

Podcast: How has COVID-19 changed commercial property?

Hannah Peck: COVID-19 has changed the world we live in. One of the few positives to have come out of the pandemic is the way we have adapted to this new reality. How we work and interact with one another has changed and industries have had to adapt too.

In the third episode of this series of podcasts we'll be looking at how COVID-19 has changed the commercial property industry.

Joining me today to provide an insight is Natasha Collins - MD at NC Real Estate and UCEM module tutor, teaching commercial property management and asset management. Hi, Natasha. Thanks very much for joining me today. How are you doing?

Natasha Collins: Hi, Hannah. It's my absolute pleasure. I'm doing very well.

HP: Glad to hear it. How's the weather where you are as you're not currently in the UK, are you?

NC: I am in Charleston, South Carolina, and the weather is glorious today. We are at 23 degrees and it's getting hotter. It's lovely.

HP: I'm so jealous. I was speaking to you earlier saying that we had snow here yesterday! Anyway, thanks for joining us. Let me get straight in and ask the first question. How has the commercial real estate industry changed in the post-COVID world?

NC: That's a very loaded question as it really depends upon the size of the commercial property. Everybody has had problems during COVID-19: people have not been able to go into their commercial buildings, they've hardly been able to leave home!

There have been major restrictions in place which have stopped commercial tenants from trading for the most part. So, from that point of view, it has been a bit doom and gloom. They estimate that about £1.5 billion worth of rent hasn't been paid every quarter. Of course, on the flip side of that, landlords can't evict tenants.

We have experienced this stop from the commercial property market where tenants aren't paying rent because they're not trading and landlords can't get them out. With bigger players, we're seeing landlords struggling because they can't afford to pay their finance on the property and so we're seeing a lot of those kinds of properties come to auction because landlords are trying to get rid of them quickly.

I think that is still going to be an ongoing problem because commercial tenants can't have their lease forfeited because that's still a ban that's in place up until at least 1 July. Whether the government extend that or not, we don't know. All the government is saying at the moment is to be kind to your commercial tenants and make sure that you work with them - we're seeing that as an overall headline in the commercial property world.

However, I wouldn't say that it is all doom and gloom. I work with predominantly smaller investors so we invest in smaller commercial and mixed use property. For the most part, smaller tenants have been paying rent throughout COVID. They understand that if they don't pay rent then they will get to a point where they have to pay all of that backdated rent, so they might as well keep going so they don't have this huge amount of arrears and eventually they don't end up having their premises forfeited and not being able to trade at all. There are certainly two different sides of it, but I would say we're coming to the end of it. We are in a more positive place.

HP: It sounds like you're saying it's a bit of a mixed bag at the moment?

NC: It is a mixed bag. I'm not saying that the situation has been fantastic - it has been a huge struggle - but we're coming to the end of it and we're now having to look at innovative ways to get out of this situation.

HP: Thanks for your answers. How well equipped do you feel the industry was in adapting during the pandemic?

NC: I'm shocked that people were so surprised about it because, if we look back at commercial property trends, you can see trends change. We've seen the rise of technology completely change the way that we do business and the way that we trade goods.

That was inevitably going to cause a shift. What we're also seeing is certain tenants who have been stuck in the past, all these massive retailers who have been trading like they did in the 1990s/2000s, thinking that they could still trade in the same way. We've had businesses doing the same thing and not catching up with the technology.

All of a sudden, a pandemic hits and people, or businesses, get shocked and realise they need to quickly educate themselves on new technology. It shouldn't have been a shock but it was.

HP: Some of the people listening to this podcast might be newly entering into the profession. What kind of working life can they expect at the moment?

NC: My working life has changed a lot over the years. It's far more flexible now than it was when I first got into the profession.

There's a lot of pressure because when you're a property professional and things are going wrong in the market, your clients turn to you and expect you to have all of the answers and, of course, you don't always have them.

Could we have predicted how long the pandemic was going to go on for? No. Could we have predicted that it was going to happen? Well, there were signs, but we've not been through this before so would I know how this was going to play out for my clients? Of course, I didn't know how this was going to play out for my clients.

I think if you're coming into the industry at the moment, you have to come in with a creative mind. Things do not look the same that they did a year ago and that's okay. You have to be thinking about how you can do this innovatively.

You might be coming in and expecting to learn all this stuff from your mentors and the people above you which great, but you also need to take past trends and think: 'well this happened before so how can we change this to be reflective of what the situation is right now?' In a way we're all walking into this new situation with our eyes shut. We don't know what it's going to look like.

We are creating a new property industry. We are creating a new commercial sector and that's exciting.

HP: That's pretty cool and leads nicely onto the next question about the long term. What do you think that COVID-19 is going to have changed about the built environment in the long term? What can you see changing?

NC: I think that we were already seeing bigger retail stores, like Debenhams and John Lewis, closing and they were never going to be sustainable, pandemic or not. They were coming to an end of their life cycle of how they traded in business.

I think what's coming is smaller units that are more accessible to any sort of consumer. It will mean you get the choice: if you want to go in, you go in. If you want to order online and get kerbside pick-up then you can. If you want it delivered, then it gets delivered.

I think things are changing. For example, we're going to see more logistics in city centres. You'll have smaller distribution centres, which are like hubs, and I think we're going to really have to start focusing on them as they are big news.

There seems to be a massive push from the government to change retail into residential - for example, having people living above shops. I don't know how that's going to work so how about we take a step back and we start looking at those units as distribution centres.

Could all the local tenants rent out a part of it for their storage? Could there be a single distributor who then brings it out locally? So rather than a 24-48-hour turnaround for delivery, could we have an hour or two's turnaround for delivery?

When I was working in central London, I could phone up a dress shop and have a dress at my desk within a few hours for an event I was going to that evening. Certainly, Amazon Prime is already rolling that out but it will probably become the norm for others too.

We should also be looking at how we live, work and play. How do people want to function coming out of the pandemic? I know for certain that I will never be without outside space. Luckily, I've always had outside space and, during the pandemic, I've looked to expand that. But what do we need to change about the buildings that we live in to provide that? What do we need to change about the buildings that we work in? Do we want to go back to the same offices?

I hate going into a stale office with air conditioning. You can't open the windows, it's hard to go outside. So, how is that going to change? What is it going to look like? Rather than trying to search around us for the answers, why don't we just start being innovative and look at the ways in which we can provide that solution? I think that's where we're going to start seeing the commercial property market change.

HP: I'm looking forward to the solutions that people come up with and seeing how work and home life change through this. Can you explain to our listeners how the pandemic has affected you personally? How are you working at the moment? What does it look like?

NC: I actually changed the way that I worked in 2018. We got the opportunity to move to New York (UCEM very kindly let me go completely remote) and I was considering moving my firm of surveyors online anyway because I wanted to reach more people.

My clients are not all in central London and I wanted to reach a wider client base of people. So, I brought my business online and started capitalising on online marketing. That really changed the way that I worked.

Everything that I did was from wherever I needed to be at the time and so that shift happened pretty early on before the pandemic. When the pandemic hit and more and more people adjusted being online, I think it was more of a culture shock for other people than for me.

I found myself being the person who was available to those that were worried about moving online. Because I'm in America, I'm in the lucky position of being five hours behind so, for my clients in the UK, I could start offering evening calls when their kids were in bed.

It actually works really nicely now because I work with my clients in the evening, UK time, which is my afternoon. Then, in the morning I tend to do my admin and make sure that I have meetings with my UCEM colleagues. It's a really flexible, relaxed way of life that has just happened based upon my lifestyle.

I really felt like my work-life balance needed to be important so I started looking at what to do to have that work-life balance. How do I move it towards that work-life balance? And I'm learning to stop being apologetic for it. I don't say sorry if I need to be going out and doing something, like going to the doctors.

The pandemic has really helped that and I hope that it helps a lot of people feel the same.

HP: I love that. I find myself saying sorry all the time and that's such good advice to just stop saying it. Thank you. So, last question: what would you say to someone that is currently considering a career in real estate?

NC: My advice to someone coming into the industry is that it's probably going to be a culture shock. The industry is very much 'work hard, play hard'.

Get your head down, learn what you need to and spend the first couple of years in the industry learning the ropes. Make sure that you understand the role of the company. Think about what you really want to do. There'll be certain aspects of real estate that really interest you and certain aspects that do not interest you.

I'm not a valuation surveyor and don't enjoy it and stayed away from it as a young surveyor. But, talk to my colleagues at UCEM and they'll say how much they love doing valuations. There were certain jobs that just weren't for me. I didn't ever want to be an agent as I didn't enjoy that side of things, but I got a lot of hands-on experience because I was willing to learn.

Be willing to put your head down for the first couple of years and learn. Take things on board. Don't be afraid to make mistakes. You don't go into an industry being perfect and you will make some mistakes throughout your career. That's fine. Learn from them.

Just keep moving forward and thinking about what you enjoy. You can enjoy doing anything in real estate. I know people who've made careers out of so many different things – you get to make that choice.

Don't just follow what the company tells you that you should be doing. If you don't enjoy something, move on. Your career should be what you want to make it. You don't have to fall into something and stay there. So many of my good surveying friends reinvent themselves every couple of years into something new that they enjoy which is absolutely fine.

It's a career where you can do whatever you want to do, but you're going to have to be brave in that if there is something in the built environment that interests you, move towards that. If you start getting bored of it then move towards something else. That's the beauty of this industry.

HP: That's so good and a really refreshing perspective too. Thank you so much for your time today, Natasha. If you're listening to this podcast and are interested in learning more about real estate, then do take a look at our website - www.ucem.ac.uk. You might even find yourself being taught by Natasha!