

TYPES NOT MAPPED YET November 07, 2023 | TTR not mapped yet | Katharine Battaia Clark

Commercial Real Estate Woes: WeWork'd its way into bankruptcy



As reported by multiple news media outlets, WeWork sought bankruptcy court protection on November 6, 2023, in New Jersey while it reorganizes its debts. One of the driving forces of the bankruptcy is disclosed to be its heavy commercial lease burden, with roughly 69 of its leases on the immediate chopping block.

Rising interest rates and hybrid work policies post-pandemic present a challenge for the commercial lease sector. WeWork's filing is emblematic of what can happen when those existing conditions meet questionable management practices and other variables (such as portfolios with relatively high lease rates).

The fallout for landlords and their lenders and the impact on commercial rental occupancy in general from a bankruptcy of this size will be impactful. Affected landlords and their lenders will want to follow the case closely to determine what is happening or likely to happen to their leases and when. The case appears to be fast-moving, which means the need for action by landlords may come quickly, especially for those unfamiliar with a modern, complex bankruptcy matter.

To what extent this case ultimately has long-lasting impacts, of course, remains to be seen. However, both commercial real estate market participants and bankruptcy practitioners would be wise to follow the WeWork case, as it is post-pandemic and lease-heavy, and may influence whether and how other, similar cases enter chapter 11 protection.

On Tuesday, WeWork filed a motion to reject approximately 69 active leases, 40 of which are in New York. The company also said it is in active negotiations with more than 400 landlords to amend existing leases.

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