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Long Island property owners report 'devastating' blow from lockdown

A survey of real estate companies that own and manage tens of billions of dollars of Long Island real estate reveals that the economic impact from the COVID-19 lockdown is already having a significant, sustained, and potentially unstable impact on the region's ability to recover.

A significant indicator of how serious the economy is being impacted is that the majority of retail property owners received April rent payments from less than half their retail tenants. Some retail property owners experiencing nonpayment rates as high as 85 percent in April.

Two leading advocates of the region's economic development community, and whose members combine to form the region's largest taxpayer, the Association for a Better Long Island ("ABLI") and Long Island Builders Institute ("LIBI") created the comprehensive survey of their membership to examine the scope of COVID-19's economic impact. It marks the first of what will be monthly surveys designed to identify issues that will define strategies for recovery.

ABLI Executive Director Kyle Strober stated, "This survey makes it abundantly clear that the pandemic is dealing a devastating blow to Long Island's economy. We anticipate May's results, after a full six weeks of economic shutdown, to be worse.

"The goal of this survey is to create an accurate barometer of current market conditions as they are severely impacted by the pandemic. The results will be a powerful tool when stating the need for federal, state, and local assistance in order to restart our economy. It can also provide guidance as to what government assistance could be most helpful to tenants, including rental assistance vouchers and commercial mortgage forbearance. "

With a stunning 100 percent of the participants indicating a loss of revenue in the second quarter of 2020, and projecting a decrease in revenue for 2020, Strober notes the COVID-19 economic impact is obvious, immediate, and fierce.

Kyle Strober

In 2020, more than half the participants already anticipate revenue losses greater than twenty percent while twelve percent are forecasting revenue losses greater than fifty percent.

The majority of participants anticipate that the economy will need at least 12-24 months to fully recover from the pandemic while 30% of participants project a two to five year recovery timeline. Almost 75% of tenants have informed their property owner that they will need at least 6-12 months or longer for their business to recover.

LIBI CEO Mitch Pally, observed, “These results underscore the importance of economic recovery programs now underway by federal, state, and local governments along with the need to not only implement them but sustain them to ensure the economy stabilizes and then is restored to health.”

“With Long Island playing a crucial role in New York’s economy, particular emphasis needs to be placed on a region of 2.85 million people whose economic landscape is now unrecognizable,” he concluded.

The survey received 41 responses. Combined, those participants represent 61,358,000 leased square feet and 32,718 residential units. The average participant represents 884 residential units and 1,573,282 leased square feet.

Literally every respondent is projecting a decrease in 2020 second quarter revenue with 22 percent of those surveyed anticipating losing at least half of their earnings. When asked about projecting for the year some 41.5 percent already see as much as 50 percent of their revenue disappearing.

Approximately 34 percent of the real estate owners surveyed believe it will take one to two years for Long Island to recover, while more than 29 percent predict recovery at anywhere between two to five years. It will take a projected 12 to 24 months for tenants to secure a financial recovery according to 39 percent of the real estate owners responding to the question.

The survey revealed that the retail real estate sector has been impacted the most. The majority of retail landlords experienced nonpayment of April rent from more than half their tenants.

The next hardest hit real estate sector was commercial office space. 30 percent of participants experienced nonpayment of rent from 21-50 percent of their tenants, while 15 percent of survey participants saw more than 50 percent of their tenants miss April's rent.

Industrial was significantly less impacted but certainty not immune to the economic aftershocks of the COVID-19 virus. Forty-two percent of participants remained at pre-pandemic rent collection rates of 95% or greater.

Strober and Pally said that the survey provides insight into what lies ahead. Some 30 days into the pandemic induced economic shutdown, nearly 20% of those responding to the survey are facing the prospect of anywhere from 20% to 50% of their tenants going out of business.

"Recovery is absolutely possible but it will require a change in virtually every aspect of how government views business, for without a more effective partnership, the economy will not be able to get off the ground," concluded Strober.