



VIRTUAL ROUNDTABLE DISCUSSION – APRIL 24, 2020

COVID-19 Impacts and the Economic Response, Session 2

Conference Board Scenario Recap and Participant Update

In the two weeks since our Virtual Roundtable executives last gathered on April 3rd, **an unprecedented amount of fiscal relief was pumped into the economy. But social distancing measures continue to vary across state lines, and the federal stimulus package only reached parts of the U.S.** Across the globe in China, work has changed. At home, in Europe, and in less-developed parts of the world still suffering, much remains the same. In the U.S., a May Quick Reboot Scenario and Summer V-Shape Scenario proposed by [The Conference Board](#) are unlikely. **Based on the economic impact so far, it seems a Fall U-Shape Scenario with a slower recovery is the most realistic, as it gives businesses time to recover.** That is, assuming social distancing works and we flatten the curve. The Conference Board added a somber Fall Resurgence W-Shaped Scenario to account for a tough season of controlling the virus spread, which would not bode well for the U.S. In VHB's second Virtual Roundtable, participants reported various ways their industries are being tested, and how they plan to anticipate and embrace change.

U.S. and International Recovery to Date

[The McKinsey Group](#) is predicting a rolling recovery by region. States in the Southeast are not feeling the pain as strong as the Northeast. States reliant on consumer spending and discretionary spending will struggle. Some analysts predict U.S. unemployment to be at 15 percent by May and could drop dramatically in the following months. Businesses are realizing the federal government did not pass a stimulus bill so much as a lifeline bill. How long will the industry be able to hang on?

Many expect the next stimulus bill to be more politically laborious, with division amongst political parties continually emerging. The current [CARES Act](#) placed significant money and relief to local government and their response to the pandemic. Many are fighting for the next round of stimulus dollars to provide more direct funding to cities and

states, with many governors requesting significant stimulus funding as well as flexibility in spending for general budgetary demands and needs versus just COVID-19 response, helping to get the economy back on track. Expensive items will likely make their way in because the infrastructure piece was not realized in the first bill. Broadband access may have bipartisan support and many expect additional funds for roads and bridges. The next package may also include tax incentives for manufacturing to be brought back home. Vote by mail funding will be a fight. Politically divisive issues could crowd out infrastructure needs.

The virus will alter the way we work and participants agreed that social distancing measures will continue for some time, until a vaccine is found. There is a potential for gateway cities—mid-size, urban cities across the U.S. that serve as economic anchors and hubs to surrounding cities and regions—to see a renewal as people move away from crowded, major city centers.

Consider the dilemma many may face working in an urban city in a significantly large, multi-story office building. With continued social distancing measures in place, will the elevator now pose a time management and commuting dilemma? We will now need to consider time and safety measures for what used to be a simple elevator ride to an office.

If employees continue the work-from-home trend en masse, how will corporate culture thrive? **With a vaccine likely a year out, consider the health and safety liability issues the pandemic will continue to place on businesses as employees return to work.** When should they return to work? And how does this impact corporate culture and employee engagement? Will the government lay out clear guidelines on reasonable accommodations? What technological changes are worthy investments to retain resiliency? Finally, we cannot underestimate the collective trauma an incident like COVID-19 poses on people and their families. **The human toll will likely have unforeseen repercussions.** Smart companies will need to continue to keep their finger on the pulse of the workforce. What's next for maintaining company culture and employee engagement with a significant remote workforce?

Roundtable participants further shared intriguing thoughts and perspective, which are detailed below by sector.

MANUFACTURING

Parts of Asia are now recovering. As of mid-April, **despite being hit hard in China, operations that shut down for weeks are up and running now**, with strict government guidance on controls and cleaning. Companies that tackle workplace safety head on with transparency can instill employee satisfaction. Nonessential workers in China can return, but employers are cautious and taking it slow. The move to virtual office will be the norm for at least the year in parts of Asia, if not permanently, for many people. Business travel is nonessential, and overseas organizations are ready to travel differently, hire differently, and work from home. Look to keeping supply chains close to manufacturers as an important focus.

AEC INDUSTRY

Business software companies saw demand for product come in waves of forced usage due to moving from office to virtual work-from-home or work standstill, based on where the virus was hitting hard globally. It is likely working in the cloud will be the norm for the AEC world (and most industries in general) from this point on, especially for the slow adopters. We expect demand for design work to rethink office, urban, hospitality, and retail for social distancing. It will be a new line of business.

ENERGY, RENEWABLES, OIL & GAS

From a regulatory standpoint, things are moving forward, but expect change with boots-on-the-ground business. Federal Energy Regulatory Commission (FERC) was well-prepared to work remotely and is ready to process applications. Natural gas industry is proceeding at pace. Oil drilling dropped off and when it starts back up, rigs may be less efficient due to social distancing. States are still trying to put standards in place for renewables, and the industry is on track to meet them, but will have similar social distancing jobsite concerns.

Oil will lean more toward exports. Participants expect a slowdown on the receiving end due to COVID-19 concerns from abroad, and the ripple effect on the supply chain. Pricing is influenced by drilling drop-off and the storage problem. This should dissipate and oil will return, to some degree. Banks are preparing for significant disruptions. The U.S. does not have a national oil company like some countries (such as China and Russia) so our response will be felt differently across state lines. Companies and lobbyists are vying to get interests included in legislation going through Congress, which could cause delays.

TRANSPORTATION

Many questions remain unanswered. Will there be a fundamental realignment of travel? Movement away from density? Will public transit be hit hard due to social distancing?

Tracking movement around the system has somewhat fallen by the wayside, but the big data is there to be studied. Transit has declined more than general travel. Transportation industry's current focus has moved from urban centers to medical facilities and retail centers, where not as many resources exist because they were not previously so important.

Transportation is operations-focused now. Labor shortages are real; frontline workers were hard hit. Projects with rolling deadlines are still on track. The maintenance backlog can move forward. Subway and bus transit are down 80 to 90 percent in Northeast urban areas. What will shared mobility look like in three months? Six months? The rebound could be years. The industry will look outside itself to help determine how to respond. It is possible that cars will pick-up faster than transit. Participants noted agencies will likely be looking towards capital investment plans focusing on the first year, primarily maintenance and not new projects, due to impact on other revenue sources.

Safety is a big concern now on sites. New construction guidelines present a learning curve.

REAL ESTATE DEVELOPMENT

While the real estate sector has been hit hard, particularly hospitality and retail, no one is going through “fire sale” concepts yet. Smaller, independently owned operations are receiving critical stimulus monies, helping to keep them afloat for the time being. **Of note is concern that employees will not return because their unemployment benefits are better under the paycheck protection program.** Many retail establishments may have future workforce challenges, competing to bring employees back.

Developers are seeing a pause as tenants wait to see what a COVID-19 discount might look like. The right product type will have access to equity, but the new retail mix remains to be seen. Zoning pre-pandemic was already a hurdle and may not be a barrier in the future. Regional malls could become fulfillment centers. Employers may disperse to local offices due to social distance concerns in high rise office towers. There is a need to have a very specific plan and protocols for what work looks like to elicit employee confidence

HIGHER EDUCATION

Universities have reason to be cautious due to large populations of students. Many are trending toward a delayed or online fall semester, but have not made formal announcements yet. Economically, the vast majority of universities are suffering due to research and travel being put on hold, and delayed graduate student decisions. However, universities with major health systems are different than others, as the academic side tends to take a hit to support the healthcare side. **Capital projects and discussions about renovation are not part of the conversation yet.**

Next Steps: Future Discussions

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

- » What U.S. operations are opening first? What can we learn from their protocols?
- » Are subsequent federal stimulus bills adequately responding to industry need?
- » Where are pockets of the new normal starting to emerge and what does it look like for your industry?

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