

Speaker 1 ([00:09](#)):

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Speaker 2 ([00:17](#)):

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Speaker 1 ([00:46](#)):

Hello and welcome to the higher enlightenment podcast brought to you by higher yields cannabis consulting, your seed to scale cannabis business solutions team, and the creators of the innovative cannabis consoling business solutions system, higher enlightenment.

Speaker 2 ([01:07](#)):

So

Speaker 1 ([01:07](#)):

What are these podcasts about? The higher enlightenment podcast was created to discuss everything cannabis, whether it be cannabis, industry news and cannabis industry, insider insights, advice, and tips to establish your own successful cannabis business and cannabis pop culture. In general law also be discussing cannabis news from around the globe. A new episode of the higher enlightenment podcast will be released every two weeks today's episode deals with the COVID-19 pandemic and how it's affecting a commercial cannabis real estate market. Our guests today are the HYC real estate team. If you have any questions, please call us at eight four four high yield. That's eight four four H I Y I E L D.

Speaker 2 ([02:09](#)):

We appreciate your choosing our theater and to make this experience more enjoyable for everyone. We hope you'll refrain from talking during the show. Thank you.

Speaker 1 ([02:19](#)):

Hello everyone. I'm Adam, your host. And today we are talking with the HYC real estate team about how COVID-19 has affected the real estate market. I'd like to thank everyone for joining us today. We have John Paul Dez, president of HYC and Shannon boost dose. One of our executive account managers who worked in the industry as a general manager for the last six years, as well as our director of political affairs, Chris garden, joining us from Wisconsin and also Mark Fisher, our director of membership excellence, who joins us from Los Angeles. We'll cover a few today.

Speaker 3 ([03:00](#)):

We'll talk about commercial real estate trends, where investors are at with COVID-19 and what things are going on at the local government level. And the industry changes that we are starting to see across the board in different States. So, John, let's start with you. Could you tell us a bit about the differences you're seeing in traditional commercial real estate versus cannabis, commercial real estate and how they're being affected by COVID 19,

Speaker 4 ([03:28](#)):

The traditional quote real estate in general, before this COVID-19 came to, to or came around, we've had good, good, uh, tick in values and low inventory, which is also creating the uptake of the value of the properties. But since COVID 19 Ted, it's affecting the market all around, except right now it's affecting the cannabis market a little bit, but not as bad as the straight commercial sector, uh, commercial, some States are hitting about a 40% decrease in value already, which is incredible at this time because it's only been two months, three months, and we've already seen huge drops. But what I have been seeing though with the cannabis sector is that there's been a lot of opportunities that we can, that people can get into a lease rates. You can get into a better negotiation on lease leases and people are more open to cannabis now than they were when there was the regular commercial sector was booming.

Speaker 3 ([04:29](#)):

So while traditional commercial real estate is going down, uh, commercial cannabis real estate seems to be staying pretty steady and maybe is creating new opportunities from investors. Uh, so what's the difference between a cannabis and non-cannabis piece of real estate and what do you need to be zoned for cannabis?

Speaker 4 ([04:49](#)):

So which one is something that's in the green zone? The green zone is an area that is designated by the municipality to where you can add a cannabis ran business. A non-green zone is obviously the exterior areas. A lot of the stuff that we were running into would be doing with setbacks, which is a big issue depending on the municipality with most of them are setbacks and distance from property line to property line from daycare schools, rehab facilities, some communities or some locations are noting one of arm wrestling poles. So that's one of the main things that I take a look at. And when I'm going to find that cannabis facility, that it is in the green zone, I verify that it will be within the distance, depending on the state or the County or the municipality, if it's as the Crow flies, which means from corner property to corner property in the air from a straight line, or is it at, or is it if, as you walk? So that is from the front door down the sidewalk across the street, over to the other business. So these are the different things that I look at that can cause a big hiccup in it. Uh, want to make sure that you talk to your municipalities about the green zones and want to make sure that you can get into those areas.

Speaker 3 ([06:05](#)):

Gotcha. Um, Mark, would you like to add anything to that

Speaker 4 ([06:09](#)):

John and John did on it? Pretty good there. Um, we're seeing out here in, uh, in California in, in a couple other States, um, really commercial real estate and coming to a stop, uh, and that hasn't happened in the cannabis industry, uh, which is where we're really lucky in that regard, that cannabis is an essential industry out here in California. Um, and the actual sales numbers have gone up initially leveling off a little bit now, but really no substantial change in consumption, which is fantastic.

Speaker 3 ([06:50](#)):

Great, thanks. Uh, Christie Arden, do you have anything you'd like to add to that,

Speaker 5 ([06:55](#)):

That covered it? You know, at least in Colorado, I thought that what was, uh, really interesting as the cannabis shops and the cannabis industry was designated as an essential business. So they were still able to remain open throughout, uh, the COVID-19 pandemic.

Speaker 3 ([07:16](#)):

Great. So John, let's talk about the financial side while the cannabis commercial real estate is doing well. What are investors doing right now has COVID-19 affected people looking to invest in cannabis and how about those who are already invested, but aren't at the finish line for the project.

Speaker 4 ([07:37](#)):

So seeing that with the projects that are already ongoing, people are trying to get them down as fast as they can. So on that side of it, the financial portion of it's already been taken care of. So they are moving full speed ahead. Uh, what I see also happening is that people that were on the sideline waiting, and now that this hit, it's gonna be a little bit harder for them to get financing because people are all in their money back to see what's going to happen with this market. That's pretty much what I'm seeing going on in the industry right now, commercial lending, your standard commercial lending, going back to the regular commercial sector. That's another reason why that the commercial sectors dropping down so are, is that they are holding back quite a bit of money, um, like Blackstone, which is a retail real estate investment trust. They are holding \$21 billion back from investments right now, due to the COVID-19 and they're waiting for the market to tank. So I think those opportunities I was speaking about before, you're going to have a great opportunity when the time comes, when the markets are, are flipping a little bit.

Speaker 3 ([08:42](#)):

Great. So you're seeing investors becoming a lot more cautious about where and how they're investing their money. Is that affecting the real estate side of cannabis as well?

Speaker 4 ([08:52](#)):

If you don't have a project already moving forward, it's going to be a little harder

Speaker 3 ([08:56](#)):

To get capital. Let's talk about the local government level, Chris, one of the biggest things with commercial cannabis real estate that is often overlooked as the level of local government involvement. Could you give us some insight on how COVID-19 might affect local municipalities in this regard?

Speaker 5 ([09:17](#)):

Absolutely. Uh, most of the time with local municipalities, uh, there's not a lot of overhead, uh, within those structures. So when the pandemic hit, uh, many of the city councils, uh, the city managers and the administrative staff had to really stop most operations. Um, city council meetings were canceled until they were able to get, um, remote meetings up and running. Uh, many of the emergency orders and operational aspects of those orders had to be put into place. So you're taking, uh, people power and administrative resources away from the permitting process away from municipalities that were on the verge of, uh, crafting ordinances or even read looking at the zoning and land use codes. And they tabled those because this was not deemed a priority for most municipalities due to the pandemic, uh, which is understandable. Um, the first things first is the safety and wellbeing of your community. Um, but I, I do see the localities, uh, especially County and local governments that do plan on moving forward. Um,

they're going to do it swiftly and that's because of the loss of the massive amounts of tax revenue that are lost most municipalities and counties, or mostly municipalities rely on sales tax. And that is huge. And, uh, and that's not only affecting the cannabis stores, that's affecting all retail stores in every municipality across this country.

Speaker 3 ([11:02](#)):

So we've kind of seen things come to a dead stop, but you feel like once COVID-19 passes that a lot of States and local governments are going to be wanting to push forward quickly to replace some of that tax revenue and create some new jobs.

Speaker 5 ([11:19](#)):

I think getting past just the ideological divide. Yes. I mean, if we're speaking just on a strictly practical level, I think that it would behoove me to say the municipalities would get in front of this and do it quickly. It adds to an economic portfolio. And as we all know, the larger, an economic portfolio that an economic region or entity has, the more immediate community is to certain external factors that severely affect, uh, those revenue streams and the community in general. And COVID-19 is a prime example. And, um, it's just another led Gitelman business to get started in your community. How about you, Mark? Can you add something to that?

Speaker 6 ([12:12](#)):

A lot of, uh, effect in the emerging markets were really is slow down until the municipalities can, um, bring themselves back together again on the existing municipalities, uh, that are processing applications. Um, right now, um, that's still being done remotely. I mean, we're, we're, we're seeing less Excel, we're seeing it's more difficult to get ahold of your local planners. Uh, you're just access to, uh, you remember you're going through four departments in minimum, uh, in each city, uh, that you applied to. Um, so that coordination is a little more fragmented that a lot of the planning department, so owning, um, in health inspectors, uh, are now remote and, uh, in, on, on zoom. Uh, so they're not in the same building. You can't just jump from one to the other and grab a number every day. They have to get actually back to you by phone. Um, so little more cumbersome, double prob uh, of a process, but like Chris said, the, uh, the, the towns and the cities, uh, look at us as low-hanging fruit, um, you know, the ones that have already opened dispensaries, uh, in other, you know, whether it's distribution, manufacturing, cultivation, or labs, um, realize that the tax revenue, and they're not gonna let that go by the wayside, especially due to COVID-19 there, they're not getting the revenues, um, you know, from all their other industries.

Speaker 5 ([13:56](#)):

Thanks. So Shannon, tell us about some of the changes that you've been seeing in the industry cannabis facilities weren't built with social distancing in mind. So how have owners of these facilities begun to retrofit or better prepare for COVID-19? Yeah,

Speaker 7 ([14:14](#)):

Yeah, yeah. You're absolutely right. So a lot of businesses are implementing, um, occupancy limits. Um, they've also implemented curbside service for, for dispensaries and also delivery. So legislators legalized cannabis delivery with the passage of house bill two 1234 and 2019. So the law permits medical marijuana deliveries to start in 2020. So there's a couple of dispensaries currently who, um, have been awarded a delivery licenses. So that's to open up here about mid may.

Speaker 3 ([14:54](#)):

So as cannabis has been deemed an essential business, how are we seeing bud tenders and growers jobs change and how are they protecting themselves?

Speaker 7 ([15:05](#)):

So to protect themselves at dispensary's, a lot of businesses have been putting up plexiglass, uh, right at the cashier area. Um, also putting X's on the floor to kind of help people distinguish that six feet distance. And, um, you know, uh, of course wearing the masks gloves, uh, you know, in cultivations it's a little bit different because, um, you know, with the occupancy limits there, they're cutting down, um, about half of the employees at a time. And as we all know, cannabis plants, you know, they don't take a day off. So, um, a lot of these employees are having to do kind of double time to take care of these plants.

Speaker 3 ([15:53](#)):

Gotcha. So how about you Mark? Uh, Shannon's based in Colorado and you're out in California. What are the changes that you are seeing out there? Uh, that might be different from Colorado,

Speaker 6 ([16:05](#)):

Really going curbside, uh, even if the dispensary's open and they have their axes on the floor, they're realizing that, uh, the consumer is wanting more curbside pickups. Um, and in that regard, we're seeing some real meat in, or in innovations going on, um, where in the past, in order to, um, you know, to get delivery, uh, you jump on Weedmaps or Leafly, and then you, uh, you, you go right to the, uh, dispensary's website, click a few buttons and you have a deliver. Um, well, curbside, um, initially when, I mean, and this is evolving to just these last, you know, six weeks, um, initially that was very similar. You jump on a website, click, put your order in and go from there. We're seeing more and more of virtual, um, interactions between the consumer in the bud tender. Uh, in that way, the bud tender can, can describe the products and, uh, you know, maybe up sell a little bit, but, but really the heart of it is get to the, uh, to the consumer or patients a real need of how they're going to be using cannabis, um, which is a bud tender job.

Speaker 6 ([17:24](#)):

Um, always that started to fall off a little in the curbside world. And we're seeing a resurgence in that in a lot of it is driven by the manufacturers, frankly, uh, because they're no longer able to put their PhDs, um, into the stores that are, uh, in, in promote new products. So, uh, we're seeing manufacturers team up with, um, in go more virtual budtender.

Speaker 1 ([17:53](#)):

Very cool. Shannon, are we seeing a dip in sales or an increase? Has that started to flatten out in Colorado and see 19 and businesses being deemed essential

Speaker 6 ([18:05](#)):

Central? So they've gone up and by quite a bit, uh, here in Colorado, when the governor, um, was going to close cannabis sales and also liquor stores, we saw one of the biggest day days in cannabis sales in Colorado.

Speaker 1 ([18:22](#)):

And how about out there in California, Mark,

Speaker 6 ([18:26](#)):

Initially a huge bomb. Um, and then a little bit of dip as people figured out, um, curbside service. Um, and now that has leveled off and is starting to go up. We're definitely on an upswing compared to even three months ago, and then delivery's just off the charts. Cool.

Speaker 1 ([18:52](#)):

Well, I think that about wraps up our time for today. Shannon, Mark, John and Chris many, thanks for your input. Really appreciate it. And thanks for all of your insight on how COVID-19 has affected the cannabis real estate market, and many thanks to all of our listeners. Please stay safe and healthy, and we'll talk to you again very soon.

Speaker 2 ([19:18](#)):

Please

Speaker 1 ([19:19](#)):

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Speaker 2 ([19:40](#)):

[inaudible]

Speaker 1 ([19:40](#)):

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Speaker 2 ([20:25](#)):

Scene one, Apple, take two. [inaudible]

Speaker 6 ([20:42](#)):

Whoa.