



What Will Our Post-COVID Offices Look Like?

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As communities around the country unveil their plans for reopening Central Business Districts, the question on the minds of everyone who owns, manages or advises on office space is what those spaces will look like after workers return. In our work as office tenant representatives in the Chicago area, we've been communicating with clients and collaborating with architects and various building owners and brokers to envision the next phase. While uncertainty prevails about what all the specific changes will be, everyone is unified that changes must focus on making all organization members feel safe.

Bringing Back Workers Safely

Many business owners are looking to Asian or European countries where markets have already begun to open and bring back workers to office buildings. To begin, short-term changes that are expected to have widespread adoption include:

- Requiring or providing masks and having masks available at each entrance for employees or guests who don't have access to their own
- Using the CDC's "Health Screening Questionnaire" for at least the first month after re-opening to track potential symptoms or exposure and directing employees who may be sick to stay home
- Staggering the days and hours of re-entry, especially for those members occupying open work areas (workstations, benches, and hoteling areas) and for those who share offices; creating alternate-day schedules for workers who work near each other to limit physical contact
- Removing or limiting personal items in workspaces to make for easier, more thorough cleaning for use by multiple occupants
- Making hand sanitizers available throughout the facility and offering disposable gloves for users of particularly high-touch areas (kitchens, coffee bars, copy rooms)
- Placing directional signs or stickers on the floor to encourage one-way passage within the office
- Installing as many touchless ingress and egress points as possible
- Closing small, confined meeting areas for conference use after re-opening
- Limiting the number of people in larger meeting areas, e.g., only seating five at a table for 10 in a conference room or using video conferencing even within the office to cut down the use of meeting rooms
- Creating the ability to maintain social distance in terms of ingress/egress from all others before entering offices, meeting rooms, and other workspaces
- Keeping work-at-home policies for individuals that take public transportation for a longer period of time
- Tenant's requiring increased fresh air intake and enhanced airflow and cleaning and monitoring
- Appointing a "health practices" enforcer to make sure all safety guidelines are being met.



Long-Term Changes in How We Work

While those baseline steps will be necessary to bring back workers in a safe way, some companies may also be considering how quickly and how fully to bring back in-office work. Companies will need to examine the impact on work culture and loyalty that widespread remote work has created. Looking ahead, some preliminary *long-term* logistics are:

- Distributing work offices across several buildings versus consolidated work offices
- Decreasing density within offices by spreading out the workstation placement, expanding the sizes of workstations, and / or removing "benching" workspaces that have members seated at long tables with no separation
- Defining essential in-office workers and those who could continue working from home – an MIT report found 34% of those who previously commuted to work were working from home by the first week of April due to COVID-19, which is similar to the percentage of people overall who can work from home according to a University of Chicago publication.
- Using new software becoming available from various architects which helps tenants "de-densify"
- Changing the office environment to include antimicrobial work surface areas, material and products
- "Hoteling" in the form of sharing desks may increase if and only if this can be done in a very sanitary manner
- Conversion of small, enclosed meeting spaces to private offices
- Additions to the height of separators between workstations
- Scheduling and phased groupings of visits to the office by members continuing to work-at-home.



Companies that occupy space in multi-tenant buildings will also need to be aware and follow the building owners' specific procedures. One such example is the placement of "Social Distancing" stickers on the floors of each elevator in a building to encourage no more than four people/elevator cab. Certain shared amenities, such as conference centers or outdoor lounges, may also have new capacity rules. Amenities and their use are being re-thought to include more quiet spaces.

Suburban office buildings and campuses may actually see some upside, given the distribution of offices and lower density, as well as more employees driving versus taking public transportation.

Vacancy, Lease Terms and Other Financial Impacts



On the financial front, we expect a number of impacts on the office market. We predict vacancy rates will increase about five to six percentage points over the next 12 months, given the rise of unemployment rates. While this is a large jump, most likely it will not be catastrophic for most landlords. Other possible trends are smaller businesses moving back to "home offices" and not renewing, and subleases increasing significantly in the short-term.

Lease negotiations will also adapt to the new normal. Leases will require more flexibility, as people will be more anxious about future commitments of more than five years. Security Deposits have increased in importance, and credit-worthy tenants, which have always

been important, have increased in value to landlords. Force Majeure, insurance and bankruptcy provisions will be even more heavily negotiated in new leases and lease amendments.

ProTen believes these factors will result in a reduction in asking rental rates. Concessions should also increase but will become even more sensitive to the length of lease terms, since commitments may be shorter this will affect the amount of upfront concessions landlords will provide. Operating expenses will also be impacted and may see an increase over the long term to address increased janitorial, touchless and HVAC changes.

As with all market changes, these factors will eventually go back to a relatively stable level, but when that will happen remains to be seen, since most of us are still not working at our offices. Some of the changes may also transition out or become less extreme once we have more readily available testing and/or an effective treatment or vaccine for the virus.

About the Authors:

Renee and Kurt co-founded ProTen Realty Group in 2001. During their combined 65+ years in commercial real estate, Renee and Kurt have worked on transactions valued at over \$7 billion all over the U.S. Renee and Kurt have been involved in all aspects of corporate real estate, but always from the user of space perspective.