

## Survey: Smallest businesses face a looming rent crisis

Small businesses across the nation have been battered by the COVID-19 crisis, but the smallest businesses that typically have fewer resources than their larger peers have faced even greater setbacks. In order to better understand how the smallest and most vulnerable businesses have been impacted by the pandemic, a new survey examines how they fared compared to their larger small business peers based on key indicators. The survey reveals that microbusinesses are facing particular financial challenges, and a commercial rent crisis may be on the horizon.

The survey, conducted in partnership with Start Small Think Big, surveyed more than 1,300 small business owners nationwide at the beginning of 2021. For the purpose of this report, “smaller firms” means businesses with less than \$100,000 in revenue and “larger firms” means businesses with more than \$100,000 in revenue. More than a third of respondents were California small business owners.

More than half of those surveyed (52%) have less than \$100,000 in revenue and five or fewer employees. The survey sample also comprised a large share of woman-owned businesses (roughly two-thirds of respondents) and minority-owned businesses (54%), providing important insights from small business populations that have historically faced systemic barriers to accessing capital and resources. Black-owned firms comprised 41% of smaller firms, compared to 15% of larger firms. Meanwhile, white-owned firms made up half of larger firms and just a quarter of smaller firms.

The survey found that most small businesses (78%) that rent or own their business space say they are struggling with their rent. Importantly, **nearly half (46%) of businesses with under \$100,000 in revenue with commercial space are one or more months behind on rent, compared to 36% of larger firms.** Overall, 1 in 4 of those with rent or mortgage obligations are three or more months behind on payments. One in six small businesses plan to exit their mortgage or lease in the coming year.

This may be a looming crisis for small businesses, particularly for the smallest firms. The Federal Reserve, in a report to Congress in February, warned that high commercial real estate prices and an increase in business debt during the pandemic could lead to a wave of commercial foreclosures and evictions. Some local jurisdictions have acted to help struggling businesses; however, there is no federal moratorium to protect small businesses that are still struggling to pay their rent or mortgage due to continued losses in revenue.

In addition to struggles with rent, small businesses are facing significant financial setbacks. At the time the survey was fielded, nearly 1 in 5 reported their business was temporarily closed, and 62% reported their revenues had declined in the past month. While all businesses of any size reported similar rates of closing at some point during the pandemic, a higher percentage of smaller businesses (68%) reported they closed for more than three months compared to larger businesses (52%). Looking ahead, an astonishing 56% of all firms said that they expect they can only survive three months or less without additional funding or market changes. Entrepreneurs of color and smaller businesses were also more likely to say they would survive less than three months without additional capital relief.

The survey also sheds an important light on how the smallest businesses and those owned by people of color have accessed federal relief, underscoring why many are struggling to pay their bills and keep their doors open. Just more than half of small businesses with under \$100,000 in revenues (54%) had been able to receive funding of *any* kind, compared to 90% of larger small businesses. Smaller businesses owned by white business owners were more likely to obtain funding (61%), compared to Black (51%) and Latino-owned businesses (50%). Overall, just half of all respondents had received a Paycheck Protection Program (PPP) loan.

As this survey revealed, the smallest businesses and those owned by people of color have faced greater challenges in the past year compared to their larger counterparts that may have been better positioned to withstand a crisis. In order to prevent a new wave of closures among microbusinesses, policymakers must examine ways to provide rent and mortgage relief and additional capital into the hands of these entrepreneurs.

## Methodology

This survey reflects the opinions of 1,339 small business owners from Small Business Majority and Start Small Think Big's networks. The survey was fielded over a three-month period between November 2020 and January 2021. Fifty-seven percent are owned by people of color and nearly two-thirds are women.

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	Black	AAPI	Latino	White	Total
<b>1. Race</b>					
African or African American .....	100%	0%	0%	0%	29%
Asian, Asian American or Pacific Islander .....	0%	100%	0%	0%	9%
Latinx, Hispanic or Spanish Origin .....	0%	0%	100%	0%	15%
Middle Eastern or North African .....	0%	0%	0%	0%	1%
Prefer not to answer.....	0%	0%	0%	0%	6%
Some other race, ethnicity or origin .....	0%	0%	0%	0%	3%
White or Caucasian.....	0%	0%	0%	100%	37%
<b>2. What is your gender?</b>					
Female .....	71%	64%	65%	63%	65%
Male .....	27%	33%	33%	36%	32%
<b>3. What is your industry?</b>					
Agriculture .....	0%	0%	0%	1%	0%
Arts and entertainment.....	8%	8%	7%	9%	8%
Construction .....	5%	1%	4%	3%	4%
Education/childcare .....	8%	9%	8%	5%	7%
Healthcare .....	7%	6%	4%	6%	6%
Information technology .....	2%	0%	1%	1%	1%
Manufacturing .....	1%	4%	3%	4%	3%
Personal services (hair dressing, home cleaning, etc.).....	17%	15%	19%	14%	16%
Professional services (consulting, accounting, real estate, legal services, etc.) ...	24%	14%	21%	25%	23%
Restaurant or food service .....	13%	29%	18%	14%	16%
Retail.....	16%	13%	12%	14%	14%
Wholesale trade .....	1%	1%	2%	2%	2%
<b>4. Annual business revenue</b>					
Less than \$50,000 .....	62%	32%	39%	24%	40%
\$100,000 - \$249,999.....	14%	20%	13%	19%	16%
\$250,000 - \$499,999 .....	5%	13%	11%	13%	10%
\$50,000 - \$99,999.....	13%	12%	16%	12%	13%
\$500,000 - \$999,999 .....	2%	12%	7%	11%	8%
Over \$1 million .....	2%	8%	12%	19%	11%
I was not operating in 2019 .....	1%	1%	1%	1%	1%

<b>5. Is your business currently operating?</b>					
No, my business is closed permanently .....	1%	2%	2%	1%	1%
No, my business is closed temporarily.....	17%	15%	22%	19%	19%
Yes, my business is operating .....	82%	83%	75%	80%	79%
<b>6. Number of fulltime and parttime employees</b>					
0 .....	48%	25%	35%	19%	31%
1-5 .....	37%	51%	40%	44%	42%
6-10 .....	8%	12%	10%	15%	12%
11-15 .....	3%	4%	4%	7%	5%
16-25 .....	2%	5%	5%	9%	5%
26-50.....	1%	2%	4%	4%	3%
51-100 .....	0%	1%	1%	1%	1%
Greater than 100 .....	1%	0%	0%	1%	1%
<b>7. In the past month, have revenues increased, decreased or remained flat compared to the prior month?</b>					
Decreased.....	57%	61%	62%	65%	62%
Don't know.....	2%	4%	2%	1%	2%
Increased .....	10%	11%	10%	9%	9%
Remained flat.....	30%	22%	22%	24%	25%
<b>8. Since the beginning of the pandemic, have revenues increased, decreased or remained flat compared to the prior month?</b>					
Decreased.....	67%	74%	71%	82%	76%
Don't know.....	4%	5%	7%	3%	4%
Increased .....	11%	5%	9%	5%	7%
Remained flat.....	16%	13%	11%	8%	11%
<b>9. Since the pandemic, have you temporarily closed your business</b>					
No .....	38%	41%	39%	32%	35%
Yes.....	61%	57%	60%	67%	63%
<b>10. Do you rent or own your own commercial space?</b>					
No .....	49%	34%	41%	33%	40%
Yes.....	49%	63%	58%	65%	58%
<b>11. Are you struggling with your commercial rent or mortgage? (asked of those who rent or own)</b>					
No .....	21%	18%	18%	22%	21%
Yes.....	78%	81%	82%	77%	78%
<b>12. How far behind are you on your rent or mortgage?</b>					
1-2 months .....	17%	21%	24%	12%	16%
3 or more months .....	29%	25%	22%	22%	25%
Don't know.....	4%	6%	8%	6%	6%
Less than one month.....	28%	28%	29%	37%	32%
One or more months behind.....	46%	46%	45%	34%	40%

<b>13. How do you anticipate your commercial space needs changing over the next year?</b>					
Reduce my commercial space .....	10%	15%	11%	14%	12%
Relocate .....	21%	19%	12%	12%	15%
Exit my lease/mortgage .....	14%	28%	15%	17%	17%
Acquire new space .....	23%	11%	15%	7%	13%
Stay the same .....	35%	35%	44%	45%	41%
Don't know.....	34%	28%	30%	30%	31%
<b>14. Did your business receive a PPP loan?</b>					
No .....	66%	43%	57%	38%	51%
Yes.....	31%	54%	41%	60%	47%
<b>15. Have you obtained capital (grants, loans or equity investments) from other sources since the pandemic began? (Select all that apply)</b>					
EIDL .....	32%	44%	35%	49%	40%
Crowdfunding.....	3%	3%	2%	3%	3%
State or local government grant or loan program .....	14%	16%	16%	23%	18%
Loan from a major or community bank.....	1%	4%	2%	2%	2%
Loan from a nonprofit lending institution.....	2%	5%	2%	3%	3%
Loan from an online lender .....	1%	1%	2%	1%	1%
Equity investment.....	1%	1%	0%	3%	2%
None.....	46%	30%	40%	31%	37%
<b>16. How many months can your business survive now without additional funding/ market changes?</b>					
1-3 months .....	38%	45%	42%	41%	40%
4-6 months.....	24%	25%	25%	26%	25%
7-12 months .....	9%	8%	7%	8%	9%
I don't need additional funding or changes for my business to survive.....	6%	5%	5%	6%	6%
I have already closed my business permanently .....	1%	1%	0%	1%	1%
Less than one month.....	20%	13%	15%	14%	16%
Three months or less.....	58%	58%	57%	55%	56%
<b>17. In what ways have you changed or adapted your business since the pandemic began? (Select all that apply)</b>					
Added new products or services .....	49%	38%	40%	40%	42%
Changed my product or service offering entirely .....	18%	16%	21%	14%	17%
Established or grew my online presence.....	48%	39%	41%	37%	41%
Increased my online sales .....	19%	27%	23%	18%	20%
Leveraged new customer acquisition channels .....	17%	17%	16%	15%	16%
Changed my business model.....	32%	35%	26%	27%	29%