

# 'It's a Disaster': How a Top LA Retail Broker Is Navigating the Coronavirus Market

Newmark Knight Frank's Jay Luchs Discusses Helping Tenants Survive the Crisis



Newmark Knight Frank Vice Chairman Jay Luchs, one of Los Angeles' top retail brokers, said the coronavirus pandemic has had a catastrophic impact on retail and hospitality tenants. (Jay Luchs)

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**CoStar News**



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Jay Luchs has spent the past two weeks on different versions of the same call: how to help retail tenants survive the coronavirus crisis.

As the vice chairman of brokerage Newmark Knight Frank, Luchs is one of the most active retail brokers in the greater Los Angeles area with a long client roster of retail and hospitality tenants. The retail and hospitality industries are among those suffering from

the most economic damage as a result of California's extended "stay at home" directive meant to slow the worsening coronavirus pandemic.

"In terms of business, I mean, it's a disaster," the [Los Angeles-based](#) Luchs said of the effects in a discussion on social media network Instagram in the past week. "All my calls have been about rent relief and how crazy the world is. This isn't like the economic crisis of 2008, because with this everyone is getting pounded from all angles."

With the arrival of April 1, tenants as large as Mattress Firm and The Cheesecake Factory down to the mom-and-pop corner store have found it all but impossible to make rent as a result of business lost to the worsening pandemic. Entire malls have been forced to close, foot traffic at cafes and eateries has taken a nosedive and retailers are stuck in a standstill as nearly 90%, or 300 million Americans stay at home in an effort to stop the spread of the virus.

For Luchs, who closed more than 40 deals last year, that has meant setting aside the deal-making and focusing on mediating conversations between tenants and landlords. The broker said rent deferrals have emerged as the most popular way of giving tenants the temporary break they need but ensuring landlords will get the money at some point in the future.

"In a perfect world, tenants would go rent free for a few months," Luchs said in an interview with CoStar News after the Instagram video. "Deferral means you have to owe that back. How are you all of a sudden going to make back more money to pay back the deferred amount?"

Los Angeles, in particular, is exposed to the pandemic's widespread effects. According to Ryan Patap, CoStar's director of market analytics, most of the city's retailers are on lockdown and many could default on their loans. The severity and duration of a now inevitable recession remain to be seen, Patap said, but in no scenario are the impacts from recent events not going to be profound for the sector.

Luchs said tenants of some of the larger institutional landlords have a better chance of getting one or two month's free rent, but for smaller ones with mortgage payments and

their own financial obligations, it isn't as simple.

"Some landlords don't have a million buildings, but they owe a bank," he said. "When you owe a bank, you're a tenant too."

In those cases, the deals being made become unique. For example, Luchs said one agreement he helped facilitate this week was for a tenant to make April rent but receive a free month later in the summer.

"Look, no one has the answers and we're all in this together," Luchs said. "Landlords don't want their tenants to perish, and tenants want to survive. There's no right answer to what is going to happen, so who the hell knows? It will take time to get back to normal, and it will be a real shock once we're all able to come out of this."

While the complete impact of the coronavirus pandemic has yet to be measured — let alone the economic aftershocks anticipated in the months ahead — Luchs said increasing vacancy rates are all but inevitable as an increasing number of businesses find themselves unable to last until they can reopen again.

"Everyone feels the pain in terms of tenant survival, so they really need to be focused on keeping employees and keeping the soul of their brands to do their best to stay alive," the broker said. "This is a serious problem where a lot of tenants won't make it."

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