



CORENET GLOBAL

# VIRTUAL POP UP

A pop in community for **corporate real estate professionals**

## Pop-Up Webinar: Key Takeaways

30 April 2020

### What is the biggest challenge you are tackling right now?

- It is just trying to balance our normal workload and this new workload we have with implementing all these changes for COVID-19. Because our business is classified as essential, our offices are open and running. We might not have as many issues as other companies in returning to the office since we have been open the entire time. It has been a lot of hours for us. One challenge that comes to mind is the potential impacts to the food supply chain. We tried to buy a freezer for our house, only to find that none were to be had in our area. Are there any concerns as to what that translates to for food and corporate cafeteria sites? Maybe it is yet one more thing to keep us awake at night. Will we be able to provide food for our cafeterias when people do return to work? This might be a little premature, but it is on my mind because we tried to get a freezer, with no success.

### Anyone else with challenges related to food service?

- We are working with a client right now on food service, and we brought in a food service consultant. On re-entry, the client will no longer have a salad bar. Most of the food they plan to serve is going to be pre-packaged.
- We are working with a couple of different clients on food service, and their plan is for no hot bar, no more self-serve anything. The bigger issue is pantries. Do you have coffee machines? Creamers? How will you handle that? Will people not be able to get coffee throughout the day?
- We are providing nitrile gloves for people to use if they are uncomfortable touching multipurpose equipment in pantries such as coffee machines.

### What about managing the number of people in restrooms?

- I have talked to a couple of my large customers. They are going to install signage and limit restrooms to no more than three people at one time. They plan to open the handicapped stall and close off every other urinal.

### Changes in buildings and workplaces as a result of COVID-19 could be expensive. How much of those additional costs will be borne by the landlord, and how much by tenants?

- I am from New York, and that is my business: occupancy costs. I am very concerned about the shock that all the tenants are going to get when it comes to how much all this will cost them, whether it be directly when they purchase equipment or indirectly when all the operating expenses are passed on to them by landlords.
- We are in direct contact with our landlord probably two times a week to talk about these costs, to set expectations, and to set our budget. I hope there are not any surprises. We have been working closely with them on cleaning protocols and added services. I think staying in touch with the landlord is the key.

**Has the landlord told you they are going to make capital improvements to the building, such as filtration systems, and who is going to pay for it?**

- Everyone should look at the latest [ASHRAE report](#) on COVID-19. The concerns might not be as significant as first thought. The guidance was not to shut down systems.
- We are in discussions with them and we are pushing them on it. In some ways, the landlord thinks what they have now is adequate. We are trying to guide them into what we want to have.
- That is the point. All the tenants are going to pay for everything. To give another example, think of the added personnel the landlord is going to have. A landlord that previously had 15 people on the payroll might now have 25 people on the payroll. Tenants are going to pay for those 10 people on a net basis. That is huge. And yet it is a minor expense compared to the additional expense companies could have in their own spaces. Here is something else you might not have thought of: in leases, you have exceptions for local laws. If local laws are passed after you made the lease, that is a typical exclusion from capital improvements. A lot of these new requirements are going to become local laws. The municipal buildings department will say that you must space people out a certain way. To implement that, the landlord will have to spend a lot of money, and that will become your cost, in addition to the porters and extra employees the landlord hires. You will pay for that not only on an amortized basis, you will pay for it on an annual basis. Not a lot of tenants can pay for all this. I cannot imagine that people are not thinking their budgets will go through the roof if they really study this. In my opinion, these costs should be pushed back to the landlord. It is his building.
- You must negotiate who is going to pay for what, or else you will pay for everything. Two big landlords were on a panel recently, and they said they are going to pass on all costs, everything, to their tenants. They were unabashed about it. So, that is the temperament you must push back on.
- Just thinking about those expenses – some will be operations, and some will be capital. Tenants could find themselves paying twice as much as before. These costs are much more than just expanded janitorial.
- I think you should ask the landlord point-blank: what is your plan for our building? We have a plan for our space. What is your plan for the building?

**Will COVID-19 bring changes in how much space companies need?**

- Here in San Francisco, a lot of the buildings were upgraded several years ago when they had the big push on green initiatives and LEED certification. But as far as the passthrough on the additional cleaning in preparation for people coming back into the office, a lot of people realize they do not need as much square footage as before. In the big campuses, they are not expecting all their people to come back into the office. We have had this big experiment with remote working. Their plans are to sublease areas.
- It is still possible that companies will need more space, not less, because they will have to keep people separated. Even if only 100 people return to the office, you might need more square footage than you did when there were 200 people in the office.
- I am with an office-moving company. We have been doing moves recently in which we take out half the people and leave every other cube blank.

**Many companies use hoteling as a space strategy. Isn't that going to be a huge issue now, with potentially different people at the same desk every day? Who is going to wipe it down? Who is responsible for the cleanliness of that space?**

- A larger company might have a hoteling area for 650 employees, but now they are breaking it down and accommodating far fewer people, such as 150. You can cover and protect your workspace with a mat made from butcher paper. And at night you can cover everything with electro-static disinfecting.

- I think you will find that people will not be comfortable sitting at a shared desk – cleaning or no cleaning.
- I am hearing from lots of corporates who say they will no longer use free-address seating. They will be instituting more cleaning protocols and are looking at just 20 to 30 percent density when they start bringing employees back.
- We are a furniture manufacturer, and we are looking at solutions to safely divide workstations that look more like free-address areas. We have created something for the health-care market and now we are looking at transitioning that over for the corporate environment. It has mobile divider screens, and PPE workstations that are close to groups. I think there is going to be more coming out about how many PPE stations you will need per employee and how close they need to be to employees.

**The occupational safety and health agency in Kentucky reportedly is sending out a notice that they will be inspecting businesses to make sure they are following the governor's requirements for social distancing. If they do not find a copy of the plan onsite, and determine that you are following all the rules, they will immediately shut down the business. Has anyone else heard about this kind of compliance by edict?**

- I have not heard about that, but we did have that happen in Mexico, where government agencies have come back and shut down specific facilities.
- This is exactly what is happening in China. This is how they have been operating.

**Does anyone have a plan that has been implemented for back to work in Asia?**

- Our China manufacturing is operational at this point. We do have social distancing rules in place, and they are following specific protocols. Our office teams are still working remotely for the most part but can come in if needed. We do not have manufacturing in Singapore. Our office teams there are working remotely. All of Tokyo is shut down, and our Tokyo team is working remotely. They are anticipating back-to-work office protocols in Tokyo sometime in June.

**Now that we realize working from home is more extended than we thought it would be, with some groups doing it on a permanent basis, what are companies doing to accommodate their remote employees as far as getting the right IT equipment, ergonomic furniture and so on?**

- Just this past week we decided to go ahead and offer all employees the option to purchase a bundle of equipment which includes dual monitors, docking station and mouse at company cost. All they must do is sign up for the package they want, and it is delivered to them. We have not rolled this out yet, but we are also working with a local furniture dealer, and they are willing to set up a program for us with key things like chairs, workstations and sit-stand desks. Employees can purchase this directly through the dealership on a quick-ship basis and have it shipped to their homes. Employees pay for it, but they get a 30 percent discount. The idea is that employees buy it for themselves, retain it long term and do not have to return the furniture. We are still trying to figure out if this is the right approach for us. The dealer and manufacturer offered us a nice program.

**How many companies are changing furniture configurations as you plan your return to work?**

- We are looking at layouts and checkerboard seating. We currently have five-foot benches. If we push that out to six feet, we will put in plexiglass panels. Do we put in side panels, as well as in front and in back? We are having a lot of conversation around this.
- My company has been doing internal office rearranging to make sure that clients' office workers comply with new social distancing requirements. We also have been assisting with the moves of internal office personnel to remote offices.
- No furniture changes planned, except removing chairs from desks we do not want people to use.

- We are not changing furniture for the time being. We will phase back in and consider shared desking. We will designate which desks can be utilized.
- Our company is actively evaluating options for furniture modifications. Our short-term focus is on modifying partition heights rather than changing layout or workstation sizes.
- We are looking at a 6' x 6' kit of parts as the most flexible furniture option.
- I would bring back employees in an A/B scenario (every other seat) if they are less than 6 feet apart until your team feels comfortable.

#### **Are you going to take responsibility for providing PPE to your employees?**

- Yes. None of our landlords will allow us to be in the building if we do not have masks.
- From conversations I have had with clients, and with our own leadership team, the prevailing thinking is that employees will be responsible for providing PPE as they enter the buildings.
- If employees need safety equipment to come into an office, the company must provide it. That is an OSHA requirement.

#### **But what if their policy is not to require a mask for the office space itself?**

- I think OSHA would look dimly on that. If they cannot get to work without a mask in a building that you rented, it kind of becomes a condition of employment.

#### **Has anyone made decisions about mass transit and the anxiety employees might have about getting to work on mass transit?**

- Some of our clients are really concerned about this because it is a big key to how many people will be willing to come back to work. Before people start to assess whether they must reconfigure furnishings or do checkerboard seating, they need to get a handle on who needs to come back to the office, and who is critical. For those who are not critical, why would they want to come back to the office if they do not have to? What are they coming back for? Workspace will evolve in terms of what it does and what the draw is to come back. Mass transit will be a key, but I have not seen any surveys on this.
- A survey was sent out about commutes and travel into the workplace in the San Francisco Bay Area. It is relatively common here that larger businesses have a shuttle transportation program. It is a high level of concern for those who participate in the shuttle program primarily because those shuttles are only 14-passenger vans. Social distancing is not going to allow for an effective program because you can no longer fit 14 people into those vehicles; you might fit three or four. Doing so would make the costs incredibly high. We are really looking at the shuttle program to see whether we should continue it, and doubtless many other companies are doing the same thing. Also, the work-from-home programs that some companies did not embrace previously are being embraced now. The reason that the shuttle programs were put in place to begin with might not be needed anymore if remote working stays in place.

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