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PRESENT



A **COVID-19** Virtual Ideation Experience

Team Topic and Number: Space Utilization & Metrics #21

Team Lead: Ted Heisler, Ware Malcomb

Team Members: Pam Mazor, The Dow Chemical Company

Sandra Gucciardi, STV/DPM

Sandra Lehane, Dell Technologies

Shannon Woodcock, Savills

Scott Sass, DPR

Shawn Henry, SM&W

Tim Fitzpatrick, CBRE

Tom McHugh, Cushman & Wakefield

Orlando Quinones, Cort

Our Research

Beyond the expertise brought by team 21, numerous discussions with an extensive network of CRE professionals, brokers, and workplace strategists were used to inform our thoughts in preparing this document.

It should be noted that during this rapidly changing time, our team will continue to learn more about viable solutions even after publication, and new information should be used to influence decisions as it is discovered.

It has been widely discussed that there will be a short-term heightened sensitivity to safety that will temporarily drive down densities, and this pandemic has made work from home a normal extension of the workplace ecosystem. These notes herein informed our PowerPoint presentation but do not specifically follow the order.

Provided Questions:

1. **Corporate real estate (CRE) metrics have traditionally focused on cost and efficiency, yet an organization's most valuable resource is its people. Will COVID-19 reverse the trend of reducing square footage per employee and shift the focus from space-centric measurements to human-centric measurements?**
 - a. **Culture will Drive a Company's Decision-Making:** Regardless of whether a company has a space-centric or human-centric culture, the most important challenge in the Return to Work is making the workplace safe and addressing employee concerns in a cost-effective manner. In response to the pandemic, companies with human-centric cultures will continue to focus their planning efforts on maintaining a strong culture and embracing change that focuses on happy and healthy employees. In addition, these human-centric companies will adjust their cost and overhead structures, within reason, to accommodate any necessary changes. Companies that do not have an existing human-centric culture will adapt their business to maintain their bottom line, balancing their shareholders and continued profitable results, even at the expense of the health and welfare of their employees.
 - b. **Timing of Necessary Changes:** Since it is unknown what will be required to comply with federal, state and local return to work regulations, most companies will likely delay or pause their planning until they understand the requirements. There will also need to be a time of assessment to ensure that the work from home factor helps inform what changes are needed for the long-term. Therefore, it is still too early to determine what most companies will do in their long-term space utilization and metrics strategy. Some companies may go above and beyond what is required by government guidelines that emerge from this pandemic, while others will do exactly what is required and nothing more.

2. **Will companies place greater priority on reducing expenses?**
 - a. **Cost of Real Estate, Design and Construction:** As more information emerges, most changes, if not all, that are either required or can be performed to minimize transmission of the virus, will drive up the cost of real estate and construction. Some examples include:
 - i. Facial recognition kiosks at automated reception desks that not only check employees in and out of the office, but can also take temperature readings and record the information in a database
 - ii. Hands-free equipment in all kitchen and break areas
 - iii. No-touch auto-door operators
 - iv. Antimicrobial door hardware
 - v. Changes to building systems such as upgrades to the HVAC systems to incorporate higher-rated filters, inspecting all plumbing and water treatment and fire and life safety systems
 - vi. New building operations including increased cleaning of public areas and increased monitoring of elevators, loading docks, food services, etc.
 - b. **Reduction of Expenses vs. Increasing Price of Services:** Cost increases will occur in two primary areas:
 - i. Increases in the cost of building operations as noted above
 - ii. Additional costs as each tenant formalizes the plan they will adopt for the health and wellness of their employees.

Increased cost of building operations will be likely be spread across all tenants. These increases in cost for real estate, design and construction must either be passed on to the customers served, or offset by reductions in companies' fixed costs, or overhead. Our team believes that most companies will use a combination of both tactics.

3. Will the significant business disruptions and prolonged uncertainty ushered in by COVID-19 bring transformational change in companies' leasing strategies?

With companies still assessing the impact of their employees working from home, it is too early to tell whether companies will radically change their leasing strategies based on their experiences during the COVID-19 pandemic. Many rely heavily on a centralized office approach due to culture, the type of work performed or their perception that a centralized environment increases their ability to attract and retain top talent. Companies will need to consider measuring employee productivity levels, work/life balance, and connection to the company in a de-centralized environment. Companies also need to assess the impacts of having staff working from home. Considerations such as measuring productivity levels in a de-centralized environment, an employee's ability to balance work & home life, an employee's 'connection' to the company.

In a recent survey by a large real estate services provider to understand the impact of COVID-19 on their corporate clients' workplace strategy, it was discovered that employees who primarily worked remotely prior to the pandemic were impacted the least—operating business as usual. Employees in the finance, accounting and HR functions also seemed to be faring well. The groups most negatively impacted by remote work were Gen Z and millennial-aged workers, as well as sales professionals. These groups thrive on collaboration and regular interaction with co-workers and clients. Technologies like Microsoft Teams, Zoom, and Skype fill a portion of the connection gap, however, spontaneity is what these workers desire.

In addition, large urban-centered headquarters exist for a reason – because there is a company desire to be have a large density of the company's employees in an urban setting. However, little evidence is surfacing that suggests companies are going to radically change their approach to how they centralize or decentralize offices.

4. Space Requirements/Metrics: With the information gathered so far, our team believes that for companies which opt for human-centric decision-making strategies, there will likely be a need for more space, not less. Giving employees a little more space to allow for natural physical distancing between desks has a lot of intrinsic benefits. With that being the case, it does seem likely that a shift in thinking from a SF/Seat x cost to an overall Workplace Spend=Overall Cost/SF will prevail, especially as the work from home concept adds another dimension to occupancy.

Ultimately, whether companies utilize more or less space as a result of COVID-19 will be determined on a case-by-case basis. Depending on culture, productivity levels, ability to attract and retain talent, and other similar factors, the benefit of adding space may be worth the additional expenditure. For example, work from home solutions in the past have generally proven to be productive in specific industries. While companies may consider this as a viable excuse to reduce square footage, being able to meet together face to face will never fully be replaced by technology. Those human interactions will continue to propel successful companies forward with collaboration and innovation that has proven most effective when people are physically present with each other.

Alternatively, companies may use their experiences during COVID-19 to completely alter their space occupancy norms. By implementing workplace strategies commonplace in other sectors of the market, the net effect may result in no increase, or perhaps even a decrease, in amount of occupied space.

5. Technology Considerations

Technology will play a vital role in the office, even more than before the pandemic. Robust virtual conferencing software and hardware solutions will need to be implemented in conferencing spaces to help people work in a more agile way and to use each square foot more efficiently.

6. Conclusions & Recommendations

Information is evolving every week, but companies will continue to look for ways to balance the needs of their employees. Workplace Strategy will be key to design a custom experience and metrics for savvy clients. Our team does not believe that a largely noticeable shift will happen with the amount of space required. However, the way that the space is utilized will change to accommodate the work from home factor, and there will be a higher focus on the spaces that will be required to draw people together to collaborate and innovate, which are foundational for corporate growth.

In addition, our team believes:

- Percentage of employees working remotely will increase dramatically and become normalized
- A shift toward human-centric measurements seems to prevail over space-centric, but companies need evidence to keep this moving forward.
- Technology will help companies with their facilities and occupancy studies, and will facilitate the ecosystem of work settings
- Cost of buildouts will increase due to the additional focus on healthy building requirements

Understanding why employees go into the office will be paramount to addressing space utilization and metrics, and savvy companies will look to enhance areas that bring out the best in their number one asset – their people.