



CORENET GLOBAL

VIRTUAL POP UP

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

Pop-Up Webinar: Key Takeaways

8 April 2020

Does anyone have a question or issue to bring up?

- We're involved in the take-up of working from home. But it's more than that. It's adapting broadly to the environment we're in, given the different lockdowns or hibernations of sites across the region. It's also the impacts on the supply side and demand side. When everyone works from home, the supply side gets looked at in terms of ceasing services or reducing services. And that's impacted by local laws and requirements. Singapore is pretty much in lockdown. Malaysia is extending its lockdown. What do we look like post-COVID-19, and what changes to guidelines or work practices will we see? From a business unit point of view, what are they going to do? How does that impact on real estate? What does 'good' look like in terms of the real estate footprint? That's a very long discussion, certainly for the region and for us at our company.
- I'm the global head of real estate for a global engineering services firm. The impact of this epidemic is twofold for us. First, the fall in oil prices. Our business is getting hit by that change in oil price. And second, the virus impact itself and whatever recession might come out of it. We have an immediate request by our business leaders to change our occupation model. We have engineers who are very traditional in their thinking about their occupational space needs, but we are starting to see that we can work in a different way. There will be big changes in our footprint and our leasing of buildings, and we will be moving quickly to a new occupational model. We will take out north of 20 percent, perhaps even 30 percent, of our space. That's the sort of run-rate savings we'll be looking to achieve. It will take some time to introduce and implement that plan.

From a U.S. perspective, we are watching closely what is happening in Asia. We are holding out hope that things will return to normal, but we see that some of the countries are having a recurrence, and then going back into a shutdown. Any insights you might have for others around the world?

- I don't think anyone is coming out of it yet. Even considering China, they have potentially gone past their peak, but it's so unknown right now. I am calling from Australia, where this crisis is changing the upcoming school year, which will impact that part of the work force with children in school. What I'm interested in is 'what does a workplace strategy look like?' We've seen such a move to collaborative spaces and open plan and agile working. But now people will be reluctant to do that again. We might see hand sanitizers on desks three, four or even five years from now.

I'm very interested in the comment about changes to the workplace and the plan to reduce portfolio size by 20 to 30 percent. Are you saying that more people will work from home?

- Yes. We are only 13 to 14 working days into this, so I don't want to pre-empt the eventual solution, but people are realizing they can work remotely and it's more efficient than they thought it would be. We always strove to get full occupancy, but we would never get that under our previous approach. Under our new plan, we might be able to get higher than 100 percent occupancy. We are now getting feedback from employees around the world about their acceptance of remote working. When people do come into the office, we have to make sure the workplaces we have are resourced appropriately. I'm thinking that North America is the place where there is a lot of ownership about workspace. If they previously had an 8 x 10 office, will they accept a work bench?
- Based on our experience in China, it won't be that we'll flick a switch, and everybody goes back in. It'll be a gradual buildup. I suspect that is the approach governments will take too, as they relax the social distancing laws. It won't be suddenly on Monday morning everybody can be in big groups again.
- We are discovering that organizations can indeed work remotely, but the flip side is mental health. I am working from home, my partner is working from home, and the children are here. But many people are single, and they miss that contact. We need that social connection.
- There's also the bigger picture of the overall connection and engagement of the organization. Everyone is in crisis mode right now. We know this is a temporary solution. Will organizations decide to continue remote working on a more permanent basis? We don't yet know what the long-term impact of all this will be on organizations and people.
- At a high level, we have about 75 percent utilization across the region in terms of site attendance, and that fluctuates from about 40 percent to about 80 or 90 percent utilized. In our company, remote working is nothing new. We have very good data in terms of where we use it and how we use it. In our future state, how do we attract people back into the office when the default becomes work from home? Of course, the answer depends on the jurisdiction. The choice of where to go and how to use real estate and what attracts associates back into the tenancy is something that we are dealing with. In terms of footprint reductions, our footprint is fairly lean at the moment. We might get double-digit reductions. It will depend on where the organization is in terms of utilization, and of course what the business units need. We are looking at our leases. Do we terminate? Do we adopt working from home more permanently? Will we stop taking co-working space?

There's an interesting dynamic between the desire to get people back to the office and the fact that people don't want to be crowded into a workspace right now.

- It will be very interesting to see people's reaction. I know I won't be going into a 4 x 4 meeting room anytime soon!
- I think the impact of social distancing will stay with us for a very long time. The point was made earlier about coworking spaces. We've seen them taking on so much space. I wonder what the impact will be for coworking operators? Positive? Negative?

- You can only assume that the demand would decrease.
- It might. But maybe companies will decide to put more of their portfolios in those kinds of spaces.
- There will have to be changes in the design of those facilities because they are so densely arranged. I think those new conditions will apply for the next 18 months at a minimum.
- Coworking operators own all the risk. They are signing up long-term leases with landlords and then selling short term.
- You have the traditional lease of three, five or 10 years. In Australia, landlords have a huge allergic reaction to early termination rights, for obvious reasons. But across the globe, that is normal. Landlords will have a choice. Do they transact with us, with our financial strength, or do they potentially end up with a vacant space? We're not trying to be opportunistic or to profiteer the situation, but we could either ramp up 30 percent or drop off 30 percent. This discussion between tenant and landlord has certainly come to the fore.

Do you see a big shift for landlords not just in adaptability and acceptance, but in their obligations?

- Yes. These landlords are having the same discussions with multiple tenants across all the markets, where both tenant and landlord bear the brunt of it, and no one is pulling the wool over on the other guy. A key factor is how aggressive tenants and landlords want to be with each other. Do you want to do a deal or not? The big service providers of the world will tell you that a quick deal is a good deal. We need to be flexible and commercially minded.

Where are your collaborative partners in terms of the new normal? How much engagement are you seeing from your security and HR strategy teams?

- What I hear from people is that they are partnering more in their companies with HR, IT and Procurement because everyone is having to address some of the same challenges that roll up together. There's a bright spot that this kind of collaboration is happening.
- I have reached out to quite a few of our partners. They're all in the same boat. Everyone is trying to figure out what's coming next. I have become our go-to person for insight on what's ahead, and that's why I am joining all these calls.

CoreNet Global

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