

# Texas is open for business. Now what?

BY MATT BAKER



Over the final two weeks in May, Texas Governor Greg Abbott instituted a graduated opening of the state's economy. But what does this look like on the ground? What are the prospects moving forward for the larger economic engine in the face of the COVID-19 pandemic?

"Mixed in with the controversy that surrounds the reopening plans and whether it's the right thing to do or not is that nobody really knows what's next," said Ryan Walsh, executive director, NRG Park. "All we can do is plan against the worst-case scenario."

Walsh was part of a panel discussion that REDNews recently hosted to explore what the next steps are for Texas businesses and properties now that stay-at-home orders are lifting.

NRG Park—the four-stadium, 350-acre property that hosts Texans games, the Houston Livestock Show and Rodeo and other live events—has joined a task force with other Houston arenas regarding the best practices for opening up their venues.

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NRG Park has been in constant contact with their vendors and the NFL as to how they can safely reopen the stadium, but at the moment there are no set-in-stone plans. Walsh said that one frustration

is the mercurial communication coming from various government agencies as to how to proceed.

"The guidelines change so frequently and so often," Walsh said. "As we're planning, it's changing."

When it comes to the health of specific commercial real estate sectors, Transwestern president – southwest, Kevin Roberts, parsed the issue in two different ways. Property owners should consider holding onto industrial and multifamily assets as the smart position. For those looking to acquire property, he recommends looking at office assets.

Office properties will likely trade at a discount to where they would have been priced during



Alvaro Bustillos



Jon Barela



Kevin Roberts



Ryan Walsh



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the first quarter, due to (real or perceived) future lost income and shrinking leases. Roberts said that one initial concern—that rents would evaporate in March, April and May—has so far been unfounded with approximately 90 percent of office tenants meeting their rent obligations. Of that remaining 10 percent, many tenants have likely received deferrals, so landlords will eventually recoup some of those losses.

On the industrial side, one long-range benefit may be a re-shoring of manufacturing jobs. According to Jon Barela, CEO, The Borderplex Alliance, Texas makes an ideal landing pad for many of those jobs.

“Canada, the U.S. and Mexico will become even more integrated, not just because of [the United States–Mexico–Canada Agreement], but because of the unpredictability of manufacturing in China,” said Barela. “That’s certainly what’s going on now with the Sino-U.S. relationship and many are saying we’re potentially entering into a new Cold War.”

The Borderplex Alliance is the seventh largest manufacturing hub in North America, an economic development region centered on the cross-border cities of El Paso and Ciudad Juárez that employs more than 275,000 individuals. If American labor is too expensive for manufacturers to return home, Mexico is a closer, cheaper option that may benefit border communities like El Paso.

Alvaro Bustillos, president and CEO of Vaquero Trading, agrees that this cross-border relationship is strong and extremely beneficial to both countries. His company is a livestock procurement and marketing company that imports Mexican cattle to a hungry U.S. market

“The meatpacking plants went down, operating a couple of weeks without being able to slaughter any cattle,” Bustillos said, adding that total production dropped from 600,000 head of cattle per week to less than 400,000 head.

Just as Walsh pointed out the challenges inherent in receiving clear guidance and mandates from various U.S. jurisdictions, the obstacle only magnifies for international concerns. Bustillos said that it is important

that the Mexican and U.S. government align their messaging and response to the pandemic.

Opening the economy is only half of the problem—keeping it open is just as imperative. “The only thing worse than what’s happening right now would be if it happened again,” Roberts said.

Roberts relayed a statistic that 40 percent of the people that make \$40,000 annually or less are currently either unemployed or are seeking unemployment. A prolonged recovery would batter this segment of the workforce and ultimately mean fewer and fewer businesses remaining operational.

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COVID-19 has infected more than 6 million people worldwide, but it has infected nearly everyone with something else: fear. The fear of interacting with others and contracting the disease. Barela believes that if we are able to quickly find a vaccine, those fears will dissipate and the economy should rebound quickly.

“People want to get out, they want to socialize, they want to have human interaction and one-on-one meetings,” Barela said. “It’s human nature to want to go out and be amongst our peers, so I expect a recovery to happen very quickly.” ■