



CORENET GLOBAL

VIRTUAL POP UP

A pop in community for **corporate real estate professionals**

Pop-Up Webinar: Key Takeaways

20 May 2020

Has anyone returned to the office in the past week?

- Here in Singapore, things are still pretty much in lockdown. Only essential workers are out there. People are planning a return to work, but I am not sure if the government will lift the lockdown on 1st June as planned. Hong Kong has been slowly returning to work over the past month or so. Australia and New Zealand are starting to stage back.
- Yes, we have returned to work here in New Zealand. We went down to level 2 last Thursday, and on Monday of this week all the schools have gone back. They are operating with social distancing in place. In the corporate world, all the offices are starting to go back, but a lot of them are going 50-50 – half the team is coming back for a week or two, then they will swap over and the other half of the team comes back. A lot of working from home is still happening, and I think this will continue until we go down to level 1. It is a lot more normal here than it has been. Restaurants are opening, and retail has opened again. The only thing that has not opened is bars. Standing around in bars is still not allowed, but I think it changes on Thursday. Gatherings are currently limited to 10 people, and mass gatherings, such as big sporting events, are not allowed.
- Here in the southeastern United States, we have opened things up more rapidly than a lot of people thought we would. Lots of people are out without masks, and there are some large gatherings. There is a worry that there could be a resurgence of the virus here.
- It is the same in India. I was on a webinar with an India focus last week, and India has started to open again after being under lockdown. There is a huge amount of anxiety in the population because cases are still rising. Considering this, how do we manage a return to work? Should we be hot-desking anymore? There are cafeterias to think about, shuttle buses, and social distancing requirements. The population is incredibly anxious about having to return to work, but for some returning to work might be viewed as positive because working from home in India can be suboptimal.
- Here in Malaysia, we are open again, but not completely. It is conditional, like New Zealand. Pubs, cinemas, and places of entertainment are still closed, but restaurants are open if they observe social distancing. Not many people are gathering in groups, and in fact the police are there to make sure they do not. There have been several incidents where people were holding illegal bazaars in Kuala Lumpur despite the government stating that there would be no bazaars this year. The police came in to break it up. People are not allowed to cross state lines, even for the festive holiday which is occurring this weekend. In terms of coming back to work, there is some hesitancy to use public transport. They are marking with an “x” places where people can

stand, but I am not sure how many people will be comfortable taking public transport to work. I am sure that most people are still apprehensive about being face to face with coworkers in the office. We are required to wear masks in the office. I had a call yesterday with a colleague who was in her office, and she was wearing a mask. But I could not understand her. I asked her to just text me instead. That is what we are seeing right now in Malaysia.

We are hearing that security teams are playing a large role in decisions to open offices. Is anyone else hearing that too?

- We have an insurance client, and their effort is being run by the global risk management group.
- In our organization, security has a seat at the table, but not the final decision. We have a steering committee, and security has a seat. But I would not suggest that they have the loudest voice at the table. Nonetheless, they have a voice that is there for consideration.

Who has the loudest voice?

- In our organization, I think Real Estate does, hand in hand with HR. We are in no rush to get back in the office. For us, it is quality over expediency, and removal of anxiety for our staff. We are taking a slow and steady approach. We are saying around 25 percent initially for re-occupation of our sites, and then it is a few stage gates and milestones to achieve, and of course distancing for health and safety and all the cleaning protocols.

Earlier there seemed to be this urgency about getting back to the office. But there has been a shift in the conversation globally, and nobody seems to be in a rush anymore. More and more we are hearing that people will return to the office in September, or even October.

- Here in New Zealand, everybody is taking it quite slowly. Some organizations that were due to move into new space over the next four to eight weeks have decided that they are not going back temporarily to the existing office. They are waiting a few more weeks until they can get into their new building. We do not have a massive train system, but they have regulated the trains, so they are not crowded. You can only sit by the windows. The trains are running only at half capacity to give commuters a sense of distancing. The city is quiet, even though some people are back to work. Only 35 people in the whole country currently have the virus. There have been no new cases for days now. Next week will be key. So far, so good.
- Our approach is one of caution globally. We are not even considering returning to our offices until the end of June; that was extended yesterday. We have a committee out of the UK which deals with exceptions. If you go to Shanghai right now, there are no restrictions on bars and restaurants. China has a surveillance system that is beyond most other countries. I guess their thought process is 'if it happens, it happens, and we can tamp it down quickly.' But we are erring on the safe side. Our bigger concern is not our offices themselves, but rather getting to them. It is expected that there will be some resurgence of cases. I do not think we will see full capacity until sometime next year. And we might never get to that again. It could be that working from home will be a catalyst to accelerate our portfolio strategies.
- For our offices in Chicago and Washington, D.C., we are probably looking at the beginning of June to return. We plan to start at about 25 percent occupancy once the municipalities say it is OK. We have a plan in place that is ready to go.

As some businesses are scaling down here in Malaysia due to the pandemic and lockdown, they are giving up space. The supply of fully furnished offices will increase in Kuala Lumpur, but I am

not sure the demand will be high enough to meet it. Is anyone else seeing this happen in your market?

- I am in the United States. We are seeing quite a bit of space coming on the market. Companies that were building out space just gave it up. Our vacancy rate went up very quickly.
- There has been a lot of take up of new office space here in Singapore over the last couple of years. My sense is that companies will be loathe to give that up. There has been a huge expansion of coworking space here over the last couple of years. There are several local coworking operators in Singapore – not on the scale of the big, global players – and there is a lot of discussion around what will happen to that space. I am interested to know what impact there would be on space availability if some of the coworking operators go bust in all this.

What are corporates thinking about coworking space? Will that be part of the portfolio going forward?

- I am in the middle of an active discussion, trying to put together a transaction between a coworking operator and a large landlord. The discussion has slowed because of the pandemic, and I am guessing there must be a strategy change somehow. I think the landlord is a bit worried, not knowing what to expect now.
- We are seeing a lot of space being offered as coworking space. Generally, the rents and flexibility will be more favorable to the tenant going forward. I think some landlords are obviously looking at the long-term prospects of their portfolio. Across the Asia-Pacific region, I think landlords overall will be open to more favorable terms – not necessarily just in terms of lower rent, but in greater flexibility to scale up or scale down space. Six or nine months ago, landlords would have pushed back on that. Now the tables are starting to turn, and it is becoming more tenant friendly.
- I think you must take each individual market as it is. They are all different. Most of the fundamental cycles have not massively changed due to COVID-19, but everyone expects there to be a correction. Things are generally more tenant friendly. In places like Shanghai, there is massive oversupply in the urban core and the CBDs are emptying out to the fringe areas. Coworking operators are seeing more demand for suburban areas. In places like Singapore, companies have put things on hold, deferred moves, and they are staying where they are, waiting to see what happens. But in other places, companies are looking for deals because there are deals to be had. Some companies are thinking perhaps they need to spread out a little or take on extra space. In our case, we are accelerating our plans that we had before COVID-19. This pandemic has enabled us to see that some of these strategies, such as expanded working from home, are possible. Our business leaders who thought they could not work from home now cannot deny that it is feasible.

CoreNet Global

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