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A **COVID-19** Virtual Ideation Experience

Team Topic and Number: Space Utilization & Metrics

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In addressing the pandemic's impact on Space Utilization and Metrics we have organized around four key areas:

1. How the **Corporate Workplace will be used in the future**
2. How **Workplace Layouts** will change
3. How the **Use of Flexible Space** will change
4. How **Ongoing Opex and Capital** will be impacted

1. How the Corporate Office will be used in the future (PowerPoint pages 2-3)

Exploring the Who and the How from a short-term to a long-term vantage point

Back to Building: who returns and how we get there is being looked at by many. Most are focused on a short-term model asking the question: *How* do we decide *who* returns to the building? How do we build on that model to support procedures related to entryway, vertical circulation, office circulation and community space? There are two models – the reactive model pilot which examines occupancy at 5% and a longer-term model which will be proactively developed.

First and foremost, parameters need to be defined. The types of workers should be categorized and identified to determine where their function relates to their productivity. One end user group identified three types of workplace personnel:

1. **Building Critical:** Job functions related to keeping the facilities up and running in a safe manner; individuals in this arena typically fall into facilities management, security, janitorial personnel and tech roles related to specific functional space.
2. **Office Optimal:** Employees that are OK working virtually but have lost productivity. Being functionally adjacent to specific types of areas within the building would enhance their output.
3. **Virtual Primary:** Personnel listed in these categories have been productive working from home and have developed efficiencies related to their areas of focus. Senior leaders will accept and even see the benefit for some individuals/teams working more virtually longer-term.

Space is evaluated in four categories. The trend from 'I' to 'We' will become predominantly 'We', with less space supporting 'I' work and small group break out and in-between time:

1. **Amenities:** Lobbies, Primary circulation elevators/stairs, Food Service, Conference Training, etc.
2. **Community:** Hub, variety of co-creation spaces- 6 people or more (scheduled)
3. **Group:** Variety of collaboration spaces 1 – 4 people ad hoc use
4. **Individual:** variety of individual settings for 1 person

Within these methodologies, enterprise or service Apps can also be evaluated to provide prescreening, entry exit times and queuing, as well as be used for food service, coffee, mail delivery pick up communications - an expanded version of what is out there already today at many sites. Policy formulation prior to each re-entry milestone is critical.

2. How Workplace Layouts will change (PowerPoint pages 4-6)

As organizations leverage new perspectives on distributed work models to redefine the purpose of place, key performance indicators will shift from space-centric measures to human-centric measures. An agile learning mindset will be required to review current space distribution for alignment with the evolving nature of work and the potential for virtual and physical space to influence behavior and culture.

The business value of place may be prioritized for in-person optimal or on-site essential activities across a range of business functions. Consideration for evolving physical wellness protocols and flexibility for future adaptability is essential to benefit from continuous learning cycles. Distributed work models may influence workplace environment space use and area distribution as follows;

Amenity Spaces (currently 5-10% moving to 20-25%)

New focus on the physical office as a hub and representation of organizational culture and brand expression may increase percentage of overall area. More generous guidelines for employee and visitor entry, delineation of circulation between key functions, as well as enhanced value for client and employee experience may result in increased area per function.

Community Spaces (currently 20-25% moving to 35-40%)

May increase in quantity based on prioritization of on-site optimal co-creation team models and increased service requirements for coffee and refreshment hub spaces, aligned to hospitality models. Additionally, space proportions may increase in size due to co-creation space attributes for user adaptability, enhancements for virtual interface, and allowance to accommodate more generous physical space protocols.

Group Spaces (currently 30-35% moving to 20-25%)

Proportionate reduction in quantity based on individual workseat ratio in a variety of space typologies to support 1-4 person impromptu calls or collaboration.

Individual Spaces (currently 40-45% moving to 15-20%)

Reduction in quantity of individual workseats and significant increase in daily occupant seat sharing ratio, as well as shift in individual workseat types appropriate for identified activities and percentage of time in use.

Comprehensive portfolio impact will be dependent on the aggregate of on-site optimal activities identified across a range of business types and may result in a reduction of total area, and significant reduction in average area per employee.

Impact of area distribution shifts from individual/group to community/amenity space may result in a higher cost per SF in initial fit-out costs but less space overall.

3. How will leasing strategies and use of flexible space change (PowerPoint page 7)

Real estate leaders are re-evaluating space. A significant number of leases will likely be renegotiated and/or terminated as the need to realign real estate is analyzed. Other firms, however, are looking to take advantage of market corrections because business continues to have a strong upside.

- Virtual broker tours are skyrocketing as some occupiers realize technology is sufficient to provide the necessary information to make informed decisions.
- Lease renegotiations have escalated as real estate leaders evaluate space requirements. Office configurations will change as de-densification is implemented and remote space is used to support flexibility, operational continuity and safety.

It is likely that real estate portfolio alignments will see a shift to a higher percentage of the workplace being remote. **How will flex-space and co-working support these needs?**

One model being discussed is the **Hub & Spoke** office model. The core office, or Hub, will be the traditional office while the flex office will be the Spoke and serve to provide needed portfolio flexibility. This realignment is designed to support the best solution for each employee group.

- The **traditional** employee (Core Office)
- The **flexible** employee (Flex Office)
- The **remote** employee (Home / travel / coffee shop)

In this scenario:

- An existing office of 100 KSF reshapes into a Core Office with 75 KSF
- Some space then dedicated to flex offices in locations in closer proximity to employees, less expensive real estate or co-working locations
- We see a new option for a segment of employees where they are able to *Work From Near Home (WFNH)* and enjoy shorter commutes and less dense environments

Real estate changes in a post COVID-19 will be a combination of more focus on the employee and their wellbeing, a variety of new space utilization measures and an alignment that gels with company culture and the overall goals of the organization.

Metrics: 30% of all office space expected to be flex-space by 2030.

Metrics: COVID-19 will accelerate the trend of diminishing lease lengths. One to three-year terms will be common.

4. How Ongoing Opex and Capital will be impacted (PowerPoint pages 8-9)

Many new health protocols will be in place for the foreseeable future impacting both the cost metrics of operating our workplaces and the construction cost to create them.

Corporations will likely invest in making employees more productive in remote work settings with less reliance on the physical workplace and thus greater business resiliency. So, the many increases to operating costs on a per SF basis may be offset by reductions to the amount of office space required as more companies deploy full or part-time remote work programs.

Factors Increasing Ongoing Opex	Factors Decreasing Ongoing Opex
Support employee health and wellness <ul style="list-style-type: none"> ▪ Conduct entry temperature screenings ▪ Increased frequency and depth of cleaning/sterilization ▪ More sanitation supplies (masks, gloves, wipes) ▪ Additional programs for physical and mental well-being 	Reduced total space with greater remote work – rent, property taxes, utilities, etc.
Building Operating Costs <ul style="list-style-type: none"> ▪ More fresh air recirculation and better humidification control 	
Support more Remote work <ul style="list-style-type: none"> ▪ Purchase PC, printers, office equipment or better connectivity for remote workers 	

Both in the short- and long-term we see capital costs rising overall (potentially 10-35%), through both more expensive specifications for the workplace as well as higher construction costs. Similar to operating costs, although capital costs per SF will increase the reduction of the amount of space built may also partially mitigate the net impact.

Factors Increasing Capital costs	Factors Decreasing Capital costs
Add sensors and no-touch technology for greater automation and hands-free operation <ul style="list-style-type: none"> ▪ Doors, lighting, elevators, security systems ▪ Audio/visual equipment capability in more spaces 	Lower construction cost components <ul style="list-style-type: none"> ▪ More competitive non-union labor costs ▪ Greater use of modular construction over time ▪ Lower fuel costs
Higher hygienic specifications <ul style="list-style-type: none"> ▪ HVAC system upgrades (filtration, humidification) ▪ Added hand washing locations (kitchens/breakrooms) ▪ UV light installations ▪ Antimicrobial fabrics and surfaces 	Reduced total space <ul style="list-style-type: none"> ▪ Less office space with more extensive remote work policies
Longer construction time <ul style="list-style-type: none"> ▪ Physical distancing and sanitation protocols reducing productivity 	
Additional construction protocols <ul style="list-style-type: none"> ▪ PPE, N95 masks, gloves ▪ Larger temp field offices, changing areas ▪ Safety Compliance Officer 	