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PRESENT



A COVID-19 Virtual Ideation Experience

Team Topic and Number: Space Utilization & Metrics Team 14

Team sponsor/chapter (if applicable): NA

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Challenge:

Input your submission below. Please remember that you have 1500 words to share your insights.

The world is going through an unprecedented time, with the pandemic unsettling world leaders, country leadership, economists, medical fraternity, one and all. We have yet to see the bottom of COVID-19, with close to 4 million cases, uncertainties growing north-east, new developments unfolding every day. Organizations and CRE professionals are not isolated from this uncertainty, having to make decisions on workplaces and operations to adapt to the changing requirements. The focus on health, safety and wellbeing of employees now is more than ever before. Most of organizations by compulsion of COVID-19,

have enabled their workforce to work from home (WFH) as testing is underway. The sections below aim to capture the impact of COVID-19 on workplace and provide recommendations on strategies moving forward.

Work from Home, a Blessing and New Reality

WFH is a blessing to most employees as it saves time to travel to office and between locations, freeing up time to spend with our loved ones and making space for new hobbies and interests. While there are benefits present, it also demands organisations to look at the challenges of WFH and channel the right actions. Many households are not configured to have a home-office space, so many have turned to working from living rooms or bedrooms leaving ergonomics on the backburner. For people living with family, with most family members being at home, there are many distractions and finding a right place for work can be a challenge.

As most organisations are used to working physically, many teams have not given much thought of effective ways of working virtually. For managers, it is a bit of an experiment to ensure accountability, productivity and data security. Critical aspects playing a vital role in productivity are compromised such as social interaction, creativity, team work. One can encounter challenges like depression & anxiety or loneliness while working from home as well due to cabin fever.

Organizations are clearly looking at the following aspects in the time to come

- **Employee Health and Safety:** Ensuring adequate safety and hygiene measures at the office to build confidence in employees to return back to office gradually
- **Business Continuity Plan:** Keeping employees abreast with the latest technology and tools to enable continuity of the business in no time
- **Rightsizing and Mobility Plan:** Enabling right percentage of people to work from home hence realigning new real estate strategy

With this given situation, the real estate portfolio performance measurement has morphed beyond cost and efficiency of space, to include “how safe we are at work”. On the other hand, it presents an opportunity for CRE professionals to resize the real estate portfolio and explore significant savings there.

Reorganize Operations

Real estate operations will have to adapt in the near term as offices begin to reopen. Below are some recommendations.

1. Allowing for staggered seating in the workstations according to social distancing requirements of 1-2 meters.
2. De-densifications to be paced on cards
3. Staggered shift pattern
4. Modify seating arrangement to make better use of office space
5. Rigorous screening processes
6. Recreating offices as a place for creating memories
7. Minimize common touch points and introduce more contactless fittings
8. Align guidelines around wellness, sustainability and health and safety

Technological Aspects

Infrastructure technology was not prioritised during “old norms” however it will be a key component in the “new reality”. Technology will be required to bring people together with minimum contact; as such, organizations will be looking into following aspects:

1. Enabling site operations by leveraging technology right from calling the lifts, sliding doors to facial recognition
2. Flexible office space with occupancy analytics: given the impact of crisis, organizations need to utilize the space keeping the social distancing in mind at the same time considering the safety aspect
3. Enable applications for various in-office services desks booking, meeting room booking, parking etc
4. Looking a possibility of contact tracing bands

Office Design

A very close look is required for office building design, with the following components worth relooking:

1. Number of lifts, their access details for the occupancy and numbers
2. Entry and exit points to ensure the required holding areas
3. Evaluate the material being used for surfaces, a detailed study is required on the life of virus on different surfaces
4. Rethink on the HVAC systems to avoid recirculating used air in contained space, frequency and volume to fresh air pumping in
5. Incorporate UV rays technology in your sanitization protocol at appropriate places to combat virus
6. Worth looking at the provisioning of contactless fittings in the toilets

Element	Short term	Mid term	Long term
Place	<ul style="list-style-type: none"> • Ensure Elevated cleaning and sanitization protocol • Incorporate safe distancing measures 	<ul style="list-style-type: none"> • Reconsidering workspace density • Defer all non essential / non critical Capital expenditure 	<ul style="list-style-type: none"> • Plan / Recreate the workplace keeping flexibility, safety and hygiene as paramount • Implement a disciplined approach to the capital Expenditure to address deferred capital requirement
Technology	<ul style="list-style-type: none"> • Incorporate technology in day to day site operations to enable touch less working 	<ul style="list-style-type: none"> • Rethink and recalculate the ventilation and conditioning system • Align the measure to handle all critical equipment remotely • 	<ul style="list-style-type: none"> • Explore and implement workplace / Real estate technology • Design / Redesign the system considering the highest degree of sanitizing protocols
Operations	<ul style="list-style-type: none"> • Switch on the conservation mode of your installed utilities • Plan staggered shift 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Move from centralized workplace planning to distributed once

Regulatory	<ul style="list-style-type: none"> Assessment of your operations to ensure it is complying to the local regulatory requirement 	<ul style="list-style-type: none"> Align your operations with the new reality by the authorities 	<ul style="list-style-type: none"> Create / Recreate your regulatory framework and align your policies accordingly
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Leasing Strategies

With offices vacant for extended periods of time, occupiers are left bound by existing lease agreements on their financial obligations. COVID19 has shed light to how restrictive leases are and during a time like this, offices do not seem to be nimble enough to allow occupiers make spatial and time adjustments as required. Will COVID19 bring about a transformation in office leasing strategy? The table below shows what could be expected moving ahead.

		Scenarios		
		Short Term (<3 months)	Medium Term (6-12 months)	Long Term (>12 months)
Category	Leasing Strategy	On-going leases / lease renewals	New leases currently being negotiated	Future leases anticipated to be entered into
Flexibility on financial obligations	Force Majeure clause redefined to include pandemics, epidemics and state-imposed lockdowns	● Extremely difficult	● Possible to be included *Especially if property insurance companies' force majeure definition is redefined	
	Rent discount or abatement	● On a goodwill basis by landlord during COVID lockdown period *Further incentivized if government rebates given to landlords	● Possible if rent abatement clause triggered due to force majeure to cover rent during lockdown period	
	Rent free period extension	○ Not applicable	● Possible that extension give until lockdown is over	● Not possible
Flexibility on space demand and termination of lease	Flexibility to scale space up	● Possible	● Possible	● Possible
	Flexibility to scale space down	● Low possibility	● Possible	● Possible
	Flexibility for early exit	● Possible for early exit without penalty if explicitly written in the lease; with penalty/ not allowed if not explicitly written in lease	● Possible	● Possible

	Reduction/ Addition of Leasable Space due to social distancing or new ways of working	<ul style="list-style-type: none"> ● Instead of scaling up or down, in the short term, companies would most likely look at optimizing or redesigning current space to best adhere to social distancing requirements of 1-2m per employee. 	<ul style="list-style-type: none"> ● Possible reduction of leasable space due to more people working from home, and office workplace design focusing on spaces for collaboration than individual working *Would depend on profile of employees in the firm if they can work from home *If no vaccine found, government imposed social-distancing regulations may last beyond COVID19.
Relook into BCP/ Alternative Work Arrangements	Tenants opting for co-working spaces	<ul style="list-style-type: none"> ● Possible, if the office is not accessible due to government lockdown 	<ul style="list-style-type: none"> ● Arrangement with co-working space operators to supply seats as part of BCP (Long Term Plan) especially for FTE handling sensitive data <p>In the real estate scene, we are anticipating commercial landlords to have more co-working operators, and that there will be upscaling of co-working operators in handling of future outbreaks</p>
	Decentralizing of HQ to smaller hubs for risk mitigation	<ul style="list-style-type: none"> ● Not likely 	<ul style="list-style-type: none"> ● Less likely ● Possible To mitigate business interruption or business continuity risk due to future outbreaks, companies might decentralize HQ to 2 or more locations for their staff to be based. OPEX cost might increase, although rent might stay the same.
	Reduction of portfolio footprint by eliminating BCP sites as work from home is a viable option	<ul style="list-style-type: none"> ● Possible 	<ul style="list-style-type: none"> ● Very possible
Increase demand for landlord obligations with regards to health pandemic	More stringent M&E requirements driving rents up	<ul style="list-style-type: none"> ● Not possible 	<ul style="list-style-type: none"> ● Possible Building selection criteria might include increased M&E requirements on air-conditioning system, landlord's obligations during outbreaks involving cleaning, sanitation and indoor air quality

Chargeback Metrics

When it come to shredding the cost organizations go for either per sqft or for the seat allocated to them. Post this co-working wave the per seat model chargeback model has become favorite to business units. A efficient chargeback model would connect 4 prominent element

- Rental of the asset
- Operating cost which includes the expense on utilities, energy, FM cost, HK, security etc. which are associated to run the building operations smoothly
- Other Capex, pertaining to the upgrades, move, changes etc.
- Ancillary Services are mainly pay per use.

Category	Indirect cost	Direct cost
A. Rental	X	
B. Operating cost	X	
Utilities (Electricity, Water, cooling etc..)		
Soft Services - Contract / Subcontract Work: Security, Housekeeping, Help desk, Document Management		
Hard Services Contractors costs – electrical, Cleaning – on site services		
Professional services – air monitoring, Inspections		
Licenses & Regulatory		
Salaries & Wages – CRE teams		
C. Other Capex	X	
CRE Technologies		
Upgrades		
Move & Changes		
D. Ancillary Services		X
Travel & Entertainment		
Catering and transportation		

Conclusion

This pandemic has redefined offices as workplaces. Portfolio performance metrics will now place a greater focus on elements such as how safe our offices are, and how nimble and ready our offices in responding to pandemics like these. Cost optimization will defiantly be on the cards, and all CRE professionals will be pushed to find out the ways and means to re-look at the cost optimization. With the change of demand and requirements imposed on space, real estate strategies and scenarios will be have to be revisited and challenged, but only time will tell on the future of workspaces.