

Webinar

Spring 2020 New Jersey Capital Markets Update with Jose Cruz

Date: May 08, 2020

00:00:00 --> 00:00:01: Hi, thank you and Mike Jose,
 00:00:01 --> 00:00:05: thanks for the for organizing this and as well as
 00:00:05 --> 00:00:05: the sponsors.
 00:00:05 --> 00:00:08: My name is John. May I work with Black Rock.
 00:00:08 --> 00:00:10: We are a large investment manager.
 00:00:10 --> 00:00:13: I oversee the private equity investment,
 00:00:13 --> 00:00:17: investment management, real estate business at Black Rock.
 00:00:17 --> 00:00:21: We manage approximately 45 billion dollars of real estate
 globally.
 00:00:21 --> 00:00:24: We have open end funds closed end funds in separate
 00:00:24 --> 00:00:25: accounts.
 00:00:25 --> 00:00:29: We invest, you know, through the lifecycle spectrum core
 through
 00:00:29 --> 00:00:30: opportunistic.
 00:00:30 --> 00:00:33: And we invest primarily in the four food groups,
 00:00:33 --> 00:00:37: office, industrial, retail and residential within residential.
 00:00:37 --> 00:00:39: We are across all the niches we do.
 00:00:39 --> 00:00:44: Condominiums, single, family, multifamily as well.
 00:00:44 --> 00:00:47: And thanks again for including me.
 00:00:47 --> 00:00:50: Yeah, Joanna.
 00:00:50 --> 00:00:53: Thanks for having me. I'm joining our attendee.
 00:00:53 --> 00:00:56: I work in transactions for the Northeast for Regency centers.
 00:00:56 --> 00:00:59: We own 400 shopping centers nationwide.
 00:00:59 --> 00:01:00: We have about 22 offices,
 00:01:00 --> 00:01:03: an eye cover, everything from Boston and Philly.
 00:01:03 --> 00:01:05: Been with the company for about 8 years and we
 00:01:06 --> 00:01:09: have where a publicly traded company on the NASDAQ Origi
 00:01:09 --> 00:01:12: and about well we were about a 15 billion dollar
 00:01:12 --> 00:01:16: market cap. Alright, my keys.
 00:01:16 --> 00:01:20: My keys with intercontinental. Headquartered in Boston,

00:01:20 --> 00:01:24: we have about a 10 billion dollar fund core through
00:01:24 --> 00:01:28: opportunistic and we've been investing in New Jersey for about
00:01:29 --> 00:01:32: 15 years and we now own apartments in Hoboken and
00:01:32 --> 00:01:35: Industrial and Pinebrook in Fairfield,
00:01:35 --> 00:01:39: and they've done a handful of office deals.
00:01:39 --> 00:01:42: Alright, and then our final panel is great blue.
00:01:42 --> 00:01:45: Good morning, thanks for adding me as well.
00:01:45 --> 00:01:48: So great blue and the divisional president for LMC which
00:01:49 --> 00:01:51: is in our multifamily communities,
00:01:51 --> 00:01:54: were a wholly owned subsidiary of our Corporation.
00:01:54 --> 00:01:57: The big home builder. I think we just got ranked
00:01:57 --> 00:02:01: the fourth biggest multifamily developer in the country were really
00:02:01 --> 00:02:03: kind of in all the major markets,
00:02:03 --> 00:02:07: 13 different offices across the country we have in the
00:02:07 --> 00:02:11: neighborhood of 13 billion dollars in various stages of redevelopment.
00:02:11 --> 00:02:16: I cover the New York Metro area plus Pennsylvania.
00:02:16 --> 00:02:19: Great great so we had so we wanted to keep
00:02:19 --> 00:02:20: it interesting.
00:02:20 --> 00:02:23: A lot of different perspectives and and you know what?
00:02:23 --> 00:02:26: I'll start with a few questions and feel free to
00:02:26 --> 00:02:29: jump in and give you perspective as we kind of
00:02:29 --> 00:02:32: go through and if there's a difference of opinion,
00:02:32 --> 00:02:34: happy to kind of talk through it,
00:02:34 --> 00:02:37: said script so. So let's set the stage.
00:02:37 --> 00:02:40: So these are obviously very challenging times.
00:02:40 --> 00:02:43: Cove it's taking its toll on the investment community and
00:02:43 --> 00:02:46: but at the same time we still see that there's
00:02:46 --> 00:02:46: debt.
00:02:46 --> 00:02:49: In the market available. For real estate,
00:02:49 --> 00:02:53: there's equity out there and there are groups that do
00:02:53 --> 00:02:56: want to transact from selling the by side.
00:02:56 --> 00:02:59: So let's let's jump into kind of the different perspectives
00:02:59 --> 00:03:01: on that John Lamb.
00:03:01 --> 00:03:04: What were you seeing in your portfolio today?
00:03:06 --> 00:03:08: Well, in two different scenarios,
00:03:08 --> 00:03:11: one on the we have issues within the portfolio with
00:03:11 --> 00:03:14: regards to rent collections providing rent relief,
00:03:14 --> 00:03:18: things like that I would say on the capital markets
00:03:18 --> 00:03:18: side.
00:03:18 --> 00:03:22: We have generally paused. We had about 14 deals in

00:03:22 --> 00:03:22: the hopper.

00:03:22 --> 00:03:24: We paused on about 11 of those.

00:03:24 --> 00:03:27: We're continuing to pursue 3 three of the 14,

00:03:27 --> 00:03:29: around or across the country.

00:03:29 --> 00:03:32: But, you know, as we get into the discussion in

00:03:32 --> 00:03:33: there,

00:03:33 --> 00:03:35: there's lots of things going on.

00:03:35 --> 00:03:36: I think as a as a group,

00:03:36 --> 00:03:39: I don't think any of us have read more about

00:03:39 --> 00:03:41: force Majore business interruption,

00:03:41 --> 00:03:45: insurance material, adverse changes in PPP loans in our in

00:03:45 --> 00:03:46: our lifetimes,

00:03:46 --> 00:03:49: or are expected to. So there's certainly lots lots for

00:03:49 --> 00:03:50: us to be.

00:03:50 --> 00:03:52: Talking about.

00:03:52 --> 00:03:56: So John, you mentioned rent collections and how are you

00:03:56 --> 00:04:00: and BlackRock dealing with the collections for bearings forgiveness?

00:04:00 --> 00:04:04: What, what are you? What are you seeing there?

00:04:04 --> 00:04:06: Yeah? And then I'll start with,

00:04:06 --> 00:04:10: you know, we were incredibly concerned coming into the first

00:04:10 --> 00:04:11: 15 days of April,

00:04:11 --> 00:04:13: and I'll give some statistics on that.

00:04:13 --> 00:04:18: I presume Joanna probably can't provide too many statistics from

00:04:18 --> 00:04:19: the from her position,

00:04:19 --> 00:04:22: but within our portfolio we received.

00:04:22 --> 00:04:27: 93 to 94% of rent collections for a multifamily portfolio?

00:04:27 --> 00:04:32: We received 56% for retail.

00:04:32 --> 00:04:34: We received 86 to 88%

00:04:34 --> 00:04:37: on the office side and where we we actually fell

00:04:37 --> 00:04:40: a little short relative to the market was on our

00:04:40 --> 00:04:41: industrial side,

00:04:41 --> 00:04:45: which is interesting because it's one of the sectors we

00:04:45 --> 00:04:48: feel more bullish about coming out of this.

00:04:48 --> 00:04:51: But that was really the impact of two or three

00:04:51 --> 00:04:56: of our large industrial buildings were filled with retail users,

00:04:56 --> 00:04:59: so we are taking the rent relief on a tenant

00:04:59 --> 00:05:02: by tenant basis on the commercial side we are seeing

00:05:02 --> 00:05:04: certain tenants come in that are.

00:05:04 --> 00:05:07: Large national groups doing great on sales.

00:05:07 --> 00:05:10: Great online sales that are also asking for rent relief

00:05:10 --> 00:05:12: on the commercial on the office side,
00:05:12 --> 00:05:15: we're having you know we're struggling with you know the
00:05:15 --> 00:05:17: coworking is obvious to everyone,
00:05:17 --> 00:05:20: but when we have all the various law firms and
00:05:20 --> 00:05:22: accounting firms asking for.
00:05:22 --> 00:05:24: To rent relief when they are working diligently at home.
00:05:24 --> 00:05:25: Just like the rest of us.
00:05:25 --> 00:05:29: But you know, we struggle a little bit more with
00:05:29 --> 00:05:29: that.
00:05:29 --> 00:05:31: Right and and and Joanna.
00:05:31 --> 00:05:34: I know being on the retail side and retail was
00:05:34 --> 00:05:37: it was somewhat challenged prior to going into the kovit.
00:05:37 --> 00:05:39: Now we're all seeing the results of that,
00:05:39 --> 00:05:43: and it's been a tough couple weeks for a lot
00:05:43 --> 00:05:44: of retailers.
00:05:44 --> 00:05:47: What's Regency's view on kind of what what's?
00:05:47 --> 00:05:49: What's going on out there today?
00:05:49 --> 00:05:52: I mean, we all understand this is very tough times.
00:05:52 --> 00:05:57: But however, Regency's core competency has always been
grocery anchored
00:05:57 --> 00:05:58: shopping centers and over 80%
00:05:58 --> 00:06:01: of our shopping centers are grocery anchored.
00:06:01 --> 00:06:02: So out of the 400,
00:06:02 --> 00:06:06: thankfully, our earnings call is actually happening right now,
00:06:06 --> 00:06:09: and we just released information yesterday.
00:06:09 --> 00:06:12: We actually collected 61% of our rents an we have
00:06:12 --> 00:06:13: in our portfolio 43%
00:06:13 --> 00:06:17: asential what we would identify now is essential retail and
00:06:17 --> 00:06:18: services.
00:06:18 --> 00:06:21: So to say that we've actually collected more than just
00:06:21 --> 00:06:22: our essential.
00:06:22 --> 00:06:25: I would say is for us looking forward as is
00:06:25 --> 00:06:28: good news but you know we haven't on the acquisition
00:06:28 --> 00:06:31: side we've always been a discerning buyer.
00:06:31 --> 00:06:34: You know where grocery anchored cream of the crop first
00:06:35 --> 00:06:38: or second tier within each of the top tier markets
00:06:38 --> 00:06:39: of the country.
00:06:39 --> 00:06:42: So we haven't had anything that we've acquired in the
00:06:42 --> 00:06:45: last 6 to 12 months with in the Northeast.
00:06:45 --> 00:06:47: But we have looked at quite a few nationwide.
00:06:47 --> 00:06:50: What we have been doing and what we've always been
00:06:50 --> 00:06:51: doing is match funding.

00:06:51 --> 00:06:53: So we're sort of pruning,
00:06:53 --> 00:06:55: so to speak. Some of our low growth or higher
00:06:55 --> 00:06:58: risk assets assets and exchanging for higher growth,
00:06:58 --> 00:07:02: less risk properties. So that's sort of our core competency
00:07:02 --> 00:07:03: in what we've always done.
00:07:03 --> 00:07:06: So, as you know, we've listed a few of our
00:07:06 --> 00:07:07: assets pre Covid,
00:07:07 --> 00:07:09: which right now we're in a holding pattern,
00:07:09 --> 00:07:11: one of 'em in New Jersey in Hackensack,
00:07:11 --> 00:07:15: so it's just impossible to conduct diligence due diligence right
00:07:15 --> 00:07:16: now.
00:07:16 --> 00:07:19: Or, you know, create collect any estoppels so we are
00:07:19 --> 00:07:23: still hoping coming out of this that we can play
00:07:23 --> 00:07:24: offense as many reads are.
00:07:24 --> 00:07:28: This is a different experience than you know 2008 nine.
00:07:28 --> 00:07:31: I think there's going to be a lot more capital
00:07:32 --> 00:07:34: flowing to a lot fewer places,
00:07:34 --> 00:07:36: but there is capital out there.
00:07:36 --> 00:07:40: We are interested and hopefully will play offense here
shortly.
00:07:40 --> 00:07:44: Once we all are open and understand what this new
00:07:44 --> 00:07:44: normal is.
00:07:44 --> 00:07:46: Yeah, no greed and. Mike,
00:07:46 --> 00:07:48: you're going to talk about capital.
00:07:48 --> 00:07:50: We're seeing out there too.
00:07:50 --> 00:07:52: How is it? How is the two things?
00:07:52 --> 00:07:54: One or two questions? One is.
00:07:54 --> 00:07:57: How is intercontinental and in terms of capital raising and
00:07:57 --> 00:07:59: what you're doing with the Capitaine?
00:07:59 --> 00:08:03: Also, you heard John mentioned that even though Industrial
is
00:08:03 --> 00:08:06: one of the one of the product types that we're
00:08:06 --> 00:08:09: seeing when we feel it's going to come out of
00:08:09 --> 00:08:12: this pretty strong, there are some some issues there as
00:08:12 --> 00:08:15: well and I was curious 'cause into cons being a
00:08:15 --> 00:08:15: big owners.
00:08:15 --> 00:08:19: You said over the years multifamily office industrial in New
00:08:19 --> 00:08:20: Jersey.
00:08:20 --> 00:08:23: And I'm curious to see how that portfolios is coming
00:08:23 --> 00:08:25: through today too.
00:08:25 --> 00:08:29: So right now our numbers match up pretty well with
00:08:29 --> 00:08:30: Johns.
00:08:30 --> 00:08:32: We collected in April 92.5%

00:08:32 --> 00:08:34: of our rents, you know.

00:08:34 --> 00:08:38: I think what's interesting in terms of our portfolio is

00:08:38 --> 00:08:40: is in markets where we're operating,

00:08:40 --> 00:08:43: say Atlanta for example, that's been open now for a

00:08:44 --> 00:08:44: bit.

00:08:44 --> 00:08:47: You know we're only we own about a million,

00:08:47 --> 00:08:49: about 750,000 feet down there.

00:08:49 --> 00:08:50: And that's only about 10%

00:08:50 --> 00:08:54: occupied physically right now. So even though it's open and

00:08:54 --> 00:08:55: back to business,

00:08:55 --> 00:08:58: very few folks are showing up kind of in our

00:08:58 --> 00:08:59: office product,

00:08:59 --> 00:09:01: so we anticipate a pretty tough may.

00:09:01 --> 00:09:04: And in June, in terms of rent collection,

00:09:04 --> 00:09:06: so we see that number going down.

00:09:06 --> 00:09:09: You know we it, you know in terms of size

00:09:09 --> 00:09:12: or about 25,000,000 square feet of office,

00:09:12 --> 00:09:16: 14,000 residential units. So that's kind of 92.5 across.

00:09:16 --> 00:09:21: That's pretty strong. Again, we're doing that through an open

00:09:21 --> 00:09:22: ended structure.

00:09:22 --> 00:09:24: The fund is about 10 billion.

00:09:24 --> 00:09:26: We're only levered at 28%,

00:09:26 --> 00:09:30: so I think from a capital standpoint there's never going

00:09:30 --> 00:09:33: to be a pressure where we're going to have to

00:09:34 --> 00:09:37: sell something 'cause we don't really have a.

00:09:37 --> 00:09:40: Flawed capital structure, highly levered structure,

00:09:40 --> 00:09:43: but I think what's happening right now is we had

00:09:43 --> 00:09:45: about 400 and \$50,000,000 of commitments,

00:09:45 --> 00:09:48: signed commitments and we've called a bunch of the capital

00:09:48 --> 00:09:51: and what's happening in terms of that the capital call

00:09:51 --> 00:09:53: it's a lot of partial funding right now,

00:09:53 --> 00:09:55: so someone who says hey,

00:09:55 --> 00:09:57: we voted we're going to give you \$40,000,000.

00:09:57 --> 00:09:59: We're going to give you 12.

00:09:59 --> 00:10:02: Right now, we're gated 'cause we were going to get

00:10:02 --> 00:10:02: it at,

00:10:02 --> 00:10:05: pull the money from one of our competitors were going

00:10:05 --> 00:10:08: to pull the money from a different product type.

00:10:08 --> 00:10:11: So we're seeing kind of sum of partial funding and

00:10:12 --> 00:10:16: we're also seeing some redemptions coming in trying folks

00:10:16 --> 00:10:20: trying
to re balance their alternative in real estate allocations so

00:10:20 --> 00:10:24: you know, we're kind of for keeping cash right now.
00:10:24 --> 00:10:27: We're going to try to get through a tough few
00:10:27 --> 00:10:27: months,
00:10:27 --> 00:10:30: but we're also we're builders kind of heart.
00:10:30 --> 00:10:33: We built a lot down in New Jersey,
00:10:33 --> 00:10:36: so I think 1 area where we are looking is
00:10:36 --> 00:10:38: for a union construction project.
00:10:38 --> 00:10:41: About 65% of our money comes through.
00:10:41 --> 00:10:43: Taft Hartley Union pension plans.
00:10:43 --> 00:10:46: So if we can find a union project right now,
00:10:46 --> 00:10:49: take down some land and it was pre leased or
00:10:49 --> 00:10:50: apartments,
00:10:50 --> 00:10:53: we would try to we try to move forward on
00:10:53 --> 00:10:53: it.
00:10:53 --> 00:10:58: Right now we're going through lease up and in Hoboken.
00:10:58 --> 00:11:01: And right now the value proposition to tenants is you
00:11:01 --> 00:11:04: can live in a unit that's never been lived in
00:11:04 --> 00:11:04: before,
00:11:04 --> 00:11:08: so we actually have some decent foot traffic.
00:11:08 --> 00:11:10: That's really great to hear.
00:11:10 --> 00:11:13: I gotta tell you, and interesting in Hoboken and neighboring
00:11:13 --> 00:11:14: Jersey City,
00:11:14 --> 00:11:16: I want to go over to Greg who's who's working
00:11:16 --> 00:11:19: on some projects now in Jersey City and get your
00:11:19 --> 00:11:20: thoughts.
00:11:20 --> 00:11:23: You guys are active. I know when the entire suburban
00:11:23 --> 00:11:23: market,
00:11:23 --> 00:11:27: but what's the? What's the mindset today in terms of
00:11:27 --> 00:11:31: the transactions you have underway and what are you seeing
00:11:31 --> 00:11:32: in the portfolio?
00:11:32 --> 00:11:35: Yeah we have underway our lease up in Jersey City
00:11:35 --> 00:11:37: has has gone pretty well.
00:11:37 --> 00:11:41: Obviously we had a pretty big falloff in activity starting
00:11:41 --> 00:11:42: in mid March,
00:11:42 --> 00:11:43: but we're seeing a pickup.
00:11:43 --> 00:11:47: We've had a fairly consistent amount of lead generation so
00:11:47 --> 00:11:50: still a lot of interest out there.
00:11:50 --> 00:11:53: I think that there are renters that are maybe just
00:11:53 --> 00:11:56: not quite ready to start pulling the trigger,
00:11:56 --> 00:11:59: but we have seen an uptick here over the last
00:11:59 --> 00:11:59: week,
00:11:59 --> 00:12:01: week and a half here,

00:12:01 --> 00:12:05: so we are starting to see some some decent lease.
00:12:05 --> 00:12:09: Volume happening across the country as of couple days ago.
00:12:09 --> 00:12:13: What I'm told is our least volume is up about
00:12:13 --> 00:12:14: 50%
00:12:14 --> 00:12:17: week over week, so I think the trend is going
00:12:17 --> 00:12:22: in the right direction in terms of rent collection.
00:12:22 --> 00:12:27: Pretty consistent with what John was seeing in his portfolio
00:12:27 --> 00:12:29: on the multifamily side,
00:12:29 --> 00:12:33: I think that we ended up April kind of in
00:12:33 --> 00:12:35: the mid 90s it was 9495%.
00:12:35 --> 00:12:39: Tomotley may actually, from a collection standpoint,
00:12:39 --> 00:12:41: has gotten off to a stronger start.
00:12:41 --> 00:12:44: I think it already in the in the low 90s
00:12:44 --> 00:12:47: across the portfolio across the country,
00:12:47 --> 00:12:50: so you know, I, I think that what we're seeing.
00:12:50 --> 00:12:53: If you look at the MHC statistics,
00:12:53 --> 00:12:56: you know there were some pretty dire comments on on
00:12:56 --> 00:12:59: where collections were a nationwide,
00:12:59 --> 00:13:02: and I think that's really what it points to is
00:13:02 --> 00:13:06: kind of a dichotomy between the Class A product in
00:13:06 --> 00:13:08: the world and the class B&C.
00:13:08 --> 00:13:11: And I think that's just because you have a little
00:13:11 --> 00:13:15: bit different profile of renter in a lot of the
00:13:15 --> 00:13:18: AA plus type of product out there in the market,
00:13:18 --> 00:13:20: you know slightly higher income,
00:13:20 --> 00:13:24: different job profile, whatever. That may not be as subject
00:13:24 --> 00:13:28: to some of the layoffs and furloughs that unfortunately a
00:13:28 --> 00:13:30: lot of the country is experiencing.
00:13:30 --> 00:13:34: So I think that that that probably explains really kind
00:13:34 --> 00:13:39: of the differential between what we're seeing in our portfolio
00:13:39 --> 00:13:39: and what.
00:13:39 --> 00:13:42: You would see if you really just looked at the
00:13:42 --> 00:13:47: entire multifamily market nationwide on the on the capital
side.
00:13:47 --> 00:13:50: Yeah, I think similar comments everybody.
00:13:50 --> 00:13:53: I think that anything that was there was kind of
00:13:53 --> 00:13:56: tied up when this started in February.
00:13:56 --> 00:13:59: Anything that had a term sheet out there is getting
00:13:59 --> 00:13:59: done.
00:13:59 --> 00:14:03: If that we've closed about a half a billion dollars
00:14:03 --> 00:14:07: worth of capital transactions here since since March so,
00:14:07 --> 00:14:10: but those were all deals that were already.

00:14:10 --> 00:14:12: They have term sheets. They were tied up,
00:14:12 --> 00:14:15: I think going forward, it's obviously a little bit more
00:14:15 --> 00:14:16: cautious.
00:14:16 --> 00:14:18: I think that there is debt out there from what
00:14:18 --> 00:14:19: we're seeing.
00:14:19 --> 00:14:21: I think that the spreads have blown out.
00:14:21 --> 00:14:24: I think that the leverage levels are coming down,
00:14:24 --> 00:14:26: but I think that there is at least that out
00:14:26 --> 00:14:27: there for projects.
00:14:27 --> 00:14:29: I think their ultimately is equity out there,
00:14:29 --> 00:14:31: probably at slightly different terms,
00:14:31 --> 00:14:33: and we're seeing previously.
00:14:36 --> 00:14:38: No, I agree with you and I think from our
00:14:39 --> 00:14:41: perspective we're seeing you know.
00:14:41 --> 00:14:44: Obviously volumes and transactions are down,
00:14:44 --> 00:14:47: but we are seeing some deals get done including we
00:14:47 --> 00:14:51: just closed an office building yesterday in New Jersey for
00:14:51 --> 00:14:52: about 30 million.
00:14:52 --> 00:14:56: What non refundable on a on a \$60,000,000 office building
00:14:56 --> 00:14:59: and closing two multifamily deals next week?
00:14:59 --> 00:15:02: So so some things are happening and and like you
00:15:02 --> 00:15:04: said Greg the there is dead out there,
00:15:04 --> 00:15:07: there is equity. It's definitely more selective.
00:15:07 --> 00:15:11: Stephanie, more conservative. But the good news is there
are
00:15:11 --> 00:15:12: some things happen,
00:15:12 --> 00:15:14: so I wanted to stay on that for a second
00:15:14 --> 00:15:15: because,
00:15:15 --> 00:15:17: you know, one of the to get those deals done.
00:15:17 --> 00:15:21: Obviously underwritings critical and those assumptions that
we put in
00:15:21 --> 00:15:24: not only just the yields and obviously we're hearing some
00:15:24 --> 00:15:26: build requirements have increased,
00:15:26 --> 00:15:30: but but the underwriting that goes into those pro formas.
00:15:30 --> 00:15:34: That kind of substantiate the pricing that that we do.
00:15:34 --> 00:15:38: Rent growth is one that obviously has a big impact
00:15:38 --> 00:15:41: and I wanted to start 'cause I think Mike mentioned
00:15:41 --> 00:15:45: he's seeing good activity on the lease up in Hoboken.
00:15:45 --> 00:15:49: How would you? How would the pro forma rents compared
00:15:49 --> 00:15:52: to today's rents as you go through as we go
00:15:52 --> 00:15:54: through this Corona situation?
00:15:54 --> 00:15:56: So so on the apartments.

00:15:56 --> 00:15:58: You know we on a lease up.
00:15:58 --> 00:16:00: We're definitely giving more free rent.
00:16:00 --> 00:16:04: I think that's kind of 1 big impact on on
00:16:04 --> 00:16:05: the multifamily.
00:16:05 --> 00:16:08: You know, I still say from a Boston perspective.
00:16:08 --> 00:16:11: I'm always shocked at the absorption rates in New York
00:16:12 --> 00:16:12: City in Jersey,
00:16:12 --> 00:16:15: so I think from a lease up we had a
00:16:15 --> 00:16:16: very conservative lease up,
00:16:16 --> 00:16:20: so I still think that those numbers are pretty realistic
00:16:20 --> 00:16:21: on our office product.
00:16:21 --> 00:16:23: What we're what we're seeing is,
00:16:23 --> 00:16:26: I don't really think cap rates are going to move
00:16:26 --> 00:16:27: a whole lot,
00:16:27 --> 00:16:30: but I do think we're going to see more robust
00:16:30 --> 00:16:31: transaction costs,
00:16:31 --> 00:16:33: whether it be more free rent,
00:16:33 --> 00:16:37: lower stabilized occupancy. And higher tenant improvements.
00:16:37 --> 00:16:39: You're given a tenant 50 bucks a foot before you're.
00:16:39 --> 00:16:42: You're giving him 65 and you're drinking in space,
00:16:42 --> 00:16:45: so I think that's that's something that we're going to
00:16:45 --> 00:16:46: see going forward.
00:16:46 --> 00:16:48: Well, I will say my can make me very happy
00:16:48 --> 00:16:51: to hear you say cap rates aren't going to move
00:16:51 --> 00:16:51: that much.
00:16:51 --> 00:16:54: That gets me right in the heart right here for
00:16:54 --> 00:16:56: for for product that people actually want,
00:16:56 --> 00:16:57: yeah, yeah, OK, got it.
00:16:57 --> 00:17:00: Got the quality.
00:17:00 --> 00:17:02: I don't say yeah, I would I would add on
00:17:02 --> 00:17:04: to what they would be Greg in Microsoft is saying,
00:17:04 --> 00:17:07: is one. I think we're going to see the greatest
00:17:07 --> 00:17:10: dispersion of value and opportunity that we've seen for the
00:17:10 --> 00:17:11: past decade in terms of.
00:17:11 --> 00:17:14: We're going to see that as Greg mentioned the Class
00:17:14 --> 00:17:15: A to Class C for apartments.
00:17:15 --> 00:17:18: It's going to be the same between sectors and it's
00:17:18 --> 00:17:20: going to be the same between markets right so there
00:17:20 --> 00:17:24: are markets that we're seeing being impacted very quickly
00:17:24 --> 00:17:26: with
00:17:24 --> 00:17:26: the unemployment that Pennsylvania taxes.
00:17:26 --> 00:17:29: Colorado those unfortunately, many of them are getting the

double

00:17:29 --> 00:17:31: whammy effect of the coronavirus.

00:17:31 --> 00:17:33: With unemployment, but also the energy dependency.

00:17:33 --> 00:17:35: So I think we're going to be great.

00:17:35 --> 00:17:39: Dependently, great dispersion between opportunities and it's going to come

00:17:39 --> 00:17:41: across all sectors and there are I think Mike was

00:17:41 --> 00:17:44: alluding to the concerns on the office side where we're

00:17:44 --> 00:17:45: going to have to put in more capital.

00:17:45 --> 00:17:48: We have more capital into the building because of coronavirus,

00:17:48 --> 00:17:51: but then the operating cost of having midday janitorial,

00:17:51 --> 00:17:54: additional cleaning, screening all those different things is going to

00:17:54 --> 00:17:56: be a massive impact for certain sectors,

00:17:56 --> 00:17:57: so it's going to be.

00:17:57 --> 00:18:00: It's going to be very interesting coming out of this

00:18:00 --> 00:18:03: to see exactly where the opportunities will be.

00:18:03 --> 00:18:06: So I think we.

00:18:06 --> 00:18:08: Sorry, I was just going to add.

00:18:08 --> 00:18:12: Probably add to them on the cap rate commentary.

00:18:12 --> 00:18:15: You know I, I think that you know typical late

00:18:15 --> 00:18:20: cycle kind of behavior where cap rates on different product

00:18:20 --> 00:18:23: types tend to converge that you had a a product

00:18:23 --> 00:18:27: B product C product. You have very very similar cap

00:18:27 --> 00:18:30: rates between all the different product types,

00:18:30 --> 00:18:32: at least in multi family.

00:18:32 --> 00:18:36: I can't speak to the other food groups but certainly

00:18:36 --> 00:18:40: you have this convergence in very little differential.

00:18:40 --> 00:18:43: I think that people were forgetting that there is a

00:18:43 --> 00:18:45: different risk profile for all those,

00:18:45 --> 00:18:47: and I think that this this is kind of boring

00:18:47 --> 00:18:48: that out,

00:18:48 --> 00:18:50: and I think that.

00:18:50 --> 00:18:52: No, if he if I was a betting man I

00:18:52 --> 00:18:55: I would say you are going to see the cap

00:18:55 --> 00:18:59: rates on B&C product widening out as as hopefully people

00:18:59 --> 00:19:02: are accounting for for that different risk profile as we

00:19:02 --> 00:19:03: go forward.

00:19:03 --> 00:19:06: It's you know, kind of classic late cycle versus early

00:19:07 --> 00:19:09: cycle mentality so it's going to be now.

00:19:09 --> 00:19:13: I think it Divergents in cap rates across the product

00:19:13 --> 00:19:13: types.

00:19:13 --> 00:19:16: I think it's hard for retail to try and evaluate
00:19:16 --> 00:19:18: what the cap rates are going to do,
00:19:18 --> 00:19:21: 'cause although I think on the retail side,
00:19:21 --> 00:19:23: we're at the tip of the spear.
00:19:23 --> 00:19:26: On the front lines of understanding and feeling the pain
00:19:26 --> 00:19:28: when it comes to evaluating underwriting,
00:19:28 --> 00:19:30: I just think it's it's hard for us to do
00:19:31 --> 00:19:31: that.
00:19:31 --> 00:19:33: 'cause you don't know where I know it is going
00:19:33 --> 00:19:35: to be from a cap rate perspective.
00:19:35 --> 00:19:36: I'm hopeful that we can.
00:19:36 --> 00:19:38: We can stay within a certain bandwidth,
00:19:38 --> 00:19:41: but I think it's the income that may change going
00:19:41 --> 00:19:41: forward.
00:19:41 --> 00:19:43: But I am also trying to think on the positive
00:19:44 --> 00:19:44: side,
00:19:44 --> 00:19:46: you do have from. Our perspective,
00:19:46 --> 00:19:48: a lot of the tenants that we work with or
00:19:48 --> 00:19:51: the cream of the crop they they didn't have a
00:19:51 --> 00:19:51: lot of debt,
00:19:51 --> 00:19:53: or at least a lot of the the ones that
00:19:53 --> 00:19:56: we've been investing in lately and doing deals with.
00:19:56 --> 00:19:58: So we hope that they still have and maintain a
00:19:58 --> 00:20:00: strong balance sheet going forward,
00:20:00 --> 00:20:02: and we can invest in them too to help coming
00:20:02 --> 00:20:03: out of this takeover.
00:20:03 --> 00:20:06: Some spaces that maybe didn't have great operators but but
00:20:06 --> 00:20:08: also with valuations,
00:20:08 --> 00:20:10: we're looking at some of our single tenant assets and
00:20:10 --> 00:20:13: maybe spinning off some of those and we might see
00:20:13 --> 00:20:16: those come out because you have national tenants paying
rent,
00:20:16 --> 00:20:19: whether they're essential. Grocery store and they have a
long
00:20:19 --> 00:20:22: term lease so you know that that income is going
00:20:22 --> 00:20:23: to be maintained.
00:20:23 --> 00:20:26: So I I think you're going to see a lot
00:20:26 --> 00:20:29: of that coming out of this where there's either spinoffs
00:20:29 --> 00:20:32: of of single drive throughs or something that has more
00:20:32 --> 00:20:36: understanding what the future income is going to be.
00:20:36 --> 00:20:38: Yeah, and you and I agree with you.
00:20:38 --> 00:20:42: Until that point you know we're working on a standalone

00:20:42 --> 00:20:45: ShopRite and the activity has been very strong.
00:20:45 --> 00:20:47: The cap rate. I wouldn't say exactly the way it
00:20:47 --> 00:20:48: was part of Covid,
00:20:48 --> 00:20:51: but pretty close, so they the there is demand for
00:20:51 --> 00:20:51: that.
00:20:51 --> 00:20:54: So I think it's a really important distinction on retail
00:20:54 --> 00:20:57: and not to just lump retail all into one category,
00:20:57 --> 00:21:00: which is a lot of positive things going on in
00:21:00 --> 00:21:03: the retail side and just staying with that topic for
00:21:03 --> 00:21:04: one second 'cause.
00:21:04 --> 00:21:07: I think I'm the both retail and even some office
00:21:07 --> 00:21:10: buildings and older industrial buildings there.
00:21:10 --> 00:21:13: There's a, there's a lot of groups looking out there
00:21:13 --> 00:21:14: today for redevelopment,
00:21:14 --> 00:21:17: right Anwer, product that may have been troubled before.
00:21:17 --> 00:21:21: Corona now has been accelerated and those projects are
00:21:21 --> 00:21:21: coming
00:21:21 --> 00:21:21: up.
00:21:21 --> 00:21:24: Join us. Regency looking for that type of product today.
00:21:24 --> 00:21:28: Yeah, absolutely regency's always been a developer heart
00:21:28 --> 00:21:31: an we
00:21:28 --> 00:21:31: had I think in total with redevelopments in new developments
00:21:31 --> 00:21:34: about half a billion dollar pipeline of which I think.
00:21:34 --> 00:21:37: We've just released that were about 180 million that we're
00:21:38 --> 00:21:39: going to be funding this year,
00:21:39 --> 00:21:42: so we definitely have a pipeline that's already active.
00:21:42 --> 00:21:44: If you look at what was just released,
00:21:44 --> 00:21:47: it kind of breaks out where we are in the
00:21:47 --> 00:21:50: country and we really have our hand in almost every
00:21:50 --> 00:21:50: market.
00:21:50 --> 00:21:52: But I definitely see some opportunity there,
00:21:52 --> 00:21:55: and I really think that we're going to try and
00:21:55 --> 00:21:57: come at it from all different angles,
00:21:57 --> 00:22:00: because as long as we're in the cream of the
00:22:00 --> 00:22:03: crop markets dealing with the cream of the crop tenants,
00:22:03 --> 00:22:06: we can. We can hopefully make those deals happen so.
00:22:06 --> 00:22:07: Yeah, I agree with that.
00:22:07 --> 00:22:10: It's definitely going to be a flight to quality with
00:22:10 --> 00:22:13: owners taking advantage of those opportunities.
00:22:13 --> 00:22:16: Good job. Yeah, I was just gonna.
00:22:16 --> 00:22:18: I agree with you and I think a lot of
00:22:18 --> 00:22:22: us are spitting at the opportunity of getting developments
done

00:22:22 --> 00:22:24: with newer budgets and the idea of with the removal
00:22:24 --> 00:22:28: of the terrorist D the reduction of the construction costs
00:22:28 --> 00:22:31: on the energy prices remove being reduced there going to
00:22:31 --> 00:22:34: be some and availability of Labor across the country is
00:22:34 --> 00:22:37: going to be outstanding for development going forward.
00:22:37 --> 00:22:38: I I do think we're a bit early.
00:22:38 --> 00:22:40: I'd like to on ours.
00:22:40 --> 00:22:43: Were looking at looking at repricing things towards the end
00:22:43 --> 00:22:45: of the year and maybe into next year.
00:22:45 --> 00:22:47: But I think that's going to be a great opportunity
00:22:47 --> 00:22:49: for our entire industry.
00:22:49 --> 00:22:51: Yeah, I agree. I think John you set up before
00:22:51 --> 00:22:53: and I think Greg seconded.
00:22:53 --> 00:22:55: Joanna alluded to it too,
00:22:55 --> 00:22:57: that you know that the recovery,
00:22:57 --> 00:22:59: whatever that ends up looking like,
00:22:59 --> 00:23:01: is likely to be product type.
00:23:01 --> 00:23:04: But at least I feel it's product by product type
00:23:04 --> 00:23:05: and region by region.
00:23:05 --> 00:23:07: Industrial is going to recover.
00:23:07 --> 00:23:11: I think quicker then obviously parts of retail and hotels
00:23:11 --> 00:23:15: and senior living might be a little bit behind multifamily,
00:23:15 --> 00:23:18: so there's a lot of there's a lot of divergent
00:23:18 --> 00:23:19: trends in there and also.
00:23:19 --> 00:23:21: Sniping, you know I don't know,
00:23:21 --> 00:23:23: but I see it as a you recovery or V
00:23:23 --> 00:23:25: recovery that it's a letter.
00:23:25 --> 00:23:28: I don't think that there's there's only one letter that
00:23:28 --> 00:23:29: describes it,
00:23:29 --> 00:23:32: but but I do think that that at least the
00:23:32 --> 00:23:33: body language.
00:23:33 --> 00:23:34: I'm saying not only from panel,
00:23:34 --> 00:23:38: but also from a lot of the conversations we're having
00:23:38 --> 00:23:41: our that we're moving into a better phase than where
00:23:41 --> 00:23:43: we were six 8 weeks ago.
00:23:43 --> 00:23:45: So a lot of what I've heard as far as
00:23:45 --> 00:23:47: just that you recovery be recovery.
00:23:47 --> 00:23:48: What people are doing is,
00:23:48 --> 00:23:51: as you could see, what the health crisis has done,
00:23:51 --> 00:23:53: and we're waiting to flatten that curve.
00:23:53 --> 00:23:55: If you can flip it upside down.
00:23:55 --> 00:23:57: That's what a lot of US retailers are.

00:23:57 --> 00:24:01: Shopping center owners have been looking at what could potentially
00:24:01 --> 00:24:02: happen if you could.
00:24:02 --> 00:24:04: Just when you flatten the curve and when we get
00:24:04 --> 00:24:06: to the lowest point of rank collections.
00:24:06 --> 00:24:09: Hopefully we can. We can come back up if you
00:24:09 --> 00:24:11: duplicate that kind of visual.
00:24:11 --> 00:24:12: Yep, Yep.
00:24:12 --> 00:24:15: So, so let's let's talk a little bit about what
00:24:15 --> 00:24:17: everyone keeps referring to,
00:24:17 --> 00:24:19: which is re entry. And then I used to be
00:24:19 --> 00:24:22: associated with reentry coming in from outer space.
00:24:22 --> 00:24:25: And I think if you're in my house that there
00:24:25 --> 00:24:26: is a little bit of that,
00:24:26 --> 00:24:29: by the way, here. So where has as a as
00:24:30 --> 00:24:31: a city for meaning but?
00:24:31 --> 00:24:34: You know John in terms of of some of the
00:24:34 --> 00:24:36: tenants in a lot of your buildings.
00:24:36 --> 00:24:38: Given the amount of product you guys own,
00:24:38 --> 00:24:42: I would imagine you're in the middle of thinking through
00:24:42 --> 00:24:43: how to make that happen,
00:24:43 --> 00:24:46: and obviously safety first. But what are some of the
00:24:46 --> 00:24:49: some of the trends that you guys are looking at
00:24:49 --> 00:24:53: in terms of getting people back into those spaces?
00:24:53 --> 00:24:56: Great question. It really depends on the the tenant.
00:24:56 --> 00:24:59: When we talk to our retailers in particular the restaurants,
00:24:59 --> 00:25:01: that's really impactful. Where they're,
00:25:01 --> 00:25:04: you know they're coming back to us saying even when
00:25:04 --> 00:25:06: we're able to open up,
00:25:06 --> 00:25:08: we're not going to. We're going to wait two or
00:25:08 --> 00:25:10: three months to see how it works.
00:25:10 --> 00:25:13: A lot of them are saying we can't open our
00:25:13 --> 00:25:13: retail with 50%
00:25:13 --> 00:25:17: capacity and no bar capacity so that different types of
00:25:17 --> 00:25:20: restaurants are going to have different impacts on the office
00:25:20 --> 00:25:20: side.
00:25:20 --> 00:25:24: In particular, we're actually building our new headquarters
now.
00:25:24 --> 00:25:27: Over at Hudson Yards were very involved with what our
00:25:27 --> 00:25:28: developer is doing,
00:25:28 --> 00:25:30: but also what were we have to do in all
00:25:31 --> 00:25:33: of our facilities and the whole low touch?
00:25:33 --> 00:25:35: No touch concept of getting people in and out of

00:25:35 --> 00:25:39: office buildings where it is Burke's gonna be impossible.
00:25:39 --> 00:25:41: We are new building is going to be a 3
00:25:41 --> 00:25:44: million square foot building in Manhattan with 65 different
elevators.
00:25:44 --> 00:25:47: When you talk about trying to get thousands of people
00:25:47 --> 00:25:50: into that building but we were talking bout now with
00:25:50 --> 00:25:53: our own group is we have a continuity plan where
00:25:53 --> 00:25:55: 50% of the workforce will be.
00:25:55 --> 00:25:57: Permitted to go back to the office for two weeks
00:25:57 --> 00:25:59: and then the other group will be for the next
00:25:59 --> 00:26:00: 2 weeks,
00:26:00 --> 00:26:02: but they're anticipating they only want 20%
00:26:02 --> 00:26:04: of our workforce to be in the in the buildings
00:26:04 --> 00:26:07: for the foreseeable future because they have to stagger
elevator
00:26:07 --> 00:26:10: times for people to come in so the impact is
00:26:10 --> 00:26:11: still going to be significant.
00:26:11 --> 00:26:14: There are there are all kinds of things we're looking
00:26:14 --> 00:26:16: at for sensors to have people in the sensors to
00:26:16 --> 00:26:19: so people know how many people are in the facilities,
00:26:19 --> 00:26:22: how many people are in conference rooms because they're
they're
00:26:22 --> 00:26:25: taking out chairs or doing the checkerboard.
00:26:25 --> 00:26:26: Stacking for all the work desk,
00:26:26 --> 00:26:28: so in terms of how how people come in so
00:26:28 --> 00:26:31: one one person will be there will be an empty
00:26:31 --> 00:26:33: desk between every person at all times.
00:26:33 --> 00:26:34: Having flows around the floors.
00:26:34 --> 00:26:36: 1 doors for people to come in,
00:26:36 --> 00:26:37: one doors for people to go out.
00:26:37 --> 00:26:40: There's just there's so many complexities and nobody's got it
00:26:40 --> 00:26:43: right and we're getting letters so I presume everybody on
00:26:43 --> 00:26:45: the call is from lots of tenants that the tenants
00:26:45 --> 00:26:48: are saying these are the 10 things we expect you
00:26:48 --> 00:26:48: to do.
00:26:48 --> 00:26:51: You know change filters have testing have PPE all the
00:26:51 --> 00:26:53: different things there are there are too many things.
00:26:53 --> 00:26:55: I don't think anybody got it right yet,
00:26:55 --> 00:26:59: but there are lots of people working on it.
00:26:59 --> 00:27:02: Yeah, I can see my way towards kind of we're
00:27:02 --> 00:27:05: trying to reopen our buildings right now.
00:27:05 --> 00:27:08: Are low rise buildings. I can kind of see how
00:27:08 --> 00:27:12: that works and you know people are walking up.

00:27:12 --> 00:27:16: If you have something going on that you're you're unable
00:27:16 --> 00:27:17: to walk up the stairs,
00:27:17 --> 00:27:21: you're taking the elevator and you kind of staggering it.
00:27:21 --> 00:27:25: Parking every other spot. But are are low rise product.
00:27:25 --> 00:27:28: I can see it, but our high rise product,
00:27:28 --> 00:27:31: the queuing and just say you're on the 17th floor
00:27:31 --> 00:27:32: of the building.
00:27:32 --> 00:27:35: An you decide you want to go grab a sandwich
00:27:35 --> 00:27:36: or something,
00:27:36 --> 00:27:39: you can't, 'cause you're not gonna be able to get
00:27:39 --> 00:27:41: back up the whole queuing of it is is is
00:27:41 --> 00:27:43: really difficult to see,
00:27:43 --> 00:27:46: but I can see some sort of return of how
00:27:46 --> 00:27:49: you set it up on a three story office building.
00:27:49 --> 00:27:51: That makes a lot of sense,
00:27:51 --> 00:27:54: Greg. What do you see in terms of how that's
00:27:54 --> 00:27:55: happening?
00:27:55 --> 00:27:57: And also in terms of multi,
00:27:57 --> 00:28:00: the amenities that you know have been closed in a
00:28:00 --> 00:28:01: lot of buildings or not,
00:28:01 --> 00:28:03: all for a long time now.
00:28:03 --> 00:28:07: How were you planning on that being reopened?
00:28:07 --> 00:28:10: Yeah, it's it's a difficult question and it's it's as
00:28:10 --> 00:28:12: difficult as the shutdown was.
00:28:12 --> 00:28:14: I think we we have a task force that we've
00:28:14 --> 00:28:18: put together in our company that's really evaluating how
we're
00:28:18 --> 00:28:19: going to do this.
00:28:19 --> 00:28:21: And of course, it's it's a bit of a patchwork
00:28:21 --> 00:28:22: quilt.
00:28:22 --> 00:28:26: Given that you have different reopenings happening at
different times
00:28:26 --> 00:28:27: in different states,
00:28:27 --> 00:28:29: different regulations to pay attention to,
00:28:29 --> 00:28:32: and so forth, so lot of moving parts,
00:28:32 --> 00:28:34: but I think the general statements I would make is
00:28:34 --> 00:28:37: that we're going to do a phase reopening.
00:28:37 --> 00:28:39: I think in a lot of ways it will kind
00:28:39 --> 00:28:40: of follow the.
00:28:40 --> 00:28:42: The phase reopening of the economy,
00:28:42 --> 00:28:45: but it's it's really going to to start with the
00:28:45 --> 00:28:47: reopening of the amenities.

00:28:47 --> 00:28:50: As you said, you know we've had all of our
00:28:50 --> 00:28:51: amenities closed,
00:28:51 --> 00:28:53: which is which is tough.
00:28:53 --> 00:28:55: It's it's stuff for.
00:28:55 --> 00:29:00: Residents who are paying premium dollars for their
apartments not
00:29:00 --> 00:29:03: to be able to use the amenities and in most
00:29:03 --> 00:29:07: cases where we're able to waive our amenity fees.
00:29:07 --> 00:29:11: Just too since people actually aren't able to use the
00:29:11 --> 00:29:11: amenities.
00:29:11 --> 00:29:15: But you know what we're looking at is situations where
00:29:15 --> 00:29:16: it may be a 30%
00:29:16 --> 00:29:20: occupancy level of of those amenities bases.
00:29:20 --> 00:29:23: So whether it's the swimming pool or whether it's the
00:29:23 --> 00:29:27: lounge or the coworking area or whatever the case is,
00:29:27 --> 00:29:29: the idea is just too.
00:29:29 --> 00:29:32: To limit that, of course there's going to be all
00:29:32 --> 00:29:33: the the mask restrictions.
00:29:33 --> 00:29:36: There may be limitations on elevator usage.
00:29:36 --> 00:29:38: I was just told that we may even have social
00:29:38 --> 00:29:39: distancing monitors,
00:29:39 --> 00:29:42: so I don't. I don't know how that works or
00:29:42 --> 00:29:44: who wants to be a Hall monitor for four hours.
00:29:46 --> 00:29:49: That person is going to be.
00:29:49 --> 00:29:53: But anyway.
00:29:53 --> 00:29:56: Question, of course, from an operational standpoint,
00:29:56 --> 00:29:59: it also entails at a level of cleaning and sanitizing,
00:29:59 --> 00:30:01: but it's but it's tough.
00:30:01 --> 00:30:05: You know you go clean something somebody shows up and
00:30:05 --> 00:30:06: they they call for,
00:30:06 --> 00:30:08: sneeze or touch something. It's OK,
00:30:08 --> 00:30:10: it's dirty again, so you know how.
00:30:10 --> 00:30:12: How do you really control that?
00:30:12 --> 00:30:15: And you know what kind of limits can be?
00:30:15 --> 00:30:19: Can you take this to at the end of the
00:30:19 --> 00:30:20: day so?
00:30:20 --> 00:30:22: Yeah, yeah, it's it's just going to be a phase
00:30:22 --> 00:30:23: process.
00:30:23 --> 00:30:26: Yeah, no, we've heard a couple of groups that have
00:30:26 --> 00:30:29: started to look at opening their roof decks as the
00:30:29 --> 00:30:32: weather gets nicer and given the open air nature of
00:30:32 --> 00:30:34: it that that that was step one or one of

00:30:34 --> 00:30:35: the one of the steps.

00:30:35 --> 00:30:38: And Joanne, I know you guys are dealing with this

00:30:38 --> 00:30:41: on so many properties in terms of with tenants and

00:30:41 --> 00:30:44: those that are closed and the restaurants in the essential

00:30:44 --> 00:30:48: retail. And how's that? How's that coming along and how's

00:30:48 --> 00:30:49: the plan shaping up,

00:30:49 --> 00:30:51: you know it. I there's a task force as well

00:30:51 --> 00:30:54: within Regency an just trying to understand,

00:30:54 --> 00:30:55: you know, as we have certain.

00:30:55 --> 00:30:58: Thankfully we're a nationwide so we can understand what may

00:30:58 --> 00:31:00: be working in Georgia and then,

00:31:00 --> 00:31:03: as other states start to open so we're relying on,

00:31:03 --> 00:31:05: you know what the states are allowing us to do,

00:31:05 --> 00:31:08: but to to John's point earlier about restaurants,

00:31:08 --> 00:31:10: if their bar is not able to be open and

00:31:10 --> 00:31:12: what we've heard this number is.

00:31:12 --> 00:31:14: If you're not able to be at 50 to 60%

00:31:14 --> 00:31:17: occupancy, certain tenants that you know rely on on the

00:31:17 --> 00:31:18: alcohol business sales,

00:31:18 --> 00:31:20: or maybe being close to each other.

00:31:20 --> 00:31:23: It's hard for them to reopen because with any payroll

00:31:23 --> 00:31:24: and food costs,

00:31:24 --> 00:31:27: it doesn't make sense. So we're hearing that a lot

00:31:27 --> 00:31:30: of restaurant tours who are saying that 60%

00:31:30 --> 00:31:33: number we're looking into parking sidewalks.

00:31:33 --> 00:31:36: Can we expand or do anything with parking and sidewalks

00:31:36 --> 00:31:40: and create more open space for whether it's restaurant,

00:31:40 --> 00:31:43: fitness or anybody that can operate and utilized the

00:31:43 --> 00:31:47: outdoors?

00:31:43 --> 00:31:47: Being that it's becoming nice weather and then maybe using

00:31:47 --> 00:31:51: some vacant spaces for other tenants that are within

00:31:51 --> 00:31:54: shopping

00:31:51 --> 00:31:54: centres or people that can utilized vacant spaces.

00:31:54 --> 00:31:58: For more space, so we're looking at everything we're doing

00:31:58 --> 00:32:01: the best we can to help all of our tenants,

00:32:01 --> 00:32:03: but we definitely are in the phase of of just

00:32:03 --> 00:32:06: understanding what what we're able to do.

00:32:06 --> 00:32:09: And then what is working in other states to try

00:32:09 --> 00:32:11: and make it and refine it.

00:32:11 --> 00:32:14: And better as we open up other shopping centers.

00:32:14 --> 00:32:17: But until we have a proven

00:32:17 --> 00:32:20: like method of whether or not parking is going to

00:32:20 --> 00:32:21: work well,
00:32:21 --> 00:32:25: then release information for those who kind of like discussed
00:32:25 --> 00:32:26: before it's proven to work,
00:32:26 --> 00:32:28: so will will definitely hear more.
00:32:28 --> 00:32:30: As these weeks come to fruition.
00:32:30 --> 00:32:31: So Yep, no agreed.
00:32:33 --> 00:32:36: I don't know that that stuff because of,
00:32:36 --> 00:32:39: you know, kind of all the situations going on right
00:32:39 --> 00:32:40: now.
00:32:40 --> 00:32:43: But John, you know. Obviously New Jersey has always and
00:32:43 --> 00:32:46: continues to be very tired to New York,
00:32:46 --> 00:32:48: especially in northern New Jersey.
00:32:48 --> 00:32:51: And you know, given given what's going on in New
00:32:51 --> 00:32:52: York and in the city,
00:32:52 --> 00:32:56: and obviously our hearts go out so it's everybody there.
00:32:56 --> 00:32:59: What? What is water business plan wise for the rest
00:32:59 --> 00:33:00: of the year?
00:33:00 --> 00:33:01: Second half of the year,
00:33:01 --> 00:33:04: right? What's the on the acquisition?
00:33:04 --> 00:33:07: What are their targets? Is it a let's see what's
00:33:07 --> 00:33:07: available?
00:33:07 --> 00:33:08: Is it? Let's figure out.
00:33:08 --> 00:33:11: Kind of what's happening with the virus and the health
00:33:11 --> 00:33:12: side of this.
00:33:12 --> 00:33:16: How are you guys looking at the next six months?
00:33:16 --> 00:33:19: Great, great question and I'd start by saying you know
00:33:19 --> 00:33:22: in January to March the 1st two to three months
00:33:22 --> 00:33:23: of the year.
00:33:23 --> 00:33:26: Our biggest focus was that depending on who the candidates
00:33:26 --> 00:33:28: would be for the second half of the year,
00:33:28 --> 00:33:32: we were going to have a really slow half second
00:33:32 --> 00:33:34: half of the year due to the election.
00:33:34 --> 00:33:37: Who would have thought that the first half would be
00:33:37 --> 00:33:37: in?
00:33:37 --> 00:33:40: I was just. I remember when I had a conversation
00:33:40 --> 00:33:40: in January,
00:33:40 --> 00:33:42: you said when I get when I get as much
00:33:42 --> 00:33:44: done as we can in the first half and then
00:33:44 --> 00:33:46: take a breather in the second half.
00:33:46 --> 00:33:48: I think we had the same conversation.
00:33:48 --> 00:33:49: We all felt that right?
00:33:49 --> 00:33:52: Yeah, so we were incredibly focused on any equity.

00:33:52 --> 00:33:54: You know any? We had a large we have a
00:33:54 --> 00:33:56: large contribution Q&R open end fund that we had a
00:33:56 --> 00:33:58: lot of money to put their put to work.
00:33:58 --> 00:34:01: We had several separate accounts were active in and then
00:34:01 --> 00:34:04: there were some dispositions we really want to get done.
00:34:04 --> 00:34:06: We gotta few done but not as many as we
00:34:06 --> 00:34:07: expected.
00:34:07 --> 00:34:09: So we we will. We will see how my assumption
00:34:10 --> 00:34:10: is.
00:34:10 --> 00:34:11: If we all get back to work,
00:34:11 --> 00:34:14: the second half would be will be busy.
00:34:14 --> 00:34:16: But I'm I'm still quite concerned about that.
00:34:16 --> 00:34:20: Where we do think transactions will happen is in the
00:34:20 --> 00:34:21: major metros around New York,
00:34:21 --> 00:34:24: New Jersey, Connecticut. We have a lot of capital.
00:34:24 --> 00:34:26: We have the acquisition officers.
00:34:26 --> 00:34:28: We have the capital buckets,
00:34:28 --> 00:34:31: we have, the lenders are all here so I think
00:34:31 --> 00:34:34: deals there where people can go travel in their own
00:34:34 --> 00:34:36: cars do tours after hours.
00:34:36 --> 00:34:37: I think that will occur.
00:34:37 --> 00:34:39: Can we have offices in Atlanta,
00:34:39 --> 00:34:41: Boston, New York, Chicago, San Francisco,
00:34:41 --> 00:34:43: Newport Beach so we can get to a lot,
00:34:43 --> 00:34:46: but we don't have enough people office we we will
00:34:46 --> 00:34:49: not be forcing any of our acquisition offers to rundown
00:34:49 --> 00:34:49: to natural,
00:34:49 --> 00:34:51: even though it's a market we like.
00:34:51 --> 00:34:54: So I do think there are certain markets that will
00:34:54 --> 00:34:55: be able to process deals.
00:34:55 --> 00:34:58: There are others that are just going to have much
00:34:58 --> 00:35:00: fewer opportunity to get deals done.
00:35:00 --> 00:35:03: Yeah, in my cover you guys I know you know
00:35:03 --> 00:35:07: that the thought of redemptions is weighing on a lot
00:35:07 --> 00:35:10: of people's minds and as you kind of plan for
00:35:10 --> 00:35:12: the second half of the year,
00:35:12 --> 00:35:15: how are you guys looking at the next six months?
00:35:15 --> 00:35:18: So I I think in terms of just one.
00:35:18 --> 00:35:20: Getting ranked taking care of our tenants,
00:35:20 --> 00:35:22: taking care of our employees as well.
00:35:22 --> 00:35:26: I mean we self manage everything 2 hours within our
00:35:26 --> 00:35:29: headquarters here in Boston and you know we have a

00:35:29 --> 00:35:32: lot of employees that are probably at risk and they're
00:35:32 --> 00:35:34: going in and out of buildings every day.
00:35:34 --> 00:35:38: And so we're we're really kind of concerned about them.
00:35:38 --> 00:35:42: I think what's with different with intercontinental over the past
00:35:42 --> 00:35:44: 10 years is probably about 50%
00:35:44 --> 00:35:45: of our partners now. 50%
00:35:45 --> 00:35:48: of our deals with joint venture partners.
00:35:48 --> 00:35:50: So in markets that we can't get to like John
00:35:51 --> 00:35:53: had mentioned and we have offices in Chicago,
00:35:53 --> 00:35:57: San Francisco and LA, but we don't have anyone in
00:35:57 --> 00:35:57: Austin,
00:35:57 --> 00:36:00: but we do have some operating partners down there that
00:36:01 --> 00:36:03: we've been working with now for about 10 or 15
00:36:04 --> 00:36:04: years.
00:36:04 --> 00:36:07: So we're really going to be relying on them to
00:36:07 --> 00:36:10: help us find deals and identify opportunities.
00:36:10 --> 00:36:13: So, but a market that we haven't gotten to and
00:36:13 --> 00:36:15: can't really get to like a Florida?
00:36:15 --> 00:36:18: Yeah, I don't see us doing anything there,
00:36:18 --> 00:36:22: but. Markets that we have strong relationships I think will
00:36:22 --> 00:36:23: try to be active.
00:36:25 --> 00:36:28: So so if, uh, so just playing it out for
00:36:28 --> 00:36:31: a second server deal in New Jersey shows up when
00:36:31 --> 00:36:34: you have a presence and where you're already have capital,
00:36:34 --> 00:36:39: you have operating partners and something that makes
sense financially.
00:36:39 --> 00:36:42: You're open for business, we're open for business,
00:36:42 --> 00:36:45: and I think we're especially open for business given we
00:36:45 --> 00:36:46: have a lot of New Jersey,
00:36:46 --> 00:36:48: Taft Hartley Union pension plans.
00:36:48 --> 00:36:51: If we can get a construction project on in Jersey
00:36:51 --> 00:36:53: in the next 6 to 9 months,
00:36:53 --> 00:36:56: it's a good thing for our investor base.
00:36:56 --> 00:36:58: So, so we're open for business.
00:36:58 --> 00:37:01: That's great Greg. Same thing if a land site comes
00:37:01 --> 00:37:01: up,
00:37:01 --> 00:37:04: you know whether it's the waterfront or somewhere in a
00:37:04 --> 00:37:08: market that you chasing or you guys in a position
00:37:08 --> 00:37:11: over the next several months that you do want to
00:37:11 --> 00:37:11: transact.
00:37:14 --> 00:37:16: I think it's a little bit of a mixed bag.
00:37:16 --> 00:37:18: I think that we are active.

00:37:18 --> 00:37:23: We are in active discussions where we're continuing to advance

00:37:23 --> 00:37:28: discussions that we're having before this all started.

00:37:28 --> 00:37:31: Those transactions alive to the extent that we can,

00:37:31 --> 00:37:35: so I think that that is land opportunities come up.

00:37:35 --> 00:37:38: Maybe a situation where we go ahead and try to

00:37:38 --> 00:37:39: act on it.

00:37:39 --> 00:37:41: In other cases we may.

00:37:41 --> 00:37:44: We may look to extend the timeline out,

00:37:44 --> 00:37:47: you know, see if the if the seller is willing

00:37:47 --> 00:37:50: to give a little bit of extra time.

00:37:50 --> 00:37:54: But that being said, nationally we've got 7 different deals

00:37:54 --> 00:37:58: that we are going to be capitalizing and starting and.

00:37:58 --> 00:38:01: And and taking forward second half of the year.

00:38:01 --> 00:38:03: So so bit of a test case,

00:38:03 --> 00:38:05: some of our strongest markets,

00:38:05 --> 00:38:11: places that are most desirable for our Equity Partners and.

00:38:11 --> 00:38:15: Probably be more merchant build type deals with with third

00:38:15 --> 00:38:19: party JV Equity Partners versus our internal funds so we

00:38:19 --> 00:38:22: are kind of looking at those seven deals.

00:38:22 --> 00:38:24: Is a bit of a test case and but we're

00:38:24 --> 00:38:24: here.

00:38:24 --> 00:38:28: We're in business where we're developer and and we're going

00:38:28 --> 00:38:32: to stay active and we're going to get more active.

00:38:32 --> 00:38:35: Second half of the year.

00:38:35 --> 00:38:38: And just on the topic of development in terms of

00:38:38 --> 00:38:39: construction financing,

00:38:39 --> 00:38:44: right? 'cause we haven't, we haven't talked too much about

00:38:44 --> 00:38:45: that yet.

00:38:45 --> 00:38:48: How are you seeing that market and how has it

00:38:48 --> 00:38:49: just in general?

00:38:49 --> 00:38:52: How has it changed today to kind of freak over,

00:38:52 --> 00:38:54: did you say?

00:38:54 --> 00:38:58: Well, indicated earlier. I think that the market is still

00:38:58 --> 00:38:58: open.

00:38:58 --> 00:39:00: I think it's on different terms.

00:39:00 --> 00:39:04: I think that spreads have blown out from where they

00:39:04 --> 00:39:05: were pre covid.

00:39:05 --> 00:39:08: So I think the leverage levels have come down.

00:39:08 --> 00:39:10: But I think that it's out there.

00:39:10 --> 00:39:12: I think it's just more,

00:39:12 --> 00:39:16: it's more cautious and think that whereas if you if

00:39:16 --> 00:39:19: you went out before and you got 7 term sheets
00:39:19 --> 00:39:20: on something,
00:39:20 --> 00:39:22: maybe you're getting 3 or 4.
00:39:22 --> 00:39:24: You know I I think that the.
00:39:24 --> 00:39:27: Linder windows are not maybe quite as active or quite
00:39:27 --> 00:39:29: as bullish as they were,
00:39:29 --> 00:39:33: but I think that the market is still open.
00:39:33 --> 00:39:36: Yeah, great. Joanna, in terms of kind of what we
00:39:36 --> 00:39:39: can expect as the economy and I kind of touched
00:39:39 --> 00:39:42: on this a little bit as the economy now starts
00:39:42 --> 00:39:46: to reopen in different markets and specifically in the hopefully
00:39:46 --> 00:39:49: in the New York area sometime soon.
00:39:49 --> 00:39:51: And as we start to get kind of some of
00:39:51 --> 00:39:54: the retail tenants back to reopening and some of the
00:39:54 --> 00:39:55: people kind of coming in there,
00:39:55 --> 00:39:59: what are some of the trends you think that we're
00:39:59 --> 00:40:00: going to see?
00:40:00 --> 00:40:03: In terms of some of those spaces you know you
00:40:03 --> 00:40:08: keep hearing about plexiglass or potentially drive throughs
and it
00:40:08 --> 00:40:11: could there be a lot more demand going forward for
00:40:11 --> 00:40:13: drive throughs.
00:40:13 --> 00:40:14: Do you expect that to continue,
00:40:14 --> 00:40:17: or is it? Would you think that's less of a
00:40:17 --> 00:40:17: trend?
00:40:17 --> 00:40:19: Well, I think you know in our market,
00:40:19 --> 00:40:23: particularly it's really based on municipality and whether or
not
00:40:23 --> 00:40:26: going to change because I know a majority of the
00:40:26 --> 00:40:30: municipalities that we own and restrict drive throughs so and
00:40:30 --> 00:40:33: when it comes to parking and whether there is street
00:40:33 --> 00:40:35: from parking and or behind like what?
00:40:35 --> 00:40:38: What can we work with with the municipalities in the
00:40:38 --> 00:40:42: governance to help us make this easier for curbside pickup
00:40:42 --> 00:40:44: or drive through I think our demand for space.
00:40:44 --> 00:40:47: I think it's actually going to increase I I don't.
00:40:47 --> 00:40:51: I think obviously the rents will be what will see
00:40:51 --> 00:40:55: what what levels of occupancy they restaurants and fitness
centers
00:40:55 --> 00:40:57: can can actually work within.
00:40:57 --> 00:41:00: But then with regards to the actual spaces,
00:41:00 --> 00:41:02: I think people need to spread out.

00:41:02 --> 00:41:04: You can't be on top of each other,
00:41:04 --> 00:41:08: so I don't think we're going to see producing incising
00:41:08 --> 00:41:08: spaces,
00:41:08 --> 00:41:11: but I do see OS needing to invest in work
00:41:11 --> 00:41:15: with those Premier owner up Premier tenants to rework their
00:41:15 --> 00:41:16: spaces.
00:41:16 --> 00:41:18: I don't think we're going to see.
00:41:18 --> 00:41:20: Much change from the shopping center side,
00:41:20 --> 00:41:22: but it really is as it relates to the governance
00:41:22 --> 00:41:23: and whether or not we can.
00:41:23 --> 00:41:27: We can work with them to change those things.
00:41:27 --> 00:41:28: OK, now that makes sense,
00:41:28 --> 00:41:32: so I wanted to talk about offshore capital for a
00:41:32 --> 00:41:32: second.
00:41:32 --> 00:41:37: 'cause Interestingly enough, we just saw South Korean funds
00:41:37 --> 00:41:40: go
00:41:40 --> 00:41:45: non refundable on a property we're selling.
00:41:45 --> 00:41:45: We're hearing Singapore investor doubling their capital
00:41:45 --> 00:41:50: coming into the
00:41:50 --> 00:41:54: US.
00:41:54 --> 00:41:55: John, are you seeing anything from we're hearing anything
00:41:55 --> 00:41:59: on
00:41:59 --> 00:42:02: the offshore capital front in terms of looking for real
00:42:02 --> 00:42:05: estate transactions today?
00:42:05 --> 00:42:07: Specifically New York area? We are we are in the
00:42:07 --> 00:42:12: midst of raising a value add fund and I think
00:42:12 --> 00:42:17: we have some soft commitments at the moment.
00:42:17 --> 00:42:20: I think 75% are from offshore.
00:42:20 --> 00:42:24: It's an opportune value. Add opportunistic bucket but we
00:42:24 --> 00:42:28: have
00:42:28 --> 00:42:29: we have seen that so we're seeing significant demand from
00:42:29 --> 00:42:31: overseas.
00:42:31 --> 00:42:35: A little it's not completely intuitive to me,
00:42:35 --> 00:42:38: but we're still trying to determine exactly why that is.
00:42:38 --> 00:42:39: We're not seeing that. In the core fund.
00:42:39 --> 00:42:42: At the mall with him.
00:42:42 --> 00:42:44: And I know you mentioned redemptions before and I just
00:42:44 --> 00:42:47: wanted to congratulate 'cause I feel like I bought that
00:42:47 --> 00:42:49: couple times,
00:42:49 --> 00:42:49: just because that's going to impact how much capital you
00:42:49 --> 00:42:49: have to spend and how much.
00:42:49 --> 00:42:49: A lot of institutional groups in general will have to
00:42:49 --> 00:42:49: spend given what we've seen in the drops in the

00:42:49 --> 00:42:52: stock market and see that that continues to change,
00:42:52 --> 00:42:54: but any concerns on that front?
00:42:54 --> 00:42:57: Yeah, yeah no. And clearly based on prior prior cycles,
00:42:57 --> 00:43:00: you know the in.
00:43:00 --> 00:43:03: Our industry typically lags public markets by 12 to 18
00:43:03 --> 00:43:03: months,
00:43:03 --> 00:43:07: so typically you see the redemptions come into the open
00:43:07 --> 00:43:08: end core funds,
00:43:08 --> 00:43:11: and right now the Odyssey index is the opening Core
00:43:11 --> 00:43:13: Fund index and that it's about 25 funds and 275
00:43:14 --> 00:43:14: billion.
00:43:14 --> 00:43:17: I think three of those funds have a redemption queue,
00:43:17 --> 00:43:19: and it's not. It's not many now.
00:43:19 --> 00:43:21: Part of that is the notification.
00:43:21 --> 00:43:25: And there are different notification periods for each fund.
00:43:25 --> 00:43:27: They could be 45 days or 60 days,
00:43:27 --> 00:43:29: but we just passed our notification.
00:43:29 --> 00:43:35: For the second quarter. We have very little redemptions so
00:43:35 --> 00:43:36: we are.
00:43:36 --> 00:43:38: Speaking my own book, of course,
00:43:38 --> 00:43:40: but our performance is excellent,
00:43:40 --> 00:43:43: but I'm still kinda very happily surprised that we're not
00:43:43 --> 00:43:47: seeing significant outflows across the entire sector and
industry.
00:43:47 --> 00:43:49: But a big part of that is alternatives.
00:43:49 --> 00:43:53: Where would people? There's everybody talks about the re
balancing
00:43:53 --> 00:43:55: the denominator effect,
00:43:55 --> 00:43:57: but with the 10 year Treasury of .6 and high
00:43:57 --> 00:43:58: yield gaps,
00:43:58 --> 00:44:02: why there just isn't a great opportunity for anybody with
00:44:02 --> 00:44:04: four percent dividend yield?
00:44:04 --> 00:44:07: Yeah, don't know, that's well said.
00:44:07 --> 00:44:09: So one other topic and I agree with you.
00:44:09 --> 00:44:12: I think the options are limited and that's why I
00:44:12 --> 00:44:15: think that there's going to be even more capital coming
00:44:15 --> 00:44:18: into the commercial real estate side,
00:44:18 --> 00:44:20: and I guess the question is in one of the
00:44:20 --> 00:44:21: one of the challenges.
00:44:21 --> 00:44:25: Aside from kind of getting through pricing that makes sense
00:44:25 --> 00:44:27: is how do we get some of these deals done?
00:44:27 --> 00:44:31: Giving social distancing given the concerns on you know and
00:44:31 --> 00:44:34: and rightfully so on exposure within buildings,

00:44:34 --> 00:44:36: right office buildings, industrial buildings,
00:44:36 --> 00:44:40: shopping centers? Residential buildings, especially right?
00:44:40 --> 00:44:43: Who's who's excited about letting people into their into their
00:44:43 --> 00:44:46: unit that just show up to tour properties.
00:44:46 --> 00:44:47: So there are challenges there.
00:44:47 --> 00:44:50: And and like, I don't know if you guys have
00:44:50 --> 00:44:53: given thought to again as we talked about kind of
00:44:53 --> 00:44:56: over the next six months trying to get transactions done.
00:44:56 --> 00:44:59: How how would you think some of the some of
00:44:59 --> 00:45:02: the ways that we can try to get through that
00:45:02 --> 00:45:03: in a reasonable timeframe?
00:45:03 --> 00:45:05: Yeah, I I think one.
00:45:05 --> 00:45:08: I think it depends on where it is who your
00:45:08 --> 00:45:11: partner is and kind of cover location.
00:45:11 --> 00:45:14: It is important. I think you know it's really tough
00:45:14 --> 00:45:18: right now saying you on a multifamily building.
00:45:18 --> 00:45:22: For example trying to do due diligence and getting someone
00:45:23 --> 00:45:24: to walk 250 units.
00:45:24 --> 00:45:26: I mean that that's really hard.
00:45:26 --> 00:45:29: I've kind of just make sure you know everything works,
00:45:29 --> 00:45:32: you know, and so I think where we're having difficult
00:45:33 --> 00:45:35: one that's kind of getting down there,
00:45:35 --> 00:45:38: getting the underwriting down, relying on our partners.
00:45:38 --> 00:45:41: I think we can figure that sort of stuff out,
00:45:41 --> 00:45:43: but I think kind of getting a lot of our
00:45:43 --> 00:45:47: third party providers in to do the due diligence is
00:45:47 --> 00:45:48: really difficult in.
00:45:48 --> 00:45:51: I'm not sure we have that figured out yet to
00:45:51 --> 00:45:51: be honest.
00:45:51 --> 00:45:54: I mean, I think on on product types where it's
00:45:54 --> 00:45:56: almost an add on investment,
00:45:56 --> 00:45:59: I think kind of. After hours industrial can kind of
00:45:59 --> 00:46:02: get your head wrapped around what that might look like
00:46:02 --> 00:46:06: or an office building that's under occupied being cleaned.
00:46:06 --> 00:46:08: I think you can figure that one out,
00:46:08 --> 00:46:11: but I think apartments are really tricky.
00:46:11 --> 00:46:14: Now and and and totally agree and and we're seeing
00:46:14 --> 00:46:15: it across the border today.
00:46:15 --> 00:46:18: I mean, you know we're running due diligence on office
00:46:18 --> 00:46:19: building,
00:46:19 --> 00:46:21: but there's no tenants in there today,
00:46:21 --> 00:46:22: so the spaces are closed,

00:46:22 --> 00:46:24: so you can get people through,
00:46:24 --> 00:46:26: even if they're not going in the units.
00:46:26 --> 00:46:28: You can get them into the common areas to look
00:46:28 --> 00:46:29: in the spaces.
00:46:29 --> 00:46:32: But yeah, the challenges especially multifamily,
00:46:32 --> 00:46:33: wide, or are or are tough,
00:46:33 --> 00:46:34: and I don't know Greg.
00:46:34 --> 00:46:36: If you guys have thought about that,
00:46:36 --> 00:46:39: there's no. I don't think too many people have an
00:46:39 --> 00:46:40: answer just yet,
00:46:40 --> 00:46:42: but I don't know if that's come up in any
00:46:42 --> 00:46:43: conversations yet on.
00:46:43 --> 00:46:46: On how we deal with.
00:46:46 --> 00:46:49: Now for now, from a development standpoint,
00:46:49 --> 00:46:53: thankfully we're not dealing with that because we're really
almost
00:46:53 --> 00:46:55: exclusively developer.
00:46:55 --> 00:46:58: But no, but just to even in terms of maintenance
00:46:58 --> 00:46:59: requests,
00:46:59 --> 00:47:02: another just regular operational things.
00:47:02 --> 00:47:06: You know, having to send maintenance people into into
somebody's
00:47:06 --> 00:47:07: apartment.
00:47:07 --> 00:47:09: It's just sensitive item right now,
00:47:09 --> 00:47:11: so it's a lot of challenges.
00:47:11 --> 00:47:13: And yeah, yeah, much like Michael,
00:47:13 --> 00:47:16: I, I don't think we have all the answers yet,
00:47:16 --> 00:47:20: but working further, I think with some of the other
00:47:20 --> 00:47:23: interesting things that we're thinking about too,
00:47:23 --> 00:47:26: is is how? How does this affect multifamily design going
00:47:27 --> 00:47:28: forward in the long term?
00:47:28 --> 00:47:31: And do we need to rethink our amenity spaces?
00:47:31 --> 00:47:34: And do we need to rethink apartments you know do?
00:47:34 --> 00:47:37: Do apartments need to have nooks and niches for people
00:47:38 --> 00:47:41: to be able to work more effectively from their apartments?
00:47:41 --> 00:47:43: I think the trend has been reliably,
00:47:43 --> 00:47:47: of course they have coworking spaces in the common areas.
00:47:47 --> 00:47:51: And provide ample opportunities for people to go set up
00:47:51 --> 00:47:54: a laptop and be able to to kind of at
00:47:54 --> 00:47:57: least be around other people and see other people.
00:47:57 --> 00:48:01: Of course, that may not be happening for awhile.
00:48:01 --> 00:48:04: My view on it is that certainly in a longer
00:48:04 --> 00:48:04: on.

00:48:04 --> 00:48:07: I think that things will only get back to normal
00:48:07 --> 00:48:08: at least,
00:48:08 --> 00:48:13: especially as we see vaccines finally being developed or
therapeutics
00:48:13 --> 00:48:17: at least that are that are helping with the crisis.
00:48:17 --> 00:48:19: But I think that. Short term,
00:48:19 --> 00:48:21: you know it's just going to be a lot of
00:48:22 --> 00:48:23: stopgap solutions,
00:48:23 --> 00:48:26: and I think long-term I think that you know my
00:48:26 --> 00:48:30: view is that design is not going to change radically,
00:48:30 --> 00:48:33: although you may see some differences in in in,
00:48:33 --> 00:48:36: you know, designs. You know the difference for retail is
00:48:36 --> 00:48:38: that a lot of the costs for us,
00:48:38 --> 00:48:41: the common area spaces, unless we have enclosed malls,
00:48:41 --> 00:48:42: which we have very few of,
00:48:42 --> 00:48:44: it falls on the tenant,
00:48:44 --> 00:48:46: so it's hard for us to kind of understand within
00:48:46 --> 00:48:48: each tenant space and use as to as to what
00:48:48 --> 00:48:51: we're going to see trends change going forward.
00:48:51 --> 00:48:55: Definitely like touchless entry, touchless credit card machines
like Square
00:48:55 --> 00:48:57: and all the things that had already started to come
00:48:57 --> 00:49:00: into the retail business or are definitely going to be
00:49:00 --> 00:49:03: imperative for those retailers to take advantage of.
00:49:03 --> 00:49:06: But you know, on the due diligence side or acquisitions
00:49:06 --> 00:49:06: I just to.
00:49:06 --> 00:49:08: Bring that back up again.
00:49:08 --> 00:49:10: You know Regency is had 100 and \$50,000,000 of free
00:49:11 --> 00:49:11: cash flow.
00:49:11 --> 00:49:14: So as soon as we can understand what we're all
00:49:14 --> 00:49:14: in a you know,
00:49:14 --> 00:49:17: conserving capital right now. But as soon as we can
00:49:17 --> 00:49:21: understand we can conduct due diligence and that the
estoppels
00:49:21 --> 00:49:24: and the and the tenants are open operating paying rent
00:49:24 --> 00:49:25: to the levels of what we expect.
00:49:25 --> 00:49:28: You know, that's when I think we're going to be
00:49:28 --> 00:49:32: seeing transactions from the retail shopping center side more
and
00:49:32 --> 00:49:32: less.
00:49:32 --> 00:49:34: It's like these single tenants.
00:49:34 --> 00:49:36: But but yeah, so I I look forward to seeing
00:49:36 --> 00:49:38: those tenants that can be innovative.

00:49:38 --> 00:49:41: And and spend money and work within their spaces to
00:49:41 --> 00:49:45: invest and make these changes so that they can have,
00:49:45 --> 00:49:47: you know as many customers as possible.
00:49:47 --> 00:49:52: So it's just it's going to be interesting to see
00:49:52 --> 00:49:54: how we come out here.
00:49:54 --> 00:49:57: We're coming up to the end of our hour,
00:49:57 --> 00:50:00: so I wanted to open it up to questions and
00:50:00 --> 00:50:03: I'm not the most technical out there,
00:50:03 --> 00:50:06: but I do think that you can use the zoom
00:50:06 --> 00:50:07: Group chat,
00:50:07 --> 00:50:09: or you can send me a chat.
00:50:09 --> 00:50:12: I'm not sure, but you can on the bottom it
00:50:12 --> 00:50:14: says chat you can yes.
00:50:14 --> 00:50:17: OK so you can. You can send me a question
00:50:17 --> 00:50:19: and happy to ask the team and.
00:50:21 --> 00:50:23: As we wait for them,
00:50:23 --> 00:50:24: you know why? Why don't we?
00:50:24 --> 00:50:27: Maybe we can just go through a quick.
00:50:27 --> 00:50:31: You know, let's get everyone's political opinion.
00:50:31 --> 00:50:35: Now I'm just kidding. Let's wrap that up in 7
00:50:35 --> 00:50:36: minutes.
00:50:36 --> 00:50:41: Let's let's let's go through just to maybe a trend
00:50:41 --> 00:50:46: that that that we're each seeing or expect to see
00:50:46 --> 00:50:48: in the rest of 2020.
00:50:48 --> 00:50:51: Which is you know. Amazingly,
00:50:51 --> 00:50:55: moving along very quickly here.
00:50:55 --> 00:50:59: Kind of an interesting question as again back to the
00:50:59 --> 00:51:01: high rise product.
00:51:01 --> 00:51:05: I think it's it's really tide to reestablishing faith in
00:51:05 --> 00:51:06: public mass,
00:51:06 --> 00:51:11: public transportation and I think that's going to be really
00:51:11 --> 00:51:12: tough to do.
00:51:12 --> 00:51:15: So I think that's that's a I don't know if
00:51:15 --> 00:51:16: it's a trend,
00:51:16 --> 00:51:19: but it's tough to get your folks to the building
00:51:19 --> 00:51:22: if they don't have faith that they're taking a health
00:51:22 --> 00:51:23: risk.
00:51:23 --> 00:51:24: By being on the subway.
00:51:26 --> 00:51:28: Yeah I would just add on to that.
00:51:28 --> 00:51:32: So I think 70% of the people in this country
00:51:32 --> 00:51:34: commute to work in their own vehicle.
00:51:34 --> 00:51:37: But the number one and #2 thing that people are

00:51:37 --> 00:51:40: concerned about with reentry is getting to their office via
00:51:40 --> 00:51:41: public transportation.
00:51:41 --> 00:51:42: So that is New York,
00:51:42 --> 00:51:45: Boston, Atlanta, San Francisco. But it's that 30%
00:51:45 --> 00:51:47: of the people are so worried about it.
00:51:47 --> 00:51:49: But that's the number one concern,
00:51:49 --> 00:51:52: so that it's it's a great great point.
00:51:52 --> 00:51:56: Just another question that I've I've had and I was
00:51:56 --> 00:51:58: being batted around a fair amount.
00:51:58 --> 00:52:01: It's just the question of is there going to be
00:52:01 --> 00:52:04: the urbanization on any significant scale,
00:52:04 --> 00:52:06: or is this sort of another 911 type of a
00:52:06 --> 00:52:07: situation where,
00:52:07 --> 00:52:10: yeah, there may be temporary dislocation,
00:52:10 --> 00:52:13: a temporary flight of people out into first ring,
00:52:13 --> 00:52:15: suburbs or whatever the case is,
00:52:15 --> 00:52:19: and then people gradually shift back to to to the
00:52:19 --> 00:52:20: older standard patterns.
00:52:20 --> 00:52:23: Or is there going to be a fundamental shift here?
00:52:23 --> 00:52:26: I wish I had the answer that Mike and you
00:52:26 --> 00:52:29: would probably be more that things will blow through my
00:52:29 --> 00:52:31: shift back to the standard patterns again as we get
00:52:31 --> 00:52:36: vaccines and therapeutics that that really have an impact
here.
00:52:36 --> 00:52:38: I would I would echo what you're saying I I
00:52:38 --> 00:52:41: do believe people still love the hustle and bustle of
00:52:41 --> 00:52:41: the cities.
00:52:41 --> 00:52:43: However, in the short term,
00:52:43 --> 00:52:45: I think a suburban market owners and are going to
00:52:45 --> 00:52:47: hopefully reap the benefits,
00:52:47 --> 00:52:49: whether it be retail, residential or office.
00:52:49 --> 00:52:51: Because I can tell you right now,
00:52:51 --> 00:52:53: I can't work here much longer with my family here.
00:52:53 --> 00:52:55: So I need an office to go to and I
00:52:55 --> 00:52:57: think many of us feel that way.
00:52:57 --> 00:52:58: And whether it's you know,
00:52:58 --> 00:53:00: I'm not going to mention we work.
00:53:00 --> 00:53:03: But you know, an office within a suburban market until
00:53:03 --> 00:53:04: you feel comfortable to go back.
00:53:04 --> 00:53:06: But I do. I do think that the short term
00:53:07 --> 00:53:07: suburban markets.
00:53:07 --> 00:53:09: May drive not at 100%

00:53:09 --> 00:53:10: of where we were before,
00:53:10 --> 00:53:13: but at least you know on the upward trajectory.
00:53:13 --> 00:53:16: Yeah, look, we're hoping we'll see some of that,
00:53:16 --> 00:53:19: and and, you know, we are getting some questions from
00:53:19 --> 00:53:22: our New York offices to kind of what's happening in
00:53:22 --> 00:53:26: certain submarkets and that that you know could be the
00:53:26 --> 00:53:29: start of whether or not transactions do come out of
00:53:29 --> 00:53:32: New York and end up in New Jersey or Connecticut,
00:53:32 --> 00:53:35: or Westchester. Long Island.
00:53:35 --> 00:53:37: But yeah, time will tell on that one,
00:53:37 --> 00:53:39: but but I agree, and I think also not only
00:53:40 --> 00:53:41: from the office side,
00:53:41 --> 00:53:42: but also from the tenant side.
00:53:42 --> 00:53:45: You know, I think I think you're right that your
00:53:45 --> 00:53:47: provides a completely different experience.
00:53:47 --> 00:53:50: But maybe we could see some some more activity on
00:53:50 --> 00:53:51: the waterfront.
00:53:51 --> 00:53:54: Even to, you know, kind of Mikinan Bragg steals.
00:53:54 --> 00:53:57: And on the Hoboken Jersey City that will allow kind
00:53:57 --> 00:53:59: of the ability to easily get into New York.
00:53:59 --> 00:54:02: But then we're dealing with the common John made about
00:54:02 --> 00:54:03: public transportation,
00:54:03 --> 00:54:06: so positives and negatives that are still being worked out
00:54:06 --> 00:54:07: for sure.
00:54:07 --> 00:54:10: As we kind of go through this together so I
00:54:10 --> 00:54:10: don't,
00:54:10 --> 00:54:14: I don't see any. I'm actually looking at the right
00:54:14 --> 00:54:15: thing honestly,
00:54:15 --> 00:54:17: but I don't see any questions hold on.
00:54:17 --> 00:54:20: Just got just got one for office owners with new
00:54:20 --> 00:54:22: protocols around management,
00:54:22 --> 00:54:26: social disting enforcement. How much of an impact will this
00:54:26 --> 00:54:28: have on pricing on rental rates?
00:54:31 --> 00:54:34: John, you want to start there?
00:54:34 --> 00:54:36: Yeah, yeah, I I I will start with we
00:54:36 --> 00:54:38: don't have an answer.
00:54:38 --> 00:54:42: We're working on it diligently and the you know there's
00:54:42 --> 00:54:43: several.
00:54:43 --> 00:54:47: In fact, it's the cost of changing things within your
00:54:47 --> 00:54:48: your building.
00:54:48 --> 00:54:51: But it also the impact of on the common area
00:54:51 --> 00:54:56: maintenance charges so that there's the investment that's

going to
00:54:56 --> 00:54:58: be made and the continuing charges.
00:54:58 --> 00:55:03: I will say that we bracket the impacts by short.
00:55:03 --> 00:55:04: Short a lot.
00:55:06 --> 00:55:08: By short, medium and long term,
00:55:08 --> 00:55:10: I think a lot of these things that we're talking
00:55:10 --> 00:55:12: about those are going to be short impacts.
00:55:12 --> 00:55:14: I we don't think that all the things that are
00:55:14 --> 00:55:16: going to be done over the next year are going
00:55:16 --> 00:55:18: to be done in the future and we have.
00:55:18 --> 00:55:21: We have a global perspective from that from the office
00:55:21 --> 00:55:21: side,
00:55:21 --> 00:55:22: where you know if you look,
00:55:22 --> 00:55:25: the Asian economies have been through this before,
00:55:25 --> 00:55:27: they're actually ahead of us in this pandemic as well
00:55:27 --> 00:55:29: and they continue to get more and more dense.
00:55:29 --> 00:55:32: So urbanization densification, we think are going to be transit
00:55:32 --> 00:55:33: continue.
00:55:33 --> 00:55:34: There will be short term impacts,
00:55:34 --> 00:55:37: but we think in the long term.
00:55:37 --> 00:55:40: What will revert back to urbanization densification so we
don't
00:55:40 --> 00:55:42: have an answer in terms of the actual costs on
00:55:42 --> 00:55:43: the capital side or the operating side,
00:55:43 --> 00:55:47: but it's certainly an impact and something has to be
00:55:47 --> 00:55:49: considered in the underwriting.
00:55:49 --> 00:55:50: Scrape.
00:55:52 --> 00:55:56: OK, I don't see I don't see anything else.
00:55:56 --> 00:55:58: Well, I want to thank you.
00:55:58 --> 00:56:02: I want to thank the panel for their candid comments
00:56:02 --> 00:56:04: and and for the role,
00:56:04 --> 00:56:07: the information and for everyone listening in today.
00:56:07 --> 00:56:11: And also you Ally for hosting this.
00:56:11 --> 00:56:14: My claxson if you have any closing comments.
00:56:21 --> 00:56:24: You don't see my Geismar anything you want to add.
00:56:27 --> 00:56:30: Good. My still on skinny Hosea looking skinny.
00:56:30 --> 00:56:33: Doubt though down please you must be in the weight
00:56:33 --> 00:56:35: room a lot there pal working out.
00:56:35 --> 00:56:36: There's nothing else to do.
00:56:36 --> 00:56:38: There's no deals so.
00:56:40 --> 00:56:44: Alright guys, thank you everyone and.
00:56:44 --> 00:56:48: July and this session is being recorded on our Knowledge

00:56:48 --> 00:56:53: Finder platform and it will be inaccessible there within two
00:56:53 --> 00:56:55: to three business days,
00:56:55 --> 00:56:58: so you will I members please take advantage of this
00:56:59 --> 00:57:02: feature to review this web and or as well as
00:57:02 --> 00:57:06: many of the other recorded webinars and sessions that are
00:57:06 --> 00:57:10: being hosted by ULI both here locally as well as
00:57:10 --> 00:57:12: nationally and internationally.
00:57:12 --> 00:57:15: So thank you on behalf of you alive.
00:57:15 --> 00:57:19: Everybody, please stay well. Thank you,
00:57:19 --> 00:57:20: thank you, thank you.

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