Downtown Seattle Association

OCTOBER 2020

COVID-19 Business Outlook Survey Summary

Introduction

As a champion for downtown, DSA is consistently tracking the health of our local economy. Since the onset of the COVID-19 crisis, we've been keenly focused on listening to and advocating on behalf of those businesses and organizations in our community that have been economically affected. Earlier this year, we made a concerted effort to reach out to and engage stakeholders, gathering and sharing economic-impact information with our members, ratepayers and news media, as well as with local, state and federal lawmakers. Part of this work included conducting a business and nonprofit outlook survey. The initial wave of surveying was conducted mid-May and a follow-up wave was conducted during the month of September. This paper provides a summary of the results from the second wave, with comparisons to the first where appropriate.

Context

For the past decade, Seattle has been the envy of the nation, adding jobs and residents faster than nearly every major city most years. Unfortunately, greater Seattle was the first area in the nation to be impacted by COVID-19. By early March, before any official stay-at-home order was issued, many businesses had already closed up shop and office workers were beginning to work from home en masse. On March 5, King County recommended that anyone who could work from home do so until at least the end of that month.

This had an immediate impact on our local economy. Within just the first week of that recommendation:

- At least half a dozen businesses downtown announced permanent closure.
- Those that remained open downtown reported massive revenue losses — anywhere from 35% in more residential areas to 95% in primarily commercial areas.

Subsequently, statewide stay-at-home orders were issued and extended through the end of May for most residents, with a gradual reopening of the economy for King County not beginning until June. While some businesses were able to pivot to work-from-home models, the decrease in foot traffic and revenue led to an estimated loss of about 47,000 downtown jobs in the first half of 2020. Additionally, permanent closures of dozens of storefronts have already been announced.

Most of the losses to these businesses will be temporary. We have already begun to see large swaths of our local economy start to reopen with new protocols in place to ensure safety for workers and customers. Nevertheless, national polling and evidence from other areas that have reopened show that — regardless of the level of reopening — the pandemic will continue to have a depressing effect on the economy, particularly on the travel industry and on restaurants, hotels, arts and entertainment venues, and sports and retail.

Survey Methodology

The second wave of the DSA survey was administered through Survey Monkey from Aug. 28-Oct. 2, receiving 198 responses from at least 179 unique businesses. The responses came from a large cross-section of companies in Seattle, including both large and small businesses. Most were locally owned firms with locations downtown. Industries represented include many impacted by efforts to curb the spread of COVID-19: retail, restaurants, hotels, arts and entertainment, tourist attractions and nonprofits.

RESPONDENT PROFILE

Respondents represent 179 Seattle businesses:

- 88% have locations downtown
- 82% are locally owned
- 80% have been in operation for at least 10 years
- 71% are privately owned businesses
- 62% are brick-and-mortar businesses
- 53% have fewer than 25 employees
- A large share represent industries heavily impacted by COVID-19

Key Findings

- For most metrics, the first and second waves of surveying saw similar results. However, there may be some survivorship bias in the second wave:
  - » Fewer businesses are concerned about having to close permanently.
  - » Revenues are still down but better.
  - » The ratio of permanent to temporary layoffs grew.
- The biggest concern remains the loss of business. This was cited by 74% in the first wave and 60% of respondents in the second wave.
- Loss of revenue remains the most commonly cited impact. In the first wave of the survey, nearly all (90%) of respondents said they have seen a reduction in revenue. This fell to 80% of respondents in the second wave of the survey.
- Most layoffs are expected to be temporary, but more than a quarter are expected to be permanent.
- Most employers do not see a full return of employees to their workplaces until after mid-2021.
- Employers are cautiously reopening their workplaces, but it may be a slow return. Nearly half of respondents said that at least 25% of their employees have already returned to the office or worksite and most expect at least 25% of their employees to return to the office by mid-2021.
- Most (59%) think that it will take between one and three years for the Seattle economy to recover.

Lost work remains the primary concern

The biggest concern expressed by respondents (among a preselected list of concerns) was losing work (clients, projects, sales), with 60% selecting this option. This compares to 74% in the initial survey wave in May. Not surprisingly, dining establishments were also most concerned about customer traffic (72% listed this as of concern). The most common responses under "other" were general concerns about public safety and the resilience of the economic environment, especially for downtown.

A reduction of revenue is the most cited impact

Eight out of 10 indicated that their business has been impacted by a reduction in revenue due to COVID-19. Most also stated that their staff was working from home (62%); that they had a reduction in staff hours (49%); or that there were temporary closures of some business locations (48%). Hotels cited the most impacts with nearly all saying they had reduced staff counts, lost revenue and reduced hours. Food services were also heavily impacted, with 100% indicating that they experienced a loss of revenue.

Revenues impacts have improved

While nearly all respondents say they are experiencing loss of revenue when compared to pre-COVID levels, the degree of revenue loss cited in the second survey improved over the first. In May, nearly half of respondents saw revenues decrease by more than 75%, while in the second wave, less than a third reported that level of losses. Few indicated that their business had seen an increase in revenues compared to pre-COVID.

Fewer businesses cited concern about having to close their business

In May, nearly two-thirds of businesses indicated some risk of closure at current levels of disruption. By contrast, in the second wave of the survey nearly half stated that they had no concern about having to close their business. Among those who saw risk of closure, the timelines also improved. In the first wave, slightly more than one in 10 said they were at risk of permanent closure in less than two months at the current level of disruption. A little more than a third said they were at risk of closing in less than five months. In the second wave, very few respondents (17%) said they were at risk of closure in the next couple of months.

COVID-19 measures will likely have a lasting impact on jobs

Nearly all respondents provided their pre-COVID-19 employee counts and, of those, 75% reported layoffs, compared to 63% in the first wave. Among those employees who have been laid off, the ratio of permanent to temporary layoffs increased. In the first wave, 19% were classified as permanent layoffs, while in the second wave, 28% were considered permanent.

Note: given that the survey has a high representation of highly impacted industries, this should not be taken as the entire universe of jobs. However, it is likely a reasonable representation for industries heavily impacted by measures to prevent the spread of COVID-19.

Employees may be slow to return to their regular worksites

While nearly half have brought back at least 25% of their employees, most employers do not see a full return of employees to their workplaces until after mid-2021 and 18% not until 2022. One in five do not anticipate having their workforce return in full capacity at any point. However, two-thirds indicated that they plan to have at least 25% of employees return to worksites by the end of 2020. The numbers were similar for both office-oriented and non-office-oriented companies. About two-thirds of businesses feel they have the information they need to bring their workers back safely.

There is very little confidence in a quick turnaround

A strong majority (81%) felt that it will take more than a year for the Seattle economy to recover, with 59% saying it will take between one and three years. While a quarter of businesses said they have already returned to profitability, another quarter said they do not anticipate a return to profitability until at least 2022. Some industries have less confidence in a quick turnaround than others. Three-quarters of hotels and half of restaurants said they do not anticipate a return to profitability until after 2022.

For full survey results, visit:
downtownseattle.org/business-outlook-survey

What This Means for the Recovery

Because of the growth of the tech sector, Seattle will have advantages over other cities in the years ahead, but our local economic recovery will be uneven. Many of the sectors that have been hit hardest are in industries dependent on foot traffic and visitors. Many office workers are likely to continue to telecommute for some time. In a Commute Seattle survey, 89% of employers said that some portion of their employees are working remotely, with 72% saying that between 81% and 100% of their employees were doing so as of May 2020. In that same survey, 50% of employers anticipated a post-COVID culture where their employees would work from home at least a few times per week. Another Commute Seattle survey, conducted in September, showed that among employers with fewer than 100 employees, 57% are considering permanently increasing the number of employees who telework.

Decisions about whether to work remotely or at a job site are likely to be magnified by the impact COVID-19 is having on public transportation. Not only is there hesitation on the part of individuals to ride public transit during the pandemic, but service is — and will continue to be — severely limited, with service reductions and social-distancing requirements on buses and trains.

This is a challenge for businesses in the downtown core, impacting people in primarily low-income job categories — those who can least afford it. Hotels and restaurants in particular have been hard hit. Some respondents think they will never see the same level of business activity as they did pre-COVID.

Based on regional unemployment figures and downtown's share of total jobs in the region, DSA is estimating that downtown ended the second quarter with roughly 47,000 fewer jobs compared to the start of the year. Given the scale of loss and the likely slow pace of recovery for restaurants, hotels, arts and entertainment venues, sports and retail, it may be years before these industries see pre-COVID-19 levels of employment in downtown Seattle.

With nearly 100,000 residents as of 2020, the downtown population still has the potential to support a vibrant neighborhood. However, the level of activity has decreased significantly due to the loss of daily workers and visitors. Most think that it will take between one and three years for Seattle to recover from the impacts of this pandemic.

For the past two decades, downtown has been home to an enviable mix of businesses, where people can easily live, work, shop and play as they also access a world-class transit system. These factors that made downtown so desirable may also limit the rate of our recovery as foot traffic returns slowly to the urban core. With 72% of downtown's employment base able to work from home, changes in transit ridership, a perceived lack of safety and a mix of highly impacted industries, downtown visitor and foot traffic is a fraction of what it was before the pandemic.