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How COVID is impacting America's college towns - by Rob Nahigian

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As COVID-19 continues to disrupt the economy and lives of people around the world, it's presenting yet another challenge as we enter the month of October: A lack of students on college campuses. In towns and cities around the country, local economies rely on the return of students, faculty and staff, and without this substantial consumer base, the consequences can be disruptive at best and catastrophic at worst. And because our economy is so tied together, virtually every area of business is impacted, from transportation and hospitality, to dining and retail. And that affects commercial real estate. But how is the pandemic being experienced by students and staff and how can their first-hand experience help understand what's on the horizon as 2020 comes to a close and we begin a new year? Two people, from two separate college markets, who were directly impacted by closures and lockdowns, share their thoughts.

Kimberly Nahigian, class of 2020, University of Wisconsin-Madison

As a recent graduate of the University of Wisconsin-Madison, I watched the impact of COVID-19 on Wisconsin's capital city between January and July 2020. Judging by the headlines and social media, what I saw was very similar to what was going on across the nation. When COVID hit during March of the spring semester, we quickly had to transition from in-class to remote learning. In the spring, COVID did not seem to hurt the residential market in Madison, as most students signed their lease a year in advance and the market for the most popular apartment buildings in Madison is very competitive. It's not uncommon for a 12-floor apartment building to be almost fully leased the same day it goes on the market in October for the following school year. But with the uncertainty of how COVID will impact the 2020/2021 school years, the residential market could be in trouble. Which trickles down to the rest of the economy.

Fewer people means fewer consumers and the industries that have clearly been impacted are dining and hospitality. Madison, a popular city for both students and working adults, is filled with a range of bars and restaurants. During quarantine, these businesses were temporarily shut down, and many iconic eateries and taverns that have been popular for generations are announcing that

they're at risk of closing permanently - especially bars unable to sell food as a means to continue operating.

Many families, including my own, planned on traveling to Madison from out of state for the May graduation. But when graduation was canceled, the impact on the local economy was massive. Hotels that require guests to book a year in advance, with higher rates for graduation, were instead giving refunds to thousands of families. Flights and car rentals from airports were canceled, which trickled down to far less spending on gas, Ubers, and taxis. Then there were the aforementioned restaurants. I had spent hours in February struggling trying to find a restaurant that still had availability to book a May graduation dinner. But suddenly, a weekend that would generate millions of dollars in revenue for local restaurants, was instantly gone. Hundreds of restaurants were forced to cancel students' reservations, as they were no longer open. The income Madison typically generates in a single weekend from this citywide celebration was hurt drastically, to say nothing of the diminished sales and hotel taxes.

Living in Madison through the end of July, I watched restaurants and bars get busier. As the weather warmed up, they were able to stay open with outdoor dining options and opportunities to expand onto the street. It was not unusual to wait in line for 45 minutes for outdoor seating and the outdoor tables were constantly filled, only subsiding when there was a spike in cases, but filling back up when the threat abated.

However, summer months are coming to an end and Wisconsin winters are intense. Outdoor seating will no longer be an option, and seating will be limited to indoor-only with capacity restrictions still in place. This could end up being a major issue for small bars and restaurants with limited in-door seating, which are common near the capitol building. As the snow begins to pile up, take-out options, even at high-scale restaurants, will be even more necessary unless restrictions are significantly reduced. All of which could spell a very long and lonely winter for the Madison economy.

Rob Nahigian, SIOR, Boston University Faculty

As a real estate faculty member at Boston University, the last six months have had an incredible impact on commercial real estate. I often think about how my days spent teaching plays a role in the economy, product demand, and real estate - both from the perspective of the college and private sector.

Boston University closed campus on March 18, 2020, near the end of our winter semester. Prior to COVID, my consumption of products to teach a class had more impact than I realized. First, I had to drive to class, which includes using gas, paying tolls, paying for parking, a service that employs a parking attendant, and buying a cup of coffee from the nearby shop on my way to class.

I consume electricity in the classroom; use the internet for my laptop, and chalk or markers purchased at Staples. When class is over, the janitorial company has a person cleaning the classroom, and emptying trash. The floors are washed with cleaning solution and a mop purchased from a supply company or store. On my way home, I drive back through tolls and consume more gas than I will need to refill at my local, privately owned gas station. My suit and shirt are then

delivered to my next-door dry cleaners in the morning, which is a local small business owner. When the semester is over, I traditionally take my class out for a postmortem session at a nearby restaurant, spending several hundred dollars on food and tips, while the restaurant is spending money to employ their workers. When I have guest speakers, I take them out for dinner after class to a nearby restaurant where more money is spent to support the eatery and staff. And that's just me. Consider the impact of hundreds of other professors that have similar expenditure routines.

But when the pandemic hit, all of those expenditures immediately ceased or were greatly reduced. My two fall courses are now canceled so I have no reason to travel into Boston, thus affecting consumption and the economy. Because I am not teaching, I don't need school supplies and I am no longer using IT equipment and the IT staff is not needed. Cleaning is not necessary for my classroom, so the staff has no reason to come to work or use supplies from the store. There are no tolls, no coffee, and no gas consumption. And my trusty dry cleaner? He now has a decline in his business and reduced need for supplies. The BU kitchen is now severely underutilized and supplies are not being consumed or ordered. Supply companies for almost every industry are not doing nearly as much business, and thus, do not need as much space to store those items.

But the biggest hit comes from the student body not being in school. Students are not paying for the subway or for supplies and groceries. They're not ordering pizza, going to bars and stores, or using taxis, the subway and Uber to get around, resulting in a massive drop in retail and service industry revenue. Now multiply this by not only the thousands of other professors and students at BU, but the dozens of other Boston area colleges. All these closures and significant lack of consumption are having a negative impact on supply and in turn, commercial real estate.

Nearby privately owned student housing has also been impacted. In September 2020, Boston-area colleges struggled with whether classes should be remote or in-person. Domestic students didn't know if they should lease apartments and international students didn't know if they'd be even be allowed to return to the U.S. One of our clients with a 100-unit apartment tower next to Boston University is now 26% vacant. Historically, the building was fully leased with students and had a waiting list. Now, with nearly a third of the building empty, the client has furloughed staff affected by the lack of demand and in the process, further diminishing the local economy's spending power and dropping demand for goods again. Boston area colleges decided that only one student would be allowed per dorm room. Students and student housing are a large revenue source for colleges and the lack of students and vacant on-campus housing costs millions of dollars of lost revenues. The ripple effect extends to service providers and their need for commercial space to support the businesses that operate in dorms and housing. The silver lining in this is that colleges will lease nearby hotel rooms for students, resulting in hotels having higher occupancy. This is good news for an industry that has suffered greatly since the start of the pandemic.

In terms of dining, restaurants are only offering outside seating with restricted capacity, which will be further reduced as Boston's winter approaches. The result is that 25% of Massachusetts's restaurants have closed. Again, fewer restaurants, reduces demand for goods, puts more people out of work and further diminishes the supply chain, hurting commercial sectors.

Colleges and universities not being in session is doing more than halting the pursuit of education, it's also robbing local economies of all the financial gains made in the past four years- or more. And when a local economy suffers, demand, and as an extension commercial real estate, suffers as well.

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