As COVID-19 grips the world and business are forced to evaluate a future where ‘business as usual’ is redefined forever, what does this mean to the concept of the ‘workplace’ and how can businesses adapt to changing ways of work.

In this article, the following questions are addressed:

• How prepared are organisations for the remote way of work and future of mobility?
• What happens to the spaces they leave behind?
• How does this relate to recent international findings that people are more productive at the office and the move towards more collaborative ways of work?
• Can the physical smart office perform a role in mitigating health, safety and other risks through appropriate technologies and analytics?
• What are some of the ways that the workplace of the future will be shaped to this new era of preventative workplace behaviour? Advanced indoor Environmental Quality sensing and analytics, zonal pressurisation as a new requirement for BMS systems, tracking movement and temperature of occupants and implications on personal privacy etc.
• What is the impact on tenants, operators and landlords and how is real estate strategy evolving?
• Was this disruption inevitable, or merely accelerated by the crisis?
**Introduction**

On the 11th of March the announcement that we had all been dreading was made, the WHO declared Covid-19 a global pandemic. The implications of this simple statement are realised through the tremendous impact this has had on the health, livelihoods and emotional well-being of citizens around the world, and impacted markets, business and industry in ways that few could have predicted.

Commercial Real Estate is one such industry that is primed to be affected in the long-term as the world awakens to the prospect that business as usual has fundamentally changed for major components of the world’s and South Africa’s workforce.

In the wake of our recently published Commercial Real Estate Outlook 2020 – using digital and analytics to revolutionise tenant experience –, few could have predicted the nature of the industry following the pandemic announcement. In this article, we take a look at this outlook and evaluate just what the next critical months could mean for Real Estate in 2020 and beyond.

**Is this a black swan event?**

A black swan event is described as an unpredictable and rare event with substantial consequences that fundamentally changes the world once it has happened. The COVID-19 pandemic is primed to shake the world significantly forever and has already begun to do so as economies, healthcare systems, human mobility, trade and ways of work are disrupted.

Will business embrace mobile ways of work more vigorously, is physical retail going to lose further ground to online shopping, will individual tracking and data analysis be increased at the expense of personal privacy to prevent future economic and health disasters? These are many of the questions that humanity will be faced with as we come to terms with a COVID-19 world.

**Redefining business as usual in the workplace**

Many businesses will have been faced with the reality that the once-daunting prospect of accommodating a ‘work-from-home’ model is now a requirement. Many businesses have, in fact, been trialling this approach to pre-empt the national lockdown. Interestingly, this requirement has left some realising that this is less disruptive to the day-to-day than they might have previously considered.

According to a recent international survey, respondents have reported that working from home results in longer working hours¹, increasing time spent being productive to an average of 10 hours per day. This is obviously good news for employers who might have been concerned at a reduction in productivity. This raises questions over the need for the physical office as businesses equip themselves for a protracted digital future, despite about 30% of business reporting that they feel prepared for the rise in remote ways of work.²

Interestingly, pre-COVID-19 workplace surveys returned feedback that employees are often disadvantaged by flexible working environments when not tied into an effective space management system or a lack of responsiveness to individual needs or preferences, including ergonomics, technology, and indoor environmental quality. A recent increase in unassigned open workplace seating in 2020 has coincided with an increase in the number of jobs that require coordination with colleagues in different locations and a need for varying ways of work, such as focused work or collaborative work. These factors have therefore resulted in a recent decline in workplace effectiveness as well as experience, with the current definition of workplace becoming less effective in supporting all work modes.

With the dispersion of staff through government-led lockdowns and social distancing regulations, working remotely has fast become the new norm. Mobile and remote workforces reduce businesses overheads in physical space (electricity, water, waste generation, meals), yet increases the need for improved digital infrastructure to accommodate higher quality telecoms and data transfer.

This therefore opens the door for a re-evaluation of business as usual, and the COVID-19 epidemic is creating conditions to force businesses to do just that: a move towards the digital workplace.

**What happens to the space that we left behind?**

As businesses shift their workforce to the confines of their domestic residences, many of these workers might never need to return to continue their required output. Many businesses will therefore be faced with a real problem of leasing space they don’t need and incurring unnecessary expense for associated overheads and utilities.

Understanding how much space is needed to fit a business is already a problem for most. This has resulted in the increase of technologies that assist in detailed and real-time occupancy detection linked to spatial analytics. Businesses are now able to understand how and why spaces are used the way they are linked to performance and productivity metrics. These insights allow for a more informed method of spatial and personnel configuration over time, creating flexible spaces linked to business outcomes while removing wastage. Where this is used, it is often observed that spatial utilisation is decreased with between 20 to 50 percent with less desks required to serve the business – Deloitte’s own smart headquarters around the world are a prime example of this. Creating the best fit for a business is therefore linked to quantifiable metrics in a fluid manner.

The current situation makes these metrics more important than ever as businesses will need to evaluate their utilisation and efficiency with far greater frequency than the terms of their leases allow.

But what happens to the space that is freed up from unnecessary use? This poses a problem for the landlord that requires a change in approach. The answers are not yet clear, but a future of sub-letting, lease renegotiation, and spatial-functional conversion is becoming increasingly prevalent.

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² Workplaceless: Preparing for emergency remote work https://www.workplaceless.com/blog/emergency-remote-work
The role of the landlord vs the expectations of the tenant
Disruption to the ways of work means that businesses in the future will likely resist longer term leases that lock them into a fixed space occupancy when the nature of work is changing so rapidly. Notwithstanding the impact that COVID-19 is having on the market, it is already known that over 40% of jobs in 5 years do not exist yet. This does not bode well for negotiating a lease of the same term that expects a business to accept that the space and infrastructure offered today will still be suitable in a few years’ time.

The landlord is therefore faced with a new problem, how to make the most of the space they own (which is fixed) to cater to a market of evolving need and expectation (which is fluid). The ‘as-a-service’ model is therefore taking shape in an aggressive way.

‘Real-Estate-as-a-service’ refers to role of landlords to provide features and capabilities to business enabled through the assets and infrastructure that they own. Having ‘space’ alone is no longer a commodity of sufficient value to entice long-term financial commitments from tenants. Landlords must therefore embrace property as a ‘digital asset’ in addition to a ‘physical asset’.

If one considers alternative industries as an example, we can see that Apple records the majority of its revenue from services (apps and subscriptions) when compared to the physical assets they sell (hardware). Landlords must therefore create the conditions for their assets to add business value to their tenants that impacts how they work, not just where they work. A digitised and intelligent building that monitors interactions, utilisation, productivity, experience, and environmental quality therefore becomes a tool in business efficiency. Where done effectively, business have reported an increase in profitability of up to 20%. This value proposition is an important tool at the disposal of the landlord, but it must go hand in hand with an appreciation that age of the long-term lease might be at an end. Tenant occupancy will therefore be treated in the same way as retail demand planning and prediction, as a commodity that meets rapid swings in demand and supply based on market intelligence and consumer engagement.

The digital workplace – intelligence at the edge
As we look at how digitisation may impact the ‘here-and-now’ of the commercial real estate sector, we should also consider what the future holds. Will the employee be expected to return to an office that does not meet the changing ways of work and renewed expectations in personal safety and health? The likelihood is high, and in an effort by businesses to take care of their most precious assets, their people, greater intelligence in the workplace is required.

The ability of a workplace to intelligently self-diagnose, industry risks, and offer mitigations for those risks is becoming increasingly important. Digital and physical infrastructure combine to create an interconnected and hyper-vigilant workplace built on a high level of digital maturity.

In this context, digital maturity is measured in three ways:

- How is data generated: are we getting enough information from enough sources to provide a basis for interrogation?
- How is data analysed: are sufficient process in place to allow for targeted insights generation that empowers decision-making?
- How are people impacted: is the physical-digital loop being implemented sufficiently to augment/support/change behaviour in the people on the ground?

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No longer is success in real estate about ‘Location, Location, Location’, but: Location, Analytics, Experience.
By establishing a high level of maturity across these tiers of data analytics and application, greater sustainability of solutions is possible. Users must be participatory to processes, as sources/actors of workplace intelligence. By including users in the process of building intelligence, improved satisfaction and productivity is possible by catering to high degrees of personalisation as well as experience design.

Establishing an integrated systems-design methodology in the way our built environments are designed, operated and occupied, this also makes it possible to cross leverage existing infrastructure and services in new ways. As well as integrate third party data and services into the real estate asset. The introduction of smart building cloud platforms for data aggregation and analytics creates opportunities for external sources and companies to ‘patch’ into the building to provide integrated offerings.

Imagine, for example, a smart office building that leverages the services offered by its local health care provider. Data from the building and its occupants could reach the healthcare facility and professionals faster, allowing for targeted insights, automated provision of supplies and services, or even trend analysis linked to predictive alerts. A smart camera system that employs thermographic vision to detect fevers in users passing through the lobby would trigger a security event within the building, but also alert the local healthcare providers of a surge in cases. Intelligent monitoring of Indoor Environmental Quality (IEQ) through sensors instruct the Building Management System to manage air flow rates and influence air-conditioned pressurisation of zones to keep contagions contained, just like in hospitals. Healthcare is then shifted to the ‘edge’, creating a broader footprint for targeted intervention as well as dissemination of information to local populations.

Conclusion

The future of work and the places to support work were clearly always in the ‘crosshairs’ of digital disruption, but the magnitude of COVID-19 has brought this new future into the present with urgency. Employers, asset owners, tenants and built environment professionals now have a new industry challenge to navigate, one that establishes our built environment as a safe-haven for our people, but also in recognition that having ‘enough’ space to occupy isn’t the single pre-requisite of a successful workplace strategy. Rather, are we creating conditions for occupants, staff, and customer to thrive safely while responding to the requirements of the business and the evolving digital landscape. Creating the conditions to render a service in support of workplace and workforce requirements is the future that best preserves our ability to remain agile in the long-term to respond to tomorrow’s unpredictable challenges.