



The **changing** demand for office space



Survey!
I have been
disappointed!

In line with the Ministry of
Health's social distancing
guidelines, we will adjust
our office space.

Please practice safe distancing
around all members from the next period.

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COMMON
SOUND

The COVID-19 pandemic has affected almost every aspect of society. One of the most dramatic commercial changes wrought by the pandemic is the ongoing demand for office space. Work from Home (WFH) programs, social distancing in the office, and the enhanced use of technology to replace face-to-face meetings have combined to substantially reduce the demand for office space.

Office transactions are down

JLL research shows, the number of office leasing transactions in Houston have dropped 28% since the beginning of the pandemic. The vast majority of office transactions in Houston today are renewal transactions for 25% less space than the original lease. In New York City, office demand is 57% below its five-year average. The national demand for office space is down 55%.

Some smaller professional firms are giving up their commercial office space entirely in favor of employees working from home and employees coming together via Zoom or Microsoft Teams video calls. When face-to-face meeting is required, coworkers can meet in venues like Starbucks Coffee shops or hotel conference facilities.

Companies are considering strategies

CEOs and HR executives of larger corporations are also deciding what their company's real estate strategies should be in the post-pandemic world. Corporate executives have largely accepted WFH strategies and technological alternatives to face-to-face meetings. They know real estate footprints and costs can be reduced with these strategies and technologies. But these same executives worry that employee productivity, collaboration, innovation, morale, and corporate culture will be negatively affected.



What do employees want?

CEOs and HR executives also worry about what their employees want. Surveys by JLL and global architectural firms find that 80% of all employees want to work from home one to four days a week, with two to three days being ideal. Employees love the flexibility of working from home, citing dramatic reductions in stress because of that option. Most find they can be very productive in their home offices, and yet almost all want to return to the office for at least part of every week.

Employees want to interact with their peers in an office environment because collaboration and communication with all employees are enhanced when we are in the office. Younger employees in particular thirst for face time with mentors and superiors, both to learn and be visible for future promotions. Employees and executives alike want to strengthen corporate culture with face-to-face interactions. Today, there is pent up demand to return to the office for at least a part of the week for all of these reasons.

Change is constant

Clearly the demand for office space has fallen and the nature of the office space is changing as well, but this change in the nature of office space and the demand for space is not new. Years ago, the demand for private offices shifted to a demand for shared workstations and open floor plan office space. Then hoteling or just-in-time office spaces began trending. Right before the pandemic, coworking spaces (think WeWork) were all the rage.

Now social distancing and private offices are the first things we think of in a new office space. Technology continues its relentless advance to solve our problems while changing how and where we work. As the saying goes, the only constant is change.

Winners and losers

For now, the change in demand has made all office markets more favorable to tenants. Landlords are suffering more vacancy, reduced rents and reduced cash flows. Employees certainly have more flexibility and executives have more choices and more to worry about in this changing environment.

Real estate advisors like JLL will thrive to the extent that they can advise their clients how best to use their real estate to meet the new variety of company and employee needs, even when those needs seem to conflict. Remember, the only constant is change. Good luck with your changes and enjoy the ride!





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