

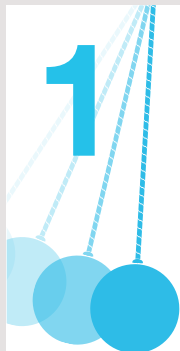
# Five Predictions for the future of Corporate Real Estate

The impact of COVID-19 has been immediate and profound. The ramifications for the commercial real estate sector are significant.

Offices are deserted, save for some 5-10% of office staff who cannot work from home; commuting has all but ceased; and business travel evaporated. The shackles on homeworking have been smashed, with our capacity for functioning remotely being tested to the extreme in real time.

The question is, when the lockdown restrictions are lifted, what will the new reality be for the sector? What are the longer-term implications for how we work and the consequential impact on corporates, corporate real estate and commercial office space?

We have interviewed more than 30 Heads of CRE across three continents over the past three weeks – these are our key findings.



**1 Homeworking: a pendulum shift**

If the pendulum moved from say 10% remote working pre Covid-19 to 90% during Covid-19, then the pendulum is likely to move in phases back the other way.

But where will it settle? Our expert panel anticipates an average of **40-50%** remote working to become the long-term norm.



**2 Office portfolios: a fundamental rethink and repurposing**

CRE costs are typically 9-12% of a total company cost base, with the majority directly correlated with footprint. There is now the potential for many companies to rightsize and reduce to some **5-6%**, with a shift to 50:50 core/flex.

This will include **greater emergence of local office “spokes”** where people can come together to fill personal contact voids without commuting into the main “hub” office.



**3 The continued rise of flexibility: a challenge to the leasing market**

The corporate office market has not evolved much in the last 50 years, remaining heavily skewed towards long term leases where much of the risk and burden sits with the occupying tenant. There is already a growing trend towards increasing agility, through more flexible approaches such as serviced office space or managed, space-as-a-service solutions.


More than 90% of our CRE leaders surveyed believe that that coming out of this crisis there will be a rapid **change towards more agile workspace**.



**4 Business continuity: a permanent shift**

The past weeks have been a monumental exercise of business continuity programmes, but no one could have predicted that 90% of staff would become home workers. And adapt to remote working with such speed.

The adaptability of both technology but also working practices show that perceived BCP strategy will move to **home working solutions**; even for those companies that are highly regulated. From our experience in Asia and those of our CRE leaders, flex space has already provided a rapid solution to ensure staff are safely, client-facing in the short-term.



**5 Technology breakthrough in CRE: finally**

Every one of our CRE leaders has agreed that the crisis has seen greater coordination between CRE, HR and technology functions. Communication has been critical to that experience as has remote working technology. But data and technology within CRE is lacking, as are the metrics by which to measure success.

There are multiple reasons why the industry has yet to overcome these hurdles, but many of the technologies exist. This period of time will see the **integration of these technologies into CRE** and that will create lasting change for our sector.