IR GLOBAL

VIRTUAL ROUND TABLE SERIES | REAL ESTATE WORKING GROUP 2021

Real Estate Recovery: Bouncing back after the global pandemic

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FOREWORD BY EDITOR, ANDREW CHILVERS

How the Real Estate industry will bounce back from the global pandemic

As the Covid-19 pandemic continues to disrupt businesses across the world, one of the biggest debates being played out is the future of property – in the city centres and suburbs; in office space, commercial and residential.

Just what will the world of real estate look like at the end of 2021? Will cities return to normal, and office space and retail malls remain the same, or will they be changed forever?

Most legal and financial advisors in the real estate sector agree there is an element of crystal ball gazing, but likewise there are now clear signs of how things might just look in the near future.

One telling example of this new reality recently came in the form of Salesforce in the US. The company announced that all staff could work from home indefinitely – or for the foreseeable future, at least.

While this huge work-lifestyle balance will be beneficial to many Salesforce employees, real estate professionals are quick to point out that only two years ago the tech giant opened its new Salesforce Tower to much fanfare as San Francisco's tallest building. It's also worth noting that the company is the city's biggest employer in the private sector. What happens to all that office space?

Over the pond in London and much of the EU, meanwhile, similar predictions of empty office space and the near extinction of the city's retail outlets is causing sleepless nights for tenants, landlords and lenders alike – regardless of government financial incentives and tax break.

Nevertheless, amid the gloom professionals in real estate do have cause for cautious optimism. This all depends where you are in the world, of course, but trends are emerging across different jurisdictions that defy some of the more doom-laden commentaries and blogs appearing online.

Fact. It's almost universally agreed that most businesses will follow the Salesforce example and introduce remote working and flexitime into their operations. Some people will attend the office, while others work from home and then swap. This will clearly create problems for the now partially empty, formerly prestigious city centre office blocks from Berlin to New York City.

At the same time the paradox is that premium office space in city centres may well be in greater demand. With smaller offices and fewer employees on-site many predict there will be a move back into city centres by businesses that had previously migrated to outlying suburban districts for costs reasons, negotiating favourable rents with eager landlords. One London landlord called this a "flight to quality," a move from tier two to tier one.

As IR Global member Philip Otvos says in the following Real Estate Virtual Series, city centres have the infrastructure, the services, the prestige and the durability. The pandemic will not change this fundamentally.

Meanwhile, this race to downsize could well help to reignite interest in residential inner city living. Empty office blocks could be transformed into high rise apartments, particularly for millennials who prefer city life but have not been able to afford it to date.

Elsewhere, predicting retail and hospitality is more problematic. City centre and suburban retail and hospitality real estate has suffered significantly during the pandemic. In London alone 57 of 264 stores on Oxford Street permanently closed, according to the New West End Company. City wide, retail landlords are reportedly only receiving half their usual rents from tenants. These rent reductions are common across Europe and the US and landlords and lenders will need to try to work out what the "new normal" will look like in retail.

This will be particularly acute with the larger suburban shopping malls where many of the tenants have closed or been forced to downsize. Landlords and tenants are already thinking creatively about how to repurpose the space they have, particularly as much of the shopping has now gone online.

Even amid this gloom many professionals are cautiously upbeat about the urban retail space. They predict that shopping centres will need to consolidate and then rethink their overall business strategy. The new malls could be more focused on creating a cross-generational experience. Children, parents and grandchildren using the mall as a family entertainment and retail park. People shopping together and also using it as a leisure activity.

As shopping moves online tenants will need to use their retail outlets more as showrooms for products rather than retail shops, according to many professionals. Consequently, tenants and landlords will need to rethink how they both profit from online shopping, calculating new rents accordingly.

It's a timely, fascinating subject and in the following pages our IR Global members give their invaluable insights into the state of real estate in their jurisdictions – and do some crystal ball gazing as well.

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View from IR

ENGLAND

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Our Virtual Series publications bring together a number of the network's members to discuss a different practice area-related topic. The participants share their expertise and offer a unique perspective from the jurisdiction they operate in.

This initiative highlights the emphasis we place on collaboration within the IR Global community and the need for effective knowledge sharing.

Each discussion features just one representative per jurisdiction, with the subject matter chosen by the steering committee of the relevant working group. The goal is to provide insight into challenges and opportunities identified by specialist practitioners.

We firmly believe the power of a global network comes from sharing ideas and expertise, enabling our members to better serve their clients' international needs.

Featured Members

US – UTAH

Torben Welch

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Head of the Messner Reeves Utah office, and licensed in multiple states including Colorado, New York and Utah, Torben Welch has built his legal expertise by aiding in the resolution of complex business and commercial transactions.

His industry experience includes banking and financial institutions, corporations and businesses and he has a side interest in representing professional sports franchises. Among outside general counsel responsibilities, Torben has legal expertise in enterprise strategic planning, asset acquisitions, cyber-security, contract and lease negotiation, regulatory compliance, corporate governance, workout and recovery strategy (including representation of creditors in bankruptcy matters) for both domestic and international clients. Mr. Welch focuses on litigation prevention but serves as a trial attorney performing independent internal and external investigations or appeals hearings as needed.

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Lieven Peeters is Partner at ALTIUS, and is Co-Head of the Real Estate & Regulatory team. He is a renowned expert in the area of real estate transactions and construction law with a solid knowledge of contracts law and general commercial law.

He is as such recognised by Chambers Europe, Legal500, PLC WhichLawyer and World Leading Experts. He advises clients in his real estate practice on all aspects of often complex real estate transactions, including the structuring of real estate projects, real estate M&A, sale-and-leaseback transactions, joint ventures, leasing, PPP and split structures.

Lieven is member and assessor at RICS.

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Philip Otvos

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Philip Otvos is an experienced Commercial Property lawyer. He qualified in 1997 and joined Colman Coyle as a Partner in May 2017. He has throughout his career worked at top ranked firms in London and has been a partner since 2002.

Philip acts for a diverse range of clients across many property sectors. Clients include start-ups, entrepreneurs, established Prop Co's, restaurant chains, religious organisations and lenders. Philip builds long-term relationships with his clients. A number of his clients in the retail sector, for example, now operate from multiple sites with Philip involved from the very first acquisition.

He is committed to achieving the best results for his clients, quickly and cost effectively and will always go the extra mile.

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Savvas is the founder and managing partner of SMPA Advisory Ltd, an accounting firm that is based in Limassol, Cyprus, and has a clientele of local and international companies.

Savvas joined Deloitte in 2005 after he finished his studies in the UK and left Deloitte in December 2019 at the level of director. He was a member of the IFRS Consultation Centre of Deloitte Cyprus and specialised in the audit of large local and international companies in various industries, including: Shipping, Manufacturing, Oil and Gas, Hotel, Investment Holdings, etc.

Savvas gained extensive experience in providing tax advisory services, including advice about the formation of international tax structures, financial advisory services and general business advisory services. Savvas holds a BA (Hons) degree in Accounting and Finance and he is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Certified Public Accountants of Cyprus (ICPAC).

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Jordan E. Ondatje focuses her practice on business and commercial real estate transactions. Her experience includes guiding clients through corporate formation and maintenance, tax matters, joint venture and other business agreements, and real estate matters such as leasing, acquisitions, and financing.

Jordan also assists clients in the formation of qualified opportunity zone funds and counsels opportunity fund investors through the complex requirements to maximize their tax benefits.

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Jaap has been practicing law since 2000. After studying at the University of Utrecht and an LLM program at the University of Nijmegen, he acquired extensive experience with international transactions at Clifford Chance (Amsterdam, Warsaw and London) and EY Law, focusing primarily on corporate, real estate and finance transactions.

In addition, Jaap has worked for 5 years as head legal of a Dutch bank going through a major restructuring. The in-house experience combined with doing corporate and real estate transactions in various parts of the world, provides that extra edge that enables him to bring transactions to a successful close. He joined the Synergy Business Lawyers team because together they can excel at providing pragmatic legal services to their clients.

SESSION ONE

Helping clients in the new normal: How are legal advisors assisting clients during the ongoing pandemic lockdowns? How important has the Counsel role become?

Philip Otvos, England

Clearly, when you're dealing with distressed clients, you need to be mindful and empathetic. Whilst it's been an unprecedented last 12 months, we have weathered recessions and other challenges in the past – admittedly not as big as that presented by Covid-19.

The point is that dealing with clients in distress is not a new phenomenon. Good practice dictates that as solicitors we aim to develop a professional relationship with our clients that extends beyond undertaking the transactional work and to becoming a trusted advisor. If we can achieve that, then we are better placed to provide support and help to our clients at this time.

Jaap Vreugdenhil, Netherlands

What Philip is talking about is very similar to that in the Netherlands. A lot of clients are trying to cope and trying to restart their businesses whenever possible. Of course, many have had a very tough time, while others have really not suffered much at all. For example, construction is doing well and there have been hardly any restrictions in that sector. Residential construction, for example, is booming in the Netherlands at the moment. This is a result of a lack of government planning for the past 20 years and there's been a lack of housing. There's actually a masterplan in the Netherlands to start to build one million new homes because there's so much pressure on the residential market.

Regarding retail, those who have adapted are doing very well, particularly with ecommerce internet shopping. Elsewhere, however, there's a lot of real stress for retailers. For example, the luxury goods industry where people want to go shopping for the experience – that's dead. It just doesn't exist anymore, certainly at the moment. There aren't any bankruptcies because the government has extended its support to the sector. We are expecting a real crisis to hit retail in the summer, when shops re-open and businesses are still suffering from the costs of the pandemic and have to restart paying their taxes. Then the real hit will come.

Lieven Peeters, Belgium

Just to come back to what Philip said, I think it's very important now to be a "trusted adviser". What this pandemic has shown is that the legal systems in our countries were not prepared for such a disruptive effect. Probably the most disruption in our region since World War II. Back then our legal systems were not really prepared for the changes the war wrought on society. This is fairly similar from a legal perspective. Clients need to have advice regarding the grey areas around what is going to happen.

This year we will see the effects of Covid-19 really start to bite, especially in retail and fashion; those guys need to buy their collections a year ahead. They have been buying the winter collection of 2021/2 and already looking into the spring collection of 2022. They're still stuck with a considerable part of their stock from winter 2020/1. As a result, they'll have huge cash flow problems. It's worth noting that even though the shops are open in Belgium, people won't be able to shop in groups and for most that it is the shopping experience they prefer. You can only have one customer for every 10 square metres of retail surface, so you can't shop as a family, for instance, which is very typical here.

This year is going to be a critical one for all the players in the market and those that do not have a cash buffer will be kicked out. Those who have jumped onto e-commerce will have a bigger chance in surviving.

Savvas Papasavvas, Cyprus

In Cyprus, the retail industry has been suffering much the same as elsewhere. This is particularly true of clothing retailers, restaurants, and malls in general. Supermarkets and smaller essential shops like butchers, have been doing well. In fact, the pandemic has been an opportunity for them. They sell more to customers who spend more time at home while the restaurants and malls are shut.

Since the beginning of the pandemic, it was observed that rent concessions were frequently granted to lessees as a direct consequence of the coronavirus pandemic. Landlords and tenants are looking to their advisors to provide them with ideas as to how both sides can make temporary amendments to long-term lease agreements. Those tenants and landlords I've spoken to seem willing to compromise – mainly because they believe that this is mostly a temporary measure while everyone gets back on their feet. Most of them are unprepared and require advisors to assist them with their current problems and during the recovery period ahead. This is probably a big opportunity for advisors – particularly those who have been innovative and are trusted by their clients.

Cyprus is heavily reliant on its tourism industry, which has suffered a lot. That's been a detrimental effect on the sector. But the government has provided subsidies and hopefully with the vaccine rollout there will not be any serious long-term consequences and the recovery of this industry will be fast.

Jordan Ondatje, US – California

We're experiencing similar issues here in California. We've gone back and forth on the restrictions with businesses allowed to open and then required to close again. This has led to a lot of commercial landlord/tenant issues. Many tenants aren't able to pay full rent, and this is where we've found that our role has really changed and become more hands on. Prior to Covid-19, a landlord/tenant issue regarding rent was typically fairly simple: did the tenant pay rent or not? However, we now have tenants who are unable to pay because of Covid-19 and landlords who are trying to interpret *force majeure* clauses in their leases and trying to understand how a defence like impossibility might work. Then we also have eviction moratoriums, a federal moratorium and a state of California moratorium. To add to the complication, we also have county and city eviction moratoriums, so our clients really need help in understanding what their options are. If they need to allow the tenant to pay less rent, how much less and for how long?

All of this can lead to negotiating a new lease or amending the existing lease. We're heavily involved in those conversations. There is room for flexibility; in many cases, landlords are willing to make some concessions to ensure steady payments, and struggling tenants are more flexible as well in return for rent relief. Many tenants are truly struggling, but the eviction moratoriums have also likely led to some tenants being opportunistic. That's become a bit of a difficult situation, and we're seeing landlords involving counsel more than they usually would.

Torben Welch, US – Utah

Things have been a bit different here in Utah. Early on, from March to May 2020, everybody thought the world was going to crash and everything was shut forever. Then most places started to open up at the end of June. Since then, we've had restrictions similar to those that have been talked about in Belgium. Generally, however, everything's open: that's retail, restaurants, office space. It's usually capped by about 25 percent or 30 percent of capacity, so it's a little bit different to California.

Business is still down from what has been comparable to in previous years. As a result of that, a lot of my older clients tried to avoid using attorneys early on in the pandemic and negotiate themselves. They were worried they'd have no income coming in, so they did their own deals. But this is changing now.

All the tenants who thought they were getting free rent for a period of time now realise it was deferred rent and they're still only at 25 percent capacity in their business, particularly restaurant clients. The problem now is they'll soon be paying rents that are going to be higher than those pre-pandemic because they're trying to catch up on all this deferred rent. A lot of those clients are coming to us and we're pretty busy with that kind of work right now.

A lot of what we're doing now is interpreting that, helping them get through those problems. We've been working with the tenants and landlord, figuring things out for them and also working with lenders. That has been where I've spent a lot of time; working with landlords and lenders, trying to get those provisions, personal guarantees and things like that extended for tenants.

In truth, it's more difficult than I thought it would be. I can usually buy a little time and we can negotiate with them. We have offered a lot of collateral but the lenders are afraid of when is this going to end and when are the tenants going to come back? If you're a mixed-use or a pure retail area, lenders don't like to do anything because their analysts are telling them shopping centres are not coming back.

IR Global Members during the Annual Conference in Berlin, 2017

SESSION TWO

Sound of the suburbs. As more people and businesses flee city centres for the suburbs, will real estate investors look more closely at long-term suburban development projects?

Philip Otvos, England

I disagree with the premise of the question as I don't think it is correct to say that people and businesses have permanently fled the city centres. It's premature to conclude with confidence what the long-term consequences to our city centres will be. What has happened is that as a result of lockdown restrictions imposed by Governments, individuals have had to flee to the suburbs and work from home. This is a temporary situation imposed by Governments to drive down the infection rate.

As to the longer term consequences, I expect city centres will continue to be very important and relevant to businesses, visitors and to the economy. They benefit from having the infrastructure to support businesses and offer cultural amenities which suburbs cannot compete with. Developments in the suburbs present additional challenges due to those areas being predominantly residential and, as a result, planning requirements are typically more stringent than in the city centres. I also expect that certain sectors will need to remain in the city centre. In London, for example, I expect financial services and insurance will continue to be based in the City or Canary Wharf.

That is not to say that there won't be permanent changes as a consequence of the pandemic that will impact on real estate. We now know that we can work efficiently from home. As a result, I expect that more employees will want more flexible working arrangements and that businesses will ultimately need to embrace that. So, businesses may not require office space at current levels. They may decide to operate from smaller offices, which will be a significant cost saving to the business. On the flip side of the same coin, landlords may find that they have more vacancies and ultimately may need to consider repurposing some of the space in their buildings no longer required as offices.

Jaap Vreugdenhil, Netherlands

In the Netherlands there's more appreciation for businesses moving to the suburbs, away from the crowded city centres. People are now far more flexible, working from home or maybe in the office for two to three days. They can see that there's a possibility of changes taking place. It's the start of a trend, without doubt. It was there before Covid-19, but that's now just accelerated and the demographics are also changing – the millennials, for example, tend to be in the city centres and not the suburbs. Moving to the suburbs is also tied to the development of malls; they may survive as smaller retail parks away from the city centres. Families and older people are now looking for shopping experiences closer to home and the suburb is better suited for that.

Lieven Peeters, Belgium

I agree with Philip and Jaap. Pre-pandemic, hybrid remote working made up 23 percent of the workforce and this is now predicted to increase to more than 50 percent. No doubt this will present a challenge for owners of office buildings to see how they are going to deal with tenants' requests. I agree with Philip that businesses will need office space in the future, albeit downsized from how it used to be. They won't necessarily move out of the city centres but downsize rather than relocate to the suburbs.

The residential trend will be different and what we've seen during the pandemic is families moving out of the city centre to the suburbs for more space or buying second homes or apartments on the coast, that is a big increase.

Nevertheless, I don't believe there'll be an exodus from the city. For city centres it's always going to be location, location, location. That will remain important. Also, for Brussels, it's worth noting that there are a lot of EU and international institutions based in the city. Consequently, our real estate market never really rises or drops sharply. A lot of it is public sector and it is a balancing factor, which is not as prone to be affected in the short term by a pandemic like elsewhere in the EU.

Savvas Papasavvas, Cyprus

In the past few years there has been a successful governmental attempt to move government buildings and public service providers outside of the city centres. Particularly in Limassol, this was successful, and the private sector followed. Many new buildings have been erected outside the city centre in the past few years.

With the outbreak of the pandemic and the fall in demand for office space the prices have fallen as well. Therefore, a potential tenant may choose to rent modern offices that landlords do not have the financial ability to hold back from the office lease market until the pandemic is over and slightly older offices that landlords provide for fair rentals.

Jordan Ondatje, US – California

There is some movement to the suburbs in California. It's worth noting that many workers have now adjusted to working from home or companies have introduced "flex-time" for their employees, realising they can be more productive if they don't have to commute to the city every day. This might lead to more of a satellite office concept for some businesses where they have employees working from home part time and then maybe smaller offices where there are staggered shifts.

IR Global Members during the Annual Conference in Berlin, 2017

I think the office market was starting to struggle a bit previously, and that has just been accelerated by Covid-19. Businesses are looking for shorter term leases and smaller spaces. Some large companies have already said their employees can work from home indefinitely.

We'll likely see this shift away from a large office space in the city for certain sectors, but it's also important that a lot of businesses remain in cities – although they may well downsize.

Torben Welch, US – Utah

Here in the west of the US, the suburbs have always been something that people have lived in. Everybody was used to commuting 30 minutes to 60 minutes every day to get into the city centre. It started to shift a little 20 years ago to get people back closer to where they worked, with upscale city centre apartments. Then over the past six, seven years, especially here in Salt Lake City, they've started to develop business hubs along the interstate highways. For instance, at the southern end of Salt Lake City we have the technology hub with companies like Adobe and eBay setting up.

That has become the norm pre-pandemic, so people are able to live close to where they work without having a huge 60 minute commute into the city centre. Out here there's not a lot of public transportation, so everybody's driving.

Now with the pandemic, people have been working from home and they realise even more that working close to home is a better work-life balance, cutting out the commuting time and if businesses understand that, I think they're going to continue to develop in the suburbs and leave the city centre behind.

I don't think it's going to have an impact here and in most other cities in the Rockies; they've been planning this for four, five years.

SESSION THREE

"The mall stores are done." How long will it take for shopping malls to recover from Covid-19 in your jurisdiction?

Philip Otvos, England

In the UK a key issue holding back shopping centres from bouncing back is the uncertainty as to whether some very important Covid-related Government interventions will come to an end at the end of March this year or whether they will be extended. For example, the business rates holiday for the retail, hospitality and leisure sector and the moratorium, which prevents a landlord from bringing a lease to an end as a result of its tenant failing to pay the rent. In the absence of certainty, businesses cannot confidently plan. Scotland has just announced that it will extend the business rates holiday for another 12 months and I expect the England Government will follow. We will know by the time you read this as the Budget will be delivered on 3rd March.

There have been a number of high-profile retail failures in the UK. The Arcadia Group, House of Fraser and Debenhams have all gone from the High Street. As a consequence, up and down the country, there will be a large number of vacant units in shopping centres. Add to that, the fact that online retail has marched ahead during the lockdown when bricks and mortar retail has been unable to trade. The trend away from bricks and mortar to online was already established but it has certainly been accelerated as a result of the pandemic. The challenge to the landlords of these shopping centres is how to attract tenants and consumers to visit their buildings and then to stay for a sufficient period of time to spend their money there. The question they will need to address is what can a shopping centre offer that "Amazon" cannot? The answer will I expect involve a creative approach to repurposing vacant space, replacing some of the retail with more leisure and food and beverage, thereby presenting a more varied offering and an experience to customers.

Jaap Vreugdenhil, Netherlands

I agree with that. Especially the leisure activities. There's a very strong driver and for the malls there is a desire or need for people to socially interact and that will come back very quickly. As soon as these lockdowns are lifted, people will want to do something. I agree with Philip that there will be too much retail space and that will have to be absorbed with other things. Definitely leisure.

They will have to be very creative but at the same time create a reason for people to want to go there and be amused. But it will be different from what we've experienced so far. That means there will also be a lot of opportunities. However, businesses will go bankrupt and there will be vacant spaces, so we will go through a huge transition in the times to come.

Lieven Peeters, Belgium

I agree with Philip. It'll be the same for Belgium. The most popular shopping centres at the moment will have less of an issue because they have the benefit of location. In addition to "location, location, location", it's going to be the credo "flexibility, flexibility, flexibility" for the shopping centres. They will have to show their robustness in the way they adapt.

What Philip said is correct, giving an experience so people are drawn into the shopping centres; that's going to be the most difficult challenge for them as we will be faced with further bankruptcies of some retailers. Then the challenge will be to fill those spaces. It is the businesses that think outside the box that will survive. Also, don't forget that people have saved money during 2020, so they'll want to spend it – and not just online.

E-commerce is not going to disappear after everything reopens but people will want to have a mix of the comfortable ordering online, but still want to touch and feel stuff goods. "Hybrid" is going to be the buzzword in retail, in offices and even in the logistics sector.

Philip Otvos, England

With retailers increasingly generating more profit with online sales, I think landlords will want to find a way to take a slice of that. They will argue that there is an indirect link between a tenant's presence on the high street or in a shopping centre and its online retail sales, which currently a landlord does not benefit from in terms of the rent. I do think that will change and it will be interesting to see how rents evolve to take account of a tenant's online sales.

Savvas Papasavvas, Cyprus

Investors in malls need primarily to assess whether the current situation is a slow-moving wave; that will go away sooner or later or whether it's a permanent issue that will last for many years ahead. Some investors are prepared to invest in alternative ways of doing business, other than e-commerce, which has been the main reaction of most retailers.

For example, a client of mine has already started planning to convert their mall from its present structure, currently being a huge building divided into small shops, to an open type of mall that will be able to accommodate shopping in isolation; away from other people, but at the same time provide to shoppers the facilities of a mall infrastructure.

Although investors in malls have started making plans, they are not prepared to implement these plans due to the huge investment required until they are sure that the current situation will last for more years. In case the current situation continues for more years investors that are not ready to adapt to the new environment may be led out of the market.

IR Global Members during the Annual Conference in Berlin, 2017

Jordan Ondatje, US – California

We were already seeing shopping malls reinvent themselves in the ways that others have touched on, moving a little bit towards more restaurants, more entertainment. That's certainly been accelerated by Covid-19. One thing we've seen is that from a landlord's perspective most shopping malls are subject to strict use restrictions from anchor tenants who didn't want office buildings in the mall, didn't want so many entertainment-type facilities to take away from parking. Now there's been more flexibility where those tenants are willing to eliminate those restrictions, maybe for some Covid-19 rent relief. They're starting to understand now that it is crucial for the future of shopping malls to be able to reinvent themselves in this way. Landlords can help them by giving rent reductions in exchange for more flexibility than they had before.

We've also seen tenants trying to negotiate a percentage-based rent structure, which is difficult because these retail stores likely aren't going to be doing as well themselves. If landlords can negotiate including a percentage of their online sales as well, as Philip mentioned, that could be an interesting structure.

Torben Welch, US – Utah

We've seen a lot of this structural change in recent years; bowling alleys added to shopping centres on the old anchor side to keep parking in different areas. Cinemas have been key and even gyms. Landlords here are changing the name from a shopping mall to a lifestyle centre.

We're seeing a lot of tenants trying to create showrooms, which is how they want to use their space. Recently, we had a major national tenant electronic company that took 5,000 square feet, and now wants to change it to 500 square feet as a showroom; not have any product there and ship everything online.

On Phillip's point, what we negotiated was to keep track of where their online sales are. We set up a radius 20 miles from the location. The tenant then gives the landlord two percent of every sale that happens within these four zip codes. That was part of the rent concession that we were able to give to them.

Malls will still be a place where people can go to feel part of an experience. It's all about how landlords are going to reshape what they want to do, shrinking the number of malls in a geographic area from five to one or two. For those people who are left behind, consolidation is the only way to keep business going. I think that's more the wave of the future as we move forward.

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