

AFTER THE GREAT LOCKDOWN

New Business Realities and Implications for Investors

Webinar Summary



Warren Koontz
Managing Director &
Head of Value Equity,
Jennison Associates



Cathy Marcus
Global COO &
Head of U.S. Equity,
PGIM Real Estate



Nathan Sheets
Chief Economist, Head of Global
Macroeconomic Research,
PGIM Fixed Income



Taimur Hyat
Chief Operating Officer
PGIM

PGIM thought leaders recently published a paper on the fallout from the coronavirus crisis, examining how it will fundamentally alter the behavior of companies, consumers and governments and how institutional investors should view the world after the Great Lockdown is over. Here are excerpts from the webinar discussing the report:

- **The recovery will be gradual:** PGIM's base-case is for a Nike-swoosh-shaped recovery. We expect the global economy to bottom out over the next couple of months, and as we move through summer and into fall, we expect a gradual recovery with levels of economic activity and GDP returning to late-2019 levels sometime in 2021. Improvements in testing and treatment for COVID-19 could pave the way for a V-shaped scenario, but should consumers show a reluctance to spend or, more worrisome, should we experience a significant global "second wave" of the virus a W-shaped recovery is very possible.
 - **Supply chain resiliency will be a priority:** The coronavirus-induced lockdown will accelerate many of the existing trends in supply chain management but will also intensify the focus on location. As companies consider re-shoring, however, or finding different countries to locate their supply chains, the process may take longer than usual as most businesses have cut back on capex or are choosing to preserve capital to weather the global shutdown. Ultimately, supply chains will be focused more sharply on resiliency and diversification.
 - **Office space is at a crossroads:** Offices are not going away, but the purpose of the office will change. Tenants will rethink how their employees use the office, which will inform significant changes to both design and how things are built.
- The demand for space will also be revisited as tenants make occupancy decisions that consider fewer employees but at the same time the need for more space in a post-coronavirus world. In multi-family, the "live, work and play" model may undergo change as people look for more open space, which could benefit suburban apartment and single-family rentals.
- **The "weightless" economy still dominates, with near-term challenges:** The trend towards weightless firms and their capital-light, tech-heavy business models will likely accelerate. Technology will continue to create more flexibility and efficiency in manufacturing and allow for the greater customization that consumers demand. That said, some of the dramatic developments within the shared economy – ridesharing, as just one example – may slow in the near term and consumers may gravitate towards longer-term relationships with service providers.
 - **Government intervention is inevitable:** A push to bring some production back to the US is certain. To the extent the crisis has brought to light issues of inequality, affordable housing may gain traction, creating programs that bridge the gap between the needs of society and the commercial realities and risks involved. Globalization will continue but with more of a focus on the social disruption and substantial economic issues that can come with it.

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