

“Commercial Real Estate: A Review of 2020 & Planning for 2021,” Practical Law Real Estate

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By: Claramargaret H. Groover



Practical Law Real Estate recently asked several leading real estate practitioners to share their thoughts on recent trends and developments impacting the real estate market, and provide predictions for the year ahead. The responses of **Claramargaret Groover** are featured below.

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

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

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

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

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

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

shutdowns?

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

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