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Fitch Ratings: Driverless Cars Leave Parking Assets at Risk

Fitch Ratings-New York-26 November 2018: The advent of autonomous vehicles could negatively affect parking assets over time, according to a new report from Fitch Ratings.

With autonomous vehicles likely to operate through ride-sharing and accessing cheaper parking locations, revenues will be adversely affected for not just standalone parking facilities in urban areas, but for those housed in airports and universities. Where this is most likely to play out is among younger generations that are moving to large cities in greater numbers. 'Millennials and Generation Z are most likely to embrace autonomous vehicles since they are already frequent users of ride sharing and are far less likely to obtain a driver's license,' said Senior Director Chad Lewis.

Standalone urban parking assets stand to be most susceptible to the effects of driverless cars as they become more commonplace. Once the technology is standardized enough for autonomous vehicles to drop off individuals and travel to cheaper parking spaces further away from the urban centers instead of clogging the facility looking for parking, revenues will decline. Likely to stand in the way of more widespread use of driverless cars, however, are several high profile accidents involving these vehicles of late. Additionally, the public will have to endure inevitable teething problems as the technology is perfected.

Some airports are already seeing their revenue streams significantly disrupted from transportation network companies like Uber and Lyft. In response, these airports are now charging fees for these companies to pick up and drop off passengers while others have started parking clubs that provide guaranteed spaces within close proximity to the terminal for its members. Driverless cars will have less of an effect on university parking until they capture a large share of the market. That said, younger students are already relying on ride sharing and public transportation to greater degrees while professors and other university staff are not likely to shift from their current mode of transportation anytime soon.

Ratings implications are highly unlikely in the near future for the seven Fitch-rated parking facilities since autonomous vehicle technology is still very much in development and will keep driverless cars from widespread use for at least for the next decade. 'For highly leveraged transactions, especially those with bullet debt, structural features such as cash sweep triggers and management strategy to timely delever and maintain high coverage ratios in outer years will mitigate longer-term risk. Parking facilities under public ownership with amortizing structures should be able to pay down debt with relative ease,' said Lewis.

Longer term, underutilized parking assets could have a second life. 'Some existing car parks are already developing additional revenue streams including car cleaning areas, valet parking services and EV charging points,' said Lewis.

'The Effect of Autonomous Vehicles on Parking Assets' is available at 'www.fitchratings.com'

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