

What Does the Nashville Bombing Say About the Future of Downtown CRE?



Dec 30, 2020 by Marc Rapport

The bomb that tore through a downtown Nashville, Tennessee, street last week was a suicide attack of yet-unclear motives but may have been directed toward an **AT&T** (NYSE: T) transmission building.

Given the timing -- the RV exploded around 6:30 a.m. outside that building on Christmas morning -- it seems that Anthony Warner was not out to kill people as much as send some kind of conspiracy-flavored message, perhaps about the dangers of 5G or voter machine fraud, some reports say.

The only death was his own, according to authorities, but what Warner *did* accomplish was severe damage to dozens of buildings housing vulnerable residents and businesses trying to hang on through the pandemic, as well as disrupt vital telecommunications services across several states.

How does this act of domestic terrorism -- which by strict definition this hasn't been labeled, but I don't know what else you could call it -- affect attitudes toward doing business in central cities, and what does it say about our resiliency to withstand attacks on critical infrastructure?

We talked to three stakeholders in the commercial real estate (CRE) business with different perspectives on those questions: a Nashville real estate broker, a New Jersey-based corporate site selector, and a Cleveland-based attorney. Here's some of what they had to say.

Tyler Forte, Felix Homes, Nashville

Tyler Forte is a young entrepreneur who moved from New York City to Nashville to launch in 2018 a real estate brokerage called Felix Homes in that red-hot central Tennessee market.

Forte says such threats are a fact of life for CRE investors, and he sees a greater problem in civic unrest, adding: "I think a bigger threat stems from the protests and loitering we've seen this year in downtown areas. Retail landlords should be more worried about protestors breaking windows and stealing inventory compared to a statistically improbable terrorist attack."

Forte says he was without phone and internet for two days, and while he credits AT&T and the community itself for responding with resiliency, individuals and businesses felt the impact:

Folks working from home were without service, and many businesses had to shut down until service was restored. Even local Walmart (NYSE: WMT) stores were only accepting cash, as their point-of-sale systems were down. As a society moving toward working from home, there needs to be redundancy for rare events like this....Less than a week later, it's business as usual here in Nashville. But it's frightening, as more of our devices become connected to the internet, how reliant we are on this vital infrastructure.

John Boyd, The Boyd Co., Princeton, New Jersey

John Boyd is principal of The Boyd Co., a site selection consultancy that works with major corporate clients, which Boyd says has been very active in Nashville for five decades.

His take: "This isn't any kind of death knell for Nashville. But it is another arrow in the quiver for the economic development community to point to the unique vulnerabilities of being in big cities."

Also in that quiver are concerns about social unrest, pandemics now and in the future, and the cost of doing business in cities in general. Boyd says a 34% property tax increase just passed this year by Davidson County, which includes Nashville, is a prime example.

Boyd says his company just helped a prominent maker of personal protective equipment (PPE) relocate to Nashville, a move facilitated by relatively low property and labor costs. And it's not just happening in big cities. Boyd adds, "We're seeing clients circle back to us to look at places like Topeka, Kansas, and Columbia, Missouri."

But it's not because of concern about crazed, random bombers. Boyd explains, "The cost of living and doing business in center cities is prompting a massive transfer of wealth and population to the suburbs and well beyond that, especially now that so many people can and do work from home."

Alan Rosca, Goldman Scarlato & Penny, Beachwood, Ohio

Alan Rosca is an attorney in the suburban Cleveland office of Goldman, Scarlato & Penny who works with CRE investors across the country. He says his practice focuses on traded and non-traded real estate investments, primarily real estate investment trusts (REITs).

Rosca says the possibility that the Nashville bomber might have been targeting 5G networks points makes it hard to argue "that this bombing is indicative of increased risks for downtown commercial properties."

He also points to how rare such incidents are and that suburban CRE could be considered at even higher risk because it's more difficult to patrol as frequently as densely packed downtown areas.

But Rosca adds: "There might be an increased risk for downtown properties, compared to suburban ones, in view of certain features accompanying such properties, such as increased foot traffic on sidewalks, higher density of adjacent buildings, retail properties at street level, and typically closer proximity to the street. All these factors could create additional targets for someone intent on inflicting disruption, terror, or worse."

Meanwhile, the disruption to communications points to another tough nut to crack for property owners and managers, especially since their tenants typically get those services directly from providers, rather than through their landlords.

Rosca says: "For tenants such as office businesses and retailers, a fairly quick and easy fix would be having a backup internet service that could be instantly activated if the main provider goes down. On the other hand, when it comes to power or water outages, these are certainly utilities that are typically the landlord's responsibility, and landlords ought to have backups in place, particularly when it comes to power generators."

The Millionacres bottom line

As Rosca points out, viewed as a test of our communal communications systems: "This was a test that was certainly failed. Hopefully, this will be used as a teaching moment to prepare for more serious events that could cause far more extensive and long-term disruption."

Those events could be anything from terrorist attacks with clearly stated motives to earthquakes and hurricanes. And there will be more. Cost-cutting that leaves us vulnerable to the next "big one" and the "big one" after that is a poor investment in the long run.

"At a broader level, recent events ranging from this bombing to the reported hacking of every other major government and corporate entity demonstrate that our country needs to have a serious -- and not politicized -- discussion about the need to seriously harden our online and offline vital infrastructure," Rosca says.

I agree. After all, it's coming out now that the police were, indeed, informed in 2019 about Warner's bomb-making proclivities. They couldn't do much about it at the time. Investing in preparedness and hardening goes much further.