

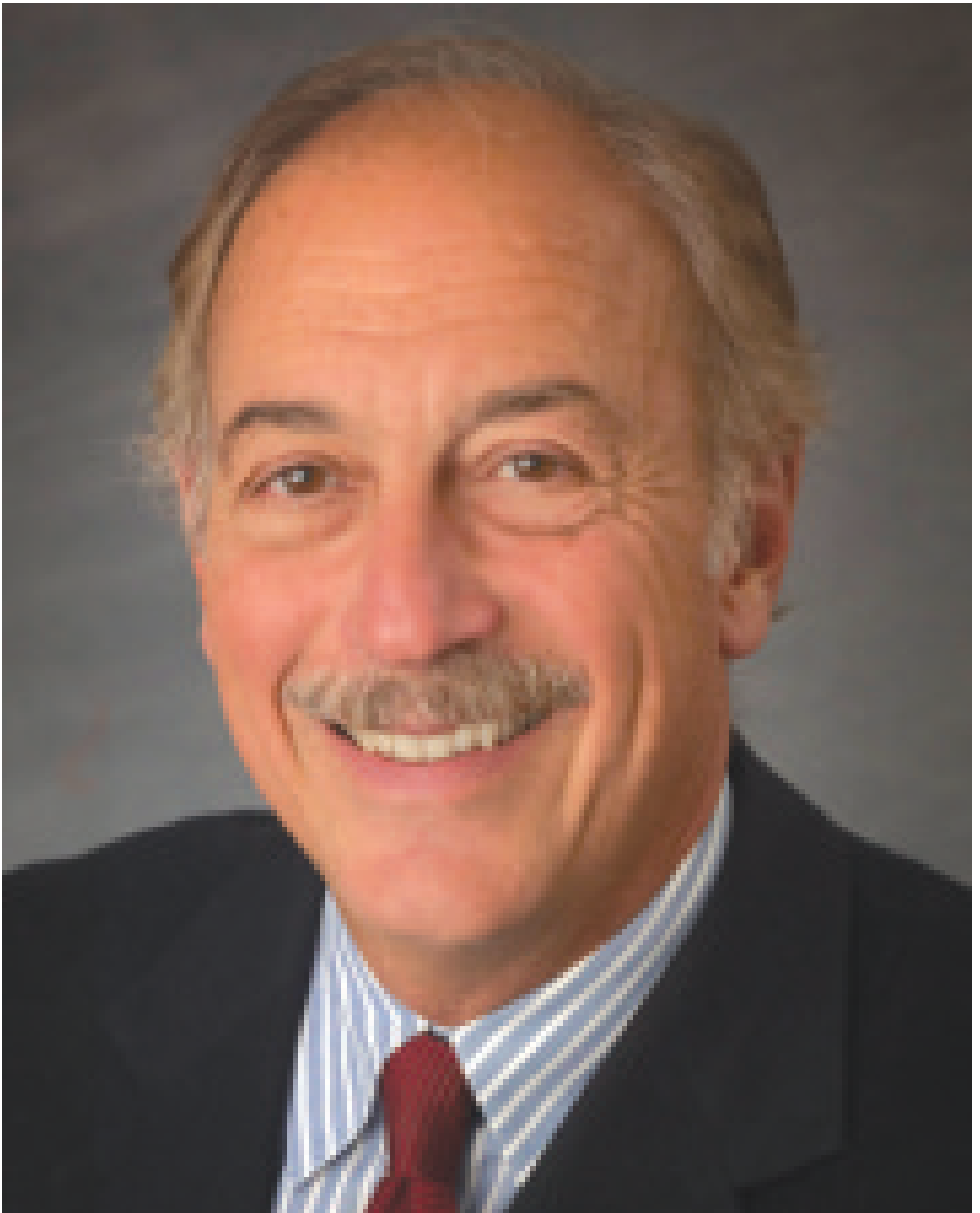


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Future of the office: Uncertain as COVID-19 cure - by Daniel Calano

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There has been a lot written about whether office life, or lack thereof, will ever be the same. It's fairly clear.... that nothing is clear. Some say employees will zoom forever; some say they cannot survive at home; some say office employment be a mix of remote, virtual, and physical. Let's try to unpack the issues at hand.

Recently, there has been a spate of articles drilling down on the issues. Two Wall Street Journal articles, approximately three months apart, posing quite different points of view. In their early May article, the supposition was that offices would be diminished, if not doomed. That article cited Twitter, located in San Francisco, notifying its employees that most of them could continue to work from home indefinitely. Several other companies, usually information/technology were described as eliminating more than half of their offices and giving up significant urban headquarters in urban areas such as Manhattan.

About three months later, just recently, a similar article noted that, as remote work had several more months under its belt, some cracks in productivity as well as boredom were becoming obvious. The title of that article was "The end of office? Not so fast." In their research, they interviewed CEOs on whether working remotely is or has become more difficult. The president of Canon Solutions, part of Canon Copier, suggested people are getting fatigued from remote learning. As a result, about 50% of employees have come back to Canon's office campus. The layout has been changed for social distancing, and health questions are reviewed before workers are approved to come back.

Other CEOs felt that they were "face to face" companies, not particularly suited to remote working. Even technology oriented startups had issues. One robotics company chief tried to rearrange the office, create better ventilation, and increased square footage. All that done, he commented that "There's this thrill of being a little wacky group of people, on a shared mission, in a startup, with little money, eating pizza and ramen." He concluded they gave it a try, but felt he could not get the same quality of work typical in a true office situation.

Clearly, the uncertainty is great, and decisions are difficult to make, given the length of leases and a constant search for high-level employees. CEOs do not want to make mistakes, but the landscape is fraught with sinkholes until a vaccine is created, tested, and fully implemented across the country. The stakes are high, particularly in expensive urban areas, for example where the research shows that Seattle, Los Angeles, Boston, all have the most expensive real estate at stake. Manhattan is in the whole different category from them, with rental/ownership costs almost twice as high. Office vacancies have already been increasing due to these costs, and the occasional non-COVID-19 related issues of working from home. These were slow moving but evident trends. COVID-19 has accelerated the trends in screechingly fast ways.

From our real estate point of view, commercial real estate firms hope to benefit from a return to office work. The length of office leases are typically long, keeping companies from abandoning them immediately. This may provide enough time for a vaccine to be delivered and offices to adapt to

more of a hybrid situation. However, at this time the Globe reports only 5% of downtown Boston office space is occupied. Clearly, it will sort out over time, but in the meanwhile it couldn't be more difficult to make good decisions. Retail has been known to be in trouble for a long time, and future decisions there are more obvious. Office is still very much up in the air.

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