



PRESENT



A COVID-19 Virtual Ideation Experience

Team Topic and Number: Space Utilization & Metrics_16

Team sponsor/chapter (if applicable):

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Covid-19 has impacted all areas of our lives, in particular the way we work. Now, as countries across the globe start to emerge from lockdown, what are the many things we need to consider in the short, medium and long-term as we start thinking about returning to work? Our group focused on questions such as reversing trends, space-centric measurements and human-centric measurements, reducing expenses and transformational changes in companies' leasing strategies.

Will COVID-19 reverse the trend of reducing square footage per employee and shift the focus from space-centric measurements to human-centric measurements?

As countries come out of lockdown companies will be working hard to make changes to the workplace that meet social distancing requirements, with a view to providing a safe and low risk environment for staff. It is envisaged that there will be to focus on staff wellbeing metrics and staff safety rather than the more traditional parameters around space occupancy and utilisation. A potential fear factor by staff considering returning to the work environment will impact decision making going forward but also have a major impact on future wellbeing strategies employed by Corporates.

It also understood that there will be different strategies to deal with this return to work phase as set out below.

Immediate Issues (Pre-Vaccine)

As we move to the new normal, in say 3 to 6 months, workplace executives will be examining the true use of office space and looking to different models, rather than a mass congregation at a large HQ building. This process of making local facilities available to staff working from home or needing to collaborate has already started as many companies ask key questions around central services versus local space.

- reduced density, so between 30% and 60% of staff are likely to be in the office at any one time.
- the creating of teams or functions who will work on different days, this ensures that the same members are working together, reducing the risk of the virus spreading.
- the design of the office will shift its focus from an open plan collaboration methodology to a more segregated setting.
- visitor management, user and site access will need to be enhanced to deal with both social distancing and greater vetting/security to ensure lower risks to all users of a building.

Medium term outlook (pre-vaccine)

In the medium term the overall demand for office space is likely to be reduced as home working and activity-based working really become the new normal. Companies will continue to employ work from home policies for the majority of staff with intermittent visits to the offices. Traditional Space metrics will continuously evolve as Corporate Occupiers grapple with the wants and needs of the business versus staff wellbeing needs and retention levels.

Long term outlook (post-vaccine)

The design and metrics of today will no longer be the metrics of the future however organisations and Real Estate professionals will continue to use space metrics as the key source of space planning albeit with a wider emphasis of staff wellbeing. Human Resource departments will introduce comprehensive work from home policies based on your location, function and activities which will have a further impact on office requirements and space metrics.

Finally, in all situations whether short, medium or long term the costs of providing a safe environment space for staff to meet and collaborate will increase as the staff wellbeing rises up the agenda with C-Level executives.

Or will companies place greater priority on reducing expenses?

Immediate Issues

In the short term we don't recognize significant changes in sqm or portfolio but less dense occupation. In the main, it would seem too early for businesses to consider disposing of CRE until they have sufficient data to support a robust and viable strategy.

CAPEX projects in-large have been put on hold - Human safety/sanitization and legal provisions will be the largest short term spend area. The head count increases have been put on hold, therefore the need to move to a larger location has also been stopped.

Medium term outlook (pre-vaccine)

"The goal of this phase is to reduce that risk and begin to work on the UN's Sustainable Development Goals and at the same time follow the short term strategic plan that fits the current scenario." - Trimble Article

Diversity - medium term will see some form of 'locational diversity' at city, metro, region or global level of offset any particular location / hub risk.

Reducing variable costs - That being said there is a strong argument for dialling back on variable costs such as utilities in floors or building that have greatly reduced occupancy.

Wellbeing and Wellbuildings taking high priority - perhaps increases in spend on HVAC/air quality - this cost may be off-set by a reduction of overall floor area but met with an increase in 'quality'.

Businesses that are suffering significant business interruption to cash generation due to C19 will be looking hard at all opportunities to reduce cash demands especially through the next 24 months.

Long term outlook (post-vaccine)

Leasing larger "vanilla" space may be more cost effective than reconfiguring smaller existing spaces to deal with, for example, social distancing. Reducing expenses will be a balance between cost of acquiring and cost of fit-out.

Sustainability (well buildings) and 'Green building' investment will re-emerge.

There is insufficient data to suggest what lease strategies should be in the new normal given that this period of lockdown may not be the last.

Further, will the significant business disruptions and prolonged uncertainty ushered in by COVID-19 bring transformational change in companies' leasing strategies?

Established leasing strategies are being reviewed by organisations around the world in light of the Covid-19 pandemic. We expect transformational change in strategy in the medium term until an effective vaccine becomes universally available. Long-term we expect the trend towards reducing space and increasing flexibility to continue.

Some will establish that current strategies are correct. Some organisations will totally transform their models, realising that their whole business model has to change.

Immediate issues

Most acknowledge that the current situation is only temporary. Leasing strategy sets the course for the long term and whilst teams assess what needs to be done little will change. Changes at present involve the closure of most workspaces and are evolving to include temporary adaptations to permit less-dense occupation. These experiences will shape new strategy. Short term we are seeing delays in decision making.

Those reliant on serviced office space may terminate agreements and may be slow to return.

Medium term outlook (pre-vaccine)

We do not know how long we will have to wait for a vaccine. Organisations must assume that, for the next 24 months, extra measures will have to be taken to safeguard workplaces.

Some occupiers may want larger spaces in which to spread people out. Larger space may come at greater cost and occupiers will not want to carry this cost for long time periods.

Some organisations will seek to acquire space vacated by organisations who will not survive the pandemic. Landlords wishing to let such space must be prepared to invest capital and offer flexibility. For many organisations, working from home is a cheap replacement to a regular office so landlords will have to offer something compelling.

Smaller organisations who operated from an office may give it up and will hire a room periodically instead. Co-working will not be popular but there will still be a place for meeting room hire.

Long term outlook (post-vaccine)

Organisations which are not profoundly affected by the virus and which exist largely in their pre-Covid-19 state will return to their current leasing strategies in the long-term. Many will reflect on the fundamental purposes of corporate real estate as we enter a post-vaccine world. The need for a place to meet, exchange ideas and work collaboratively together will come back to the fore. Brand identity and corporate culture could be undermined without common space and regular meetings.

This pandemic reminds us of the value of resilience and there may be a desire to maintain a breadth of properties rather than aggregating into fewer, larger spaces.

A workspace is more than just bricks and steel. It helps a business to represent itself, serve its workers and sends a message to the world. We will continue to need corporate real estate for all of the reasons we needed it pre-Covid-19. Spaces will continue to get smaller and terms will get shorter as more work flexibly as technology continues to transform our world.