

# Ep 7 real estate and covid19 -overdub final

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## SUMMARY KEYWORDS

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## SPEAKERS

Shannon Bustoz, Mark Waller, John Valdez, Chris Teegarden, Mark Fisher, Adam Kulbach



Adam Kulbach 00:09

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**J** John Valdez 03:28

The traditional real estate in general before this COVID-19 came to two came around. We've had a good good up tick in values and low inventory, which is also creating the uptick in the value of the properties. But since COVID, 19 tid. It's affecting the market all around. Except right now it's affecting the cannabis market a little bit but not as bad is the straight commercial sector. Commercial, some states are hitting 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 saying though with the cannabis sector is that there's been a lot of opportunities that we can that people can get into 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. So

**A** Adam Kulbach 04:29

while traditional commercial real estate is going down, commercial cannabis real estate seems to be staying pretty steady and maybe as creating new opportunities from investors. 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?

**J** John Valdez 04:49

So what you want is something that's in the green zone. A green zone is an area that is designated by the municipality to where you can have a cannabis ran business A non Green Zone is obviously Exeter areas, a lot of the stuff that we're running into would be dealing with setbacks, which is a big issue, depending on the municipality, but most of them are setbacks, a distance from property line to property line from daycare, schools, rehab facilities, some community or some locations are the only one of our raw samples. So that's one of the main things that I take a look at, when I'm going to find a cannabis facility that 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 or property in the air from a straight line, or is it? 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. You 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.

**A** Adam Kulbach 06:05

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

**M** Mark Fisher 06:09

No, John and John get on it pretty good there. We're seeing out year in, in California and in a couple other states. Really commercial real estate coming to a stop. And that hasn't happened in the cannabis industry. Which is we're really lucky in that regard that cannabis is an essential

industry out here in California. And the actual sales numbers have have gone up initially leveling off a little bit now. But really no substantial change in consumption, which is fantastic.

A

Adam Kulbach 06:50

Great, thanks. Christy garden. Do you have anything you'd like to add to that?

C

Chris Teegarden 06:55

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

A

Adam Kulbach 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.

J

John Valdez 07:37

So I'm 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 have already been taken care of. So they are moving full speed ahead. 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 holding their money back to see what's going to happen with this market. That's pretty much what I'm seeing going on in industry right now. commercial lending, your standard commercial lending, going back to the regular commercial sector, that's another reason why the commercial sector is dropping down so are is that they are holding back quite a bit of money. Like Blackstone, which is a REITs Real Estate Investment Trust, they are holding \$21 billion back from investment 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 tide comes in the markets are flipping a little bit.

A

Adam Kulbach 08:41

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?

J

John Valdez 08:52

If you don't have a project already moving forward, it's gonna be a little harder to get capital.

A

Adam Kulbach 08:57

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

C

Chris Teegarden 09:17

Absolutely. Most of the time with local municipalities. There's not a lot of overhead within those structures. So when the pandemic hit, many of the city council's the city managers and the administrative staff had to really stop most operations. City council meetings were canceled until they were able to get remote meetings up and running. Many of the emergency orders and operational aspects of those orders had to be put into place. So you're taking people power and in minutes Straight IV resources away from the permitting process away from municipalities that were on the verge of crafting ordinances or even read looking at their zoning and land use codes. And they tabled those because this was not deemed a priority for most municipalities due to the pandemic, which is understandable. The first things first is safety and well being of your community. But I do see the localities, especially county and local governments that do plan on moving forward. 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 and that's not only affecting the cannabis stores, that's affecting all retail stores in every municipality across this country.

A

Adam Kulbach 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.

C

Chris Teegarden 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 and economic portfolio that an economic region or entity has, the more immune it is to certain external factors that severely affect those revenue streams and the community in general, and COVID-19 is a prime example. And it's just another lead gentleman business to get started in your community.

A

Adam Kulbach 12:09

How about you Mark, can you add something to the

M

Mark Waller 12:12

scene a lot of effect in the emerging markets, where it really is slowed down until the municipalities can bring themselves back together again, on the existing municipalities that are processing applications. Right now, that's still being done remotely. I mean, we're seeing less Excel, we're seeing it's more difficult to get a hold of your local planners, you're your just access to you remember, you're going through four departments in minimum in each city that you apply to. So that coordination is a little more fragmented that a lot of the planning department zoning. And health inspectors are now remote and in on on Zoom. So they're not in the same building, you can't just jump from one to the other and grab a number, everything they have to get actually back to you by phone. So little more commerce Integral process, but like Chris said, the the towns and the cities look at us as low hanging fruit. You know, the ones that have already opened dispensaries, in other, you know, whether it's distribution, manufacturing cultivation, or labs, realize that the tax revenue, and they're not going to let that go by the wayside, especially due to COVID-19. They're not getting the revenues, you know, from all their other industries.

A

Adam Kulbach 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?

S

Shannon Bustoz 14:14

Yeah, yeah, you're absolutely right. So a lot of businesses are implementing occupancy limits. They've also implemented curbside service for for dispensaries, and also delivery. So legislators legalized cannabis delivery with the passage of House Bill 212 34 and 2019. So the law permits medical marijuana deliveries to start in 2020. So there's a couple of dispensaries currently who have been awarded delivery licenses. So that's looking to open up here about mid May.

A

Adam Kulbach 14:54

So as cannabis has been deemed an essential business, how are we seeing bud 10 vendors and growers jobs change and how are they protecting themselves.

S

Shannon Bustoz 15:05

So to protect themselves at dispensaries, a lot of businesses have been putting up Plexiglas right at the cashier area, also putting x rays on the floor to, you know, kind of help people distinguish that six feet distance. And, you know, of course, wearing the masks gloves. You know, in cultivations, it's a little bit different, because, you know, with the occupancy limits

there, they're cutting down 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 a lot of these employees are having to do kind of double time to take care of these plants.

**A** Adam Kulbach 15:52

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

**M** Mark Waller 16:05

really going curbside? Even if the dispensaries open and they have their axes on the floor, they're realizing that the consumer is wanting more curbside pickup. And in that regard, we're seeing some real meaning or innovations going on. Where in the past in order to, you know, to get delivery, you jump on weed maps, or Leafly. And then you you you go right to the dispensaries website, click a few buttons, and you haven't delivered. Well, curbside initially, when you mean this is evolving, and just these last, you know, six weeks, 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 virtual interactions between the consumer in the bud tender in that way the budtender Can, can describe the products and you know, maybe upsell a little bit but but really, the heart of it is get to the, to the consumer or patients real need of how they're going to be using cannabis, which is a bud tenders job. 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, because they're no longer able to put their PhDs into the stores that are in promote new products. So we're seeing manufacturers team up with dispensaries in go more virtual by attending.

**A** Adam Kulbach 17:53

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

**S** Shannon Bustoz 18:06

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

**A** Adam Kulbach 18:22

And how about out there in California mark,

**M** Mark Waller 18:26

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initially a huge bump. And then a little bit of dip as people figured out curbside service is and now that is leveled off and is starting to go up. We're definitely on an upswing compared to even three months ago, and then deliveries just off the charts. Cool.

A

Adam Kulbach 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. Please stay tuned for some parting announcements. For information on how to follow the higher enlightenment podcasts. Please be sure to check out the description below. You'll receive all the latest and greatest podcasts news and announcements. We'll also let you know when we release new episodes. If you'd like to be a guest on the higher enlightenment podcasts, or have ideas about upcoming episodes, please be sure to check out the description below. For information about sponsorship or advertising on the higher enlightenment podcast, please call us 844 are high yield. That's 844 H AI why I ELD or visit our website at WWW dot ATT higher yields consulting.com thanks have a great day. Talk to you soon sheet one apple Take two. Marshall