



VIRTUAL ROUNDTABLE DISCUSSION – APRIL 3, 2020

COVID-19 Impacts and the Economic Response

Introduction

VHB hosted a Virtual Roundtable Discussion on April 3rd regarding the impacts of COVID-19. Industry leaders represented included developers, architects, engineers, and consultants from transportation, energy, real estate, higher education, manufacturing, and technology sectors.

The session provided opportunity to share multiple perspectives to develop a clearer vision of our potential future. The below provides a summary of challenges, concerns, ideas, and creative thinking that came about during our conversation.

Summary

Uncertainty was top of everyone's mind, as the U.S. workforce is mostly comprised of employees who have never experienced a pandemic. **To that end, participants discussed being focused on people first:** how to keep employees safe at home or at their workplace; how to keep them incentivized to work; and how to continue to support clients. We all need to retain our best employees to hit the ground running when the economy starts back up.

To maintain the connectedness with teams and partners, communications from leaders have ramped up in frequency to both internal and external audiences. **Participants said over-communication is key.** We have all been thrust into remote environments whether ready or not. For the most part, remote work is going well across participant sectors, however some organizations are still working on trying to get appropriate technology put in place.

Several participants cited the **creation of strategic planning response groups and tightening finances**, asking senior staff to reduce salaries in lieu of and/or to lessen staff reduction.

Uncertainty outside the office is where efforts seem to be focused now. **Participants and their organizations are doing their best to keep projects moving and to be “shovel ready”, while closely monitoring current and future stimulus packages and federal funding.** Staying close to clients, customers, and partners has never been more important. Still, the overwhelming sentiment was looking at obstacles as opportunities.

For instance, transit has seen a huge drop in ridership, but there could be opportunity to advance State of Good Repair (SOGR) projects, while systems are running on reduced schedules. Additionally, the Real Estate market is a real challenge considering tenant closures, but this could lead to opportunities with new tenants.

The consensus among roundtable participants is we will most likely see lasting technological changes in how we live, work and play. The pandemic is accelerating use and adoption of technology, further promoting a digital world.

Discussion One: Most Likely Scenario

Participants were asked to consider the impacts of COVID-19 by answering four key questions:

- » How will the impacts be felt in your sector?
- » Are you currently feeling impacts?
- » Does it vary by region / location?
- » Do you expect impacts to worsen? When?

Insights, grouped by sector, include the following:

Manufacturing and Industrial

China experienced initial extended shutdowns, then felt the ripple effects in other locations, but they are back in operation. Overseas manufacturers are offering incentives to employees. Safety is important and some organizations are conducting temperature checks in all factories and have renewed efforts to sanitize plants.

Oil and gas companies are seeing global energy impacts. International offices are experiencing a reduction in backlog, most likely a precursor to what will follow in the U.S.

An immediate focus is understanding the CARES Act and Stabilization Fund, and the industries that are not included—travel, advertising, and restaurants, for example. What will a fourth stimulus bill look like? Will we have funding for infrastructure improvements?

Participants do not expect future stimulus bills to happen as quickly as the first.

Institutions and Higher Education

Government agency and municipal clients are adjusting slowly to remote work, which is causing project bottlenecks. Healthcare projects will slow as hospitals and patients delay elective surgeries.

Most colleges and universities have been evacuated for close to a month, which generally happened in stages—first students, then employees. Remote learning and working are ongoing. We saw universities with healthcare systems phase their evacuation approach. For example:

1. Get the population out
2. Get the hospital systems up
3. Convert double-bed to single-bed spaces
4. Build out for emergency back-up

Even research labs at these institutions have been closed, with few exceptions.

Public Sector - Transit and Transportation

From a mass transit perspective, we are seeing a sharp decline in ridership, with participant systems declining near 90%. We are also seeing an overall drop in toll revenue due to a lack of cars on the roads. Transportation clients are looking long-term as their service area has been hit hard by COVID-19 with recovery no earlier than June, best-case scenario.

Will commuter trips into cities and monthly pass usage decrease, long term? The industry will need to rethink our approach to passenger needs.

Bright spots do remain—programs with federal funding continue to advance. Owners are focusing on procurement / proposal writing and getting projects shovel-ready for stimulus.

Private Sector - Retail and Real Estate

With many real estate sectors—like retail—being deemed non-essential, the real estate market has been hit especially hard. Although they are equipped to work remote, there is not much work to advance. Pre-COVID-19 focus was new deals, but that has now shifted to operations. Tenant rental payments are questionable, with some paying, some deferred, and some not paying at all. Who can hold on? Participants from this sector anticipate a long recovery that will play out roughly six to 12 months behind other markets.

Also, important to note, construction and property management are also both down. Operationally, it is a complex time, as many evaluate whether they can continue to safely build. Communications for multi-family and senior housing is challenging. However, digital marketing continues, with virtual tours taking the place of in-person site visits.

The hospitality industry is devastated, experiencing eight to 10% occupancy and staff layoffs. There is a delicate balance between cash flow and rent collection. Participants agree permitting for major projects to get them entitled will continue, while design and construction may pause.

One ray of light in the market is industrial development. The supply chain is important here. Opportunities exist and leases are being signed, but deal points may be renegotiated. Life science clients want lab space.

2 Discussion Two: What does 2021 look like?

Roundtable participants were asked to consider this particular point in time next year:

- » In 2021, has the economy rebounded to pre-COVID-19 levels?
 - » Which sectors will be most robust and which will lag?
 - » Will regions and sectors be able to capitalize on opportunities?
 - » How will they conduct their business?
- Here's what we are thinking about:

Manufacturing and Industrial

Money and politics may be a big focus. Leaders will be considering how to pay for infrastructure and how to get a bill passed. Clients are questioning Exchange Stabilization Fund (ESF) because of restrictions. In 2021, we should expect a big infrastructure package with a lot of back and forth regarding green provisions. Funding could happen as early as summer 2021.

Manufacturing is already a global business with significant travel involved, but we expect virtual meetings are here to stay. Office spaces may be smaller, and safety and sanitation of the workplace and industrial plants will be top of mind.

Public Sector – Transit and Transportation

Different travel opportunities will open as a result of the effects of the pandemic; demand and capacity scenarios for travel are being heavily considered. After the last recession, ridership recovery took five years. A lull in ridership means opportunities to improve elsewhere.

In 2021, we may see organizations invest in and fast-track SOGR projects that they were not able to do previously due to lack of resources and time. An infrastructure bill will determine project priorities.

Significantly, we will invest in what the future of work looks like because the future is here. Will more choose to telecommute when they have a choice? What about travel mode? Expect a big shift from paper to electronic documentation.

Private sector, Retail and Real Estate

This sector is hard hit, but even pre-COVID, we were already seeing retailers' shrinking footprints. This will likely continue. We expect fitness centers to return, but many restaurants and retail to shutter. However, available space means new markets can enter.

Will there be a shift to the suburbs? Will there be less of a need for office space? Shared space? More space per employee or less? Flexible hours with occupancy per shift?

Participants are interested in how Central Business Districts will react to office and retail changes. We are expecting clients to focus on optimizing space and flexibility. Virtual meetings will impact training, onboarding and travel for employees across most industries.

People enjoy being social, but perhaps will take a step back next year and ask: Do I go to the game or watch it on tv? Do I go into the office or work remote?

Telemedicine and virtual learning will become even more prominent. In retail, the click & collect trend had already begun so those that lagged have had their eyes opened.

Institutions and Higher Education

In the future, perhaps the impacts in education will depend on student age. In the K-12 market, we may see a return to traditional classroom learning. With higher ed, online learning was already in use before COVID-19. Summer sessions for students will be robust online learning environments.

Much depends on how students perceived the virtual experience: Would they choose to learn remotely or are they only participating out of necessity? What did they miss about campus life? We will find out to what extent college and university closures impacted their communities.

Next Steps: Future Discussions

We want to stay connected! VHB will be hosting several virtual roundtable discussions, connecting varying perspectives across geographies. Future question and discussion around this roundtable topic include:

- » What are we learning from Asia and Europe on the recovery?
- » Which localities are likely to be more resilient (recover more quickly)?
- » When do we expect to see more normalized work environments returning?
- » What are we hearing in terms of an infrastructure package?
- » Are there any trends that are starting to emerge?

Have another roundtable idea specific to your market?

Connect with our thought leaders:

- » [Steve McElligott](#) - Transportation Market
- » [Steve Thomas](#) - Real Estate Market
- » [David McIntyre](#) - Institutions Market
- » [Kris Dramby](#) - Energy Market
- » [Nancy Barker](#) - Federal Market
- » [Steve Anderson](#) - Technology
- » [Glen Kirkpatrick](#) - Manufacturing & Industrial