This Real Estate Practice Newsletter covers market activity and trends in certain regional market areas. Today is a brave new world for the Healthcare Real Estate Industry. This newsletter will focus on issues impacting the healthcare real estate market due to the COVID-19 pandemic.

The real estate group has complied articles via various sources from major real estate firms such as CoStar and Cushman & Wakefield to summarize the significance of expectations and performance during the pandemic.

**3/18/2020**

Recent research has shown where the blunt of the coronavirus will be felt first. This includes major metropolitan areas with concentration in energy, hospitality and healthcare. Likely expectations include:

- Demand reduction;
- Volatility of rental rates; and
- Foreclosures and bankruptcies.

While fears sparked by the coronavirus have already been reflected in the volatility of financial markets, the impact on commercial real estate, aside from energy, hospitality and healthcare, will take longer to manifest. What has become clear is that uncertainty triggered by the pandemic will rein in real estate market over the near term and into the future.

*Source – CoStar; Where the Brunt of the Coronavirus Impact Will Be Felt First in the Office Market*

**3/23/2020**

The coronavirus concerns have encouraged office subleasing with spaces downsizing. The shelter-in-place policies have disrupted labor availability for tenant improvement projects. Many downsizing companies are listing unused space for sublease. Office and industrial landlords have a heightened problem during the outbreak of the coronavirus, this being their own tenants. Office and industrial brokers have been receiving an increased number of requests from their tenant clients to sublease space as they downsize their footprints. Many are dropping their rates to get space filled quickly, thus creating a climate where office property owners could be forced into competition with their own tenants to lease out empty space.

*Source – CoStar; Coronavirus Concerns Spur Office Subleasing, Space Downsizing*

**3/24/2020**

Even after the Federal Government pumps capital into federally backed mortgage securities, the credit crunch continues. The fallout from efforts to contain the spread of the coronavirus is roiling the mortgage market. The fallout from the stay-at-home orders and business closings instituted to contain the virus has increased the need for cash. Financial parties have added to their demand for additional collateral in order to back the mortgage REIT's assets. There are several REITs declining in value with the margin calls and covenants will soon be a major issue in the REIT world.

*Source – Costar; Mortgage REITs Face Growing Cash Calls as Pandemic Roils Economy*

**4/1/2020**

Another immediate impact of the outbreak for North American retail will be felt in the supply chain. U.S. wholesale inventories are generally healthy now due to the efforts of retailers to get ahead of potential tariff issues; however, the real retail inventory-to-sales ratio is already at its lowest point since the expansion began.

*Source – Cushman & Wakefield; Coronavirus Impact on the Global Property Markets*

Office telecommuting has certainly gained momentum recently. Employers are now encouraging their employees to work from home during the outbreak and are receiving an unexpected preview of what a significantly smaller office footprint could look like in the future. Technology companies such as Zoom and Slack are being thrust into the spotlight as businesses try not to skip a beat with their employees working from home. If the technology companies can facilitate a work environment outside the office that delivers results for employers during this outbreak, a demand for smaller office footprints to accelerate as a result of the coronavirus can be expected.

Conclusion: While the coronavirus may not seem like it will have a major impact on the real estate industry, a closer examination suggests that it may have a far-reaching impact. From office to retail to industrial to healthcare, expect that the real estate industry could see major changes as a direct result of the COVID-19 pandemic.

*Source – azbigmedia.com; The Coronavirus impact on the Real Estate Industry*

Telehealth and virtual visits are becoming more common, leading to a premium on access to care and care coordination and placing financial stress on healthcare providers. Many have resorted to financial retaining methods such as furloughing non-patient care employees. Below are 6 trends we are currently seeing:

1) Telehealth visits are booming, tripling in digits during this outbreak; New York is a prime example with a 312% increase.
2) Leading hacker organizations have come to some agreement to stop targeting hospitals and health organizations; however, not all hackers are following this trend.
3) Guidelines for protected health information regarding patients exposed to COVID-19 has been changed by the Office of Civil Rights. Hospitals have the option/authority to share names and patient treatment information with law enforcement, first responders and paramedics.
4) The President's emergency funding bill granted $500 million waivers for Medicare telehealth restrictions on March 6th and expanded telehealth capabilities for Medicare recipients on March 17th.
5) Hospitals and Health Systems have or are beginning to furlough workers not directly working with patients (e.g. IT employees).
6) Hospital finances have been greatly affected by this outbreak, surgeries have been canceled or postponed and the resources needed for treating patients has increased.

*Source – Becker's Health IT; 6 Trends for Health System CIO's to know during the coronavirus pandemic*