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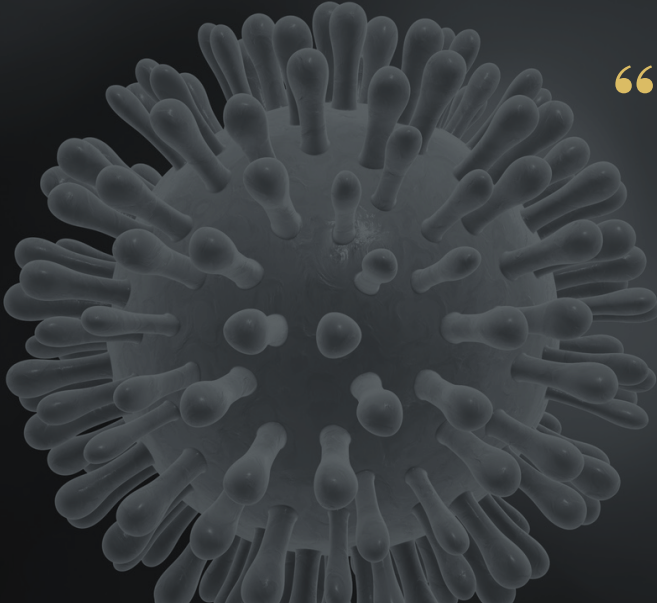
COVID-19 THE GREAT THAW

The COVID-19 pandemic has been destructive, both economically and socially. The sizzling U.S. economy is now frozen because of stay-at-home orders, public fear, and layoffs. Inevitably, the relaxation of these orders will begin to allow our economy to thaw from a deep freeze. Still, there are certain variables that are currently challenging to account for, especially the duration and rate at which thawing will begin.

The longer it takes to control the outbreak, the deeper and more protracted the downturn will be. Bringing the outbreak under control will take substantial intervention by both private and public institutions. The most economically impactful interventions are stay-at-home orders, which currently affect 85% or more of the U.S. population and are predicted to remain in place until June 2020. Further extensions anticipated by many state governors. Stay-at-home orders are a temporary practice to slow the virus, but it is ultimately our wide-spread adoption of this practice that will

reduce the spread. The duration of these policies is directly linked to the scientific advancement required to begin scalable treatment of this virus.

Global governments and researchers are furiously working on a vaccine which may take a year or longer to develop. Until a vaccine is available, one of the primary questions that commercial real estate owners and occupiers have to consider is, how quickly can the global economy bounce back, and how long the impact will linger. Once stay-at-home orders are significantly relaxed, the U.S. economy is likely to spring back from the chill. The speed of that thaw, and the number of fits and starts, will depend on four factors called the 4 C's.



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CLIMATE Many viruses tend to have seasonality, and transmission rates decrease due to warm, moist climates. The hope is that the warmer weather of the spring and summer months may help slow the infectiousness. However, according to an April 2020 study by the National Academy of Sciences, the quality of evidence does not provide clear evidence that summer weather will have a significant effect on COVID-19. Indeed, the impact of climate is out of our control, but it may offer significant breathing room. We will know in the coming months how well this theory works in practice.

CONGRESSIONAL ACTION Congress has shown a strong political will to bring forth additional stimulus to reenergize the economy. Already the CARES Act 2020 is beginning to inject \$2 trillion of legislated stimulus into the economy. A further \$250 billion

in SBA funding is in negotiation, along with talks of infrastructure bills similar in unprecedented size and scope. Capitol Hill has shown the ability to negotiate on issues generally politically too divisive to legislate. Political power will shift with the jostling economy and may disrupt the speed and willingness to negotiate the legislation that serves as a keystone to rapid, sustainable economic recovery.

CLOSED SPACES As stay-at-home measures are relaxed, the public's willingness to gather in closed spaces such as restaurants, mass transit, workspaces, and daycare will be slow, and it will put a damper on rebounds to unemployment to large parts of the economy. Conversely, the general public seems to show little fear in gathering in open parks during this quarantine. As much as we look forward to the day when we can interact socially as we once did, we'll need to manage our collective fear of catching or spreading COVID-19 before we confidently take a step outside our homes. Here, too,

government intervention through public and private campaigns may ease fears.

CROWDS Mass gatherings of over 250 people such as conventions, entertainment venues, schools, and religious services all carry the potential to spread COVID-19 quickly through large numbers of the population. Gathering in large entertainment venues are deemed non-essential and expected to take the longest to return to normal. The education system will be a focal point pitting the long-term benefits of education against public health. Just how much risk the public institutions are willing to assume will significantly impact the family's ability to return to work.

RECOMMENDATIONS

We are forced to evaluate and re-learn many aspects of our once "normal" life. Ideas such as where and how we utilize space in a post-COVID-19 world are being shaped right now and will become part of the adjustment process. As stay-at-home orders are lifted, the economy's thaw will be gradual with a muted bounce beginning in the 3rd quarter of the year. Actions we recommend taking during this time are:

PREPARE FOR THE POTENTIAL OF A PROLONGED FREEZE Make sure to not only develop a revised plan, but one that includes various scenarios and position yourself to execute that plan. Week -by-week planning is not a plan.

APPLY FOR FEDERAL AND LOCAL ECONOMIC ASSISTANCE This is important even if you decide later to forego the programs.

STAY CONNECTED to your landlords, tenants, investors, and leading market intelligence.

KNOW THAT KIDDER MATHEWS IS HERE with expert on-the-ground advice, to help guide you through the impacts to your specific needs.

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