CENTRAL OHIO
COVID-19
POLICY BRIEFS

ECONOMIC & COMMUNITY DEVELOPMENT

Summary

In the years leading up to the pandemic, the Central Ohio region experienced strong economic recovery following the Great Recession. There was strong growth in population and jobs, as Central Ohio retained diverse large employers and continued to attract new ones. The Columbus Metropolitan Statistical Area (MSA) added 190,000 jobs and 220,000 people from 2010 to 2019.

This growth led to capital investment in premium office space, retail, and industrial development. Growth was encouraged by private-public focus on amenity-rich development to help attract and retain young professionals to support economic development. Recovery did not occur without some challenges, namely aging real estate, workforce shortages, and a growing e-commerce market share.

The COVID-19 pandemic brought about massive economic disruptions, some that will have lasting effects. Both consumer and business reactions to the limitations introduced by pandemic disruptions accelerated some trends and reversed others. In many cases, these disruptions were accelerations of trends that were already occurring.

Key Issues

Remote work has become a more viable option for employers, putting the **future of office work** in question.

Consumer spending has shifted toward the home and home-based activities, and e-commerce is booming, which impacts retail economies at the regional, community, and neighborhood scale. Black-owned businesses in Ohio were impacted disproportionately, which may point to stronger **impacts on retail economies** in majority-Black neighborhoods.

Dramatic halts to overseas production and transportation bottlenecks have companies reimagining **supply chains and logistics** for their businesses.

The challenges of many Central Ohio residents in juggling childcare, transportation, and employment have been magnified by the pandemic, bringing about clearer perspectives around **workforce shortages** in the region. The labor force challenges are especially acute for non-white single mothers.

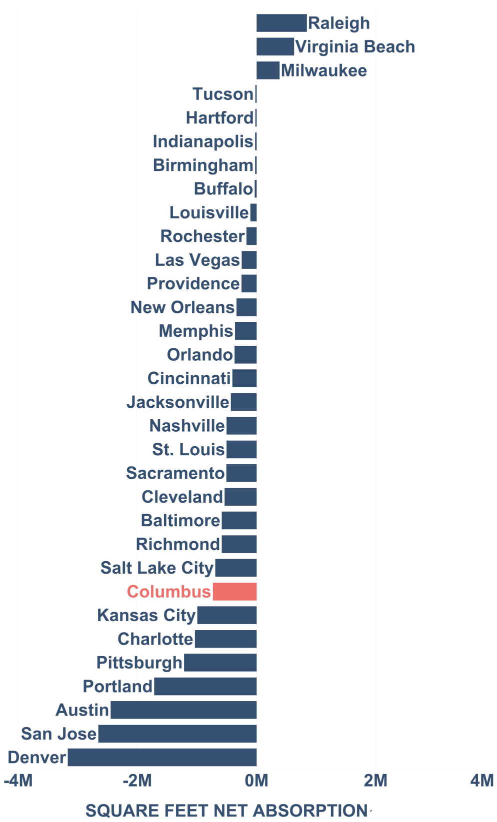
FUTURE OF OFFICE WORK

Office development is sensitive to trends in organizational culture. The recent trend in office work leading up to the pandemic was an employer focus on developing a strong employee culture, with an emphasis on collaboration-focused office space that supports high performance teams. This led to a shift toward production of premium-quality office environments with a higher price tag, a step above in quality compared to typical Class A office space.

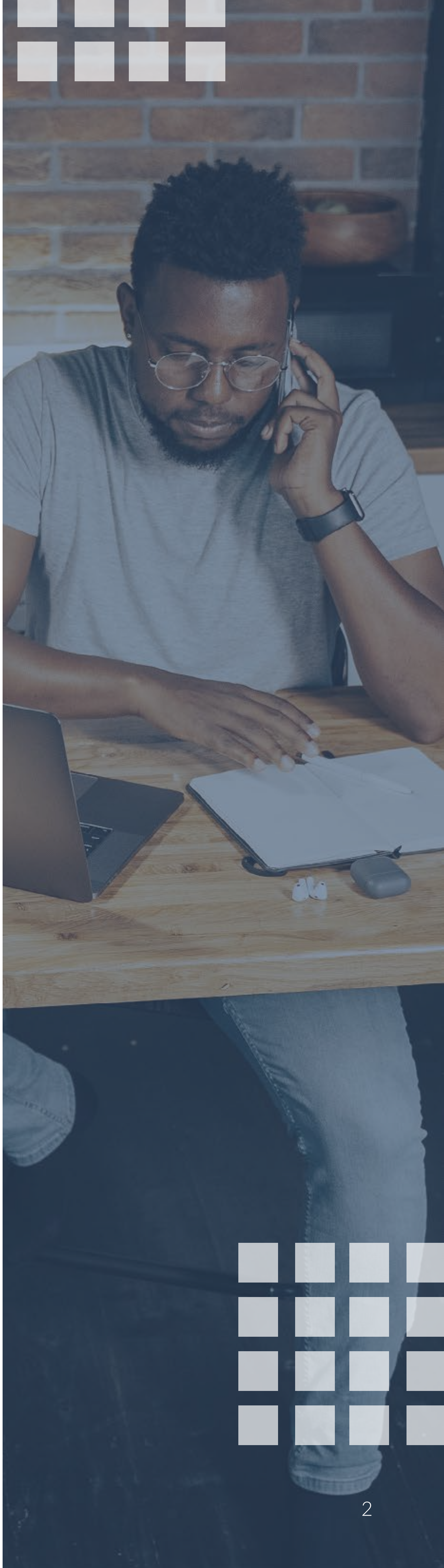
The pandemic and stay at home orders prompted many employers to shift to widespread telework, especially for office employees. While office construction projects in the works have continued to move forward, in 2020, the Columbus market experienced 730,000 square feet of negative net absorption of office real estate, ending the year with an office vacancy rate of 8.0% (compared with 6.8% at the end of 2019). According to NAI Ohio Equities, this is the first twelve-month negative net absorption in a decade in the Columbus market (Figure 1).[1,2] This indicates that, in addition to business closures, some employers are opting out of lease renewals or downsizing office space after seeing their remote teams performing well.

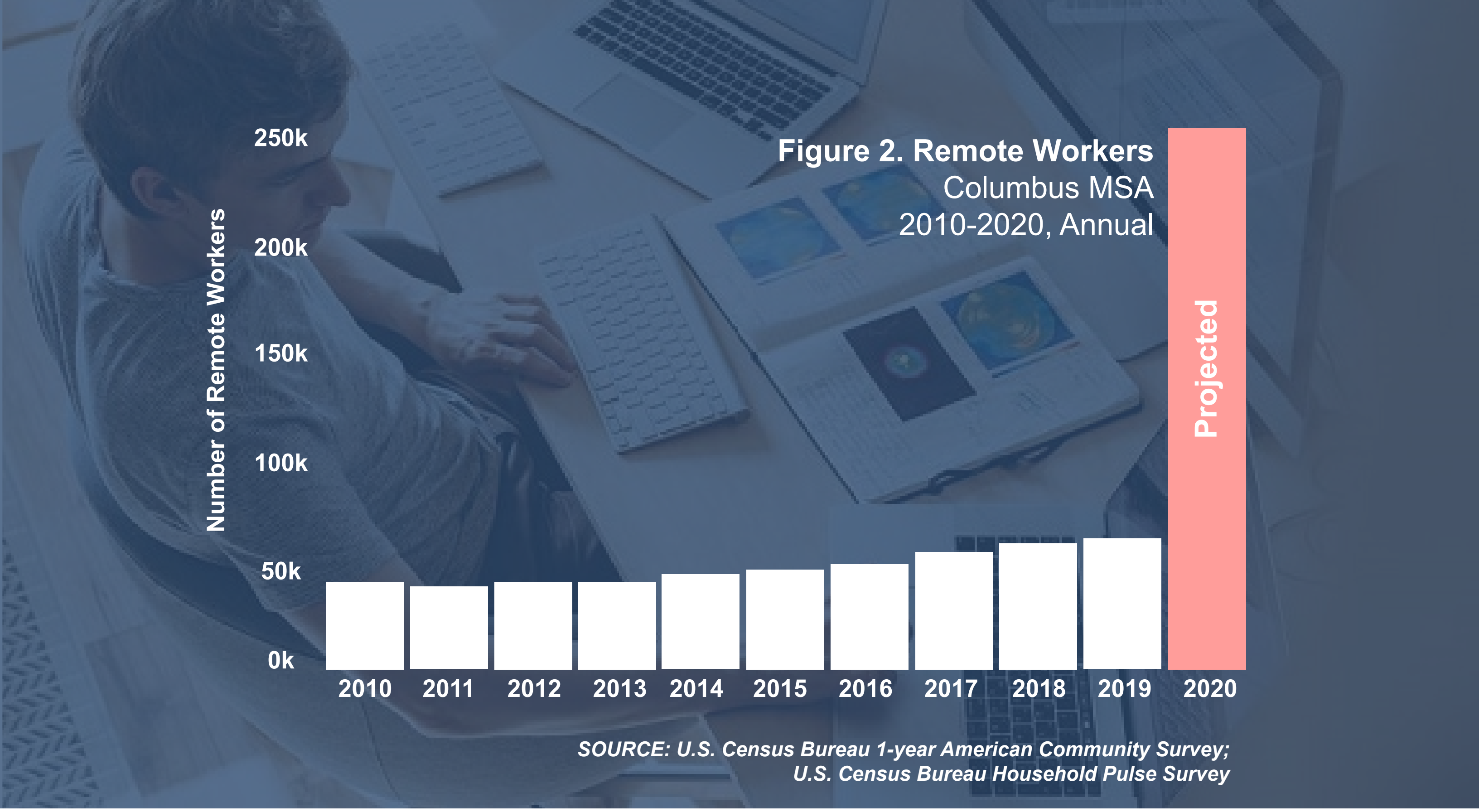
In addition to the impacts on commercial real estate and the future of office development, there are implications for local tax revenue streams. According to research from the Brookings Institution, 76% of the general fund in Columbus comes from income taxes paid by employees working within the municipal boundaries.[3] In 2018, a net of 21.5% of people working in the city of Columbus commuted in from surrounding communities.[4] Some number of the 305,000 commuters have worked from home since the pandemic onset. The Ohio State Legislature has introduced some short-term legislation to temporarily stabilize municipal income tax revenue as many office workers' primary work locations have shifted to their communities of residence.[5] Long-term voluntary shifts to remote work would not, however, be sheltered by such emergency legislation, which could have lasting impacts on the primary revenue stream in the City of Columbus.

Figure 1. Office Net Absorption
Comparable MSAs 2020
Yearly Total



SOURCE : Cushman & Wakefield (via OneColumbus)





Columbus is not the only municipality in the region that is vulnerable to these shifts. Suburbs that are heavily office-oriented and have a net inflow of workers could also suffer a net loss of revenue. Key examples include Dublin, with a net inflow of 22,645 (49% of total employment); Worthington (net inflow of 10,618, 59%); and New Albany (net inflow of 13,912, 76%).

Locally, the precise extent of the shift to telework is not clear. In the whole State of Ohio, household surveys conducted by the U.S. Census Bureau indicate that more than 30% of households had some adults working remotely nearing the end of 2020. With 820,000 households in the Columbus Metropolitan Statistical Area (MSA), this suggests that 250,000 Central Ohio households had at least one worker engaged in remote work in the end of 2020. That means that more than 20% of the region's workforce was working remotely at the end of 2020. By comparison, in 2019, 5% of the workforce, or 60,000 people, worked remotely. While the region has experienced some gradual increase in the remote work trend over the last decade, 2020 was a huge acceleration (Figure 2).

The long-term permanence of the recent expansion of telework remains in question. Based on conversations between One Columbus staff and Central Ohio employers, there will be some permanent shifts to remote work for at least some staff. A December 2020 survey of 1,000 hiring managers by Upwork found that by 2025, the number of remote workers could be 87% higher than before the pandemic. Employers, however, are also considering the challenges of maintaining culture in the long run, especially as firms bring on new hires.

Organizational culture will be an important consideration in the return to office work. There are shifting expectations and work norms for individuals that come along with remote work, especially roles that have been traditionally conducted 'face-to-face.' While the convenience of changing meetings with the click of a mouse, for instance, may have real productivity value for organizations, this sort of insidious efficiency has real costs for employees who find themselves fixed to a single spot in a steady stream of meetings. Beyond the toll on individuals, the diminished likelihood of encountering anyone outside of scheduled meetings has a hard-to-quantify, yet still important opportunity cost, associated with the lack of informal networking, both within and between organizations.

CONSUMER SPENDING & RETAIL ECONOMY

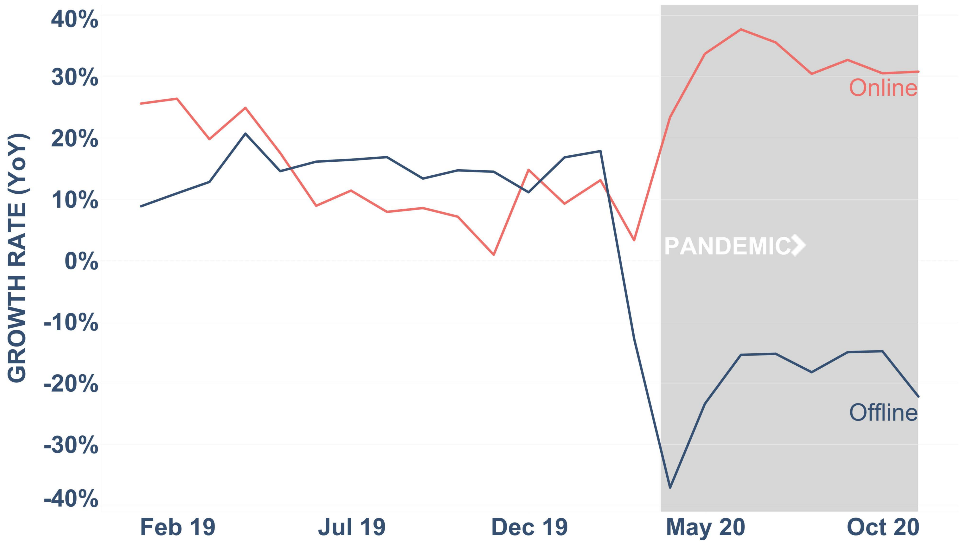
Leading into 2020, Central Ohio was experiencing growth in commercial development across many categories. Commercial real estate development was trending toward high quality office space, hospitality, and high-quality 'lifestyle' mixed-use development with retail and amenities supporting diverse pools of customers—both residential and worker populations, as well as tourists and other visitors. Before the pandemic, pressure on single-use brick and mortar retail was mounting from e-commerce and apparent shifts in consumer preferences.

The pandemic added to the pressure from e-commerce on all retail, and especially traditional, aging brick and mortar retail styles like indoor malls and strip retail. In-store spending, also referred to as "offline" spending, took a major hit beginning with the stay-at-home orders in March 2020. Growth in online shopping persisted even as establishments began to reopen. Offline spending has declined locally by anywhere from about 15% to 40% each month. Meanwhile, online spending has grown consistently by more than 30% each month since May 2020 (Figure 3).

Beyond the acceleration of e-commerce, overall spending was down through 2020. In the state of Ohio, spending in middle- and especially high-income ZIP codes took much longer to rebound. Evidenced by the sectors with the greatest spending declines, high- and middle-income households are more likely to include office workers, which led to deeper cuts in overhead spending for households with the ability to work from home, paired with greater reductions to discretionary spending on recreation, leisure, and travel (Figure 4).

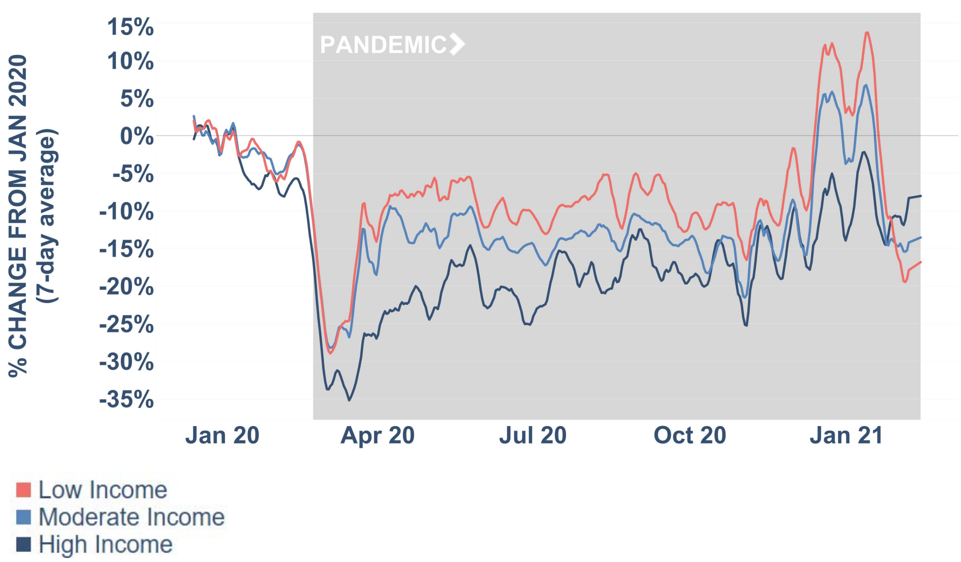
Conversely, low-wage earners are less likely to have remote work options and have less discretionary income, resulting in limited opportunity to reduce spending. In fact, Ohioans in low-income ZIP codes experienced a modest increase in household spending, which might be attributable to costs associated with seeking new employment, navigating the changing availability of resources like childcare and transportation, and to federal interventions like recovery checks and increased unemployment benefits.[6,7]

Figure 3. Online v. Offline Consumer Spending (Columbus MSA)
2019-2020, Weekly



SOURCE : JP Morgan Chase Local Commerce Data Series

Figure 4. Consumer Spending by Income (Ohio)
2020-2021, Daily



SOURCE : Affinity (via Economic Tracker)

Figure 5. Retail Sales by Industry
United States
2019 & 2020 Annual Comparison

SOURCE: U.S. Census Bureau Monthly Retail Sales

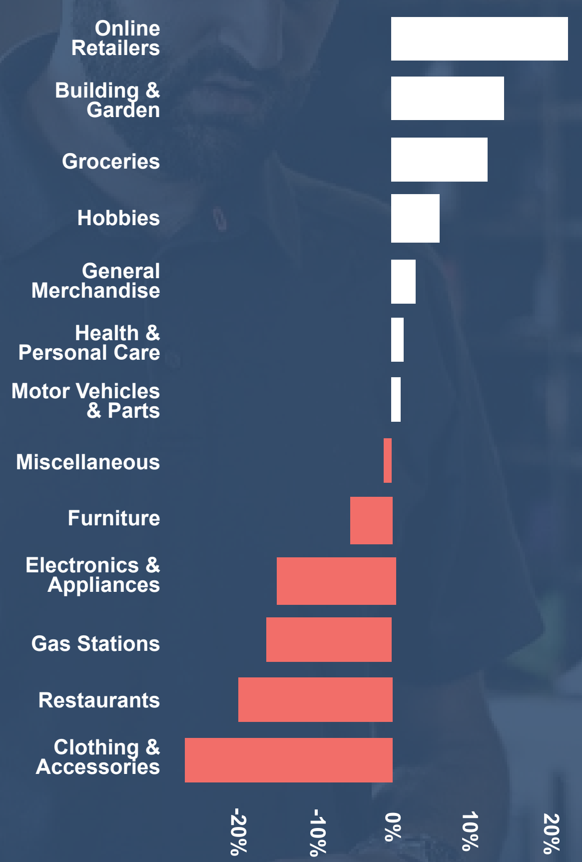
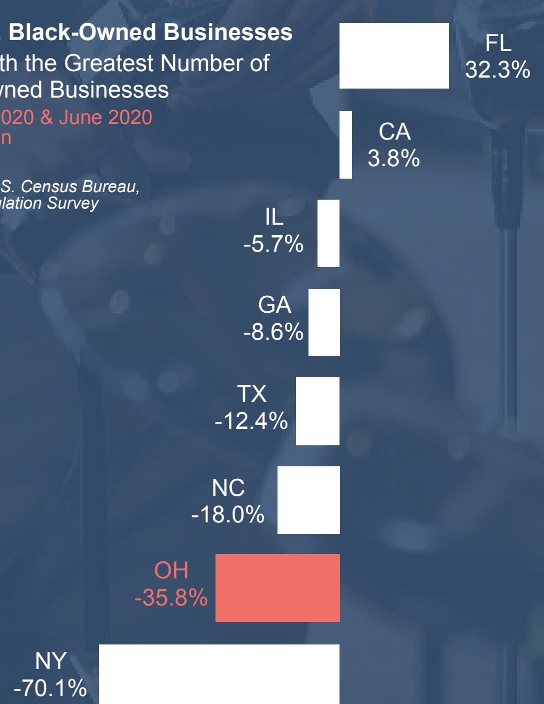


Figure 6. Black-Owned Businesses
States with the Greatest Number of Black-Owned Businesses
February 2020 & June 2020 Comparison

SOURCE: U.S. Census Bureau, Current Population Survey



With the second round of federal stimulus payments, along with vaccine rollouts beginning in early 2021, spending began showing modest gains across income levels. As the vaccine rollout progresses, consumers with unspent discretionary spending budgets may react with more pronounced increases in overall spending in the coming year in sectors that are, by definition, offline (e.g., recreation, leisure, and travel). Other types of spending that support office employees' in-person work (e.g., fuel, clothing, and personal care) are likely to rebound dependently, and therefore concurrently, with employer decisions to return to in-person work.

While no regionwide neighborhood-level data analysis has been completed to demonstrate, there is strong anecdotal evidence to support that neighborhood retail economies were most impacted in places that rely on daytime worker populations or recreational and nightlife attractions, notably downtown Columbus. Neighborhoods with a strong local resident customer base, and especially those with more modern-style mixed-use retail have remained more stable. The rebound of worker-dependent neighborhood economies will depend upon vaccine rollout and patterns of employer decisions to return to in-person work (Figure 5).

According to a national study by the Federal Reserve Bank of New York, evidence suggests a greater impact on Black-owned businesses, including small retailers.[8] According to the study, these businesses tend to be in majority-Black neighborhoods, which were also among those hit hardest by COVID-19 illness. The study cites structural reasons for the disparate impacts on Black-owned businesses, including lack of wealth and weak banking relationships. In the State of Ohio, Black business ownership fell 35% from February to June 2020 (Figure 6).

By the end of the third quarter 2020, the Columbus retail commercial market experienced twelve-month negative net absorption of 264,000 square feet. This began to rebound with some positive gains in the fourth quarter. The surplus in retail space will impact new capital investments as existing retail rebounds. The cadence of this rebound depends on a few key factors – recovery of overall consumer spending, vaccine rollout, and the rate of return to in-person work – and will vary from neighborhood to neighborhood.

LOGISTICS & SUPPLY CHAIN

Ohio relies on overseas production of key commodities including oil, manufacturing components (e.g., vehicle components, metals), health care necessities (e.g., pharmaceuticals, medical supplies) and direct-to-consumer products (e.g., personal care items, computers).[9] For years, China had been the number one country of origin for imported goods into Ohio; however, changes in global trade policies were beginning to increase diversification of import origins, even before the pandemic. By 2019, Canada replaced China as the leading country of origin for imports to Ohio (Figure 7).

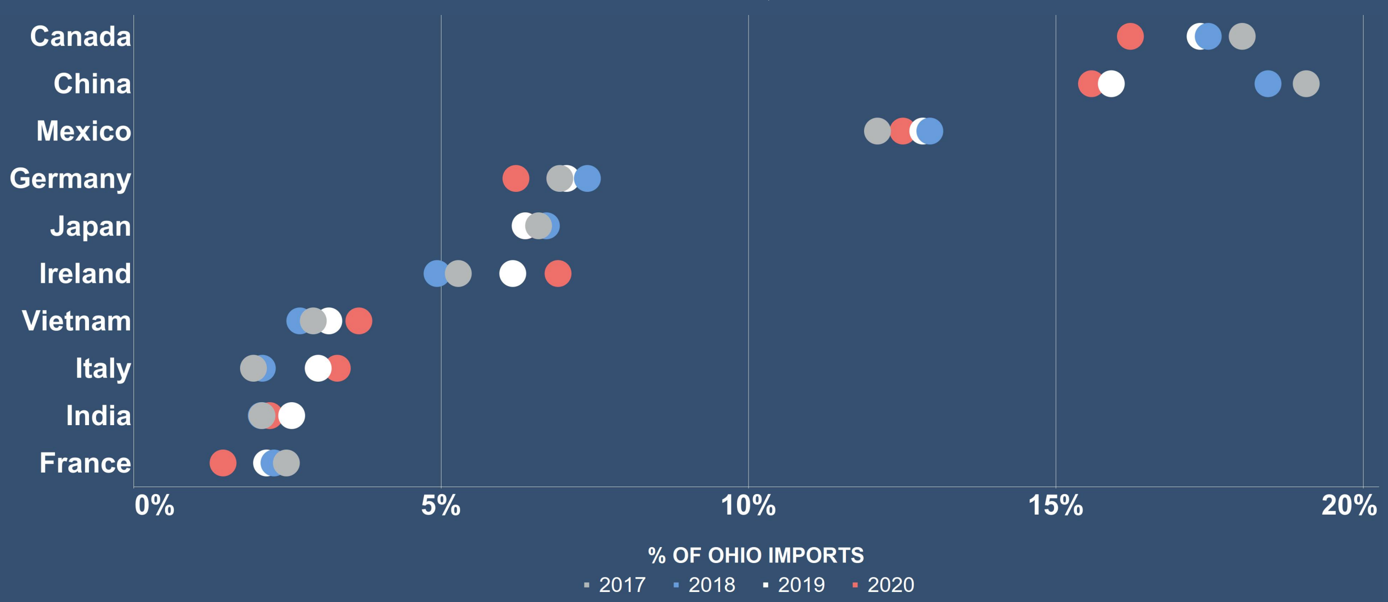
Nationally, the overall dollar amount of international imports was increasing, pre-pandemic, fueled in part by growing e-commerce. In the United States, the e-commerce retail sales market quadrupled from 2010 to early 2020—from $40 billion (about $120 per person in the US) to $160 billion (about $490 per person in the US). When the pandemic hit, e-commerce sales jumped over 30% in a single quarter to $210 billion (about $650 per person in the US). Locally, non-store retailer sales similarly jumped 30%, marking a sudden acceleration in a long, but previously gradual upward trend.[10]

Whether from offshore suppliers or domestic, the abrupt increase in e-commerce demand, sudden global production slowdowns, and shifting logistics patterns catalyzed some dramatic shifts for businesses, and the public resources that support transportation and logistics.

For instance, commercial air cargo comes through both Rickenbacker International Airport and John Glenn International Airport. Before the pandemic, half of global air freight capacity was within the bellies of passenger planes, particularly international routes. When international passenger travel came to a halt with pandemic restrictions and reduced business demand, cargo capacity was significantly reduced. As a result, cargo prices went up and cargo activity shifted. Some passenger aircraft were modified to handle cargo exclusively. For the last half of 2020, these converted aircraft were the predominant type of freighter seen at Rickenbacker.

Some of the earliest signs of the pandemic's impact became evident in January and February 2020 as air cargo from Asia nearly ceased when factories shutdown. However, when factories reopened in Asia, including production facilities for Personal Protective Equipment (PPE), demand surged for air cargo. Rickenbacker was one of the first dedicated airports for Federal Emergency Management Agency relief flights to bring PPE supplies into the country.

Figure 7. Ohio Commodity Imports
Top 10 Countries of Origin
2017 - 2020, Annual



SOURCE : U.S. Census International Trade Data

After the PPE supply chain had stabilized, consumer spending began to rebound. Computers, office furniture, and the like filled cargo flights. A huge backlog of consumer products were then coming via air instead of ocean to meet demand. Ocean capacity has also been backlogged because of the rapid shift from shutdown to high production of a variety of goods produced offshore. Because assembly factories have been waiting for parts produced offshore, businesses have accelerated delivery and shipped more components and goods via air (Figure 8).

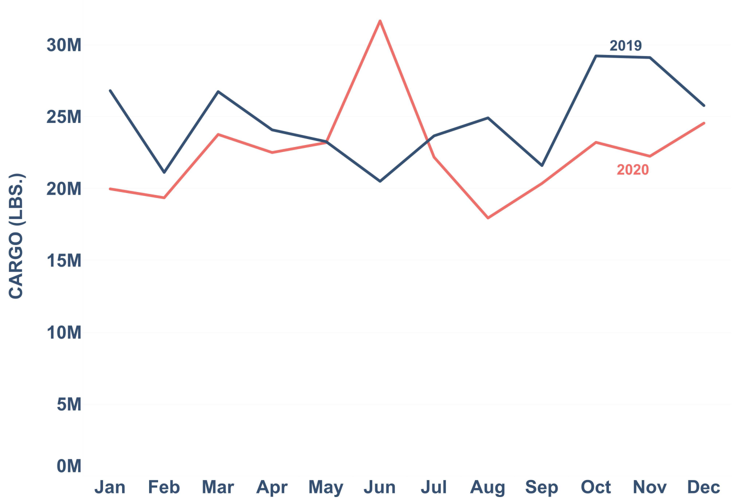
“The world is going through a reimagining of supply chain resiliency,” said one interviewee from the Columbus Regional Airport Authority. Demand for warehouse space, the interviewee suggests, has increased because US companies want more inventory stateside to avoid goods being stuck overseas. Various industries are considering re-shoring more supplies, especially medical supplies.

Indeed, industrial real estate has reflected the increased demand for warehouse space. According to NAI Ohio Equities, 2020 saw 3.3 million square feet of positive net absorption for industrial real estate (which includes warehouse and manufacturing). Industrial construction has also seen record-breaking activity. In 2020, 11.2 million square feet of industrial space was added, far above any year in the past decade (Figure 9). Partly, this reflects the e-commerce boom. According to NAI, 20% of industrial real estate activity is from Amazon distribution facility lease activity alone. It also may reflect businesses seeking to stockpile resources onshore to avoid supply chain pinch points.[1]

Whether diversifying supply chain sources, importing and storing essential supplies in greater volumes locally, or exploring local manufacturing options, there will be important conversations in the coming years between the private and public sectors about employer needs, and the impacts on Central Ohio land use, resident employment opportunities, and transportation systems.

Figure 8. Air Cargo

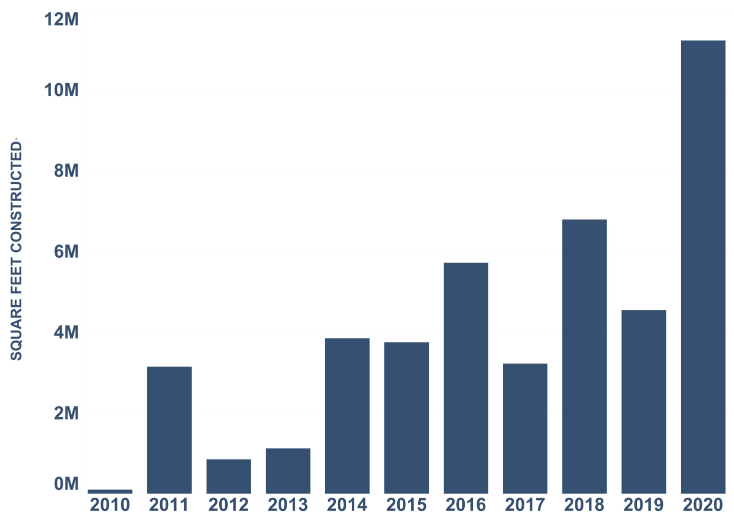
Rickenbacker International & John Glenn International Airports
2019 - 2020, Monthly



SOURCE : Columbus Regional Airport Authority

Figure 9. Industrial Square Feet Completed

Columbus MSA
2010 - 2020, Annual



SOURCE : Jones Lang LaSalle (via OneColumbus)

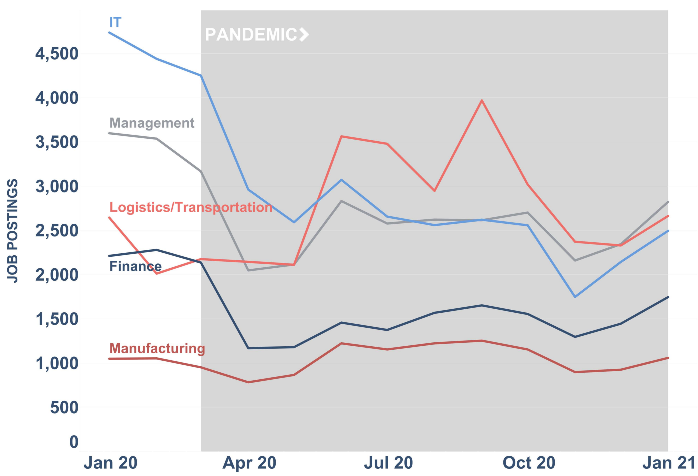
WORKFORCE SHORTAGES

Workforce shortages were a key concern reported by employers before the pandemic. In the years following the Great Recession, Columbus had experienced a gradual but steady increase in the region's labor force. Despite the expanding labor force, employers reported challenges finding workers with the skillsets to match vacant positions.

The pandemic had massive impacts on employment (discussed in detail in the Employment & Small Business brief), along with a significant drop in hiring. By the week ending on May 8, 2020, there were 50% fewer job postings than in January of the same year. By late February of 2021, overall hiring was still 12% lower than in January 2020. Broken down by the educational requirements for vacancies, however, those with lower educational requirements rebounded more quickly, with a few distinct spikes in postings. The greatest of these spikes was in late June 2020, when unfilled vacancies with minimal educational requirements were 43% higher than they were at the start of the year. These positions are reflective of a surge in demand for workers in logistics and transportation, at least partly driven by the surge in e-commerce (Figures 10 & 11).

Figure 10. Job Postings by Industry

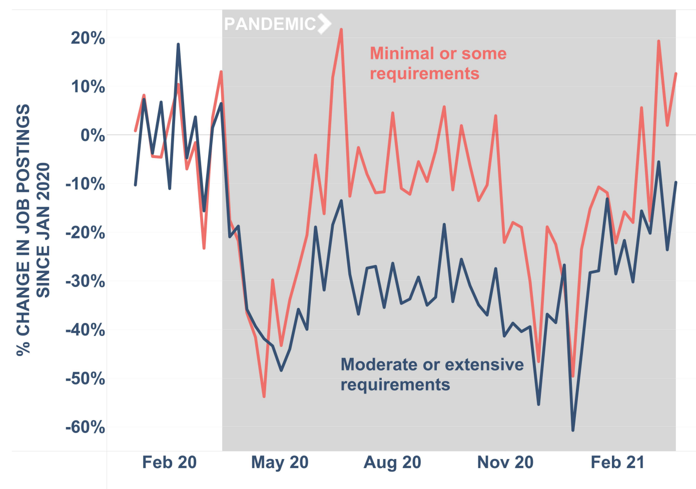
Columbus MSA
2020 - 2021, Monthly



SOURCE : Burning Glass (via OneColumbus)

Figure 11. Job Postings by Education Requirements

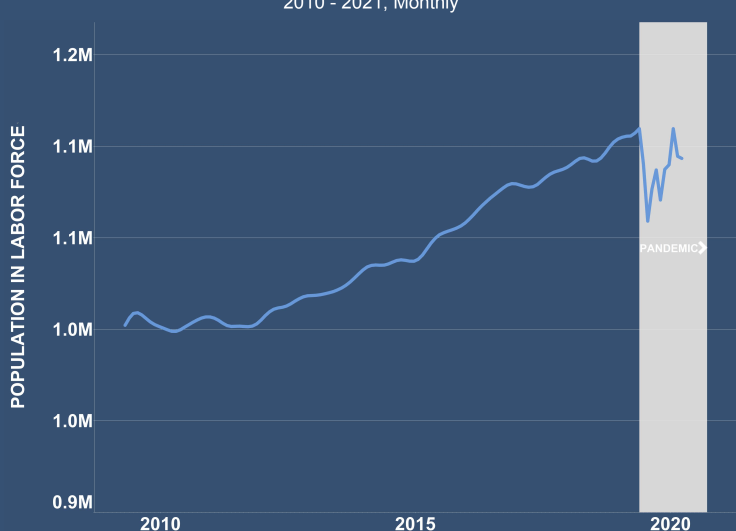
Columbus MSA
2020 - 2021, Weekly



SOURCE : Burning Glass (via Opportunity Insights Economic Tracker)

Figure 12. Labor Force

Columbus MSA
2010 - 2021, Monthly



SOURCE : U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (Smoothed, Seasonally Adjusted)

With high unemployment, the workforce challenges employers are experiencing seem almost contradictory. Based on conversations between One Columbus staff and Central Ohio employers, staff turnover is a big issue, as employees deal with childcare and transportation issues. Many employers are increasing wages, which has increased their geographic reach—employees are willing to travel farther for higher wages—but they are still struggling to hire and retain, even temporary workers.

Local employers' experiences mirror a national trend — a major drop in labor force participation that is slow to recover to previous levels. After years of steady growth in the region's labor force, March 2020 saw a 5% decline in a single month. Recovery of the labor force has been slow and uneven (Figure 12). Nationally, the data suggests that dropping out of the labor force is more likely to affect households with children, women, workers without a college degree, and Black and Latinx workers.[12] Barriers also exist for office workers or families conducting remote school who live in locations with poor or no broadband access (an issue discussed in more detail in the Technology & Broadband Access brief).

Another national analysis from the U.S. Census Bureau points out that mothers, especially non-white single mothers, have disproportionately fallen out of the labor force since the pandemic emerged. Mothers are more likely to work in service industry jobs, which were more impacted by the pandemic, and they are more likely to carry the burden of unpaid domestic labor, demands that have been intensified by the reduced availability of childcare and in-person school.[13]

The increasing demand for essential workers reflects an adjustment to a rapidly shifting ecosystem of consumer behavior. This paired with increased barriers to accessing employment for the people who are more likely to fill those positions is a recipe for exacerbated workforce shortages in Central Ohio. Employers are eager to bring in the workforce they need and are taking a range steps to attract and retain staff including increasing wages, expanding job advertising, and considering employee supports around childcare.

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