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## CCG PERSPECTIVES

# A New Office Framework? Another Example of a New Way of Doing Old Things?

By Deb Smith

So, you think shared workspaces are dead? Not so fast. Shared workspaces (aka coworking firms) could be the sector beneficiaries of a COVID-19 infected world.

Here's the case for the coworking operators ...

Industry norm over decades past dictated having a large enough office space to accommodate some conference rooms, a kitchenette, a reception area for guests and a desk for every employee. Maybe some interior bathrooms, too. Maybe it had an open floor plan; maybe it didn't. Trends and opinions on what works best have bounced around for years.

But here we are. COVID-19 has forced remote work to be the new normal and has transformed the previously thought impossible or improbable into both possible and probable realities. At the crux – employees can work productively on a full-time basis – from home. The last few months alone have provided all the supporting evidence we need. It also turns out that technology can create substitutes for in-person meetings. It may not be perfect, but it sure proves a

better alternative than previously thought possible. Imperfections and all.

We shouldn't be surprised. For starters, the U.S. Census Bureau estimates the average employee spends about nine days a year commuting to and from work. But for about 10% of the workforce, the commute is 90 minutes or more each day. Commute times have been rising for years and is increasing reflective of a growing trend of declining urban living affordability which has forced many employees out to suburbia and fringe areas in search of affordable homes / lifestyle.

But here's something else (to which I can relate) about remote working - employees have no one sitting next to them to chat away between deliverables. No water cooler talk, no passing each other in the hallway talk, and no going to get lunch talk. I personally have found that my own workdays are longer, quieter and a whole lot more productive. But there's a "but", and it is a big "but": productivity is not a substitute for firm resiliency and is not the lone factor driving firm growth. Achieving these objectives requires cultural, moral, collaborative and social interaction. These interactions are equally necessary to successfully propel any company into the future.

So, if resiliency and growth require so many ingredients, where does this leave us? We believe the new normal will probably be a hybrid model of core office, satellite and home-based work. We are skeptical that we will go back to how it used to be. Now that COVID-19 has caused this initial pivot, the broader macro trends which have reshaped other property sectors (e.g., retail and apartment) now appear etched into the office sector and, we believe, are here to stay. A new way of doing old things. Generational and philosophical shifts meet necessity. That's the essence of the workspace pivot. Turns out, millennials aren't the only ones who like to eat and live near where they work. Lots of people do! Employees were already demanding an increased focus on *life* before COVID-19. Remote working has cemented their views of the workplace in that context: work, well-being, flexibility and social interaction all need to balance out. Employers have been forced to adapt to this mindset over past months. In so doing, many employers realize that, perhaps, it may not be such a bad thing.

A Gallup poll from May 2020 reported that during the polled period, 48% of employed Americans have always worked from home and that another 20% reported sometimes worked from home, for a total of 68%. That represents a whopping 100 million Americans. Compare those numbers to 43% back in 2016 when Gallup last asked Americans about their remote working habits. Remote working has been on the rise for years; good luck getting back to those 2016 statistics anytime soon. But importantly, do we need to, or do we even want to?

In early June 2020, Gartner, Inc. conducted a survey of corporate leaders and found that in the future, 82% of them plan to allow remote working at least some of the time and 47% plan to allow full-time remote work going forward. COVID-19 has been a catalyst for employers to re-evaluate work practices and reexamine the function, purpose and necessity of traditional workspaces. This may lead to the return of suburban office space and office parks conveniently located around where people live, but that's a

topic for another day. What seems more likely is a potential migration to remote work and/or regional office locations rather than a flagship centralized corporate office where all employees must go each day. With mindset shifts, the options are remarkably broad – including smaller scale centralized offices, regional hubs, flex and/or coworking space located closer to where people live. All smaller footprints. All catering to collaboration but with a lower expectation that every employee will be in the same office every day. Flexible, simple solutions are needed. It also happens that many firms have become more cautious with spending dollars and unwilling to commit to office space for long term leases in an uncertain world – flexibility is key going forward.

Flexible, adaptable office space is uniquely suited to a hub-and-spoke trend to respond to companies based in big cities as they seek to downsize city headquarters and open satellite offices with safer and less dense environments. We aren't suggesting the corporate office is going away or that it won't be important. Home bases are as important to companies as they are to baseball. However, we should anticipate they may be smaller going forward. It will also need to be flexible. If commuting is an issue, reduce the commute. Locate office space closer to where people live. Doesn't the working from a "home away from home" concept seem like a logical progression from where we are today?

So, again, who benefits? Probably the coworking operators. They are adaptable, flexible and agile enough to spontaneously respond in the proverbial New York minute to changing consumer demands. While the more traditional office players are still thinking about occupancy in terms of slabs of office space on long term leases, coworking operators can shift business models from desk-sharing to private spaces, private group spaces, to shared private group spaces. For the naysayers who think shared workspaces are incompatible with current health and safety expectations because the whole concept of collaborative workspace somehow sounds contradictory to social distancing – again, not so fast. The reality is that the leading coworking operators are also at the forefront of responding to the COVID-19 pandemic with detection, testing and evaluation programs to keep workers safe. In fact, the short-term nature of their clients' leases require them to do so. These coworking operators are working with tenants to support assurance testing, social distancing, sanitation stations, plexiglass, different kinds of furniture solutions and cleaning and maintenance programs. They have thought through and implemented all the non-touch/minimal touch requirements. They can also create COVID-19 policies and design solutions for smaller tenants (and in today's world, potentially provide much needed in-classroom expansion space alternative for educational institutions?). It truly is an economics of scale concept that coworking operators can execute more effectively and efficiently for the benefit of multiple tenants, particularly smaller to mid-sized tenants.

Employees have to work somewhere. Alternative workspaces will be woven into new business models; sustainable alternatives to kitchen tables, bedroom nooks and lounge rooms. We aren't sure how things will shake out. Every employer needs to make alternative workspaces compatible for them. But one thing is for sure – optimal workspace solutions for the new working world are up for grabs, for whichever players can get there first ....