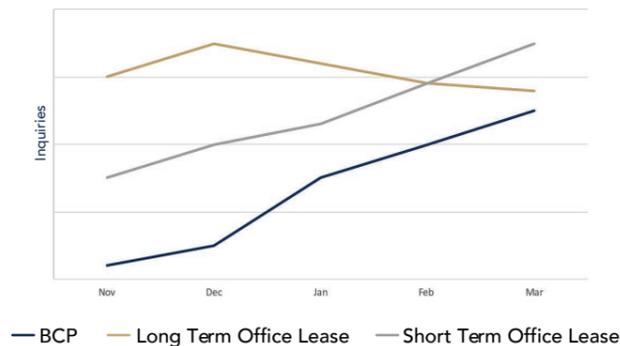


COVID-19: Temporary Response, Lasting Impacts

Our business is the business of others; facilitating connections, providing resources and creating an environment conducive to their success is what we do. But the emergence of COVID-19 is affecting more than just the economy - commercial real estate as an industry will no doubt change, as too will corporate behavior. Having successfully navigated both SARS and the GFC, we know how to manage the business to survive the downturn. We also know that once COVID-19 recedes, there will be an increase in demand for flex from cash-conscious, short-term focused corporates, the future of work is flex. Here is our perspective on both the immediate impact as well as what to expect from the 'new normal'.

Current Flexible Trends



Hold Your Breath

With the 'unknown unknowns' in such uncertain markets, decision makers will prefer to maintain the status quo and avoid any long-term and/or cash intensive commitments.

- Save** (Dollar icon): Avoid long-term/cash intensive commitments
- Streamline** (Gears icon): Optimise financial and operational resources
- Stabilise** (Scales icon): Retain current business performance rather than search for new growth

Business Continuity Planning

Companies seek to rapidly implement business continuity plans in order to avoid further impact.

- Avoid re-signing long-term fixed leases
- Arrange alternative workplaces for A/B teams in order to prevent cross contamination or leverage multiple locations made up of small essential teams
- Focus on alleviating stressed cash-flow and are time sensitive solutions

These plans may not only provide a much-needed safety net but also could provide insight for longer-term real estate strategies driven by decreasing capital investments.

Footnotes
 The Executive Centre Contributors
 Paul Salnikow – Founder & CEO
 Todd Liipfert – Senior Development Director
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Cash-flow Is King

For some businesses, holding their breath, is not an option and the coming months will be about survival. Even some of the world's largest MNC's will be looking to bolster their cashflow to right-size their business^[1]. This will increase the sublease market for premium space of companies looking to downsize or to inject more flexibility.

While a healthy cash-flow will play a pivotal role post-COVID-19 restrictions, corporates will inevitably look to reduce capital-expenditure in the coming fiscal year and well into the next^[1].

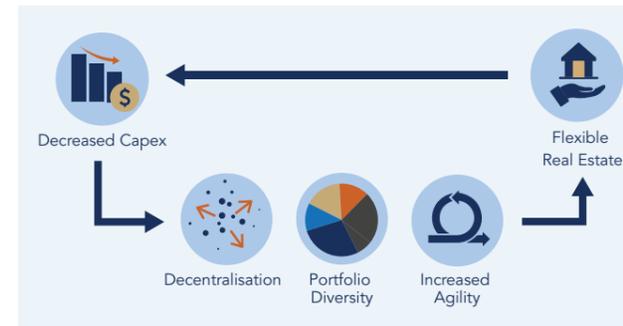
- Cash Flow** (Dollar icon): Seeking alternatives to cash-heavy investments with more flexible short-term solutions
- Capex/Opex** (Pie chart icon): Trading capital expenditure for operational expenditure
- Diversification** (Network icon): Diversification and re-allocation of real estate footprints such as a flex and core model

The Now Ubiquitous Acronym

Although many have voiced a desire to work more flexibly, working from home (WFH) was often believed by organisations to lead to decreased productivity. Currently, less than 10% of workers in the U.S can perform essential job functions while WFH and even less have the means of achieving their usual office-based performance levels^[2]. Recent circumstances have forced the hand of many corporates to enact the policy. This is perhaps one of the most aggressive shifts in corporate behaviour and has required a re-evaluation of remote working by both employers and employees.

Conversely, those who WFH will perhaps have a newfound appreciation for a well-designed office ecosystem, whilst employers will realise the role WFH can play within a viable working model^[3].

[1] Wall Street Journal, Coronavirus Puts a Premium on Cash Even for Biggest U.S Companies
 [2] Wall Street Journal, As Businesses Shut, How Many U.S Workers Can Work From Home?
 [3] New York Times, Coronavirus: Sorry, but Working From Home is Overrated



The workplace used to be where the machines were. Then where the information was. Now, it's where the people are. Work in the future, will be about where you work best and what makes sense to the business.

Robust Remote Infrastructure

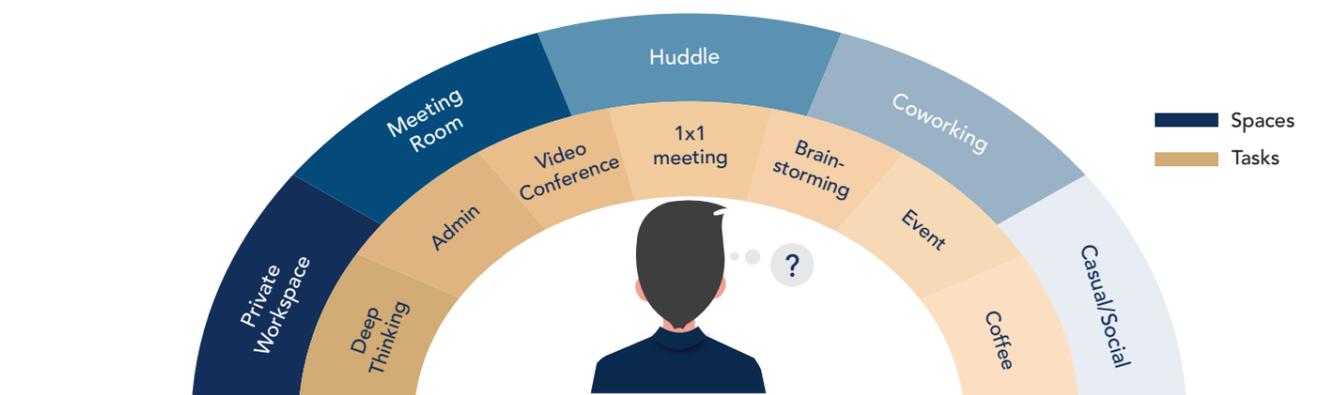
WFH may not become the norm for the vast majority but there will be changes made to everyday systems and infrastructure to make it possible and encourage corporate preparedness^{[4][5]}.

- Focus on comprehensive secure digital ecosystems and cloud-based services to support effective collaboration
- Effectively manage employee wellbeing with the rise of a more empowered, mobile workforce
- Normalisation of more diverse and dynamic ways of working^[6]

There will always be a need for physical space however the type of space and the way that space is used, becomes even more critical.

Reversal Of Density Trends

Whilst the de-concentration of CBD locations has been a trend in the periphery of many in the industry, its process has been accelerated by the COVID-19 outbreak. The global corporate workforce is more receptive to multiple sites rather than a single, central office location, particularly when considering the more diverse ways of working we expect to see in the coming months and years. CBD's will become home to smaller transient teams while larger floorplates will be relocated to secondary business districts. Supported by further infrastructural development, many of APAC's business capitals will see their landscape transformed^[7].



As work goes from physical to conceptual, the physical space will become less defined and even more crucial.

Footnotes
 [6] UBS, APAC Real Estate Outlook 2020
 [7] CBRE, APAC Real Estate Outlook 2019
 [8] McKinsey & Co., Enterprise Agility: Buzz or Business

[4] FastCompany, Why an Empty Floor at The New York Stock Exchange Will Have Little Impact on Trading
 [5] McKinsey & Co., Adapting Workplace Learning in the Time of Coronavirus

[9] McKinsey & Co., beyond Coronavirus: The Path to the Next Normal
 [10] CBRE, Solving for the Future of Agility
 [11] McKinsey & Co., COVID-10 Implications for Business

Let's Talk About Flex

The catalyst to change will influence the behaviours associated with flexibility and adaptability^[8]. Having revealed the risks that total-reliance on a physical office space presents, corporates will move toward decentralised, flex- focused strategies^[9]. Flexibility and diversity in workplace options become a necessity in any portfolio, including landlords. Of the Fortune 500 companies, upwards of 85% are looking to promote flex to play a more dominant role within their portfolios^[10]. These flexible strategies will;

- Mitigate risks
- Reduce ties between office-attendance and productivity
- Maximise value per square foot
- Rationalise portfolios, decreasing real estate-related costs^[6]

The increase in demand for Grade A office space is particularly important and reflects the shifting tides regarding flexible workspace as a long-term strategy among both local corporates and MNCs looking to establish or affirm their position in APAC.

Where Did Everyone Go?

No, it's not because you're the unpopular kid in the school yard. In both traditional and flexible workspaces, in-person office attendance is down. Once the crisis passes, demand for flexible workspaces will increase as commitment-adverse corporates seek low-risk, shorter-term contracts for their initial growth in uncertain markets^[11]. When serious corporates begin to expand again, they will be looking for flexible contract terms and spaces with the privacy and security^[6]. This will mean an office landscape that is even more diverse and flexible than it was pre-COVID-19.

The reason that flexible spaces have disrupted traditional offices is because they transform the space into a service. Redefining the office space means creating spaces that put the user first.

The most successful spaces challenge the norm of office creation and give weight to the needs of the workers in balance with the needs of the corporates. To be inspired, to be comfortable and to be productive - the client experience means as much as their bottom line.