



SECOND FLASH POLL

COMMERCIAL REAL ESTATE INDUSTRY PARTNERS



COVID-19 Financial Impacts: Tenant, Landlord, and Lender Strategies

April 20 – 21, 2020 Results and Comparison

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EXECUTIVE SUMMARY

The following study analyses data from the Commercial Real Estate Industry Partners Flash Poll, Part 2, during the period of April 20-21, 2020. This was a follow up survey to the initial flash poll, Part 1, which was completed during the period of March 30-31, 2020.

Our purpose for organizing this poll was simple: in times of uncertainty it's important we come together to share information, strategies, and best practices. Helping to define "*What is market?*" right now was a major goal for our constituents, and we sincerely hope you get value in this data. Furthermore, **all the data contained in this report is available in its entirety through links located at the end of this report.** Please use and share this data freely.

The first part of this report, "*Comparative Questions*", outlines 10 nearly identical comparative questions that were asked in both surveys. This data is shown in a side-by-side format to assist the reader with additional comparison.

The second part of this report, "*New Questions*", outlines eight new questions which were specifically asked in the Part 2 survey conducted April 20-21.

Flash Poll Part 1
March 30-31, 2020
350 responses

Flash Poll Part 2
April 20-21, 2020
286 responses

Lastly, **a huge thank you to everyone who responded to these surveys.** Your time and effort helped make this initiative a success, and you have made our industry better and stronger because of your participation. Thank you.

KEY FINDINGS

The following is a sample of the key findings from these surveys:

- **Longer impacts:** Respondents are more pessimistic three weeks later about how long the events of COVID-19 will seriously impact their business operations, with the majority in March (42.6%) selecting 3 - 6 months of serious impacts versus April's majority (37.8%) expecting 6 - 12 months.
 - Notably, there was a **10% increase** in those expecting the impacts to last **more than 12 months** (9.1% in March compared to 19.2% in April)
- **Tenants doing OK – for now:** Fewer tenants actually approached respondents in April than they initially expected.



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Key findings continued...

- **Tenant strategies held:** Respondent's expectations around strategies for helping tenants held consistent, with the top three responses for both March and April in nearly the same order:
 - Adjustments to Term (16.2% March, 23.7% April)
 - Requesting financials and/or proof of distress (13.6% March, 20.2% April)
 - Adjustments to Rent (13.9% March, 15.6% April)
- **Lenders expectations met:** Lenders expectations of borrowers approaching them proved very similar to reality.
 - Lenders strategies held consistent as well, with the top two strategies - periods of interest-only payments & deferment of principal payments, and delaying payments and amortizing them over the remainder of the term, holding constant from expectations to actual execution.
- **Hiring cuts slowing:** Staffing cuts seem to be slowing for now, with 10% of responses in March saying they were likely reducing staff and only 6.5% saying the same in April. More than 8.5% of respondents said by April they had already made staffing cuts.
- **Lost transactions:** More than a quarter (28%) of respondents said that more than half of the transactions in their pipeline had been put on indefinite hold or been cancelled since the start of the crisis. Only 11.8% reported seeing all their pipeline deals continue.
- **Rent collections:** Although 71.3% of respondents said that they collected more than 80% of their typical rents for April, less than 10% (8.3%) collected all of their normal rents for the month.
- **Construction:** Despite construction being deemed an "essential service" only 35% of respondents said their construction projects were continuing without significant (90+ day) delays.
- **Stimulus impacts:** more than half the respondents agreed that the stimulus actions taken by congress were "hitting the intended recipients and having a positive impact on our industry" as of April. Nearly one quarter (24%) disagreed that there were any positive impacts.
- **Work from home impacts on office demand:** more than 70% of respondents expected this extended period of employees working from home to have a negative impact on office demand, although 45.6% expected this to be only "slightly negative." Just over 13% expected positive impacts on demand.
- **Expectations for May:** More than half (52.7%) of respondents expected rent collections in May to be worse than April, while just under 40% expected rent collections to be about the same.



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COMPARATIVE QUESTIONS

Part 1 vs. Part 2

MARCH 30-31 vs. APRIL 20-21



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Q1 - Please indicate the areas of the real estate world in which you actively work (select all that apply):

March 30-31 Responses				April 20-21 Responses			
	Answer	%	Count		Answer	%	Count
	Attorney	5.53%	25		Attorney	5.86%	19
	Broker	22.35%	101		Broker	27.47%	89
	Construction	13.72%	62		Construction/General Contractor	8.02%	26
	Developer, Investor and/or Owner	27.21%	123		Developer/Investor/Owner	25.00%	81
	Lender (Financing)	8.19%	37		Banker/Lender	8.33%	27
	Property Manager	11.28%	51		Property Manager	8.33%	27
	Title Insurer	2.43%	11		Title Insurer	3.40%	11
	Other	9.29%	42		Other	13.58%	44
	Total	100%	452		Total	100%	324



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Q2 - Please select the asset types you most commonly work with, develop, or own (select all that apply)

March 30-31 Responses			April 20-21 Responses		
Office		188	Office		159
Industrial		160	Industrial		141
Retail		173	Retail		134
Multifamily		191	Multifamily		134
Hospitality		80	Hospitality		60
Mixed-use		124	Healthcare		72
Healthcare		80	Mixed-Use		96
Other		35	Other		32
Total		1031	Total		828

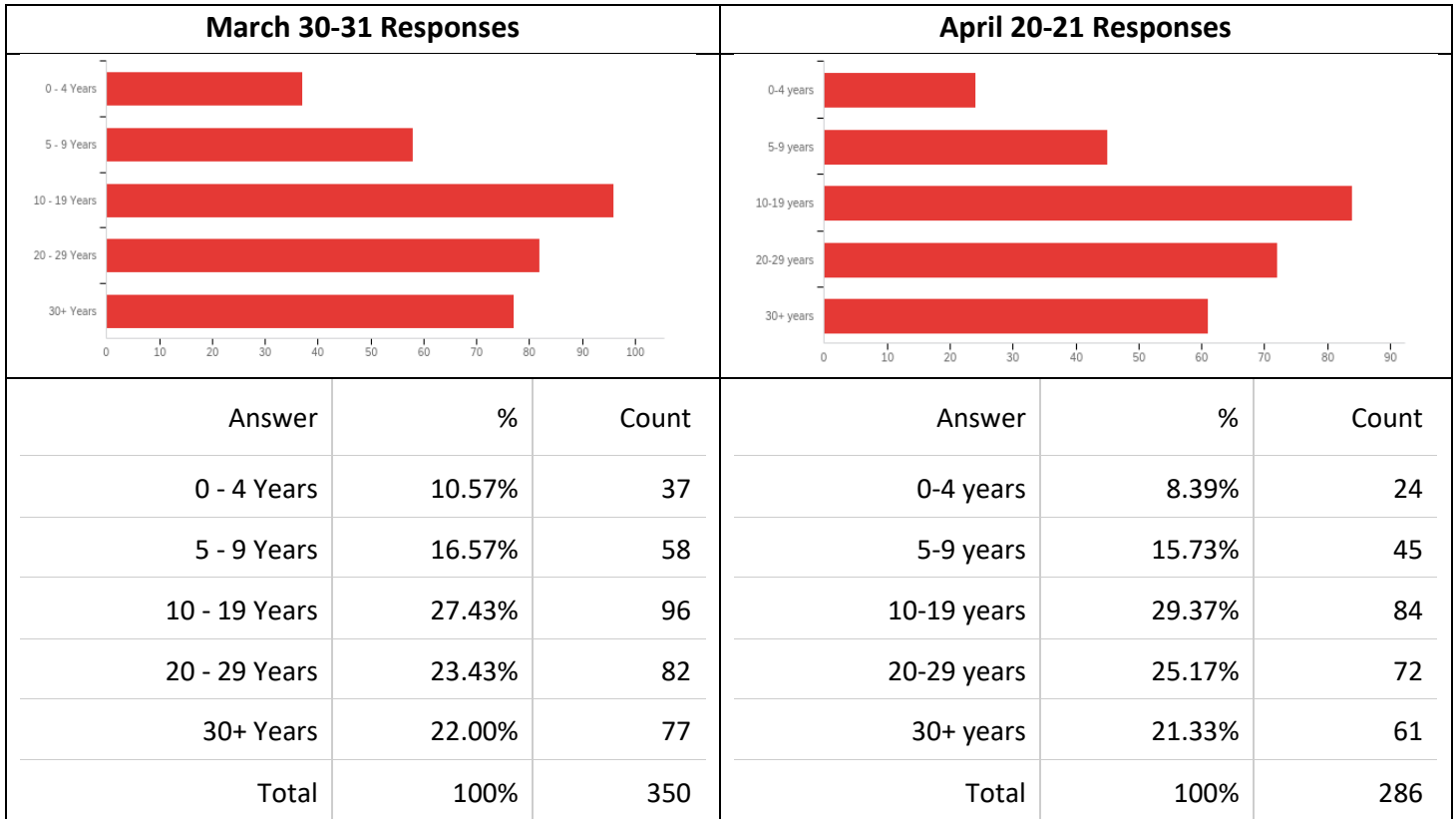


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Q3 - Please select the number of years of experience you have in the real estate industry:





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March 30-31: Q4 - If applicable: what percentage of tenants in your properties do you expect will have approached you before April 15 regarding rent reduction or relief?

April 20-21: Rent (A) - If applicable, what percentage of tenants in your properties actually approached you regarding April rent reduction or relief?

March 30-31 Responses - EXPECTED				April 20-21 Responses - ACTUAL			
Answer	%	Count		Answer	%	Count	
Nat applicable + Unsure	40.86%	143		Not applicable/unsure	32.16%	55	
None	1.71%	6		None	5.26%	9	
1-10%	13.71%	48		1-10%	25.15%	43	
11-24%	19.43%	68		11-24%	20.47%	35	
25-49%	9.14%	32		25-49%	11.70%	20	
50-74%	8.57%	30		50-74%	4.09%	7	
75-99%	1.71%	6		75-99%	1.17%	2	
100%	1.43%	5		100%	0.00%	0	
Total	100%	350		Total	100%	171	



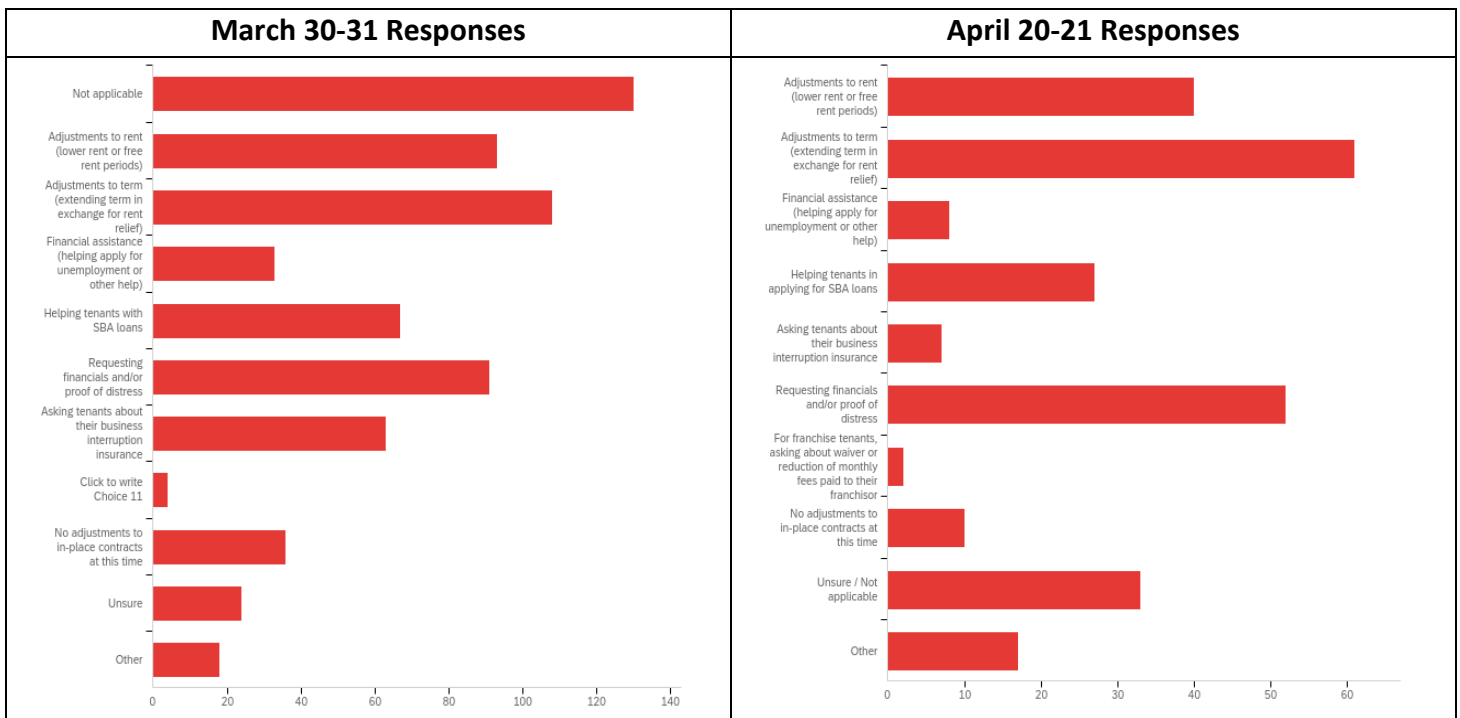
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March 30-31: Q5 - Properties: What tenant strategies are you most seriously considering right now when working with your tenants' businesses? (select all that apply):

April 20-21: Tenants B - Tenant strategies – understanding that most people are approaching tenant responses on a case-by-case basis, in general, what were the top 2 strategies you used when working with tenants? (Select only 2 options):





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Answer	%	Count	Answer	%	Count
Adjustments to rent (lower rent or free rent periods)	13.94%	93	Adjustments to rent (lower rent or free rent periods)	15.56%	40
Adjustments to term (extending term in exchange for rent relief)	16.19%	108	Adjustments to term (extending term in exchange for rent relief)	23.74%	61
Financial assistance (helping apply for unemployment or other help)	4.95%	33	Financial assistance (helping apply for unemployment or other help)	3.11%	8
Helping tenants with SBA loans	10.04%	67	Helping tenants in applying for SBA loans	10.51%	27
Requesting financials and/or proof of distress	13.64%	91	Requesting financials and/or proof of distress	20.23%	52
Asking tenants about their business interruption insurance	9.45%	63	Asking tenants about their business interruption insurance	2.72%	7
Click to write Choice 11	0.60%	4	For franchise tenants, asking about waiver or reduction of monthly fees paid to their franchisor	0.78%	2
No adjustments to in-place contracts at this time	5.40%	36	No adjustments to in-place contracts at this time	3.89%	10
Unsure	3.60%	24	Unsure / Not applicable	12.84%	33
Not applicable	19.49%	130	Other	6.61%	17
Other	2.70%	18	Total	100%	257
Total	100%	667			



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March 30-31: Q7 - If applicable: if your primary business is lending, what percentage of your borrowers do you expect will have approached you by April 15 regarding mortgage payment relief or modification of loan terms?

April 20-21: Financing - Financing: if your primary business is lending, what percentage of your borrowers actually approached you regarding mortgage payment relief or modification of loan terms?

March 30-31 Responses			April 20-21 Responses		
Answer	%	Count	Answer	%	Count
Not applicable	84.29%	295	Not applicable / unsure	3.85%	1
None	0.29%	1	None	7.69%	2
1 - 10%	4.00%	14	1-10%	19.23%	5
11 - 24%	4.00%	14	11-24%	46.15%	12
25 - 49%	4.00%	14	25-49%	15.38%	4
50 - 74%	0.86%	3	50-74%	3.85%	1
75 - 99%	0.29%	1	75-99%	3.85%	1
100%	0.57%	2	100%	0.00%	0
Unsure	1.71%	6	Total	100%	26
Total	100%	350			



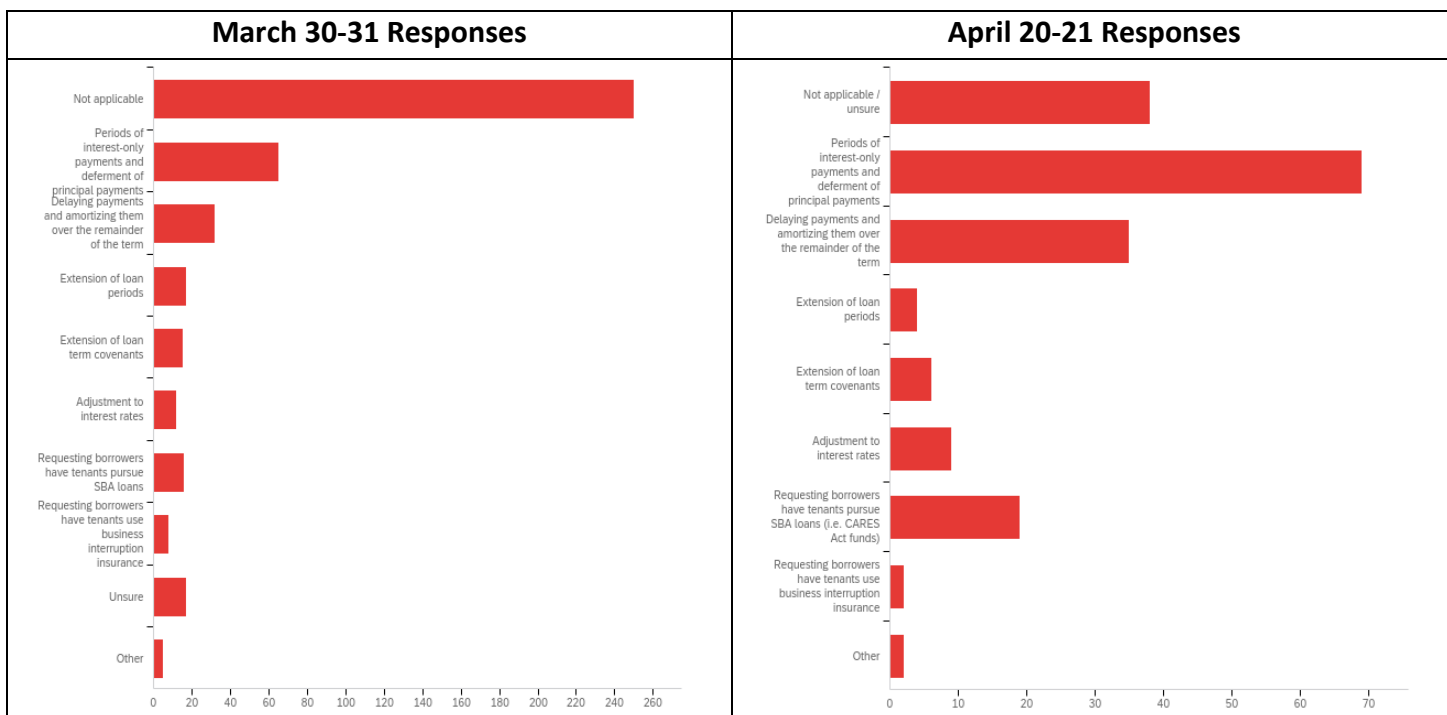
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March 30-31: Q8 - On financing: what level of adjustment to loans is most seriously being considered (select all that apply)?

April 20-21: Loans A - Financing: understanding that most people are approaching financing (either as a lender or a borrower) on a case-by-case basis, in general, what were the top 2 strategies used when considering adjustments to financing? (Select only 2 options):





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Answer	%	Count	Answer	%	Count
Periods of interest-only payments and deferment of principal payments	14.87%	65	Periods of interest-only payments and deferment of principal payments	37.50%	69
Delaying payments and amortizing them over the remainder of the term	7.32%	32	Delaying payments and amortizing them over the remainder of the term	19.02%	35
Extension of loan periods	3.89%	17	Extension of loan periods	2.17%	4
Extension of loan term covenants	3.43%	15	Extension of loan term covenants	3.26%	6
Adjustment to interest rates	2.75%	12	Adjustment to interest rates	4.89%	9
Requesting borrowers have tenants pursue SBA loans	3.66%	16	Requesting borrowers have tenants pursue SBA loans (i.e. CARES Act funds)	10.33%	19
Requesting borrowers have tenants use business interruption insurance	1.83%	8	Requesting borrowers have tenants use business interruption insurance	1.09%	2
Not applicable	57.21%	250	Not applicable / unsure	20.65%	38
Unsure	3.89%	17	Other	1.09%	2
Other	1.14%	5	Total	100%	184
Total	100%	437			



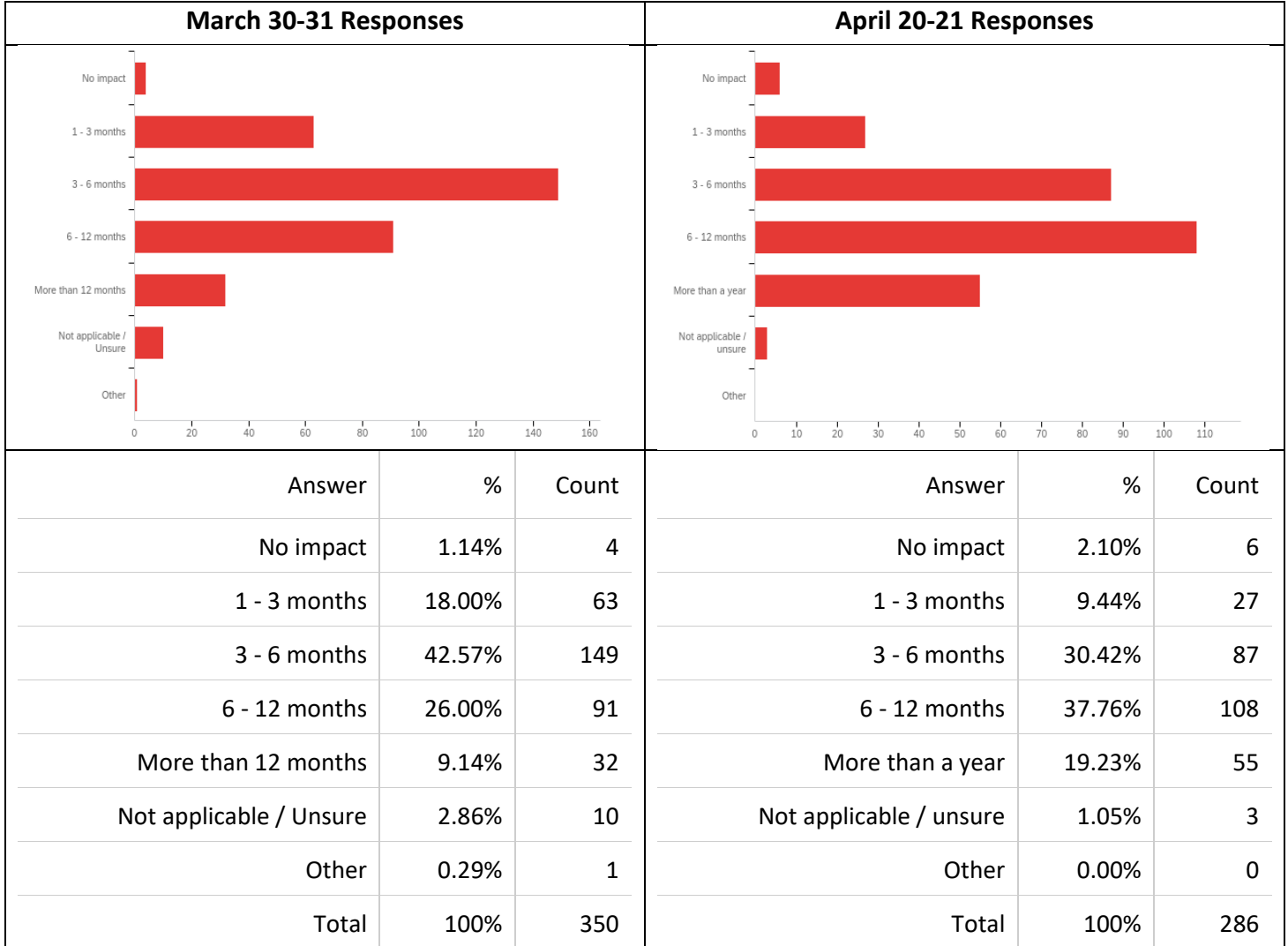
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March 30-31: Q10 - How long are you expecting the events of COVID-19 to seriously impact your business operations?

April 20-21: Q5 - How long are you expecting the events of COVID-19 to seriously impact your business operations?





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March 30-31: Q12 - Full-time staffing: what are your planned changes to full-time staffing over the next three (3) months?

April 20-21: Q7 - Full-time staffing: what are your planned changes to full-time staffing over the next three (3) months? (Select all that apply)

March 30-31 Responses				April 20-21 Responses			
	Answer	%	Count		Answer	%	Count
	Adding new hires	6.05%	23		Currently adding new hires	7.85%	23
	No change – we were not planning on hiring or reducing staff in the next three months anyway	37.37%	142		No change - we were planning on hiring or reducing staff in the next three months anyway	31.74%	93
	Undecided: waiting a few weeks to see what happens	23.42%	89		Undecided - waiting a few weeks to see what happens	19.45%	57
	Total hiring freeze right now	16.58%	63		Total hiring freeze right now	20.82%	61
	Likely reducing staff	10.00%	38		Likely reducing staff soon	6.48%	19
	Other	6.58%	25		Other	5.12%	15
	Total	100%	380		We've already made staffing cuts since the Covid-19 crisis began	8.53%	25
					Total	100%	293



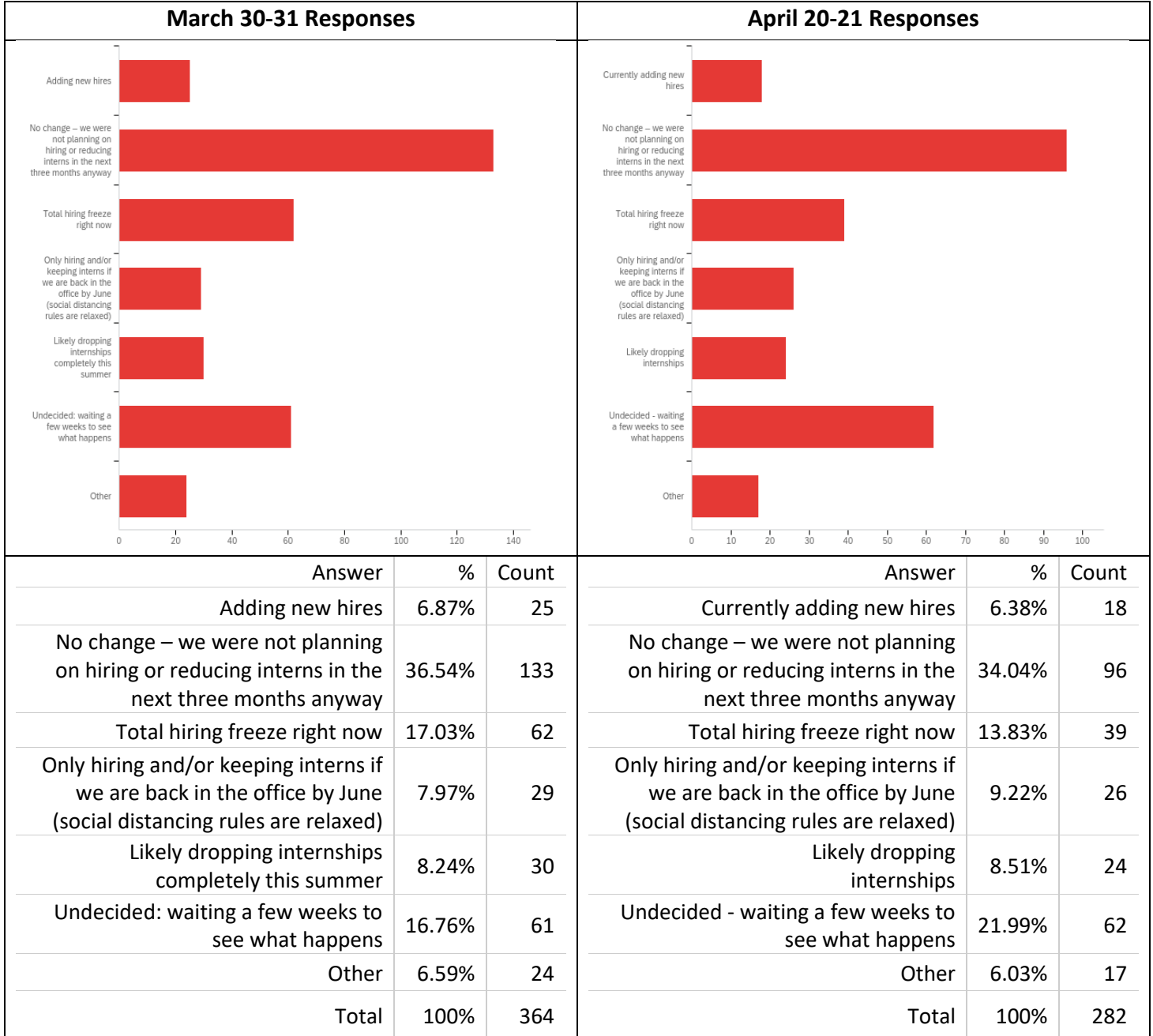
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March 30-31: Q13 - Intern hiring: what are your planned changes for hiring interns over the next three (3) months?

April 20-21: Q8 - Intern hiring: what are your planned changes for hiring interns over the next three (3) months? (Select all that apply)





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**NEW QUESTIONS
APRIL 20-21**

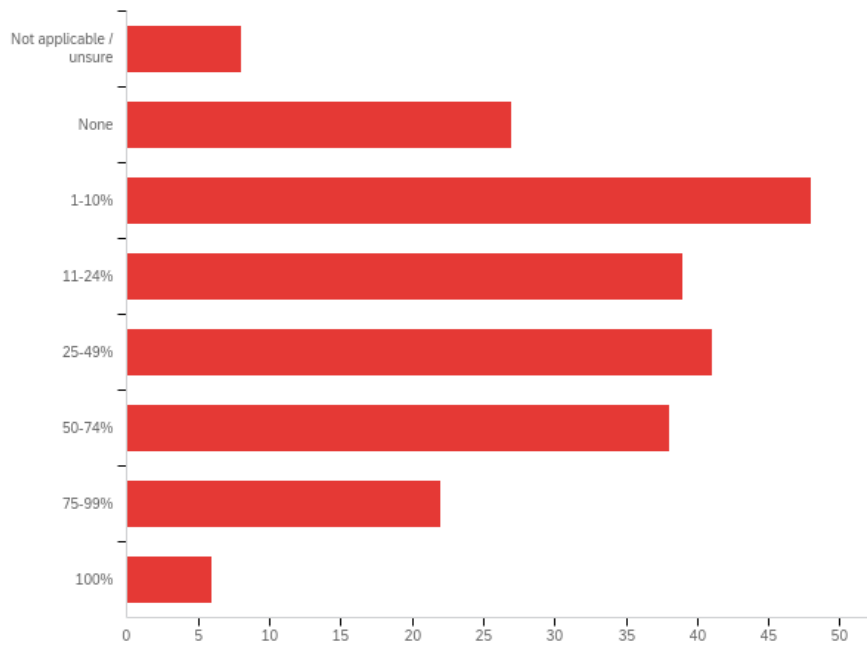


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April 20-21: Deals - What percentage of the transactions in your pipeline have been put on indefinite hold or been canceled since the start of this crisis in mid-March?



Answer	%	Count
Not applicable / unsure	3.49%	8
None	11.79%	27
1-10%	20.96%	48
11-24%	17.03%	39
25-49%	17.90%	41
50-74%	16.59%	38
75-99%	9.61%	22
100%	2.62%	6
Total	100%	229

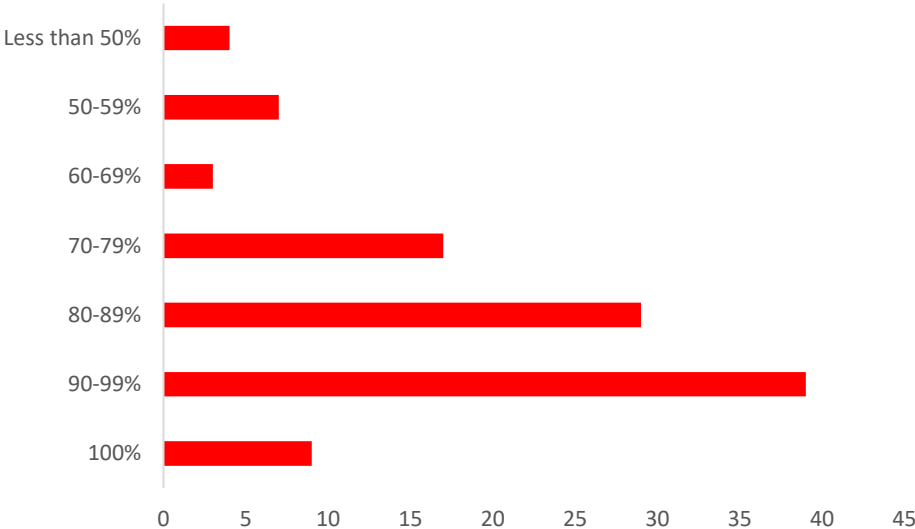


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April 20-21: Rent (B) - What percentage of your typical rent collections did you receive for April?



Answer	%	Count
Less than 50%	3.70%	4
50-59%	6.48%	7
60-69%	2.78%	3
70-79%	15.74%	17
80-89%	26.85%	29
90-99%	36.11%	39
100%	8.33%	9
Total	100%	108

**Editor's note: this chart was modified from the original version to remove the "Other / Not applicable" category.*

Q7_8_TEXT – Other

I'm primary on the Tenant side but will share that many landlords felt that April was too early to begin the rent postponement process as COVID was just announced. We are seeing a lot more movement in May, June, & July.

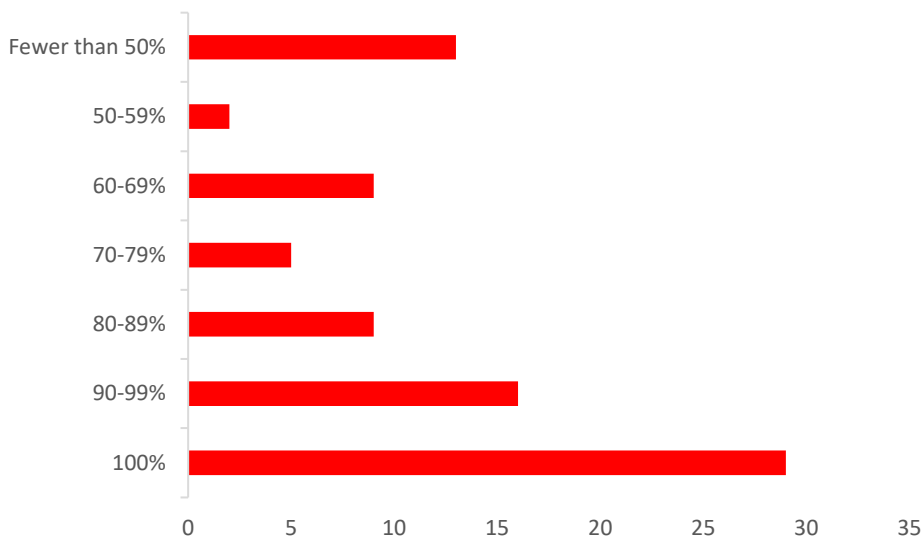


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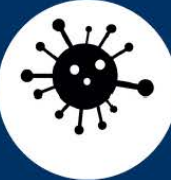
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April 20-21: Construction - Construction: What percentage of the construction projects you are working with are continuing without significant (90+ day) delays?



Answer	%	Count
Fewer than 50%	15.66%	13
50-59%	2.41%	2
60-69%	10.84%	9
70-79%	6.02%	5
80-89%	10.84%	9
90-99%	19.28%	16
100%	34.94%	29
Total	100%	83

**Editor's note: this chart was modified from the original version to remove the "Other / Not applicable" category.*

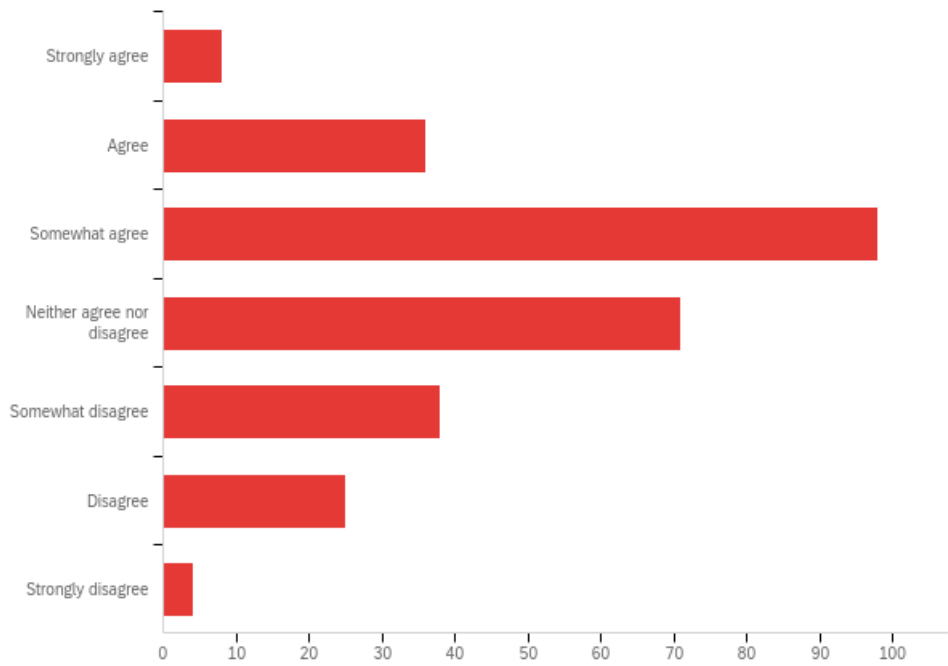


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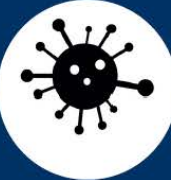
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April 20-21: Q5 - Please rate your level of agreement with this statement: "The stimulus funds are hitting the intended recipients and having a positive impact on our industry"



Answer	%	Count
Strongly agree	2.86%	8
Agree	12.86%	36
Somewhat agree	35.00%	98
Neither agree nor disagree	25.36%	71
Somewhat disagree	13.57%	38
Disagree	8.93%	25
Strongly disagree	1.43%	4
Total	100%	280

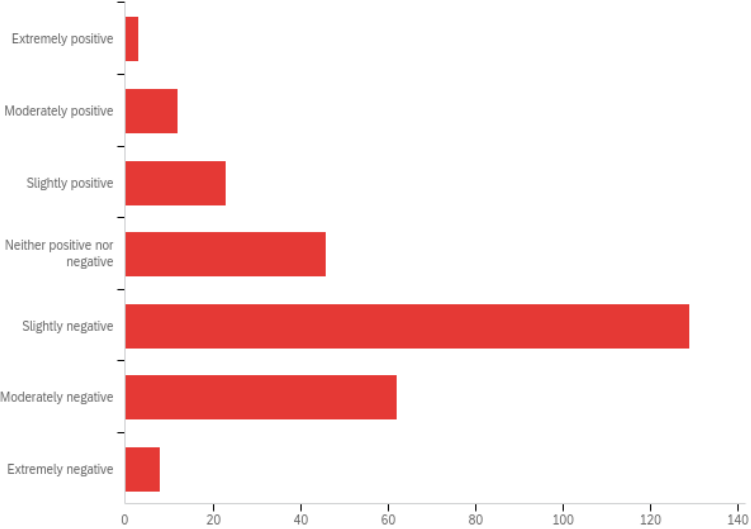


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April 20-21: Q6 - What kind of impact do you think this extended period of employees working from home will have on future office space demand?



Answer	%	Count
Extremely positive	1.06%	3
Moderately positive	4.24%	12
Slightly positive	8.13%	23
Neither positive nor negative	16.25%	46
Slightly negative	45.58%	129
Moderately negative	21.91%	62
Extremely negative	2.83%	8
Total	100%	283

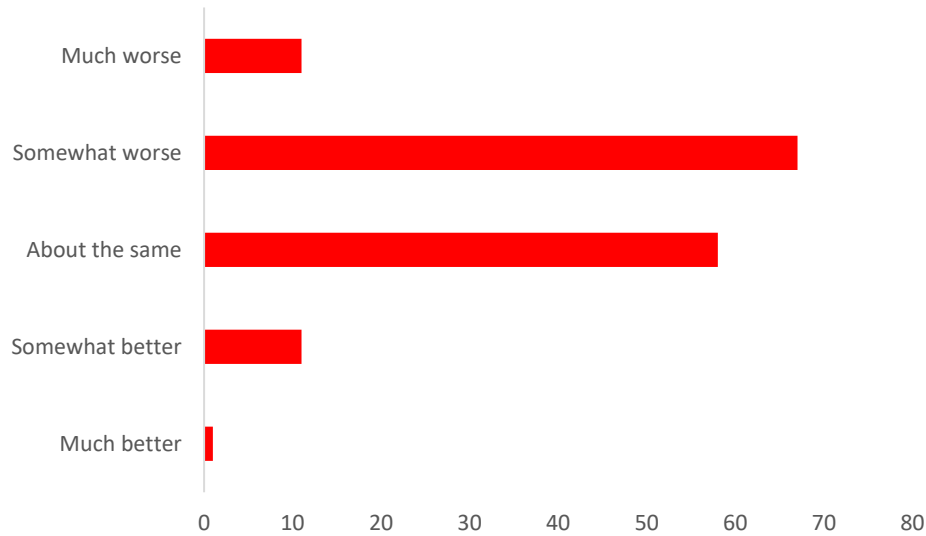


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April 20-21: Tenants A - Optional: Looking ahead at May, what are your expectations for rent collections compared to April?



Answer	%	Count
Much better	0.7%	1
Somewhat better	7.4%	11
About the same	39.2%	58
Somewhat worse	45.3%	67
Much worse	7.4%	11
Total	100%	148



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April 20-21: Tenants C - If possible, please include additional detail around tenant strategies – if you give examples, please keep them general: do not use any language that could tie your response back to a person, company, or specific deal.

No late fees

ask to do physical work for a portion of rent subsidy

blend rent not paid over term of lease.

Patience and empathy. Too early to cut deals.

Payment of any deferred rent must be completed by December 31, 2020.

typically I've been amortizing any abatement/relief. All deals have been on a case-by-case basis and we're also not making super long term commitments on abatement. We're taking a month by month approach there, ie lets talk about June when that comes, etc.

We abated rents for two months with the understanding that they would make it back up to us in the preceding 4 months.

Pending financials, we are either deferring two months rent and collecting by year-end or deferring two months rent in exchange for a longer lease extension.

Institutional owners and REITS are asking for demonstration of stress from tenants along with financials. Willing to work with tenants as long as they are truly stressed and doing everything they can to seek available assistance

Lender must approve any rent relief including extension in exchange for deferment.

some tenants appear to have foregone our rent deferral offer once they were asked to provide documentation; the proof will be in May collections

Extending terms in exchange for base rent abatement

Rent deferrals (to be recouped over several months at a later date)

Much of the discretion is up to the landlords' lender. The lender has been asking tenants who request rent relief for examples of how the firm is cutting costs internally before asking the landlord for relief.

Defer rent, exercise Option to extend Lease, add to end

Rent Deferment for April & May to be paid back any time during the year 20200

nationals very aggressive

For commercial tenants, full payment of CAM, incremental payment of base rent over time

pay CAM Charges now and add the base rent to the end of the lease



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Definitely more lenient to local retailers / "Mom & Pop Shops". In some cases, less lenient for larger, national brands.

Immediate relief with the promise to pay back in installments over a specified period of time (6 months, 12months etc...)

Rent Credit

Currently, 90 day deferral periods which are then used as a 90 day extension to the lease. Also, we have had success with tenants who have <2 years of term left working out an early renewal in exchange for rent forgiveness. Regarding NNN's some are paying, some refuse. From management standpoint we are cutting costs left and right. But that won't be shown on our NNN cost until we do our year end reconciliation. So technically, tenants still owe the same amount.

We are taking a "need not greed" approach. If revenue impact shown, we have given partial rent abatements for April & May (to restaurant tenants) and partial rent deferrals (to multifamily tenants). However, our retail tenants were required to apply for PPP & EIDL loans and reimburse us of the rent abatement if/when those are funded.

Postpone rent or a portion to be paid in the following 12 to 18 months.

Being supportive of their difficulty and refraining from issuing default notices.

defer april-may payment for 6 months

Since this is new to everyone, there's no set of 'best practices' but what I'm seeing in general are three options: 1. Force Majeure: If appropriate, reference a force majeure clause and notify the landlord that we will not be making rent payments until the 'Safer at Home' order is lifted. Not the preferred approach as FM can be difficult to interpret/enforce. 2. Partial Rent: Submit a letter to the landlord notifying them that while we are not able to pay all of our rent, we are able to pay a portion of it (to be defined) and we will pay the balance at a later date. 3. Rent Postponement: Submit a letter to the landlord notifying them that we will not be paying rent for a period of time but tacking that time period on to the end of the lease to make the landlord whole (postponing rent payments for 2-3 months and tacking those months on to the end of the lease).

We refer all abatement requests to the SBA relief process.

Have had one on one discussions with most tenants. About their situations and feels that had made resolutions easier for both parties.

Defer a % of rent payment, get paid back within a year

If requested we will spread miss payments over the remainder of the lease.

Still negotiating

Looking at rent deferment as opposed to abatement, looking to recoup rents by end of 2020 or at the latest within 1 year.

base rent abatement in exchange for month for month term and amortization into future rent or slight increase to face base rate

Tenants are looking back to 2009/10 to see what space was leasing for post recession and are asking for similar rates in some cases.

dealt with tenants on a case by case basis based upon payment history and term of lease remaining.



SECOND FLASH POLL

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April 20-21: Q9 - Optional open response: please share any additional thoughts, concerns, opportunities, stories and/or strategies you may have related to this current environment.

Self employed not receiving any help

let's get PPP and other programs to small and mid sized biz that really need it

What Planning, Programing, Design to alter workplace environments will take place to transition into a safer workspace?

Essential elements to thriving when coming out of this: openness to innovation; "we", not "me"

We actually had to already let our 3-4 interns go. Unfortunately the work loads have slowed tremendously and thus their work loads have reduced. They became an unnecessary luxury suddenly.

Uncertainty is a strong reason to go into protection measures. We all learned in the Great Recession that there is huge risk in "waiting too long" to make hard/challenging/difficult decisions.

The effects of the pandemic are minimal. The effects of our gross over-reaction to the pandemic will have an enormous negative impact to our economy.

While some argue that the seeing the ability to work from home will cause a permanent shift and decline in office space demand--I feel the opposite long term. Users may look to optimize their footprint with hoteling stations, less storage for paperwork, etc. but this was already in process. I think as this continues it will bring to light why we still need positive, in-person office environments in order to have engaged and collaborative employees.

Stay well so you can do your work and be involved!

logistics likely to remain strong while some manufacturing and assembly operations will have reduced employee counts and less need to expand operations in the near term. This also may be a positive for companies domesticating more of their operations

Small businesses are being destroyed in large businesses with powerful attorneys are getting all the money from the cares act, this is not what it was for and it is disgusting

The Interior Design and Office Furniture Industry is analyzing the various ways to accommodate employees to improve their safety.

Recovery and demand will depend on consumers regaining confidence and alleviating fear of returning to space for working.

I think the "remote workplace" will become more prevalent because it is convenient for the employee and employees will push to make this the "rule" rather than the "exception" even though it does have an overall negative impact on productivity, particularly in business models that are built around teams.

The market has not priced in all the negative news currently

While the real estate industry is considered essential, there is a public perception that one CAN'T buy or sell during this time. In some states, yes. In Wisconsin that's not the case. I believe it is this public perception that hurts our sales more than anything.

Lots of unknowns



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Studies, findings and research on the actual disease are rapidly changing making it difficult to fully gauge anticipated outcomes and actions.

certain sectors are busier than others, trying to reallocate those in sectors that are slowing

PPP as a whole is working, but its impossible for it to be a cure all. The biggest issue is that the SBA is demanding that bank's fund these loans immediately when in reality they should be better timed to when a business can reopen. For restaurant and hotels they would be more useful if they were funded in mid-late May.

We are looking at strategies as to how our buildings will function in the future to make tenants feel safe and comfortable

Extended Stay at Home Order is extremely disheartening. Confidence in this Governor is very low.

I think we will all enjoy getting back into our offices to work

Had two home deals cancel due to Covid-19. Had an uptick right before Easter with new leads and a few transactions. Still very quiet and Ever's extended safe at home order has slowed everything back down.

Stop protesting at Brookfield Mall and stay inside!

This crisis is going to have profound impacts upon all aspects of commercial real estate development including financing, financial incentives, property values...

We have all obligated ourselves to legal contracts. If one cannot live up to the terms of that contract, they have an obligation to negotiate new terms which they can satisfy. Simply throwing up one's hands and claiming these are unprecedented times is unprofessional. One has a moral and ethical responsibility to sit down and negotiate new terms in good faith.

In the mortgage banking business most lenders are out of the market. Lenders are dealing with forbearance requests now and probably defaults in the near future. Bankruptcy will probably increase as well. Lending will not get back to normal until at least 2021.

The PAUSE button is ON.....for how long this lingers is the question.

Smaller businesses didn't apply quickly enough for PPP so funds were no longer available. The amount of funds was too low in general as COVID19 will extend far beyond 8 weeks. I did receive PPP due to great seminars such as CARW and my bank does a lot of SBA loans and I've banked with them for approx 8 years.

Netflix or making deals? Your immediate success rate will be reduced, but no question pressing forward is the only successful strategy.

Seriously concerned for the small businesses and that some will not recover from this.

Our company has issued a nationwide hiring freeze for the time being to evaluate where the market is over the coming months.

If we open up to quickly we may see another spike in cases and this negative effect on the economy could easily drag into Christmas

We feel very fortunate to be in Industrial real estate - likely a sector that will continue to expand on the other side of this.

we must reopen economy or long term prospects will get worse on 12-24 months.



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ADDITIONAL DETAILS AND CREDITS



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To obtain the full data set for these surveys, please follow the links below:

Part 1 – March 30-31, 2020	PDF	Excel	Word	PowerPoint	CSV <small>Raw data</small>
Part 2 – April 20-21, 2020	PDF	Excel	Word	PowerPoint	CSV <small>Raw data</small>



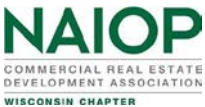


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