

# Special Report | Pacific Northwest COVID-19 CORONAVIRUS

9 March 2020



Accelerating success.

## Developing Situation

Since the first reported case of COVID-19, a novel coronavirus, on December 31, 2019 in Wuhan, China, there have been nearly 90,000 confirmed cases globally, according to the World Health Organization (WHO). As over 3,000 people have died, it has a mortality rate of 3.4 percent (source: [WHO](#)). So far, the WHO reports that most deaths have been associated with people over the age of 60 or those who had a pre-existing condition. In an interview with the Portland Business Journal, Portland State University biologist Ken Stedman predicts the “future number of cases is going to go way up in the US... [but] the fatality rate is... probably lower than 0.5” (source: [PBJ](#)). It should be noted that during the 2018 – 2019 flu season, it caused 375 deaths per day, despite a vaccine in place (source: [Health](#)).

## Impact to Commercial Real Estate in the Pacific Northwest

Given the limited spread of COVID-19 in the United States, the disruption to real estate will be limited to significant concern on an individual level and uncertainty on an institutional level more than actual health risks. In Seattle, F5 Networks closed its 516,000 square-foot office tower in downtown last Monday for in-depth cleaning after it learned an employee came into contact with someone who tested positive for COVID-19 (source: [Geekwire](#)). Depending on the spread of the virus, more building closures like this could take place as companies work to ensure health and safety for their employees. As a precaution, Nike closed its world campus headquarters outside Portland over last weekend for a deep cleaning as well (source: [Business Insider](#)). The industrial market will likely be most impacted over the long-term.

Supply chains are already experiencing disruption as Seattle-based Amazon warns of longer delivery windows for its Prime Now and Amazon Fresh services in addition to halting all non-essential travel, domestically and abroad (source: [PBJ](#)). As heavy port cities, Portland and Seattle have a lot to lose from China’s quarantines. Oregon exported \$4.7B of goods to China in 2018 (source: [Oregonian](#)). A vast majority of those are from Intel in Hillsboro, but includes agricultural products and apparel as well. Seattle is even more dependent upon China for trade, with 14 percent of all U.S. exports to China coming from the state of Washington (source: [Seattle Business Magazine](#)). King County alone exports \$5.9B in merchandise and commodity sales, primarily related to the aerospace industry (source: [Seattle Business Magazine](#)). After Canada, Washington receives the most imports from China, at \$12.8B, which decreased 21.6 percent from 2018 to 2019 because of the trade war (source: [Census](#)). By contrast, Oregon receives \$2B in imports from China, which is a 37.2 percent decrease from 2018 to 2019 (source: [Census](#)). In the coming months, companies based in the Portland metro and Puget Sound regions will feel the impacts of COVID-19 beyond any limited health risks. Despite China’s factories beginning to open again (source: [Tim Duy](#)), there will be changes to supply chains globally that will likely impact demand for space in the Portland and Puget Sound markets.

### For more information:

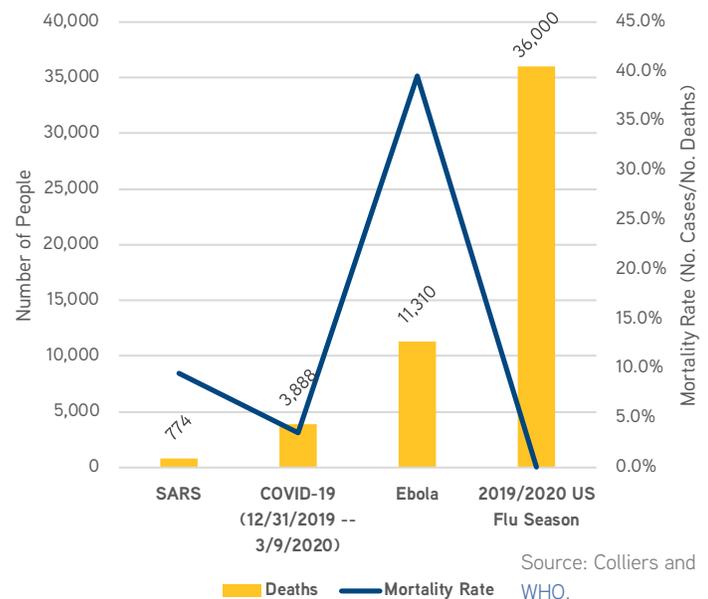
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## Global Epidemic Impact Comparison



SECTOR	IMPACT	ANTICIPATED TIMING
<b>Office</b>	<ol style="list-style-type: none"> <li>Temporary closures</li> <li>Increased janitorial expenses</li> <li>Landlords favor tenants with remote-work policies</li> <li>Force Majeure reviews to include or exclude epidemics</li> </ol>	<ol style="list-style-type: none"> <li>Until spread of the virus is contained</li> <li>Temporary</li> <li>Long-term</li> <li>Long-term</li> </ol>
<b>Industrial</b>	<ol style="list-style-type: none"> <li>Supply chain disruption</li> <li>Port markets (Seattle, Tacoma, and Portland)</li> <li>Shortage of consumer goods</li> </ol>	<ol style="list-style-type: none"> <li>Lasting</li> <li>Temporary</li> <li>Delayed (starting in 3 – 6 months)</li> </ol>
<b>Construction</b>	<ol style="list-style-type: none"> <li>Construction costs to surge as more economical Chinese steel is not shipped, forcing contractors to buy American</li> </ol>	<ol style="list-style-type: none"> <li>January – virus contained in China, hopefully late spring/early summer</li> </ol>

## Resources for up-to-date information

- Johns Hopkins Interactive [Map](#) of disease updates
- World Health Organisation [Situation Report](#)

