



CoreNet Global Report Series

FUTURE OF CORPORATE REAL ESTATE - POST COVID-19 (Part 1)



COVID-19 Drives Evolution in Space Utilization and Portfolio Planning

BY BETH MATTSON-TEIG

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Return to work is top of mind for corporations. Leading corporate real estate experts share their views on how organizations are planning for the return to work, and what the implications are for portfolio planning in terms of the amount of space, type of space, locations, space layout and amenities. This report also will look at space utilization and portfolio planning from a near-term perspective, as well as the implications for mid and long-term strategies and the evolving role of the physical workplace.

The pandemic has been a game changer for corporations, upending the status quo in how and where people work, and creating far-reaching ripple effects for the future of the physical workplace, space utilization and portfolio planning.

Corporations are grappling with some big questions as they bring people back to the workplace. How much space will they need, how should space be configured, and where will offices need to be located? The answers to those questions remain elusive. Organizations recognize that it will take time to understand how workplace behavior and employee expectations have changed, and how the physical space needs to adapt accordingly. The uncertain path ahead has created a voracious appetite for data & analytics to better understand new workplace dynamics and support decision-making.

The immediate focus for companies is on developing return-to-work (RTW) strategies that bring employees safely back to the workplace. The first question to be addressed is “when” organizations will bring workers back to the physical office. That is by no means an easy answer. Corporations are at very different phases of RTW with global hot spots for COVID-19 outbreaks and variants that continue to impact timelines. According to an April 2021 CBRE survey of its global Occupancy Management accounts, 65 percent of respondents had a specific timeline with the largest percentage – 38 percent – that expect to bring workers back to the physical office in third quarter. That response shows a marked increase from the 47 percent who had a specific target date in CBRE’s January survey. The respondent pool was comprised of 40 different corporate occupiers with a combined portfolio of 250 million square feet globally.

The second question is “how” people will be coming back. Some organizations are doing soft openings where people can choose to come back to the office, while others are adopting a phased return to work that brings people back on a rotational basis. Generally, most have figured out how to bring people back to work safely with new protocols and socially distanced floorplans. Organizations are gathering data to determine: What percentage of the workforce is coming back to the office? What days of the week are those people coming back? What is the new design density of the space?

The third question centers around expectations of “what” is going to happen in the office when people return. Most organizations have been fairly successful with work-from-home (WFH) strategies in terms of continuing productivity. Now they have to reengage employees and reintroduce workplace culture, as well as understand how new ways of working impact the real estate footprint. “In many cases,

this involves leadership deciding the role that their office plays as it relates to the organizations purpose, what is the workplace philosophy, and what do they want people to be doing in the office?” says Roy Abernathy, AIA, IIDA, LEED AP, executive vice president, Global Workplace Strategy & Human Experience at Newmark. “Those discussions are happening with the understanding that the genie is out of the bottle on employees being able to work from home. Flexibility and mobility are going to be a part of our workstyle going forward.”

Recalibrating real estate footprints

Most organizations have plans in place to address the initial return to the office, and now they are beginning to widen the focus to look at mid- and long-term implications. How do they better understand the new ways of working, and ultimately, how will new behaviors impact space utilization and portfolio planning? Deloitte has framed RTW strategies around three horizons: respond, recover and thrive. Most companies are in the middle, focusing on the “recover” piece and what that looks like. “They have a playbook ready for the RTW, although they may be tackling that at a different pace. Thrive relates to the longer term portfolio realignment around new workforce and workplace strategies,” says Griffin James, a senior manager in the Real Estate & Location Strategy practice at Deloitte Consulting LLP.

Companies have different approaches to solutions based on the region, type of work being done, company culture and also the unique needs of their current employee base and the talent they need to recruit. Although there is no consensus on solutions, there are some common themes emerging. “We’re seeing that most organizations are expecting that there will be different types of spaces and less space required, and a more deliberate and purposeful workplace experience going forward,” says James. According to the January 2021 Fortune/Deloitte CEO Survey, three-fourths of respondents expect they will need less office space as compared to before the pandemic with an average reduction of 26 percent.

There are some lessons to be learned in some regions that were faster to reopen. One pattern that has emerged shows a direct correlation between the amount of time people were locked down to changes in the way they are working. “Companies have very different opinions on the way they will work in the future based on the amount of hardship they experienced working from home, and how long they were in the change process,” says Simon Pole, global director of design at Unispace, a global interior design firm with an end-to-end approach to workplace strategy, design and

delivery. Even with this high level of change, the normal change management process-takes about 3 months to understand the process, then there is a normalization period of about 6 months. After 12 months, those changes are adopted, which is where some countries find themselves now, he says.

Those companies that had shorter term lockdowns found that changes didn't really take hold and have reverted back to their normal ways of working. Countries and companies that have had longer lockdowns have gone to new ways of working, and organizations have changed to offer more hybrid or flexible workstyles. In addition, although there is no "one-size-fits-all" solution, corporations tend to fall into one of three buckets, adds Pole.

1. Stay the course: If an organization hasn't been affected that much, they are holding the line. They might wait until the next lease renewal to make a change, but they are not compelled to do anything new now.
2. Welcome back: Companies are looking at how to pull, not push people back into the office. What small changes can we make now to acknowledge that the purpose of the office has changed to more collaborative, side-by-side work versus individual work that it once was. That may mean expanding some of the front-of-the-house and social spaces and reducing the number of individual desks.
3. The time is now: Companies are acknowledging that they already had one hand on the lever for change, so why not grab it with both hands and accelerate the speed of change, such as by embracing a more flexible workstyle and test the required footprint.

"Particularly for those companies in buckets two and three, they are looking for more data and science than ever to help support and guide that decision-making, because there is a lot at stake," he says.

Strong appetite for data & analytics

Many organizations do expect to allow for greater WFH flexibility going forward. Virtual working will continue to be the norm post-pandemic. According to the Fortune/Deloitte CEO Survey from January 2021, CEOs surveyed expected that 38 percent of their employees will be working remotely in January 2022 as compared to 16 percent pre-pandemic.

Organizations are looking at the opportunity to reduce footprints and cut costs. "However, they are being very conscious about waiting to see how things pan out. People need to get accustomed to the new situation and organizations need to learn about their new workplace behavior in order to make solid decisions," says Sabine Ehm, thought leader & research manager at Locatee, a technology firm that provides workplace analytics on occupancy and utilization. "Organizations are trying to drill

down on metrics to understand utilization, engagement and interaction," adds Ehm.

Some companies have ambitious plans and initiatives to lure employees back to the office. Nevertheless, much of the business world is still in the early days of understanding this new workplace disruption and its impact on working behavior. Companies may need to go through a couple of iterations of what the ideal office should look like in a post-pandemic world. "In these theoretical conversations, we tend to forget that oftentimes these corporate portfolios are huge. You cannot implement things in the same manner at all locations. There needs to be a phased approach, and you need to continue to learn from experimentation," says Ehm.

All organizations are also hungry for data and analytics that give them insight into how their space is being utilized. There are a variety of different methods of collecting and tracking utilization data, such as badge swipes, threshold sensors room/seat sensors, beacons that track mobile devices and reservation systems. Badge swipes and threshold sensors can provide a good macro view of utilization, notes Susan Wasmund, senior managing director, Advisory & Transaction Services | Occupancy Management at CBRE. "But if clients are trying to actually understand how their people are using the actual space to inform their design standards, such as how many people were in a conference room during the peak work hours, or did anyone actually sit on that couch, then we go to micro-utilization where we can see how the actual space is being utilized," she says.

Oftentimes, Wasmund recommends a hybrid solution where a company collects the macro-utilization data across an entire portfolio, and then prioritizes a portion of the portfolio to also collect micro-utilization data. Companies should focus those micro efforts on where they actually add value, such as where leases may be expiring, or for a specific market where they may want to consolidate facilities.

Companies have been collecting space utilization data for years. However, the information gathered before the pandemic may no longer be relevant. Many organizations are starting fresh to collect data on when people are turning up at the office. What are the types of groupings or roles returning to the office for work? How many days of the week? Which days, and how long are they staying? What are the new peak periods for space utilization? When people do come in, what types of tasks are being carried out in the office? Corporate real estate professionals also have to consider the broader implications of utilization and density on amenities such as food service, fitness centers, on-site daycare and parking.

"Utilization data alone cannot inform decisions on space reduction," adds Ehm. She suggests that organizations place equal attention on employee feedback and HR opinions

to better anticipate what type of work will happen at the office and what work can be carried out remotely. To change the workplace offering requires careful analysis of both qualitative and quantitative data. For example, if office occupancy drops to 50 percent, it doesn't mean asset managers should reduce their physical assets by 50 percent. An assessment of the current space offered should be conducted, she says. For most organizations, the focus on the efficiency of the office space has changed to emphasize what value the office as an environment has for the company in terms of fostering culture and making people feel like they belong, which ultimately will bear positive implications for retention and productivity, notes Ehm.

Evolution: Planning for the future workplace

Organizations are gathering data to support decision-making around what many expect to be new ways of working and changes ahead for the future workplace. The general view is that continued use of flexible work-from-home capabilities will reduce real estate footprints. "It is fairly universally understood that there will be more hybrid working models going forward," says Pole. Among the Unispace client base, excluding high-growth firms, Pole estimates that about 90 percent are already reducing footprints. For projects that Unispace has completed recently in the Southern Hemisphere, clients are giving back as much as 45 percent of their space.

Generally, for those that are giving back space, it is tied to some type of lease expiration or break clause. Others that have more time are trying to gather information so they can get ahead of those decisions, adds Pole. Unispace reviews and analyzes data to identify the "tipping point" for the way teams are working before they suggest a blanket solution of desk sharing ratios as there is a lot more detail in the remote working data than was captured pre-COVID. "Understanding what tasks people are doing remotely and why people are coming to the office with data that shows what tasks they are doing with what technology adds a critical dimension," he says. This has changed compared to pre-COVID analysis, where most organizations simply wanted to know what utilization was achieved on their space. Pole recommends four areas that organizations need to study that can help unearth solutions.

1. **Workforce:** How are people working? What is the company policy? What are their preferences? What is their home set-up?
2. **Workstyle:** What is the result and the persona informing their workstyle. Is it flexible, fixed, agile, hybrid?
3. **Workspace:** When individuals are in the office, what are the spaces, technology and behaviors they need, and what levels of flexibility of spaces are required?
4. **Workplace:** The home is now a legitimate part of the workplace. People can work in the office, at home, or remotely from other locations. It is important to think

of the workplace from a holistic view, an ecosystem of work points, and not just from the perspective of the physical office. How do we lure people back to the office to do their best collaborative work, balanced with the freedom and resources to be productive elsewhere too?

Utilization is a fairly easy metric to measure, while engagement involves tracking what it is that people are coming to the office to do. Do companies need to be more social, at least initially to recreate that sense of belonging and connection? The interaction piece is what are the behaviors that you want people to be doing in the office? "To some extent, if people are coming into the office to do what they were already doing at home, you're both missing an opportunity, but you also may not bring back the same productivity increases that you saw at home," says Abernathy. People may have an easier time to do heads-down work at home where they can go in an office and close the door as compared to coming back to the office where they are sitting at a desk in an open plan space with more distractions. "So, companies need to focus on what behaviors are best done in the office, and how do you drive those when people come back to the office," he says.

The pandemic has further intensified the focus on creating an agile portfolio. Companies are looking at space that can be easily shed or bolted on, densified or relocated. Newmark worked with one client to create a more agile model where 50 percent of the portfolio is fixed, and the other 50 percent can be easily changed every two years. "That is very different than their traditional portfolio," says Abernathy. Companies want the ability to reassess population shifts post COVID, or more specifically, where their workforce may relocate if work is not tied to a specific location. Some of the solutions include using dedicated third-party co-working space. "Flexibility has become agility with client being able to articulate levers that shift their real estate portfolio," he says. "Agile is taking a much more integrated, aggressive, information and data-based approach where you scenario plan around potential changes and disruptions. The future is more about predicting than reacting with data driven analytics at the core of your approach."

Another area that organizations need to consider when thinking about the future use of the workplace is that it is difficult to compartmentalize. People are not doing heads down work eight hours a day, and they are not on video calls eight hours a day. "I think the workplace of the future needs to be flexible enough for employees to be able to toggle back and forth between a conference room, a team room, a huddle room, a collaboration space and a heads-down space where you can do some quiet work," says Wasmund. "That will be the challenge, because our days are not identical, and seldom do we do the same activities all day long. The successful workplace design of the future will need to accommodate that creatively."



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