

OCCUPIERS' STRATEGIES TO RE-POPULATE WORKPLACES

Occupiers revisiting workplace density plans

Insights & Recommendations

Starting 18 May 2020, we are seeing lockdown restrictions being lifted in a phased manner across cities in India. Hence, occupiers are focusing on health and wellness strategies to manage workplaces.

Gradual return of full employee strength in offices: Occupiers have adopted remote working policies for the majority of employees. Further, we recommend prioritizing a safe work environment as occupiers begin re-populating offices gradually.

Redesign of workspaces: Occupiers should revisit their density plans and evaluate options to adhere to social distancing guidelines keeping employee wellness at the core.

Acceleration of technology adoption: We recommend data privacy and effective communication be prioritized in the current virtual office environment. About 60% of occupiers plan to accelerate technology adoption in order to reduce the need for physical business meetings.

Leasing likely to show signs of recovery in H1 2021: We expect de-densification coupled with occupiers' expansion plans to offset the likely decline in leasing activity due to the economic slowdown caused by COVID-19.

45%



Of occupiers foresee only up to 30% of their employees returning to workplace over the next 2-3 months even after relaxation of lockdown restrictions.

20%



Occupiers are considering de-densification of workplaces by up to 20% compared to pre-COVID levels.

25%



Of occupiers plan to expand their CRE portfolio over the next 6-8 months, half of them plan to expand by up to 20%.

Occupiers who plan to expand their CRE portfolio,



57%

intend to seek new space for expansion. 40% intend to lease a new office space, 5% plan to lease flexible workspace while 12% plan to incorporate a flex and core model.

The pandemic has altered the way occupiers and developers had conceived workplaces as the current times warrant increased emphasis on employee wellness initiatives while companies strive to keep business operations afloat. As employee wellness plans improve productivity and increase job satisfaction, occupiers are focusing on these initiatives to enhance employee efficiency as well as safety.

Colliers International conducted a survey of occupiers to understand real estate strategies and measures that they are undertaking to survive these exceptional times. We solicited responses from over 70 occupiers operating in the technology, financial services, professional services, engineering & manufacturing, flexible workspaces and healthcare and pharmaceuticals sectors. These responses were collected before and during the government's *Unlock 1.0* (21 May 2020 to 20 June 2020). The insights and conclusions cover occupiers' strategies to enhance health and wellness to combat COVID-19 as they begin to re-populate workplaces.

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TEMPORARY REVERSAL OF WORKPLACE DESIGN

Previously focused on more *we* space, now focused on more *me* space

Over the years, commercial office space around the world has witnessed several structural changes in the wake of rising rents and changing occupier preferences, including the adoption of open plan offices replacing previously enclosed cubicles. Workplaces have moved to more *we* space and less *me* space.

Occupier preferences had moved in favour of more space for collaboration than spaces dedicated to individuals in a pre-COVID world. Occupiers in the technology, flexible workspace, professional services, and engineering and manufacturing sectors have reduced the amount of space per individual in exchange for spaces that promote employee interaction and collaboration.

The current pandemic warrants an increased thrust on health and wellness leading landlords and asset managers to consider several options that help contain the spread of COVID-19. They are now considering de-densification of workplaces, better building ventilation and cleaning, voice or motion activated doors and elevators to reduce the number of points of contact, and anonymous reporting of sickness to help keep occupiers safe and healthy while slowing the spread of germs. To enable a sustainable work-from-home environment, some occupiers are considering giving a one-time home-office allowance to employees for securing necessary equipment and office furniture, stressing the importance of employee wellbeing that in turn enhances employee efficiency.



In the pre-COVID-19 world, rising rents and changing occupier preferences transformed workplaces to more *we* space and less *me* space.

The post-COVID-19 world warrants an increased emphasis on health and wellness, necessitating a partial reversal of those trends.

Occupiers' focus is changing

Pre-COVID-19



More spaces for collaboration at workplace



Promote employee interaction



Open office



Post-COVID-19



More thrust on health and wellness



Minimize physical interaction



De-densification of workplaces



Accelerated adoption of technology



Allowances to employee to enable better work-from-home environment



More focus on wellness programmes and employee engagement activities

Source: Colliers International

Display of openness by occupiers towards remote working

In India, despite workplaces partially re-opening with the easing of lockdown restrictions following the state government directive, not all companies are marching their employees back to office. Based on our survey, almost half of occupiers suggested that only up to 30% of their workforce will return to the office in a phased manner over the next two to three months. Further, 38% of occupiers mentioned that they plan to continue with their remote working plan (or Work From Home) for select workforce at least for the next six to eight months. Occupiers are likely to consider remote working policies to the extent possible while still accepting some degree of risk as they begin re-populating their offices, as minimizing physical interaction is the most effective measure to combat COVID-19.

Occupiers are evaluating their core business functions that require employees to be present at offices, so that they can effectively implement strategies involving rotational shifts and flexible working hours. Our survey indicates that about 46% of occupiers plan to resume their business operations with a combination of policies such as flexible work hours and rotational shifts.

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Almost half of occupiers indicated that up to 30% of their workforce will return to the office in a phased manner over the next 2-3 months.

Occupiers' openness to remote working policy

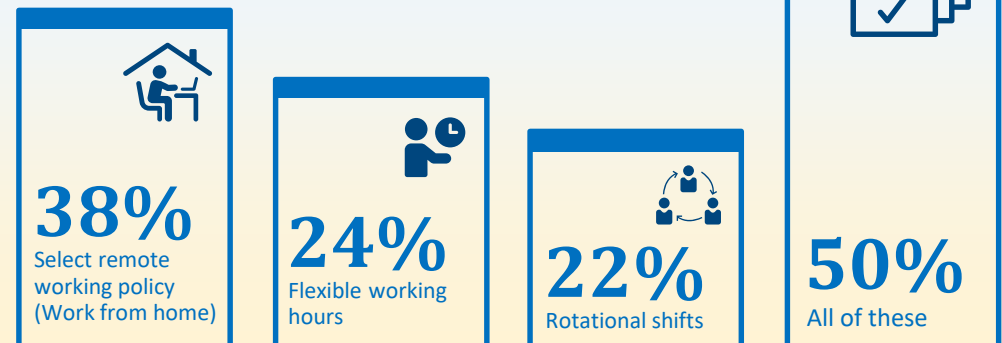
17% of occupiers indicated that their entire workforce will continue working remotely at least for the next 2-3 months.

45% of occupiers foresee only up to 30% of their workforce returning to office in a phased manner over the next 2-3 months.

21% of occupiers indicated that majority of their workforce will be returning to office gradually over the next 2-3 months.

Source: Colliers International

Occupiers' immediate workplace strategies to combat COVID-19



Source: Colliers International

Occupiers evaluating de-densification of workplaces by up to 20%

The US Centers for Disease Control and Prevention recommends a social distancing guideline of at least six feet distance between individuals to prevent coronavirus transmission. To prioritize employee health and wellness, occupiers are revisiting their density plans in existing offices and evaluating options to adhere to the new norm.

They are considering several measures including doing away with hot-desking, repurposing meeting rooms and common meeting places and accelerating adoption of technological tools that enable them to achieve their objective. [We understand from our survey that most occupiers are evaluating lowering workplace density by up to 20% compared to pre-COVID situation.](#)

As offices begin re-populating, there are several tools that enable occupiers a smooth adaptation of the new workplace norms. These technological tools promote safety by measuring real-time occupancy levels along with limiting capacity and triggering notifications when safe occupancy levels are exceeded.

58% of occupiers showed an inclination towards making immediate physical changes to office seating plans when employees return to the office. Further, it may take up to three quarters for occupiers to find their most efficient strategy while reviewing existing office layouts for reconfiguration. However, negotiations for new office spaces should factor in revised space requirements.



Occupiers are revisiting their density plans in existing offices and evaluating options to promote social distancing norms while keeping employee wellness at the core.

Occupiers' immediate operational remedies for effective implementation of strategies

21% Transition away from hot-desking



21% Repurpose meeting rooms



56% Maintain at least 6 feet distance between two workstations

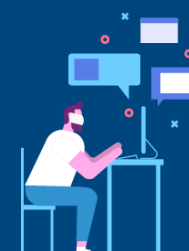


33% Distributed mealtimes



60%

Technology adoption to reduce the need for physical business meetings



18%
All of these

Expansion plans amidst social distancing norms likely to sustain office leasing

Until the pandemic subsides, we believe the de-densification of workplaces to maintain social distancing will push occupiers to scout for more space. Based on our survey, 25% of occupiers stated that they plan to expand their footprint over the next six to eight months.

It is noteworthy that almost half of these occupiers intend to expand their CRE portfolio by up to 20%, reflecting positive occupier sentiment in the market. Amongst occupiers planning to expand their CRE portfolio in the next 6-8 months, 40% intend to lease new office space, another 5% intend to lease flexible workspace while 12% plan to incorporate a *flex and core* model.

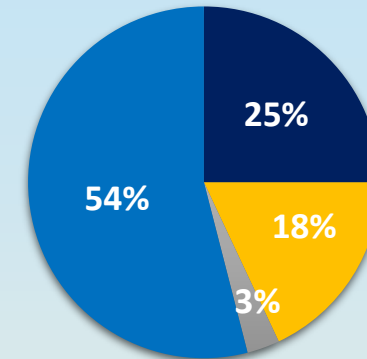
A *flex and core* model allows occupiers to secure long-term leases with landlords for their core space, and leverage flexible workspace to accommodate additional employees for on-demand, short-term project space or otherwise, while allowing access to amenities such as lounges and meeting rooms.

We believe occupiers' expansion strategies coupled with social distancing norms stressing de-densification will lead to increased office absorption over the next six to eight months. This should offset the decline in demand for office space likely to occur due to the economic slowdown caused by COVID-19. We expect occupiers to offer flexibility to employees; however, office absorption will likely be robust and the sector should start showing signs of recovery in H1 2021.



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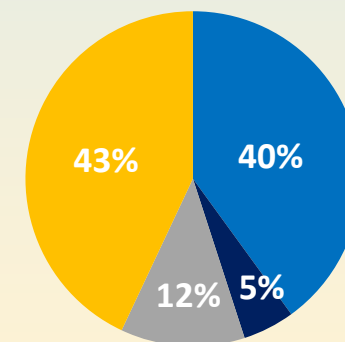
Occupiers' CRE strategy (share of occupiers)



■ Expansion ■ Consolidation ■ Contraction ■ No change

Source: Colliers International

Occupiers' CRE expansion strategy (share of occupiers)



■ Lease new office space ■ Lease co-working or business center spaces ■ Flex and core ■ Accommodate new staff in existing premises

Source: Colliers International

Extra spending on health and wellness by occupiers to boost employee morale

Considering the importance of employees' health and wellness, we see occupiers making considerable investments that should also boost morale, leading to higher productivity. We understand from our survey that occupiers are taking an extra step to achieve the objective of securing employees' wellness, in addition to following the mandates issued by the central or respective state government.

These measures include:



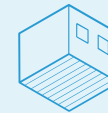
Providing employees regularly sanitized private transport to enable a socially distanced commute to work as opposed to public transportation



Providing financial assistance for home-office furniture and reimbursing home internet usage bills to enable a sustainable work-from-home environment



Reimbursing employees' medical expenses and implementing additional medical insurance policies for employees as necessary



Making isolation rooms available in case an employee falls ill at the office

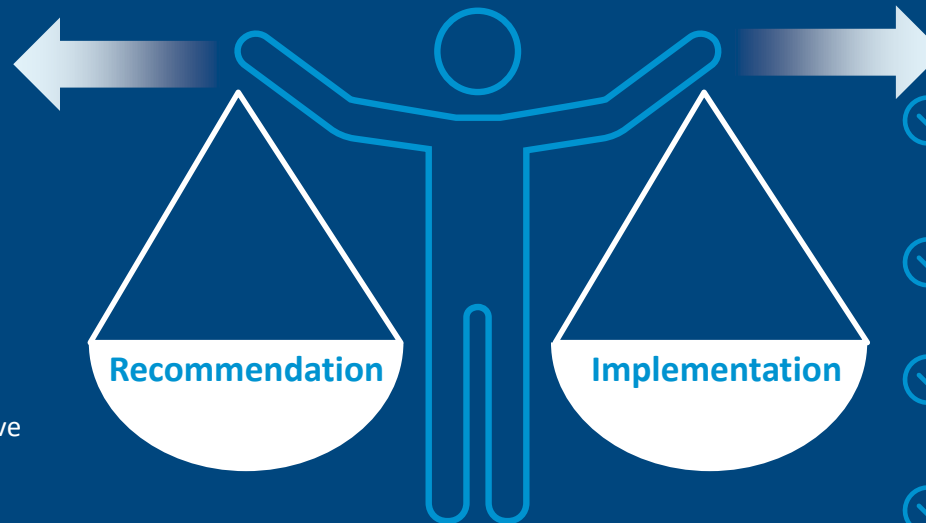


Providing on-call doctors or medical staff to respond to unwell employees at the office

Source: Colliers International

Colliers' recommendations for minimizing health risk at workplaces

- ✓ Minimize physical interaction
- ✓ Substitution of activities
- ✓ Revised engineering controls
- ✓ Revised administrative procedures



- ✓ Remote working policy, accelerated technology adoption
- ✓ Rotational shifts, flexible working hours
- ✓ Touchless entryways, elevators, improved air quality
- ✓ De-densification, staggered shifts, distributed mealtimes

Source: Colliers International

About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading real estate professional services and investment management company. With operations in 68 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 25 years, our experienced leadership, owning approximately 40% of our equity, has delivered compound annual investment returns of almost 20% for shareholders. In 2019, corporate revenues were more than \$3.0 billion (\$3.5 billion including affiliates), with \$33 billion of assets under management in our investment management segment. Learn more about how we accelerate success at corporate.colliers.com, [Twitter](#) or [LinkedIn](#)

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