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Will COVID-Accelerated Mobility Patterns Endure, Changing the Built Environment as We Know It?

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INTRODUCTION

COVID-19's disruption during 2020 has significantly impacted the world's economy, demographics, and human behavior in how and where they use space. While the general flow of people, the migration within and immigration between countries, has continued along familiar trends over the last decade, COVID likely has accelerated these movements. Now increasing access to effective vaccines support optimistic anticipation of growing herd resiliency and nascent mask ban rescissions are causing an escalating return to business as usual. Or will it be a new normal? Will these COVID era movement accelerations and adaptations be temporary or permanent and how will they impact the use of and demand for space?

Independent of COVID, the U.S. and Europe experience migration and immigration patterns related to international and localized geopolitical and natural forces including control-flipping elections, continuing international regional conflicts, and climate change impacts consisting of depleting natural resources and severe weather events. Overall trends indicate a continuation of decreasing mobility worldwide.



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However, some of these geopolitical and natural pressures are expected to trigger increasing regionalized movements that could have large implications on land uses which will further fuel the uncertainties in real estate in the wake of COVID.

U.S. MOVEMENTS

U.S. COVID-19-Related Movement Acceleration

U.S. political polarization increased as the virus spread and contributed to a broad range of responses including

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variant levels of shutdowns and controls imposed by all levels of government. Individual political identity and the jurisdictional unevenness of COVID-related controls caused disparate human behavior including migration impacting all sectors of real estate. Shutdowns stopped or slowed the movement of people and goods which caused a tremendous increase in online communication and collaboration surrounding work, education and all aspects of daily living. Some individuals and businesses were more prepared for this dramatic and involuntary shift, but new technology adopters were forced to develop remote solutions at a rate that would have been unpredictable in the past.

One of the greatest lessons learned during COVID is the benefit of more flexible, easily adaptable, sharable and universally useable spaces. The radical and rapid shift to remote and virtual work, education, entertainment, healthcare, social communication and other activities caused organizations, individuals, families and social groups to reevaluate the spaces they inhabit relative to a whole new set of variables and needs. As COVID restrictions are slowly lifted, it is difficult to predict what COVID-era behavioral changes will remain an integral part of our lives. It is clear that adaptability in space will become paramount and the average amounts of space needed for certain uses will change in the future.

For instance, the desire for individuals, co-residents and families to have more and separable spaces within homes for working and education is likely. Typical amenities may need to be enhanced and expanded in order to serve changing resident needs, and spaces that support multigenerational living environments may become more common. Further, if remote work continues at any level, there will potentially be a reduction in the overall size of commercial offices as sharing of spaces will be more achievable as employees spread their schedules to reduce commutes, to oversee in-home education or to support attractive lifestyle or time management changes. Automation and robotics may become more competitive in certain production processes as affordable workforce geographic mismatches and more hybrid work patterns result from the COVID-era experience. More services may be delivered in online formats, reducing or changing the need for professional services locations.

Further, after years of apparent but variant trends towards urbanization, the pandemic universally caused a movement away from urban cores, particularly for those with higher incomes who could afford to move and for lower-income individuals seeking lower costs of living.¹ Most of these relocations remained within their original region (84%) and it is unknown as to the permanence of these movements or whether they represent a true “urban exodus” in any case.

Most early relocations were caused by the desire to move to areas seemingly less impacted or restricted by COVID, to live with or closer to family, and or were related to the closing of educational campuses.² There were marked increases in home rental and purchase transactions during the COVID era, with 16% of renters and purchasers indicating that they intended to remain in their new locations long-term. An additional 10% indicated they relocated to a vacation home. The future viability or normalization of remote working, whether work-from-home or the increase of “vacations” (working while traveling), will determine the permanence of current COVID-era work patterns.³ If remote working patterns endure, commercial properties will need to be repositioned for changes in workspace demand and consider rent reductions or adaptive reuse of space if major vacancies result.

Of concern is that more recent surveys show a significant increase in economic insecurity related to job loss and increasing taxes as factors for relocating. Even with the government stimulus, as businesses cautiously rethink their workforce needs and with the lifting of the foreclosure moratorium, it is anticipated that the true economic impacts of COVID will be much more widespread. Beyond the COVID impact that rents in some dense urban cores have fallen and suburban and vacation areas have increased following relocation demand, increases in foreclosures, vacancies and homelessness will have significant impacts on residential supply in specific areas. Where people land when the COVID music stops could have major impacts on local tax revenues, infrastructure support, workforce availability, housing affordability and the viability of supporting goods and services establishments.

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These adaptations resulting from the pandemic will strain all levels of government. It will be imperative that jurisdictions remain flexible in order to accommodate these demand-driven changes in the desired use and location of space. Additionally, in the post-COVID era, Wi-Fi access and the universal availability of hardware equipment is critical and will become more challenging as people migrate outward from more effectively-serviced infrastructure hubs. “Digital deserts” will need to be addressed as the population migrates towards more rural areas where broadband services are much more expensive and difficult to provide.

Even marginal population movements in response to COVID could significantly strain transportation and other infrastructure systems that have evolved to best serve urban centers and which oftentimes struggle to keep up with sub- and ex-urban development pressures. These movements have caused housing price strain as migrants push housing demand outward and prices rise due to these exogenous exigencies as opposed to traditional market demand patterns. Urban cores, on the other hand, have experienced a decrease in residential and commercial values as population departs, although a return to previous housing costs is anticipated as urban amenities resume business as usual.

Further, COVID has caused a shutdown in tourism and business travel, which has significantly gutted the hospitality business. While domestic tourism in areas with less significant lockdowns has increased in many areas, for some tourism-dependent locations this domestic patronage will not make up for lost revenues. It is difficult to determine when travel restrictions will be fully removed, when tourists will become comfortable with longer distance travel, or which destinations will win if overall demand is down. A large portion of the hospitality and tourism infrastructure may become superfluous if businesses fail waiting for the recovery, resulting in potential adaptation to full-time residential and other uses.

Education and healthcare are other sectors awaiting to see how COVID-era behavior and innovations will impact future operations. With the growth of viable and effective online delivery of both education and

healthcare during COVID, it is possible that more of these activities will move to digital media or that hybrid alternatives will prevail, changing occupancy patterns for buildings within these sectors. The future of retail is unclear dependent on whether at-home purchasing behavior will be a death knell for retail outlets or whether it will simply affect retail location selection.

Certainly, the demand for highly accessible storage and distribution facilities will remain high as online shopping and rapid delivery become more normalized, although a more distributed logistics network will be necessary to follow people out of urban cores. However, the experience-seeking retail and entertainment trend will likely continue to support these and other amusement and performance properties as lockdowns are released and COVID-confined consumers are free to roam. Time will tell in the near future as to which COVID-era population migration and space use behaviors will endure as all real estate sectors will be watching closely, poised to react.

General U.S. Migration/Demographic Shifts

U.S. domestic migration is most typically caused by the pursuit of job opportunities, a lower cost of living, retirement and family issues (a desire for family proximity or new household formation). If remote work is here to stay, it will significantly reduce employment-related domestic migration after perhaps an initial period where workers will move to the best place they believe they can afford to balance work opportunity and lifestyle. The past trend of migration from older rust belt cities to expanding Sunbelt cities will continue due to perceived cost, lifestyle and weather benefits, but not at the accelerated rate observed during COVID.

Another growing migration trend is the movement of people away from climate-related threats including wildfires, flooding and other types of extreme weather, and depletion of natural resources including water. In 2019, it is estimated that there were 916,000 climate migrants in the U.S. mostly due to storms, floods and wildfires, while 11 states sought federal disaster funds to be applied over 400 counties.⁴ As climate-related impacts are expected to accelerate, the number of climate

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migrants will likely increase and more climate-impacted areas may have uncertain futures as they fail to attract and retain residents and employers.

Complicating predictions regarding migration and population shifts are trends in demographic changes. The U.S. population growth fell to a 100-year low including a trend downward of U.S. foreign-born population growth, increased death rates, and decreased birth rates (which were accelerated during the pandemic).⁵ It does not take a large population shift in a local area to cause large impacts on the real estate and job markets and all the ancillary government, goods and service economies that they support. The aging of the population will also continue to increase relocations related to retirement as well as moves by family members to support their care.

If these trends towards population stagnation and immobility continue, there will be decreased movement in the housing and labor markets which could lead to economic stagnation impacting the health of all sectors of real estate markets. Population stagnation may also put new focus and pressure on immigration to stabilize the economy and to feed desired growth.

General U.S. Immigration

While historic levels of foreign-born immigration to the U.S. in 2020 have been greatly reduced due to controls during the pandemic, the prior political administration had already sought to largely reduce levels of U.S. immigration on all fronts. In a turn that is likely to increase historic levels of inbound foreigners, President Biden presented the U.S. Citizenship Act, which proposes an increase of the immigrant population by approximately 28% annually.⁶ The proposed Act includes increased targets for nearly all components of U.S. immigration, including the family-, employment-, diversity- and refugee-based visa systems as well as providing a pathway to citizenship for an estimated 10.5 million unauthorized immigrants currently in the U.S. Biden further took immediate steps to preserve the Deferred Action for Childhood Arrivals program or DACA, where “Dreamers” would be proposed to have a pathway to citizenship under the new immigration bill.

Wherever future immigration thresholds are set, after partisan negotiation and confronting the actual operational complexities and costs of fulfilling established ceilings, it is likely that the U.S. will be looking at large growth in foreign immigration over the coming years. While more resources will be utilized in achieving administration goals for expanded border facilities, humanitarian efforts and basic support for the influx of arriving immigrants, these increased numbers will require housing and will support businesses through employment and the purchase of goods and services, generating needed economic activity. Many are confident that expansion of immigration in the U.S. will help reverse the downward trend in population growth that could hinder growth once the economy is expanding rapidly again.

EUROPEAN MOVEMENTS

European COVID-19-Related Movement Acceleration

COVID’s acceleration of human movements in Europe is very similar to that in the U.S. Many European countries have, and still plan to, impose much stricter lockdowns in response to upticks in the spread of the virus which initially stopped or significantly slowed the movement of people and goods, both within EU countries as well as between advantageously co-dependent country partners within the Union.

The main consequence of COVID for European land use and its development is acceleration and greater importance of flexibility. Flexibility and universality in the way space is used in the broadest range and over time will be a necessity. These adaptations will encounter very rigid and decades-old legislative and sectoral legislative frameworks and processes, which will need to be flexible in planning and issuing of the construction permits and certificates needed for any building management and maintenance.

European lockdowns were different from country to country using similar instruments, but variously applied in terms of scale, time and intensity. The implementation depends on each political strategy respectively and in the degree of cooperation between politicians and

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experts and the experience of these experts. According to different compositions of implemented instruments, there would be far different impacts at the local level than in the U.S. The EU as a unit was active only in the purchase of vaccines, as all other anti-COVID procurement and strategies were managed at the country-level. In the future, while challenging, the EU could enact more uniformity in implementation of instruments for ensuring public health protection.

The largest COVID-era impact between EU countries resulted from travel restrictions and border closures which severely limited the transport of goods. Depending on the current rate of spread of the virus, the restrictions on people's movements varied from a complete "house arrest" to lesser levels of control. In some cases, restrictions were lifted too early and the virus resurged. The rapid shift towards remote education was another tremendous impact as countries needed to improvise to create novel digital education delivery methods.

COVID is also an accelerator of land use and development trends in the EU, but seemingly less impactful than in the U.S. While European cities have less undeveloped land, European cities tend to be less dense, more multi-functional, and more diverse, compared to the U.S. Most European cities have significant urban greenery and are relatively accessible to the countryside which may have resulted in less migration outward to more remote areas. The streets in Europe are also less wide which facilitated interaction between windows and balconies of its residents during the pandemic. Therefore, Europe did not experience as much migration within or between countries and will likely not be faced with fundamental transformation of land use. However, the real challenge for Europe will be the transformation of infrastructure, including transportation, health care and other systems which are disparate between countries of the EU, to be best prepared for any future pandemic or other disruption.

European General Migration/Demographic Shifts

Labor mobility before the crisis rose as the geography of employment shifted. In contrast to the United States,

labor mobility in the EU has been rising as workers in the lower-income regions migrate to the dynamic cities to fill jobs or to pursue education.

Dynamic growth hubs are home to 20 percent of Europeans. This category includes two clusters with the highest GDP per capita in Europe and strong innovation capabilities – the megacities of London and Paris, each with more than 10 million people and a young workforce with high educational attainment. An additional forty-six superstar hubs (e.g., Prague, Amsterdam, Berlin) have an array of high-growth industries and are among the fastest-growing regions in Europe.⁷

These dynamic growth hubs are experiencing increased cost of living and declining housing affordability which causes people to seek housing at or beyond the urban edge. This outward expansion is putting pressure on agricultural and other less dense land uses and causing the typical challenges associated with urban sprawl.

Brexit also affected migration within Europe. A large number of EU nationals emigrated from the UK immediately after the Brexit vote; however, the total UK migration was not so affected. Migration began to decline shortly before Brexit and was declining until the summer of 2019, then began to increase again.

European General Immigration

The EU-27 Member State populations continue to decline at an increasing rate. The annual overall EU natural population growth rate currently stands at approximately -1.1%. This rate has been negative since 2012, with more deaths than births recorded in the EU (4.7 million deaths and 4.2 million births in 2019). However, the overall EU population growth rate is positive, with 0.9 million more inhabitants in 2019 due to immigration.⁸

However, whether the increase in EU population attributable to immigration will continue is unclear. The number of asylum applications in the first quarter of 2020 remained level compared to the same period in 2019 but has significantly decreased since then. In April 2020, there was a drop in the overall number

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of applications for international protection lodged in the EU Member States, continuing the decline which began in March. The ongoing COVID-19 pandemic and the respective emergency measures introduced by the EU Member States, including the suspension of applications' registration, had an impact on the inflow of applications.⁹

Furthermore, the pandemic has substantially reduced the level of unauthorized immigration to the EU in the past months. In April 2020, the number of detections of irregular border crossing (IBCs) on Europe's main migratory routes fell by 85 percent from the previous month to around 900, the lowest total since border data collection began in 2009.¹⁰ The record low numbers were mainly due to the restrictive measures implemented both by the EU Member States and by third-countries of transit and departure of migration. It is anticipated that these reductions in both asylum and unauthorized immigration to the EU during COVID will likely return to normal levels which will support growth once the economy rebounds after the pandemic.

CONCLUSION

As the pandemic continues at various levels throughout the world, but with an optimistic outlook towards global resiliency as vaccination regimes expand, the world will cautiously return to some level of normalcy. With respect to COVID's impact on real estate markets, it is too early to tell what impacts will be permanent and will therefore change the face of individual real estate sectors or geographies. It is clear that remote working, internet retail, and the demand for larger and more natural spaces and other COVID-era behaviors will remain, at least at some level. These transformations will impact the future of many land uses and locales. Once again, we learn as an industry that flexibility and adaptability are paramount goals in real estate markets that desire resiliency when confronted by local and global disruptions. As the recent rapid growth in virtual accessibility has further shrunk the world, we will soon learn the resultant changes in the movement of people and the impact on the spaces they use. •

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