

Effect of COVID-19 Orders on Tower Lease Market

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Unlike most lease markets, the tower lease market has remained mostly unaffected by the COVID-19 pandemic and the numerous governmental orders to work from home and stay at home.

Many (non-tower-related) businesses have seen a sudden drop in business, income and profits – without a simultaneous drop in expenses – during the last 5 – 6 weeks. Many office buildings, shops and restaurants have closed business operations entirely. Others have substantially closed with basic business functions maintained by a skeleton staff. As a result, many tenants are balking at the obligation to pay rent and operating expenses for space they are unable to fully occupy. Landlord responses to tenant concerns and requests for rent relief have so far varied greatly – depending on each landlord's debt/expense situation, the financial condition of each tenant, the terms of each lease agreement, the impact of COVID-19 on the tenant's business and other relevant factors.

The tower leasing market, however, has escaped any negative impact from COVID-19 and related orders so far. There is no reason to believe that demand for cellular data or broadcasting from towers will decrease in the foreseeable future. A tower owner that operates in various states in the US recently said, "tower leasing transactions and construction have continued without interruption. The only delays we've seen is in the zoning, permitting and governmental approvals process since many zoning departments are still trying to figure out how to effectively implement virtual public hearings and meetings."

The reasons the tower leasing market has remained unaffected are 1) the demand for cellular wireless service has only increased since mid-March, 2) there are no social distancing or pandemic-related concerns for leased tower premises, 3) the ongoing rollout of 5G technology continues to draft demand for tower space and 4) communications services – broadcasting and telecom – generally are treated as essential under the various stay-at-home orders, so construction and other tower-related activities have not stopped or been delayed.

Most towers and tower-related equipment are designed to operate without any physical presence at the tower sites. Providers do have employees or contractors that perform monthly or quarterly visits to each tower site, but those visits are often unnecessary for operations and the employee/contractor frequently spends much of the visit simply trimming the grass and landscaping around the base of the tower.

In addition to cellular wireless providers, television and radio broadcasters occupy towers across the country. Reports are coming in that there is a significant increase in the average amount of television customers are watching – anywhere from 35% to 60% – since mid-March. Truly, many people enduring social distancing and self-quarantine have changed their viewing habits and now, more than ever, feel that access to internet and television services are almost as important as access to food, shelter, water and electricity. For many, the ability to connect via text, social media, video conferencing and to be entertained by television programming has become so important that they may decide to pay their telecom provider bill ahead of rent and other bills.

It may be important to distinguish between the demand for traditional cable television services and the demand for TV and radio broadcasts from tower premises. Traditional cable television services have seen an overall trend of decreased demand caused by the increased availability of streaming services. This decline in demand started long before the COVID-19 pandemic. In the long

term, the expectation is that demand for TV broadcasts from tower premises (being a very small percentage of overall TV demand) is likely to decrease with the overall decrease in demand for cable TV. In the short term, however, demand for TV broadcasts from tower premises is not expected to decrease.

With consistent income from customers expected to continue in the short term, it is not surprising that tower tenants have continued to pay rent to tower landlords, and there is no reason to believe that will change throughout the period of governmental orders due to the COVID-19 pandemic.

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