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VIRTUAL POP UP

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Pop-Up Webinar: Key Takeaways

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There's spending for the workplace that needs to happen to allow for social distancing. Yet CFOs and financial executives are looking for savings across the enterprise from real estate. What are people doing to combat this challenge?

- Last Friday, the Malaysian government announced the opening of the economy. It did not lift the lockdown, but it did say that businesses could go back to normal. It took a lot of businesses by surprise. As of Monday, some were operational already. A lot of landlords were not ready for this. I think they have put some measures in place. As to how they are looking at the financials and how to mitigate all of this without severely impacting the P&L, a lot of the Grade A owners are thinking 'this is a one-time thing, let's make some changes, and we will absorb the financial impact to a certain degree.' This is quite preliminary, and it will take some time before we really see what works and what does not work. Tenants and landlords are both putting measures in place, and they are being careful about how much they spend. Landlords are not saying 'we cannot do this because it is too expensive.' They are taking a pragmatic approach.
- Whether it is landlords or other organizations, nobody wants to look like they do not want to spend money on people's health and safety. What is the short-term horizon? Is it three months, or is it more like 12 months? We just do not know. It would be wise for organizations to be careful about making long-term investments that would not have a broader benefit or could not be repurposed later. Many people are thinking that they will wait a few months. Revenue is constrained, and both landlords and tenants are not able to make long-term decisions.
- What we are finding with a lot of large occupier clients in the United States, especially in the big cities like New York where the coronavirus is a more serious issue in terms of numbers of people affected, is that they plan to continue remote working for a longer period of time. They are waiting to see what happens. Perhaps there will be a vaccine down the road. Rather than try to rush people back into the office, they are taking time to gauge potential investments and see what needs to be done. Many of the large financial institutions are working better than they expected at home. As soon as some of the restrictions ease here, we will see big companies keep a higher percentage of their people working from home for a certain time.

- I agree we are in the early stages of all this. The long-term view is that real estate holdings will be looked at. Do we rationalize? Is working from home part of the long-term solution? Do we partner up with clients and vendors, and plant some of our associates there? Do we change our utilization metrics and our overall strategy? None of those questions will be resolved in the next three to six months. Lease expirys, including termination rights and penalties, is a huge topic right now. The real estate landscape will change dramatically over the next two to three years.

What is the latest in terms of reopening offices?

- My company is in North Carolina. Although the governor has authorized companies to open, we are going to wait three weeks to see what happens before we do anything.
- We have a client in North Carolina, and they are doing the same thing. Even though the government has eased restrictions, they are holding off and taking time to properly plan a partial return to work. Companies are deciding their own timing.
- Here in New Zealand, we are going to find out on Monday whether the government allows us to go back to work on Thursday. The feedback to the market is that it will be a staged approach. Companies will send perhaps half or a third of their people back and rotate. I do not think it will be everybody coming back all at once. That is just not going to happen. It will be very much a slow approach back vs. full steam ahead on Thursday of next week.
- We are doing the same thing. We will work through our timing. The top-down message at our company is that there is no rush to get back into the office. Our focus is safety first and foremost. When we resume and how that looks is something the whole business is looking at very closely. We just opened a handful of locations in the Asia-Pacific region on Monday, and that worked successfully. The rollout is slow and steady, and our timing is anywhere from three to six to nine or even 12 months for full return. Our utilization in the short and medium term will be kept at 20-odd percent, and there will be distancing and other changes in the way we work. Returning to the good old days is something that might not occur. Our footprint is certainly up for discussion.

Did your organization have a formal work-from-home policy before this?

- Yes. We had that in place already. But then overnight, globally, everyone started doing it. For some parts of the business, it was a smooth transition. Some business units were a bit slow off the mark, but we have pretty much taken the stance globally that you are not to go into the office. Across Asia-Pacific last week, we had 30-odd percent utilization, but that was basically due to contractual obligations in various locations. Overall, our transition to work from home was smooth.
- For companies that already had that in place, it is easier from a technology and governance standpoint to keep it in place and to keep things rolling along rather productively.

What about countries that opened, and then had to close again?

- Here in Singapore, a lot of multinationals started shutting down their offices in February, pretty much straight after Chinese New Year, in response to what was happening in China and given all the people traveling between China and Singapore. There was no government-mandated shutdown until the 7th of April. Many local organizations went to remote work. The government wanted to discourage travel and gradually began to put restrictions in place. It was not until we had that second peaking in March, with the foreign-worker infection rates going exponentially through the roof, that the current lockdown went into place. We cannot even have gatherings of three or four people. We are locked down until the first of June. We are still right in the thick of a lockdown while other countries are coming out of it now.

Every country has been doing things at a different pace. What is happening in Singapore is different than what is happening in Hong Kong and different than what is happening in the US. It is difficult to have a truly global approach to all this. Have you had to devolve decision-making responsibility to site levels because things are changing so quickly? How are real estate departments dealing with this level of complexity?

- I am based in Singapore. We have been back to work now for a month in China. We have just issued guidelines for our operations worldwide coming out of COVID-19. We have a team or committee associated with this. We leave it to our people in individual countries to follow the rules of the local country. Then, if they want to do something different from our overall company guidelines, they must put forth a proposal to the committee. We are on global lockdown, and working from home, until the end of May. Individual countries can request an exception based on their local conditions. The Western world has more room to work from home. Australia fits into that, and so does Singapore. But it gets more complicated in other places. In China, you have technology restrictions – the ‘Great Wall of China.’ There are space restrictions in India, and people there cannot always work effectively from home. A lot of countries are resistant to agile working, but now they cannot deny that they can do it too. Decision making must be devolved in some way to let local leadership decide what to do, within the framework of what the company has set forth. In Singapore, we will not be back at work until June.
- I am in Chicago, and we are following a phased approach, with probably three phases over a long period of time. In phase one, smaller groups will come back into the office. As others have noted, in our case there is no real urgency to get everyone back. Our company had not done much with remote working, but we quickly began doing it and now we realize there might be some long-term opportunity there. In about one month, we will roll out 20 percent occupancy in our offices in both Chicago and Washington, D.C. Our initial, hit-the-ground group will be the gear-up team and those designated as essential, and then the rest will come in as the rules change from the government agencies in different states.
- We are the same, rolling out a percentage in the first month, partly based on individual circumstances. If someone’s home life needs to be taken into consideration, such as if they have susceptible people at home and they want to reduce the risk of introducing the coronavirus into the home, they can continue working from home. Our playbook has been rolled out globally, and then we have a project team that will localize it to country and individual location. I do not think that will be an easy task. In the medium term as to our real estate holdings, we all know that our utilization will go out the window. Previously, my utilization was sitting anywhere from the high 70s to the low 80s. That was good. I think now that will hit the floor. Our real estate needs to be agile enough to accommodate business needs.

What kind of percentage are you expecting in the first phase of back to work? Maybe 30 percent?

- No, we are tapping out at 25 percent on average. The percentage will vary depending on the actual site. The great unknown in all this is how comfortable people are in the different jurisdictions as far as coming into the office. In China and some parts of Asia where connectivity is not that good, or where the home is smaller than you find in the Western societies, there might be some urgency for some associates to come back to their office for their own sanity. We are getting this question a lot: when will our doors open again?

Is anyone considering the use of shared offices on a temporary basis?

- We know that 50 percent of our staff in India cannot really work from home. So, we are considering this. It could be a future long-term play for our officing. Perhaps we take shared spaces near where people live.

- We are looking at that and other options too. 'Working from home' is not always the most accurate label. It could be 'working remotely.'

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