in place to slow it have undoubtedly shaken things up. Shelter in place orders, strict limits on public gatherings, forced closures to restaurants, movie theaters, and other businesses deemed “non-essential” have limited productivity and stunted activity market wide. Uncertainty and concern abound as we grapple with finding and implementing effective solutions.

Yet in the midst of these unsettling times, it's vital we recognize the “black swan” nature of a pandemic. The roots of our current predicament bear little resemblance to those of the economic collapse in 2007, which was caused by structural deficiencies in the financial system. COVID-19 aside, our economy is healthy: steady and sustainable growth had resulted in low unemployment, high consumer confidence, and a sense of optimism about New Mexico's future that had been lacking for some time. While these very recent circumstances may change in the short term, an energetic recovery once the virus is contained is by no means out of the question.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act recently passed by Congress and signed into law by President Trump on Saturday (March 28) is a noteworthy step in that direction. The bill provides a healthy measure of relief to businesses and individuals alike, buying time to flatten the curve while keeping our nation's powerful economic engine primed for a quick restart. Similarly, governmental agencies in New Mexico have made a slew of resources available to help businesses weather the storm.

To our clients, we advocate taking full advantage of these resources to help stabilize operations and lay the groundwork for a return to normal economic circumstances. Coronavirus, just like the Great Recession, will one day be relegated to the status of a bad memory. Until then, let's remain patient and persevere toward the prosperous future we know is on the horizon.

For more information on resources made available through the CARES Act or from The State of New Mexico please reach out to Riley McKee and Alex Pulliam

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