



# COVID BUSINESS OUTLOOK

January 08, 2021

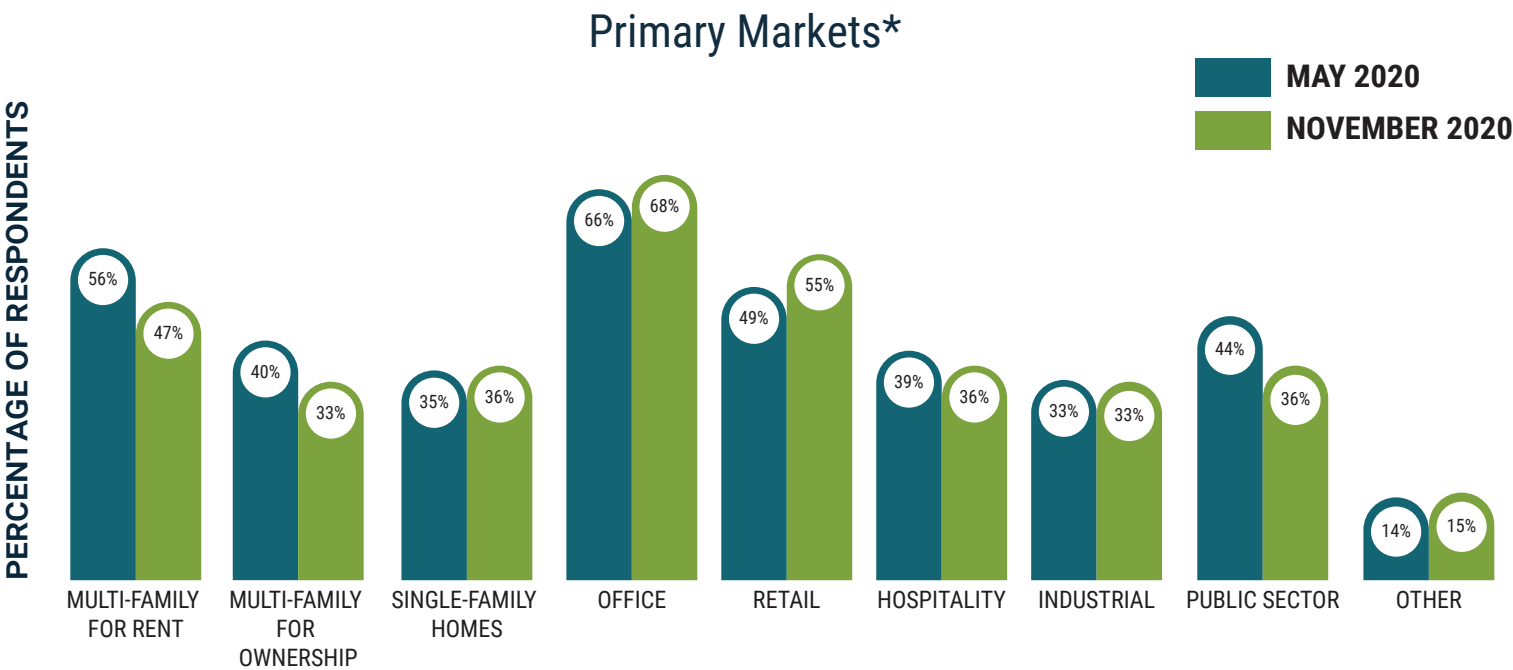
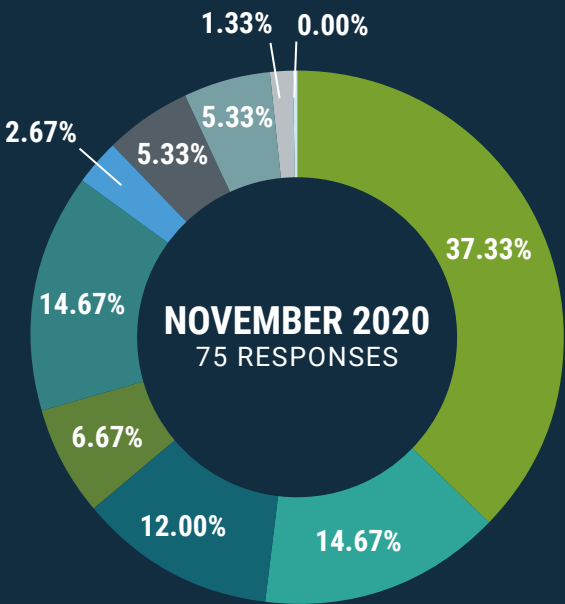
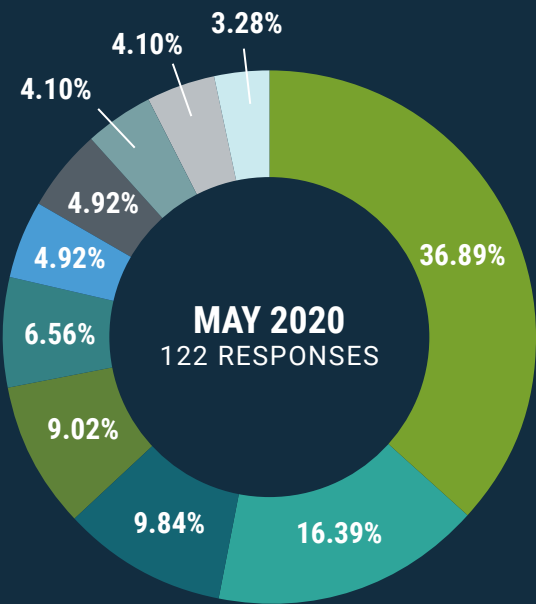
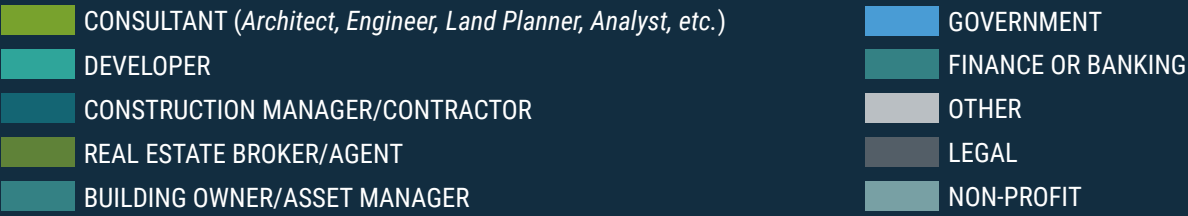
ULI Austin conducted a survey from May 8 to May 22, 2020 to determine the impact of COVID-19 within the greater Austin real estate business community. We re-conducted this survey from November 10 to December 4, 2020 to compare results.

75 participants submitted comments to the survey in November. Common themes involved concerns about their employees' health, worries about commercial office space, especially downtown; and uncertainty about the pandemic's resolution. Concerns also were raised about the impact of less interpersonal communication—inside companies, with current and potential business partners and clients, and with local government.

Participants cited future opportunities in the industrial and residential sectors, with some calling out Austin's continuing appeal to those relocating from the coasts. Several respondents indicated that the pandemic will expedite new ways of doing business going forward.

# DEMOGRAPHICS

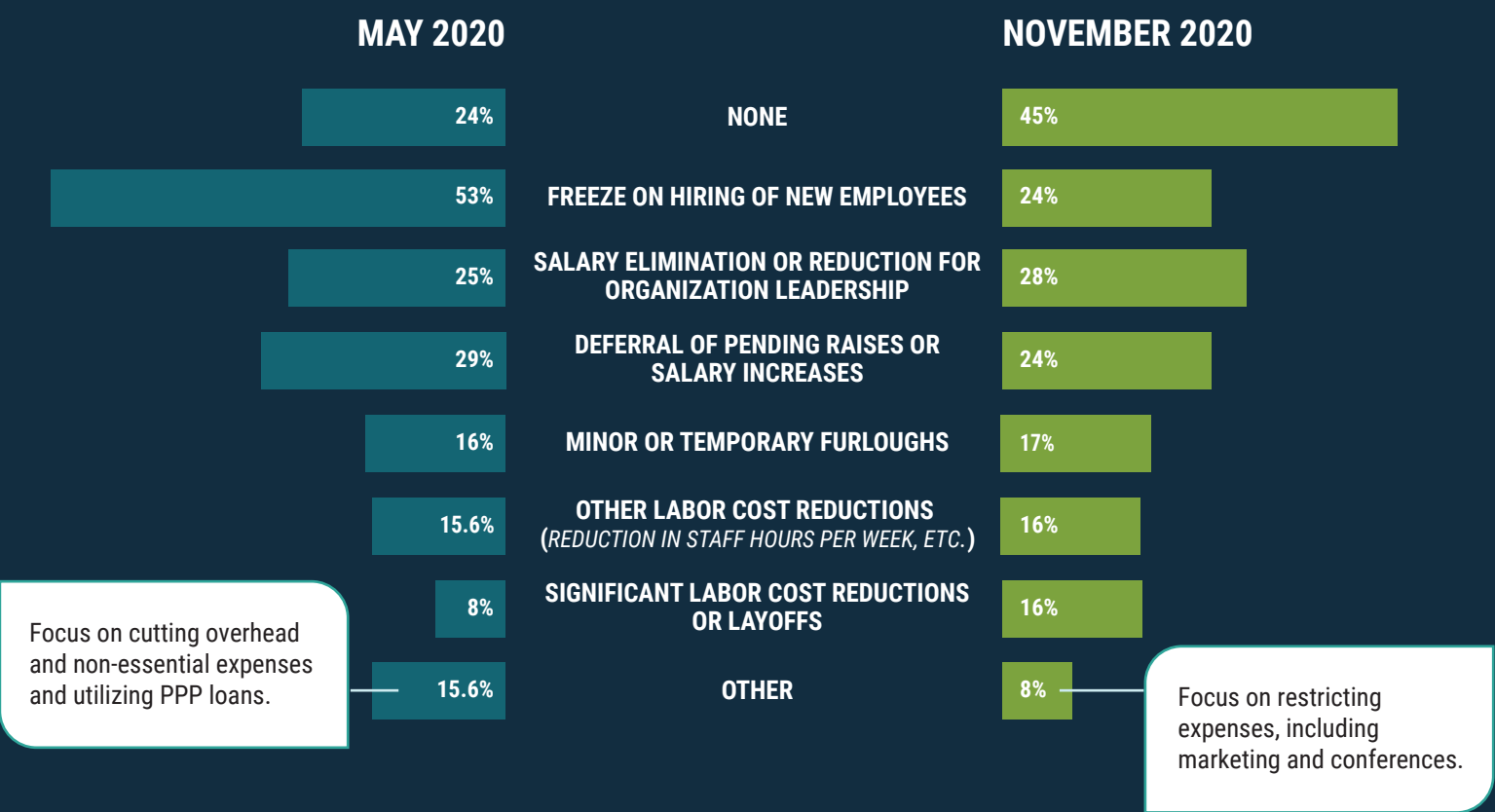
## Business/Industry



\*Respondents could choose more than one market

# CURRENT RESPONSE

## Actions Taken to Limit Financial/Economic Impact\*



\*Respondents could choose more than one action

In May 2020, organizations have had varied responses to limit financial impact with freezing of hiring new employees being a common response.

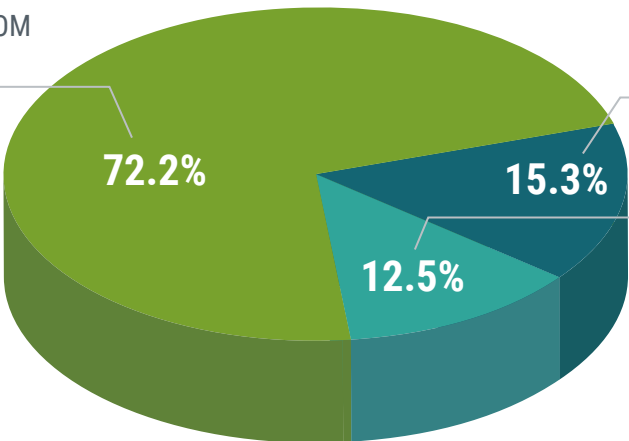
In November 2020, responses are still varied; however, it appears some companies have moved forward with hiring. Yet labor cost reductions and layoffs appear to have accelerated within the past six months. Fortunately, there were no respondents reporting cuts of 50% or more in November, compared to two in May.

## Where Are Employees Working?

A MIXTURE OF WORKING FROM HOME AND IN THE OFFICE

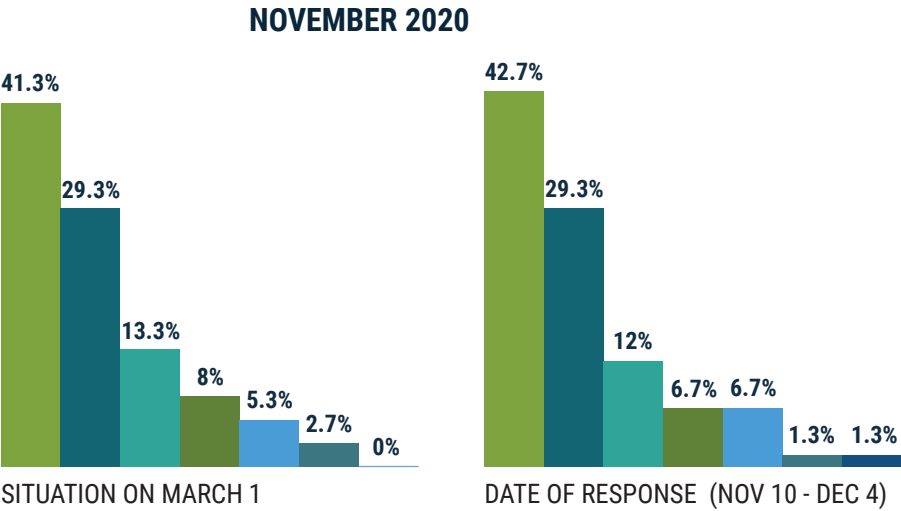
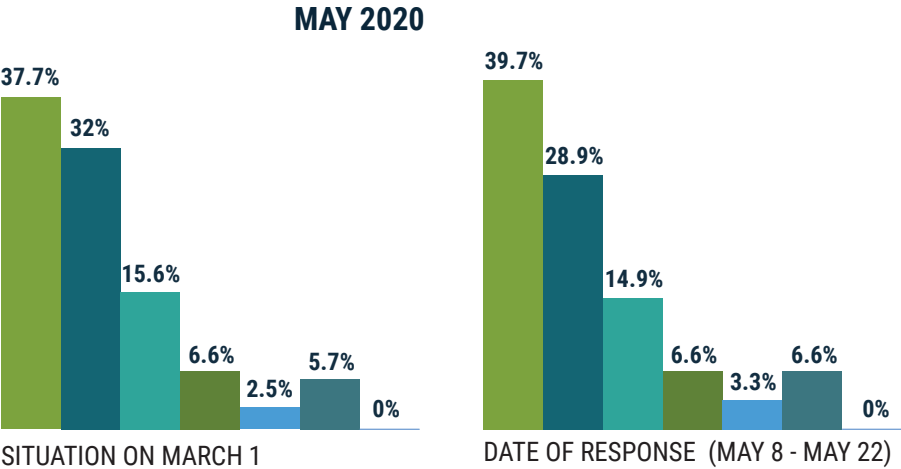
EXCLUSIVELY FROM HOME

EXCLUSIVELY FROM THE OFFICE



# CHANGE IN WORKFORCE

## People Employed Locally Within Organization



**MAY 2020**

- Changes to employment varied, but overall do not appear drastic.
- Of those firms that did have staff reductions, over 85% indicated staff was reduced by 10% or less.
- Nearly 30% of firms have implemented salary reductions or hiring freezes, and about 15% have deferred raises.
- Only about 10% have taken no action in regard to their employees.

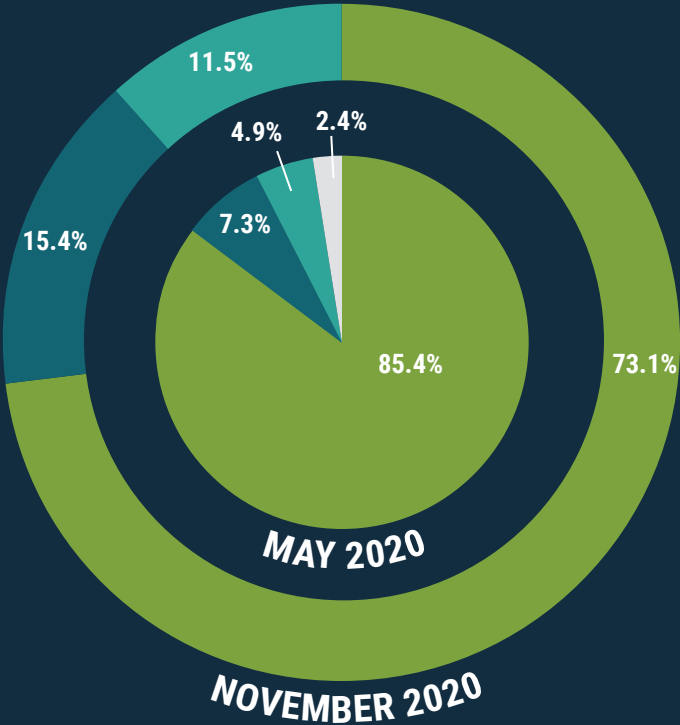
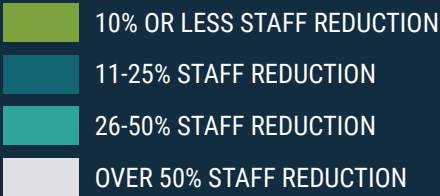
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**NOVEMBER 2020**

- There have been some more dramatic changes in workforce with larger firms being more affected.
- The size of staff reductions seems to have also increased.
- While companies across the market spectrum have taken action to minimize impact, Single Family and Industrial were the least affected.

## Staff Reductions or Extended Furloughs

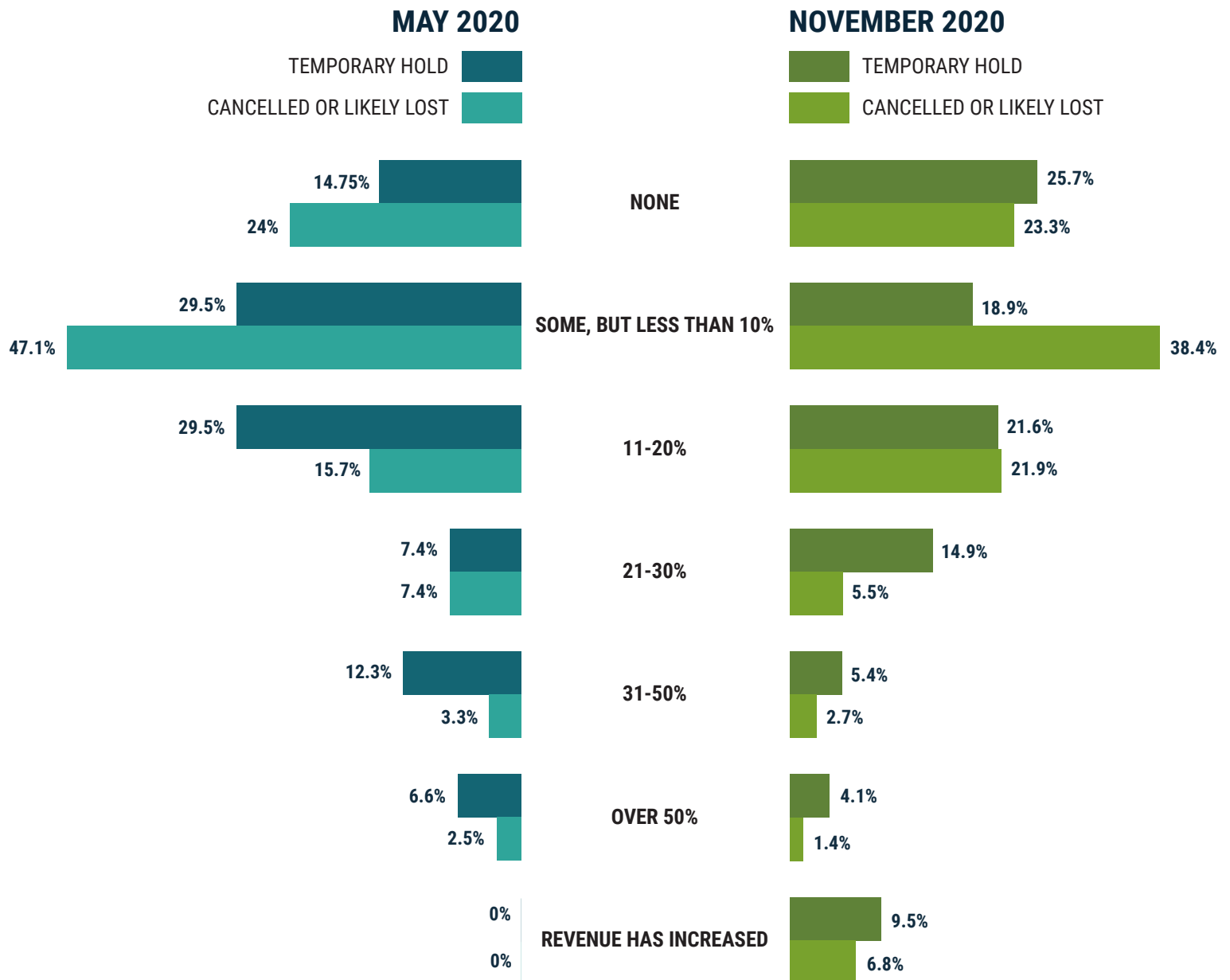
Smaller firms (50 or less) have had the largest reduction in force by organization size and Real Estate Brokers/Agents and Construction Managers/Contractors have experienced the largest impact by organization type.





# REVENUE

## Percentage of Revenue on Temporary Hold or Likely Lost (by volume of total organizational workload)



### MAY 2020

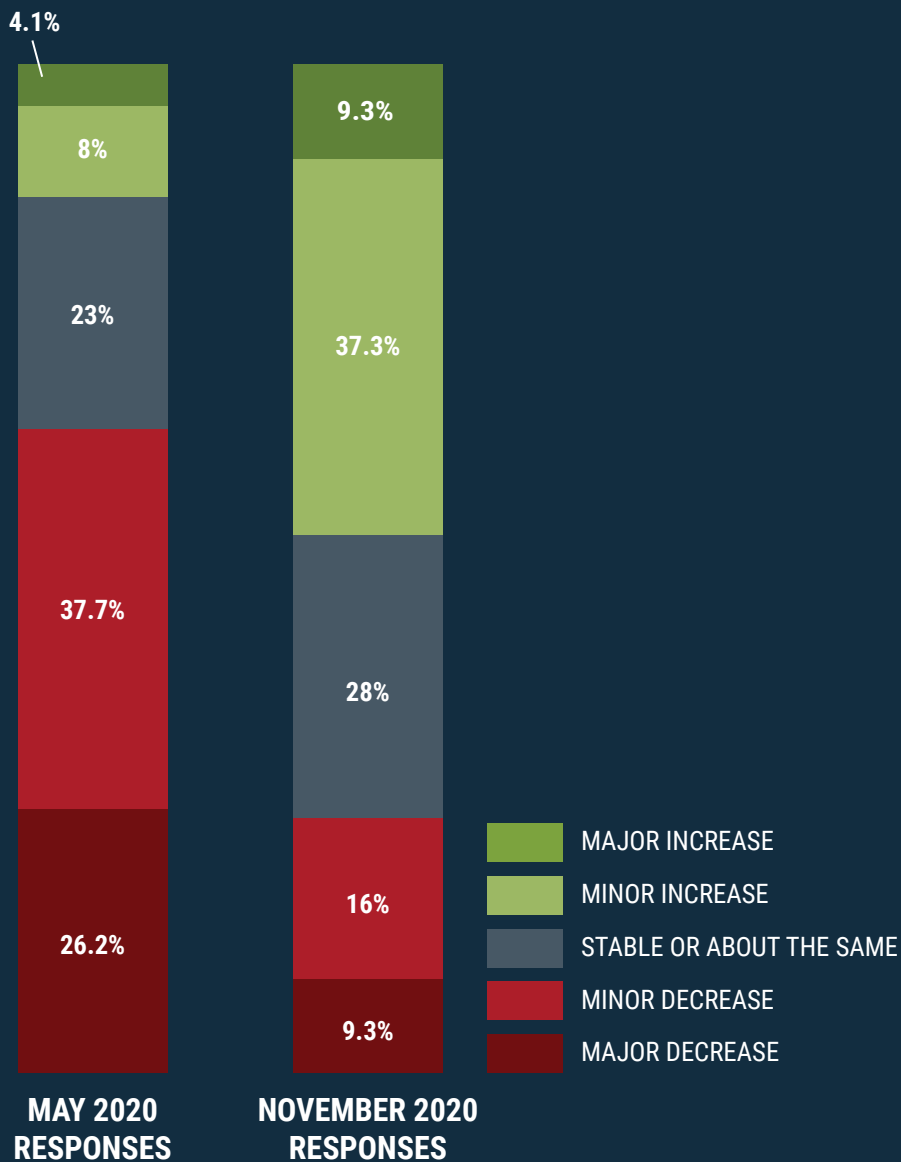
- Between 15-25% indicated that there had been no impact to revenue-generating work so far and it appears that much of the lost business is likely temporary (on hold vs lost).
- Comparing responses by market, Single Family has been the least affected while Industrial, Office, and Multi-family (both ownership and rent) appeared to be more volatile, with more revenue on hold.

### NOVEMBER 2020

- Around 24% indicated that there had been no impact to revenue generating work while 6-10% have even seen an increase in workload. However, the distribution of revenue cancelled or on hold points to the volatility of the market.
- Comparing responses by market, Single Family has had the least affect to revenue. Industrial and Multi-Family for ownership are also strong. Revenue for Office, Retail, and Hospitality are the most affected.

# FUTURE EXPECTATIONS

Revenues/Profitability Over the Next 3 to 6 Months



## In May

- Around 60% of respondents expect some change to business going forward, and about one quarter expect a major impact to revenues and profitability.
- However, about a quarter expect business to remain stable, and 12% expect an increase in business revenue in the next 3 to 6 months.

## In November

- There is a significant shift in optimism (over 45% expecting an increase in revenue) compared to May (over 60% expecting decreases in revenue).
- However, about a quarter expect business to decrease in the next 3 to 6 months.

## Other Insights

### BIGGEST CONCERNS FOR BUSINESS DURING THE COVID-19 CRISIS COMMON RESPONSES:

#### May

- Safety and health of employees
- Length and depth of the downturn effecting capital markets and deal flow
- Government "over-reaction"

#### November

- Health of their team and their families.
- Length of time it will take to recover due to inconsistencies and uncertainty (especially tied to policy)
- Communication within teams and with clients, especially when transitioning to a more hybrid office model.
- Cash flow, especially for those with tenants that might close.

### BIGGEST OPPORTUNITIES FOR BUSINESS AFTER THE COVID-19 CRISIS COMMON RESPONSES:

#### May

- Taking advantage of price corrections to make acquisitions
- Ability to attract talent
- Flexibility and nimbleness, sometimes tied to Working From Home option

#### November

- Openness to new ideas for innovative and alternative ways to move forward.
- Growth in Austin as companies come in from other parts of the country. Specifically growth in industrial and manufacturing.
- Continued growth in Single Family as people move to suburbs and more companies come to Austin.

### CHANGE:

- Understanding the virus more and precautions, decisions can be made with more confidence.
- Instead of considering the pandemic as a short term effect, now understanding that it will be around long term and will have longer effects.



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