

## Blip or Black Swan?

### *Will the Corona Virus Reorder Globalization resulting in Opportunities for Real Estate Investing?*

The team at Granite Peak Real Estate Advisors hopes that you and your families are staying safe in these uncertain times. Our priority is on the safety of our loved ones, and the economic wellbeing of our country. But we realize that in the midst of the market chaos, opportunities arise and it is our responsibility to monitor them. We hope some of the questions and observations from the Granite Peak Investment Committee monitoring this crisis might provide some insights, and possibly inform some of your long term real estate investment strategies and deliberations.

Is the deadly Corona Virus (COVID-19) outbreak that started in Wuhan China and raced across the planet in weeks a “blip”, or the improbable “Black Swan Event” that shines a new light on our modern world? The event highlights how globally interconnected we are, how we travel, how we work, how we run our businesses, the risks of the global supply chains and how social media influences world events. Is this new awareness a catalyst for the reordering of globalization?

There is a heightened awareness as to just how small and interconnected our world is. How a seemingly insignificant single event in a market half a world away, the sale of a curious scaly ant eating creature that is prized as a delicacy and largely unknown in the West, called a Pangolin, may have brought the world’s greatest economies to its knees. Ostensibly the cross species transfer of a previously unknown virus between a person and a Pangolin is the prime suspect in this improbable global shut down.

There seems to be no real precedent or playbook for this event. Global fear and the shutdown of the world economies is being exacerbated by the unknowns, by a virus we can’t see and don’t completely understand. Double barrel US fiscal and monetary policy intervention by the Federal Reserve and Federal Government may soften the economic blow, but has the world changed forever? How the global impacts from the outbreak impacts the US Real Estate Markets remains to be seen, but here is are some of our observations and questions:

- Companies throughout the world are reassessing the costs and the risks of their global supply chains. What does this mean to the future of domestic and North American production and distribution of manufactured and processed products?
- The American Public is gaining a new awareness as to the where their everyday necessities are being produced. An example being the production of important prescription medicines and pharmaceuticals in China. Will there be policy changes that drive growth in North America manufacturing and production aided by the USMCA?
- Businesses are discovering new ways to operate businesses enabled by new technologies and forced into action by “Shelter in Place” orders, necessitating virtual offices and

remote telecommuting. Given this experience, will businesses embrace a new way to work? Will this experience significantly change the nature of office demand?

- The unprecedented closing of international borders by the US, EU and others is a significant event occasioned by the global health crisis. Will this be the beginning of a new regionalism? How will it impact growth and reorder how we work, how we run our businesses, how we manage our supply chains.

US businesses large and small lack visibility and can only speculate as to the answers to the above questions, how will our world change? The truth is nobody knows and Granite Peak is no exception. But nevertheless here are a few areas Granite Peak is monitoring for changes and investment opportunities:

- Where will the potential real estate investment opportunities be occasioned by USMCA and the reordering of global supply chains? Will there be opportunities in cross border production, warehousing, distribution and fulfillment related investments, particularly on the southern border proximate to US Customs border crossings in California, Arizona and Texas?
- Will there be changes in office demand, including the demand for traditional office buildings in urban core markets. Will there be opportunities for investment in creative office, and virtual office meeting places designed as gathering and meeting places for Millennial and Gen Z telecommuters, in the aftermath of this crisis?
- What opportunities will there be with coming changes in product requirements and demand for multifamily? What will the amenity requirements be for the new telecommuters, and workers in virtual office settings of the future? What emerges from “Shelter in Place” work experience?
- Will there be a resurgence of American Manufacturing driving demand for industrial properties? If so where and what type?
- How will these events influence the automation of the American workforce? What opportunities will this create in industrial and commercial investments?

History will tell whether this outbreak is a “Black Swan Event” that contributes to the reordering of globalization, or just another pandemic forgotten in history due to the miracles of modern medicine. But our first order of business is to protect the most vulnerable among us, and find a path beyond the coming recession.

Thank you for your trust in Granite Peak Partners. Be safe and be well.

Granite Peak Partners,  
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