



A D V I S O N O F K E Y S E R

COVID-19 FRANCHISE

REAL ESTATE UPDATE



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IFA CORONAVIRUS
UPDATES



IFA[®]

INTERNATIONAL FRANCHISE ASSOCIATION

Speakers



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franchise.org/coronavirus



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The World Has Changed...

LANDLORDS ARE NOW FACING CHALLENGES:



Tenants Downsizing / Tenants Seeking Rental Relief



Downward Pressure on Rent / Rising Vacancy Rates



Access to Capital / Cash Constraints



Debt Service / Looming Maturity Dates



Commercial Real Estate Values / Limited Buyers for Assets



Potential Negative PR and Reputation Issues

MORE THAN ANYTHING, LANDLORDS NEED LONG-TERM LEASES IN PLACE FROM RELIABLE TENANTS

Existing Tenants Are Valuable

THE COST AND RISK OF REPLACING TENANTS IS SIGNIFICANT

RENEWAL

SQ Feet:	2,000 SF
Rent:	\$30.00 / SF
TIA Refresh:	\$10,000 (\$5 / SF)
Abatement:	None
NNNs:	\$8.00 / SF
Downtime:	0

LANDLORD PROFIT

First 2 Years =	\$110,000
Over 5 Years =	\$275,000

NEW TENANT

SQ Feet:	2,000 SF
Rent:	\$30.00 / SF
TIA Refresh:	\$80,000 (\$40 / SF)
Abatement:	6 Months (\$30,000)
NNNs:	\$8.00 / SF
Downtime:	6 Months (\$30,000)

LANDLORD PROFIT

First 2 Years =	(\$36,000)
Over 5 Years =	\$144,000

State Mandates

EACH STATE HAS ORDINANCES IN PLACE TO HELP BUSINESSES



NEW YORK

All evictions are suspended for 90 days.

EO #202



LAVERNE, CALIFORNIA

Restrict evictions for non-payment due to COVID-19.

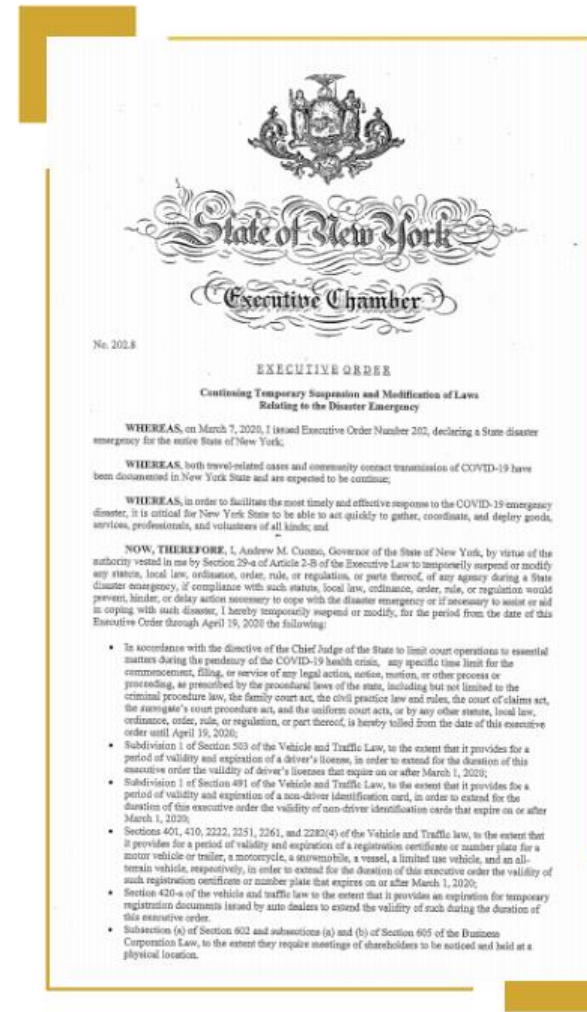
ORDINANCE #1093



CALIFORNIA

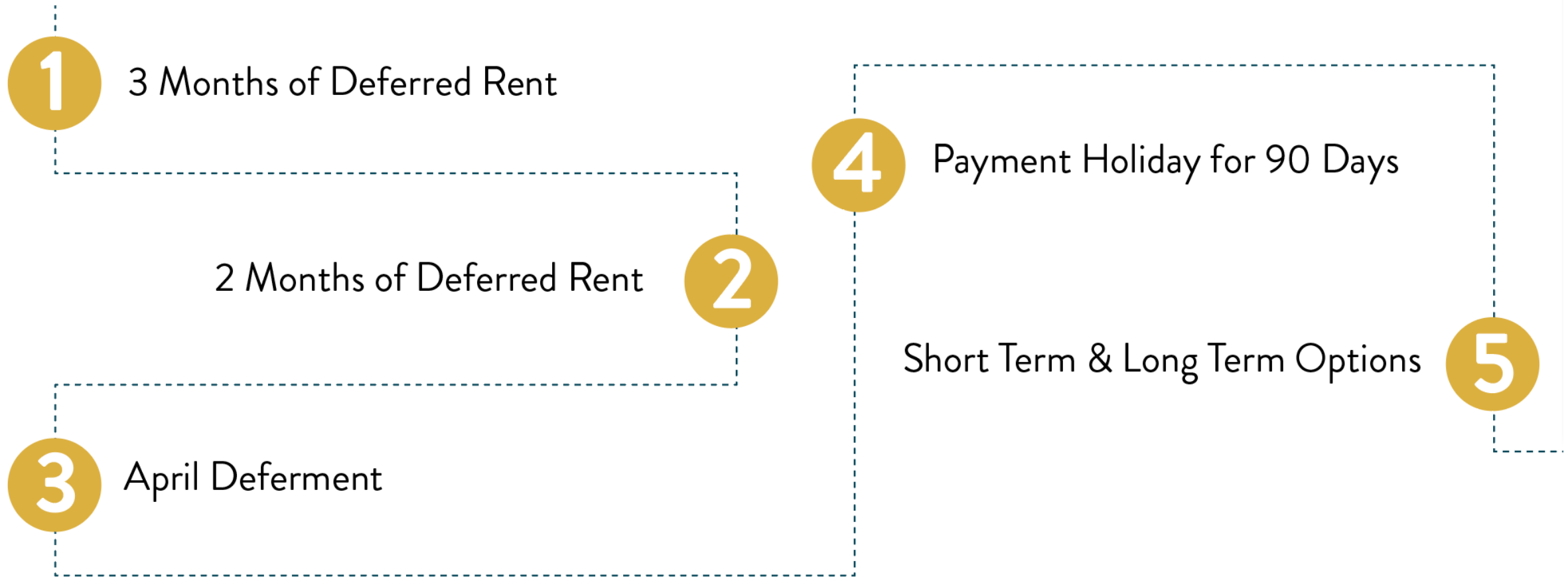
No evictions through May 31.

EO N-37-20



What Should I Ask For?

WHAT'S REASONABLE?



Landlord Responses

We're Making No Concessions at This Time...

1

Rent is due now

Please Provide Us This Enormous List of Documents for Consideration

2

I am unable to provide in the required time

Your Store is Open and Operating, Why Do You Need Relief?

3

My sales are down by XX%

There are Government Programs for You, Have You Checked on PPP & EIDL?

4

I have applied and the funds are not available for weeks / months

Have You Checked for Business Interruption Insurance?

5

No Insurance Carrier is accepting this

To Secure Relief From Your Landlord,

COMMUNICATE EARLY.

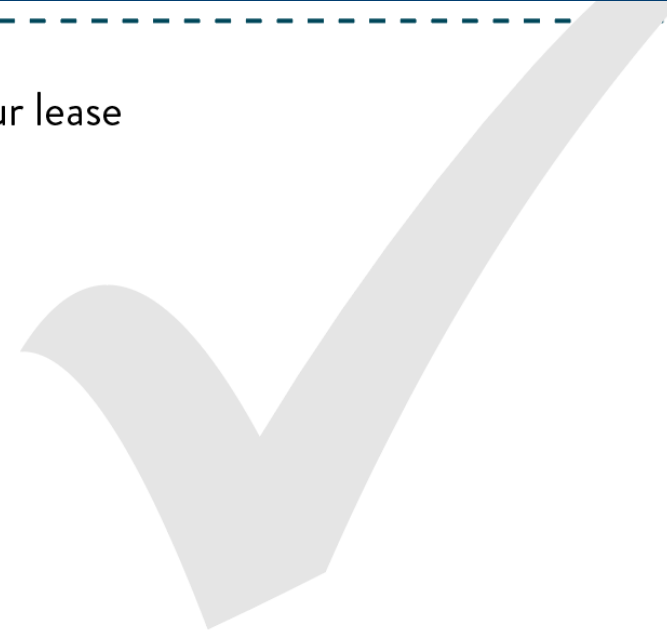
COMMUNICATE IN WRITING.

COMMUNICATE REASONABLY.

Your landlord is a long-term partner that you will need to work with in future.

Summary Checklist

- ☒ Find, Read, and Consult to make sure you UNDERSTAND your lease
- ☒ Explore and fully vet all of your options
- ☒ Design a thoughtful and proactive strategy
- ☒ Keep your financials and projections updated and in order
- ☒ Understand your leverage and how to maximize it
- ☒ Put all requests in writing and don't act impulsively



WE'RE ALL IN THIS TOGETHER.



A Tenant's Market



IFA CORONAVIRUS
UPDATES



Market Overview

- **What Is RPM Seeing?**
 - 25% or more new locations going on hold.
 - New starts down by about 50%
 - Geographic regions effected differently
 - L.L. are not giving great deals yet, but it will change soon- They are busy putting out fires & April will start seeing impact.
 - Looking to technology for site tours like Matterport or video recordings to keep site searches alive.
 - 90-120 days to secure a site; 3+ months to construct= Time is on our side if early in the process.
 - New Inventory & new market reach capabilities (B to an A).
 - Conversions- Coming soon...

What to be Thinking About

- **Zee's**

Ways to protect yourself in new deals:

- Extend delivery dates
- Rent commencement dates tied to permits or ability to open
- Pull forward T.I. or get installments
- Permit language.
- AIA agreements tied to TI & permitting for payment schedules
- Ensure General Condition charges or Mobilization Charges are spelled out properly

- **Zor's**

- Extend development schedules
- Continue soft openings- use space for training/ or 1:1 sessions/ carry out/ video studio- Be ready to go when things turn around
- Look to use closed location's equipment to reduce cost for growing Zees
- Use 3rd parties if you don't have inside support

Capitalize on Opportunities

- **Fix old mistakes**
 - Great time to relocate &/ or upgrade your location
 - Prime spots/ areas that were outside your reach might become available now
 - Upfit/ brand image improvements
- **Conversions**
 - Reduced cost/ distressed prices
 - LL wants to minimize gap on market
 - Reduce time to open 2-3 months min
- **Less Competition**
 - Less growth = sweetheart deals
 - G.C. cost will come down and more labors hitting the market
 - Independents will be less likely to survive

Popular Questions

- Should I keep moving forward on a new project?
- Can I go back to my LL and renegotiate if I just signed my lease?
- Can I delay my project?
- Are contractors giving better pricing yet?
- Can we still get permits & inspection?
- Are contractors deems essential?

More Questions? Email Rob: Info@repmggroup.com

Questions?



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A Strategic Initiative of the International Franchise Association

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