MARRINER S. ECCLES INSTITUTE FOR ECONOMIC AND QUANTITATIVE ANALYSIS
THE UNIVERSITY OF UTAH
DAVID ECCLES SCHOOL OF BUSINESS

NAVIGATING COVID-19: How to Rebuild Your Business and Reactivate Our Community

The Construction Industry: How to Build Your Way Back

Moderated by Natalie Gochnour

Associate Dean at the David Eccles School of Business; Director of the Kem C. Gardner Policy Institute at the University of Utah

Speakers will include:

Dejan Eskic, Research Associate, Kem C. Gardner Policy Institute, David Eccles School of Business • **Linda Wardell**, General Manager, City Creek Center • **Brad Wilson**, President, Destination Homes • **Angela Eldredge**, Vice President for Operations, Price Real Estate • **Brandon Fugal**, Chairman, Colliers International in Utah • **David Layton**, President and CEO, Layton Construction

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THE CYNOSURE GROUP

Taylor Randall

Dean, David Eccles School of Business
University of Utah

Natalie Gochnour

Director, Kem C Gardner Policy Institute

Associate Dean, David Eccles School of Business at the University of Utah

Agenda

Description	Presenter
Welcome & Introduction	Taylor Randall
Moderator: Navigating COVID-19: How to Save Your Business - Building Your Way Back	Natalie Gochnour Director, Kem C Gardner Policy Institute Associate Dean, David Eccles School of Business
Market Overview	Dejan Eskic Senior Associate, Kem C Gardner Policy Institute
Retail	Linda Wardell, General Manager City Creek Center
Construction	David Layton, President & CEO Layton Construction
Industrial	Steve Price, President & CEO Price Real Estate
Commercial	Brandon Fugal, Chairman Colliers International
Audience Q&A	Andrea Thomas
Conclusion	Taylor Randall

Dejan Eskic

Senior Associate

Kem C Gardner Policy Institute

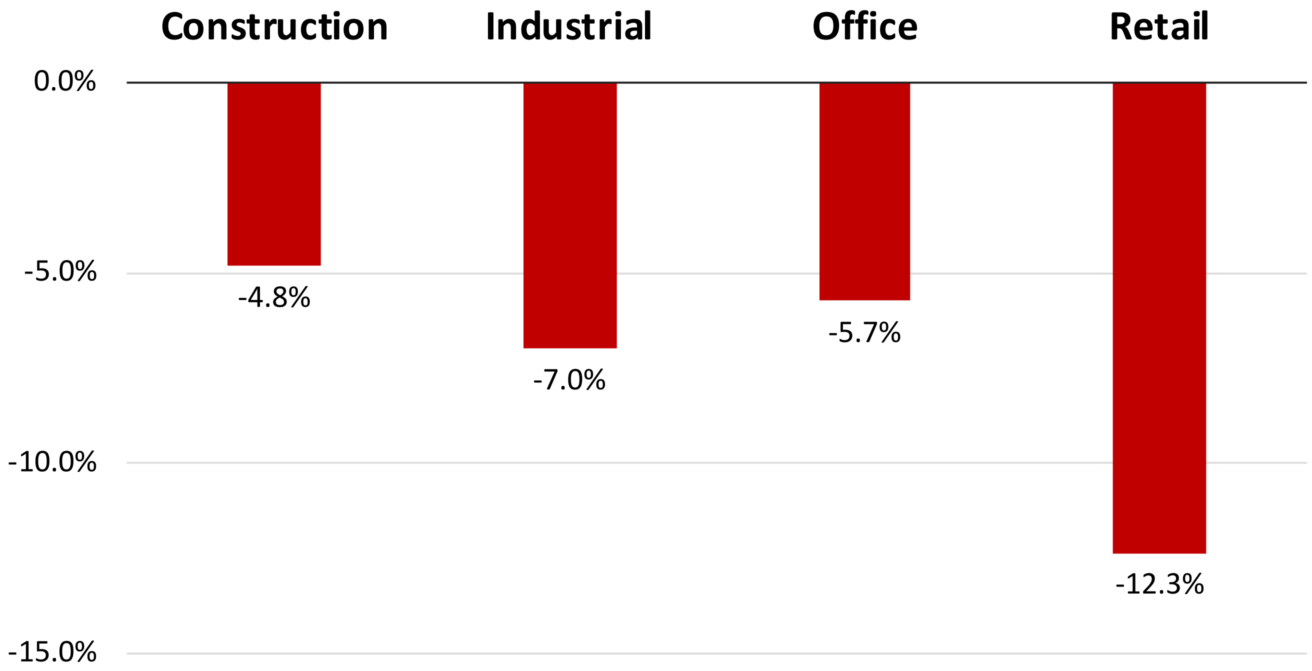
Utah Market Overview: Where are we NOW?

A Note on Housing

April 2020 - 2019 Change	
Price	6.3%
# of Sold	-24.1%
Rent	0.8%
New Const.	-45.0%

Source: Kem C. Gardner Policy Institute & UtahRealEstate.com

Share of Unemployment Claims by Property Using Sector



Source: Kem C. Gardner Policy Institute analysis of Department of Workforce Services Data

Linda Wardell

General Manager
City Creek Center

COVID-19 and Retail

- The best retailers, those who are financially solid, nimble and able to innovate quickly with the ever-evolving environment, will thrive and survive
- The strongest malls, those with great tenants, are more likely survive during this unprecedented time.
- Most strong centers still have a strong pipeline of deals and will continue to attract the best tenants as other centers may be faltering.
- We have been in business for 70 years and never seen a cycle like this. Our recovery strategy will lead with safety and will be determined by the willingness of the consumer to engage in activities outside the home.

David Layton

President & CEO

Layton Construction

COMMERCIAL CONSTRUCTION PERSPECTIVE

- **CURRENT STATE**
  - Construction typically deemed essential
  - Take care of employees
  - Take care of the jobsite
  - Listen to the client
- **FUTURE STATE**
  - Communicate, learn, revise, recommunicate
  - Forward focus – down the road – anticipate
  - CAP ex, proforma, demand
- **FINAL THOUGHTS**
  - Be present
  - Be proactive
  - Be positive
  - Be a leader

Steve Price

President & CEO
Price Real Estate

Supply Chain Dynamics

- **Supply Chain**: "just in time inventory" will shift to "just in case inventory". Beginning in the 1980's, the supply chain became increasingly lean, efficient, and inelastic. The new norm will result in "inventory swell" with larger carried inventories by manufacturers and companies that distribute Consumer Product Goods "CPG".
- **Reshoring**: Reshoring of critical businesses such as PPE, pharma and medical device/ equipment.
- **E-commerce Adoption**: Prior to COVID, the entire e-commerce marketplace was less than 20% of all retail and consumable sales. Currently, online sales are exceeding 50% of all retail and consumer sales.
- **Strategic Reserve**: In the future, the US government, healthcare systems, lifescience/bioscience, medical device manufacturing, pharmaceutical manufacturing, aerospace defense, advanced manufacturing, and certain private sector businesses will mandate and require critical products and manufacturing to be located on the continental United States.

There are multiple immediate, end-to-end supply-chain actions to consider in response to COVID-19.

Supply-chain actions

Create transparency on multitier supply chain
- Determine critical components and determine origin of supply
- Assess interruption risk and identify likely tier-2 and onward risk
- Look to alternative sources if suppliers are in severely affected regions

Optimize production and distribution capacity
- Assess impact on operations and available resource capacity (mainly workforce)
- Ensure employee safety and clearly communicate with employees
- Conduct scenario planning and assess impact on operations, based on available capacity
- Optimize limited production, according to human-health impact, margin, and opportunity cost/ penalty

Assess realistic final-customer demand
- Work with sales and operations planning to get demand signal to determine required supply
- Leverage direct-to-consumer channels of communication
- Use market insights/external databases to estimate for customer's customers

Estimate available inventory
- Estimate inventory along the value chain, including spare parts/ remanufactured stock
- Use after-sales stock as bridge to keep production running

Identify and secure logistics capacity
- Estimate available logistics capacity
- Accelerate customs clearance
- Change mode of transport and prebook air/rail capacity, given current exposure
- Collaborate with all parties to leverage freight capacity jointly

Manage cash and net working capital
- Run supply-chain stress tests vs major suppliers' balance sheets to understand when supply issues will start to stress financial or liquidity issues
-

McKinsey & Company

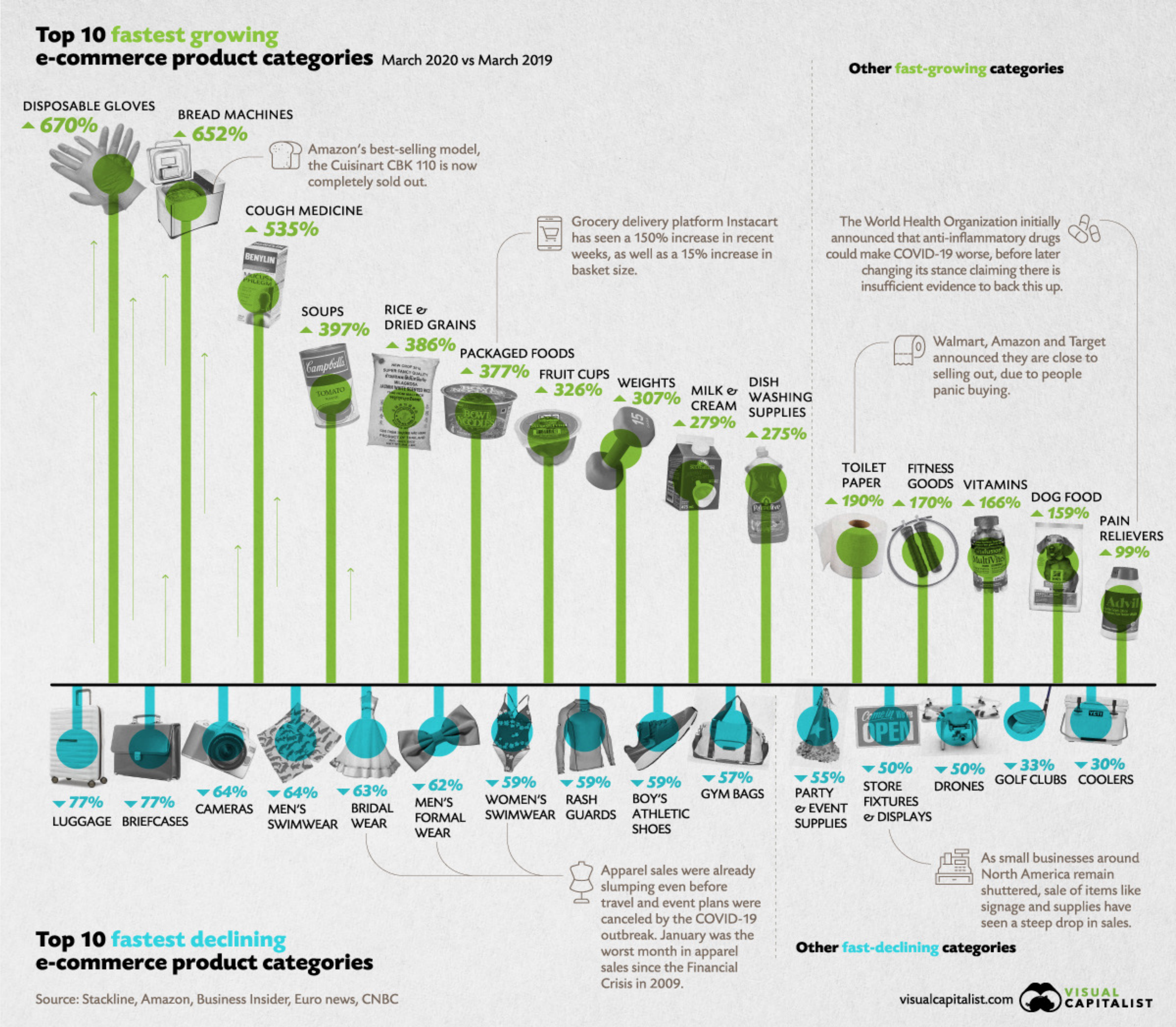
Utah Demand Drivers

- **<u>Increased Demand for Warehousing</u>**: In the past 45 days, there has been an increased demand for short term (6 months) warehouse space from businesses such as IFA, Spectrum DNA, grocery stores, gluten free foods, PPE production, health and fitness, and other high demand and limited supply consumer goods.

- **<u>Manufacturing</u>**: Activity in Utah remains very robust in comparison to the balance of the US. Institutional users in Defense, Lifescience, Food Grade Manufacturing, medical device and product manufacturing, as well as Utah grown companies in the Nutraceutical, Health and Beauty, and Contract Manufacturing sectors are rapidly growing and looking for space to meet demands.

- **<u>Resilient Companies</u>**: Many Utah businesses are pivoting during COVID from past business operations such event set up and staging for concerts, sporting events, conventions and trade shows to standing up virtual graduations, and COVID drive thru testing sites.

- **<u>Municipal Closures</u>**: City and County closures and distancing measures have broadly effected entitlement, permitting, approval and inspection processes for contractors, developers, and their tenants. Some municipalities across the Wasatch Front have been much more proactive. Others, have come to a grinding halt, disrupting and delaying typical and critical services.



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Brandon Fugal

Chairman

Colliers International

COMMERCIAL REAL ESTATE PERSPECTIVE

- **Foundation of Economy**
  - Contributes over $1 Trillion to the U.S. GDP
  - Over 9 Million Jobs
  - Industrial, Office, Retail, Hospitality
- **Colliers International**
  - Transitioned to Remote Working | Fully Operational
  - Largest in Utah (5 Offices, 240 Pros), Global Company (68 Countries, 17,000 Pros, 500 offices)
  - Back to Business Primer for Occupiers/Tenants/Investors/Landlords
- **Projected to Thrive**
  - 12 Channels
  - E-Commerce retailers, Industrial real estate, Augmented reality, Robotics, 5G connectivity, Virtual meetings, Online groceries & last mile distribution, Dark kitchens, Reverse globalization, Supply chain resilience, E-Learning

Be Positive | Be Responsible | Be Supportive

Audience: Ask Questions Using Chat

Future Workshops:

Navigating COVID-19: How to Rebuild Your Business and Reactivate Our Community

Friday, May 8 from 11-12pm

Building Confidence in the Next Phase of Recovery

Friday, May 15 from 11-12pm

LEARN, PLAY, CELEBRATE-When and How Do Large Groups Return

To Register: **Eccles.Link/MikeLeavitt**

For More Info: **navigatingcovid@Eccles.Utah.edu**

For More Information:

University of Utah Executive Education

Online Classes Available:

- Growing in Uncertain Times
- Lean Six Sigma Green Belt Online
- Competitive Strategy
- Developing a Digital Marketing Plan

Download the At-A-Glance Calendar and Register:

- UtahLeaders.com
- 801-587-7273

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- Strategic planning
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- Federal policy intelligence and advocacy
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Visit LeavittPartners.com or email Bo Nemelka at Bo.Nemelka@leavittpartners.com for more information.