



CORENET GLOBAL

VIRTUAL POP UP

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

Pop-Up Webinar: Key Takeaways

1 April 2020

What's the biggest challenge you're facing?

- New Zealand is in lockdown mode. Trying to find different ways to stay connected to our colleagues, coworkers and customers is proving to be a challenge. There is a need for greater understanding of IT systems and platforms such as Zoom, which we're using today, as well as how to create good environments at your home that are conducive to a good day's work despite distractions. I've only done a little working from home, so I am still adjusting to a new normal. It will be this way for at least another three weeks.
- I would like to get some feedback on the Australian federal government's assistance package to our landlords and how we advise our business on how we can access that and talk with landlords. It is a very trying time right now, and a lot of negotiations are in uncharted waters here in Oceania and in other parts of Asia Pacific.
- With the landlord-tenant situation here in New Zealand, what I'm seeing is everybody diving into their leases to see what provisions are there. There aren't any hard and fast rules on this. You've got to check your lease and then go back and have conversations with your landlord. And even if we defer costs – if tenants are able to defer costs – it will still hit the economy because those landlords have bills just like we do.
- Here in Malaysia, we are facing uncertainty. The lockdown has been extended to the 14th of April. Previously, it was set to end today. Over the past week, I have had several requests from people looking for fully furnished office space that is ready to go by 15th April. We are trying to help people start up once this lockdown is lifted. This type of space is not suitable for every kind of tenant, but we are going to see an increase in demand for fully furnished office space ready to go once this is over.

Are people starting to go back to the office yet?

- Not here in New Zealand. They're not allowed to for another two and a half to three weeks.

What else is happening?

- Here in New Zealand, the main form of a lease is a lease that, in the most recent edition, has a no-access clause. If you can't access your place of work, that leased area, you don't need to pay. This was put in after the Christchurch earthquake a few years ago. At that time, we had issues with not being able to access space but having to continue paying for it. I work for the New Zealand government, which is one of the larger tenants

in a couple of our major cities. Although we know that clause is there, we don't have any intention of using it at the moment because of the effect it would have on the economy. And we are being encouraged to advise the different agencies not to use it yet although it's there.

- We're currently acting for a landlord. A number of tenants have exercised that right under that lease, and they won't be paying rent. Several of the big box retailers have said to their landlords "we're not paying until this is finished."
- There are some really difficult conversations taking place now between landlords and tenants, and difficult scenarios unfolding. I am asking people on both sides to be reasonable. Sometimes people are not being reasonable.
- It is one of those awkward situations where we are simply trying to get people to be reasonable. There are some situations where people will act in their own interest instead of being reasonable. There will be landlords and tenants under extreme pressure. I don't know what the answer is apart from being reasonable.
- We have put up a submission last night in regard to the difficult situation many of our landlords find themselves in. The paper is being put up for consideration. We should be starting to see something in the next couple of days to clarify what is happening with the big box retailers. We will see how fast the government reacts.
- I am also involved in that, and we are trying to take it in that direction, to see what the government can do to help instead of interfering in those contractual relationships.

What will be the new normal coming out of all this?

- We've had the same sort of discussion. What does the new normal look like when COVID-19 is behind us? Workplace guidelines will be potentially up for renewal, and we'll need to look at our density planning. Nothing is off the table. Remote working is a benefit not so much in terms of cost savings but a new way of working from home. Productivity still holds. We are still connected, albeit with kids and various distractions. We saw China, Indonesia and Malaysia delaying their dates for reopening their countries. We have lockdowns across different jurisdictions. There's more to come before we get to the end of the tunnel. I suppose all this will accelerate plans or intentions to do new ways of working now that it has been proven to work. Companies will be encouraged to do so in order to reduce the density of populations in office buildings.
- I think the biggest change will come from the business, not from the Real Estate people. In our company, we are starting to see optimism in the way we're delivering service, and the business is pleased that we can do this without being in the office, which is great news for us. In Japan, we are being asked by our M&A lead to put together a strategy for agility. The lesson I'm getting is that the business itself is starting to find its way to do business while people are remote. Of course, we are a professional services firm, so that would be harder for other industries. But it's a ray of sunshine in this time for us.
- We provide serviced office space here in New Zealand, and we are getting more inquiries for flexibility. Businesses want to work in a more agile way, and they have reviewed their workplace strategy in order not to be as impacted by what's happening

around the world. I think a lot of businesses will look for more flexibility and agility with their real estate.

Does the focus on workplace experience go away in the new normal?

- Near term, I think people will be wary of close encounters with others.
- I was speaking with a designer earlier this morning. Design may change significantly from what we're seeing now to something with that extra space. It might be that we will only go to the office when we must go to the office. We can be productive, and the level of trust is there now. It will be hard to go back to 9 to 5 just so someone can see us sitting at our desk. I do think it will change significantly.
- I think this will be a short-term opportunity for a lot of people who didn't like the concept of remote working to see how easy it can be. Long term, I think the face-to-face interaction will be missed, and people will want to get back to the office and have those coffees and get some "normal" back into their lives – and also get out of the house. I don't think we'll lose the collaborative office environment.

How has your role changed in light of COVID-19?

- I'm not sure it has changed, but it has morphed. And we definitely have a seat at the table. The broader team of IT, HR and CRE meets pretty much daily as one would suspect. We're at the forefront more with the HR folk and the Health and Safety guys, and of course IT as well. This is requiring a lot of heavy lifting. We in CRE seem to be leading from the front and leading by example. It's easier in some jurisdictions, such as Australia.
- My role personally hasn't changed. But the situation has highlighted how important that three-way relationship is: CRE, HR, and IT. In those cases where the workplace strategy hasn't included mobility, or where the HR policies haven't supported flexibility, this could be a bit of a silver lining for the future of workplace. People now understand the criticality of that three-way relationship, and companies without it have struggled to respond quickly.
- I'm a real estate lawyer in New Zealand. It has been a very busy and stressful time for me and for many of my team. One of the pressures we've felt keenly is that everyone wants instant answers. Do they have to pay the rent next week? The government here has done a good job putting out alerts. I have had to counsel my team that, as much as we want to give people information quickly, we must make sure we are giving them the right information. You can't necessarily come back with a good response in a half hour. We have a responsibility to inform, but also to make sure that what we are providing is 100 percent accurate in a fast-moving environment.

What's the news from Hong Kong?

- While COVID-19 is a massive disruption globally, for Hong Kong it is a double whammy. We have had social unrest for about nine months. In Hong Kong, unlike some Asian markets, you have government rates which you must pay based on a valuation of your property. It will be prudent for people to look at that element of your portfolio in Hong Kong, because it could be that rates have fallen from previous years.

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