

Perspective

A Brave New COVID World

**BY JASON RIMLAND
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As the COVID-19 pandemic continues in the United States and around the globe and with some U.S. states and countries lifting stay at home orders, many are speculating as to what the business and legal world will look like post-pandemic. Some have hypothesized that the pandemic will ultimately be as consequential to the world economy as a major war. However, there will not be any true sea-changes in how we operate, but rather an acceleration of some of the trends that have been taking root in recent years.

The shutdown has caused a deep worldwide recession and an unemployment rate close to 20%. Nonetheless, as with other severe disruptions, such as 9/11 and the financial crisis of 2008, we all endure, adapt, and learn how to thrive in the new environment. As doctors and scientists learn more about COVID-19, there will be more effective treatments of the coronavirus this year and a vaccine in 2021 or 2022 allowing us to get back to most of the practices and routines we enjoyed prior to the pandemic.



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Remote Working

To operate through this pandemic, many businesses have gone partially or fully digital. The move towards remote working and flexible work arrangements in many industries has been going on for years. Many companies that lack the technology infrastructure to seamlessly and securely allow most of their workforce to have this capability have embraced online team collaboration platforms such as Zoom and Microsoft Teams. In fact, many may likely have part of their workforce working remotely until a vaccine is readily available. Some businesses may never go back to pre-pandemic office arrangements.

Law as an industry has been historically conservative and slower to evolve, holding fast to its own way of doing things, but this crisis has proven that it can adapt, and it can

do so quickly. Law firms that have gone fully remote, on short notice, have continued to operate and provide client services with minimal disruption, which has caused law firms to realize the benefits of fast-tracking digital transformation. Some companies and firms may go back to the old work-in-office policies, but many more will realize the benefits to employees, the lower costs, and the increase in efficiency. Courts, initially shuttered, have been operating remotely as well. As virtual court proceedings prove to be an efficient way to do things, this trend is likely to gain momentum in the post-COVID world.

Even as businesses and establishments reopen, remote working will continue to accelerate. Technology that enables businesses to operate remote will continue to evolve offering more flexibility and sophistication.

Commercial Real Estate

The commercial real estate landscape will change drastically as companies embrace a remote workforce leading to a much smaller office space need. Some companies may never go back to having a desk or office for each person. Law firms will be no

exception. The need for office space could decrease by 20% to 40%.

The pandemic accelerates the deterioration of the retail real estate market and this trend will continue post-COVID-19. Many retail businesses do not have the cash reserves to survive this pandemic even with the government bailout. Though the public will inevitably slowly return to restaurants, movie theaters and stores, it is hard to imagine how indoor malls will continue to survive as more brands build their businesses online, especially with the sophistication of online engagement of customers with brands through social media. Vacancies will accelerate, rents will come down and commercial landlords will need to be creative in filling these vacancies.

Bankruptcies

Despite numerous governmental programs to keep businesses operating, bankruptcy is an unfortunately reality for some. Governmental assistance has elongated the business cycle curve, prolonging many bankruptcies until the summer. However, post-COVID-19, we will see an increase in the number of bankruptcies across industries particularly the retail sector. For examples, both J.Crew and Neiman Marcus filed for bankruptcy protection in early May 2020, citing the coronavirus pandemic as the main cause.

Legalization of Cannabis

States were already feeling the tightening of the purse strings before the pandemic and the pandemic has only widened their budget gaps. States that were previously on their way to



A woman wearing a mask walks out of a coffee shop that requires customers to wear a face covering.

Photo: Ryland West/ALM

the legalization of cannabis will likely finally take the plunge as a way to make up some of the lost tax revenue caused by the pandemic.

Privacy (Contact Tracing)

Without a doubt, contact tracing will play a key role in containing the spread of the virus. The movements of every person in the United States will be tracked through contact tracing apps on our smartphones. China is already utilizing some of this technology and big tech is devoting considerable resources to improve the process. By instantly knowing who you came in contact with, the spread of the virus will slow down and lives will be saved. People are more likely to sacrifice their privacy for what is perceived to be the public good.

Travel/Airline Industry

Business and recreational travel came to a halt during the pandemic.

Face-to-face meetings and industry events were replaced with virtual meeting rooms. As restrictions loosen and the economy slowly reopens, the need for business travel will likely to continue to decline as the tools for people to virtually engage become better and more prevalent. With the popularity of collaboration platforms such as Zoom, Google Meet and Google Duo during the pandemic, it shows that most meetings can be done without getting on a train or airplane and this will save companies money. Remote meetings between lawyers and their clients will require an added layer of security to protect attorney-client confidences.

In regards to recreational travel, it is unlikely to return to pre-pandemic levels unless there is a vaccine despite the airline's best efforts. It may be difficult for airplanes to meet social distancing requirements and the real danger that air flow in enclosed

spaces can spread the virus over a greater distance may deter travelers.

Health Care/Biotech

Medical practices and hospitals accelerate the adoption of telehealth. With social distancing rules in effect, the medical community uses technology to continue serving patients. Remote medicine, which is covered by insurance, can be used to treat many conditions and saves a good deal of time for both health care professionals and patients. During the pandemic, technology has helped doctors diagnose and triage patients who do not want to come to offices or overcrowded hospitals for fear of catching COVID-19. Public health officials are now encouraging health care systems to expand their telehealth technology through smartphones and other tools as quickly as possible. There is a bill in Congress called the "Connect" Act eliminating the rules that usually restrict the use of video services for Medicare patients. This has the potential to greatly expand the population that can take advantage of remote medicine.

Drug companies are racing to find a vaccine for COVID-19. Without a vaccine, the economy will be partially closed even as states lift stay at home orders as the risk of COVID-19 is always lurking in the background.

Manufacturing/Supply Chain

It became apparent during the pandemic that our supply chain needs improving. Post-COVID, we are likely to see changes in our supply chain. Companies are likely to use multiple suppliers from different geographic

regions to avoid dependency on one or two suppliers in one region. The forces driving fragmentation and isolationism among countries pre-pandemic may get stronger with more tariffs and other trade barriers that impede international commerce and travel. Some manufacturing that are done in China may be moved back to the US or to other parts of the world. Companies may also create redundant supply chains to prevent disruption in case of future outbreaks of COVID-19 and other viruses.

Venture Capital And Private Equity

Until there is a vaccine, the economy is unlikely to quickly return to pre-pandemic levels. Despite having trillions of dollars of dry powder, venture capital and private equity funds

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are in no rush to start new deals yet. Deals will progress, but at a much slower rate, with valuations for many industries being reduced by significant amounts. Acquirers are likely to conduct more due diligence virtually in the future. Deal counts will likely not return to pre-COVID-19 levels for several years.

Despite the decrease in deal activity, the coronavirus pandemic opens up opportunities for private equity. We will likely to see private equity

firms move to distressed and credit investing. For example, it is reported that Apollo Global Management is raising \$20 billion focusing on credit strategies to take advantage of the distressed opportunities as a result of the virus.

Education

Some esteemed universities dabbled in remote learning prior to the pandemic. Higher education has been ripe for disruption for years. As the virus spread, nearly all colleges and universities closed their campuses and started teaching all of their classes online. For most areas of study, there is very little a student can learn in the classroom that he or she can not learn remotely, and students are now experiencing that first hand. The cost of many universities has reached astronomical heights out of reach for many middle and lower class Americans. Providing some or all of the courses online will drastically reduce the cost of a college education for all. This may be the catalyst that finally leads to the disruption of the entire higher education industry.

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