



A Taste Of Today's Commercial Real Estate Market

👉 [lending](#) [business customers](#) [pandemic](#)

Summary: CRE loans are being impacted by COVID-19 depending on the type. Let's discuss the latest stats and how it may impact your business.

In the ruins of Pompeii, ancient versions of takeout restaurants were excavated. Apparently, the Italians were way ahead of us in the convenience provided by their restaurants.

As restaurants, along with other businesses, are starting to open up, we are all waiting with bated breath. How will they adapt? Can they modify as needed, even as they open and more information becomes available on safety practices? Will employees feel comfortable coming back? There are many questions to answer. While we can't answer these questions, we wanted to provide you with some interesting stats on the CRE market in May along with some considerations on how things may continue forward.

Hotel and Retail Loans. Firstly, late May commercial mortgage-backed security (CMBS) data shows hotel and retail loans were still on top in terms of delinquencies. Hotel loans had a total of about 35% of loans 30+ days delinquent along with those that missed May payments. For retail, this number was just over 23%, although retail loans were taking some hits even before the pandemic.

Office Space Loans. On the other hand, office space loans fared much better. These loans only had an increase of just under 5.5% for loans 30+ days delinquent and missed May payments. Whether this will continue to stay low, we don't know. But, it is definitely a good indicator that office space loans could be somewhat resilient to more dramatic effects of COVID-19, as long as businesses can continue to do business off-site.

Status of Office Properties. With the office space loans showing strength even during this uncertainty, it is likely that several property owners are able to meet their expenses even with lower occupancy rates. In fact, if they have enough lessees that are still able to produce revenue off-site, these property owners not only could cover their commercial mortgage, but also may be saving some expenses such as building maintenance and security.

Additionally, it appears that there are several big commercial real estate projects continuing to move forward, including those with Microsoft and Facebook, specifically in Atlanta and New York City. This will bring more people to work in those areas and more business overall that could encourage smaller businesses too. Even the outskirts could benefit as more people are hired and move to the suburbs. As these giants show optimism, other companies may join them in planning new CRE projects, which could spill over into several areas of the country.

While this may sound pretty positive overall, we still don't really know where all of this will land. As businesses open and things start to unfold, we will have a better idea which businesses and regions prove most resilient and which ones may not. We will continue to keep you updated as the information rolls out and the picture gets clearer.

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