

# 2022 BOMA INTERNATIONAL COVID-19 COMMERCIAL REAL ESTATE IMPACT STUDY

## EXECUTIVE SUMMARY

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Insights from a nationwide survey of 1,267 commercial office space decision-makers & influencers



## Introduction

BOMA International, in conjunction with Brightline Strategies and Yardi, developed a three-part nationwide study to gauge tenant sentiments relating to COVID-19, its impacts on their businesses, their attitudes toward the physical work environment and office space decisions going forward. The intent of the survey was also to assess the financial and operational implications for commercial real estate owners and operators.

This final survey in the series fielded responses from more than 1,267 office decision-makers, including company owners, CEOs and other members of the C-Suite, as well as influencers ranging from vice presidents, senior Vice Presidents and directors with real estate and office operations in their purview.

The resulting data reveals a marketplace in transition. Pre-pandemic levels of confidence in the essential value of the office are clearly re-emerging. But corporate tenants are simultaneously grappling with methodologies for melding that value with the growing trend toward hybrid work protocols. Faced with that imperative, should they give back space, and if so, how much? The data reveals that we stand at an inflection point as corporate tenants and building owners and managers pivot toward a redefined, reimagined work environment.

This executive summary contains select insights from the second quarter 2022 study, including comparisons to the 2021 study.

**The goal of the study is to gain greater clarity around the pandemic's broader effects on commercial real estate, learn how tenant attitudes toward physical space continue to shift and discover opportunities for commercial operators eyeing the future of the office.**

### About the BOMA COVID-19 Impact Study

Conducted: May 2022 – June 2022

Where: Nationwide sample across the United States (N=1,267 office space decision-makers and influencers) with oversampling across top 20 U.S. markets

*Executed in conjunction with Brightline Strategies supported by a grant from Yardi*

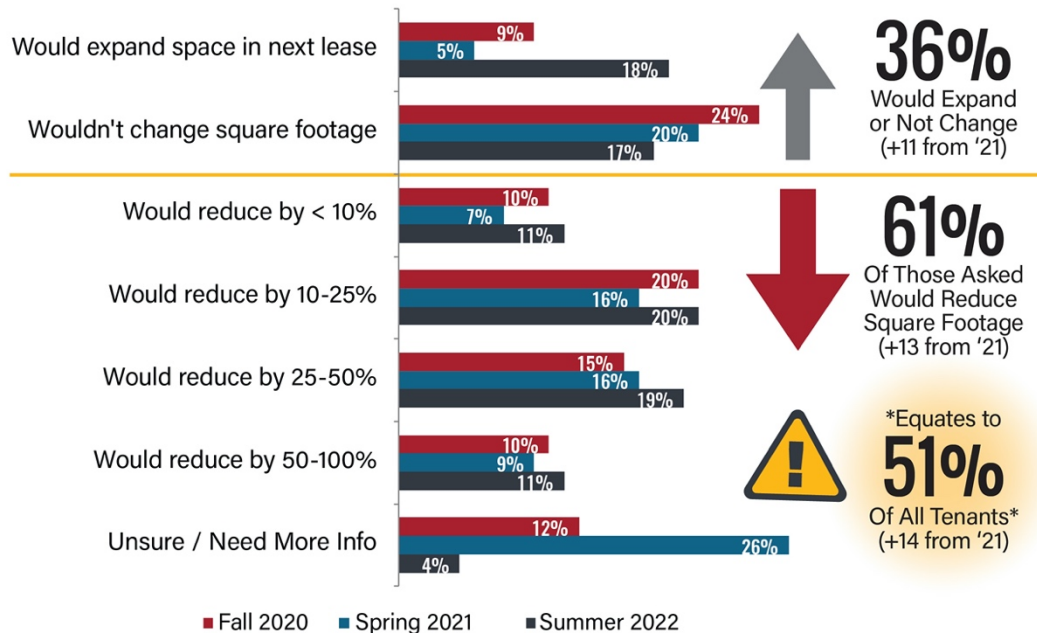
## Reassessing & Rightsizing Space

The majority of respondents (70%) will reassess their office space needs, with another 14% feeling unsure. This reflects more decision-makers in this year's sample, and increased clarity among them.

The likelihood to reassess space rose dramatically in California, Texas and the Northeast, and among the largest tenant footprints and those paying the highest rents per square foot.

As businesses reconsider their physical footprints, space reductions and reimaginings are on the horizon. In short, commercial real estate and the future of the office as we know it are at a major crossroads.

### Office Square Footage Adjustment Post-Coronavirus (Asked Among 84% Likely to Reassess Space Needs or Unsure for All Tenants)



Reassessment will be based not only on pandemic impacts but also on increasing telework and decreasing revenue. While more businesses (51%) are likely to reduce their square footage, some (36%) are considering either expanding or not changing their office space.

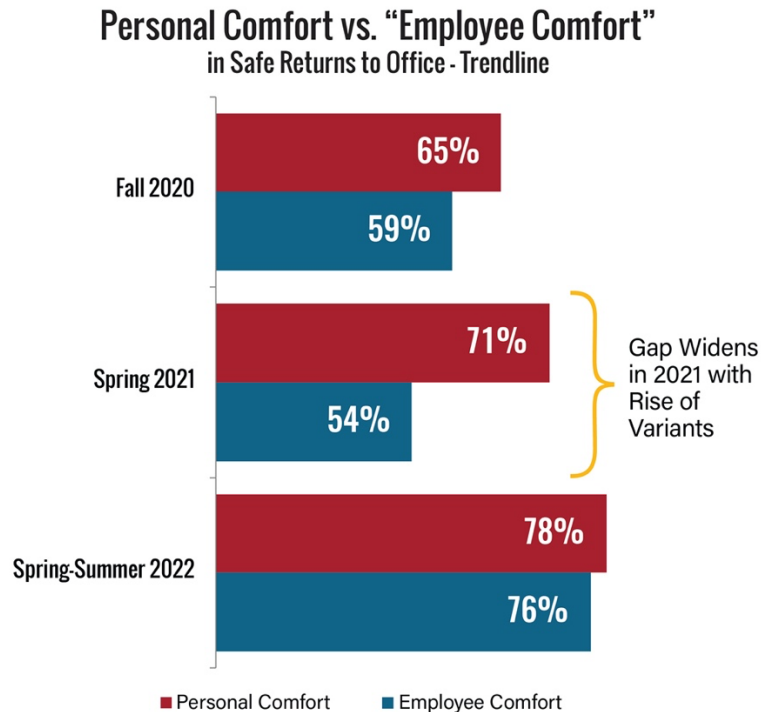
Among those who would reassess or are unsure, the prospect of expanding or not changing their square footage has increased compared to 2021. But as “unsures” have decreased, reduction intentions have increased. The result is that just over half of tenants are considering some form of reduction.

For those looking to reduce workplace square footage, 67% said that the increase in remote work/telework is a significant factor. For 71%, the high cost of office space—along with overall higher costs of doing business—is a concern.

## Return to Office & Occupancy Changes

With regard to “go forward” planning and an emphasis on safety, a strong 76% of respondents stated that their employees and colleagues are generally supportive of returning to their physical office space. Speaking for themselves, 78% said they are personally comfortable with returning to the office. This reflects better alignment on COVID-19 safety attitudes than in previous surveys and suggests stabilization in health concerns.

Slightly tempering the return-to-office enthusiasm is the possibility (60%) that it will be a challenge to reacquaint employees with the in-person office setting.



Two and a half years after the first national closures due to COVID-19, office tenants seem to have a selective memory regarding pre-pandemic office conditions. Compared to the 2021 study, where 80% reported mostly or full-time in-person office attendance pre-COVID, now only 61% report this, reflecting the ongoing reluctance of a growing number of workers to return to work in their offices.

**“This study confirms that decision-makers are comfortable returning to offices, their colleagues share that level of comfort, and there is demand for investments that make employees safe and foster greater collaboration.”**

**- Robert Teel, Senior Vice President of Global Solutions, Yardi**

The percentage saying they will move toward mostly or full-time telework in 12 to 19 months remains roughly the same, at 29% of tenant organizations (compared with 26% in the 2021 study), which matches other publicly available research.

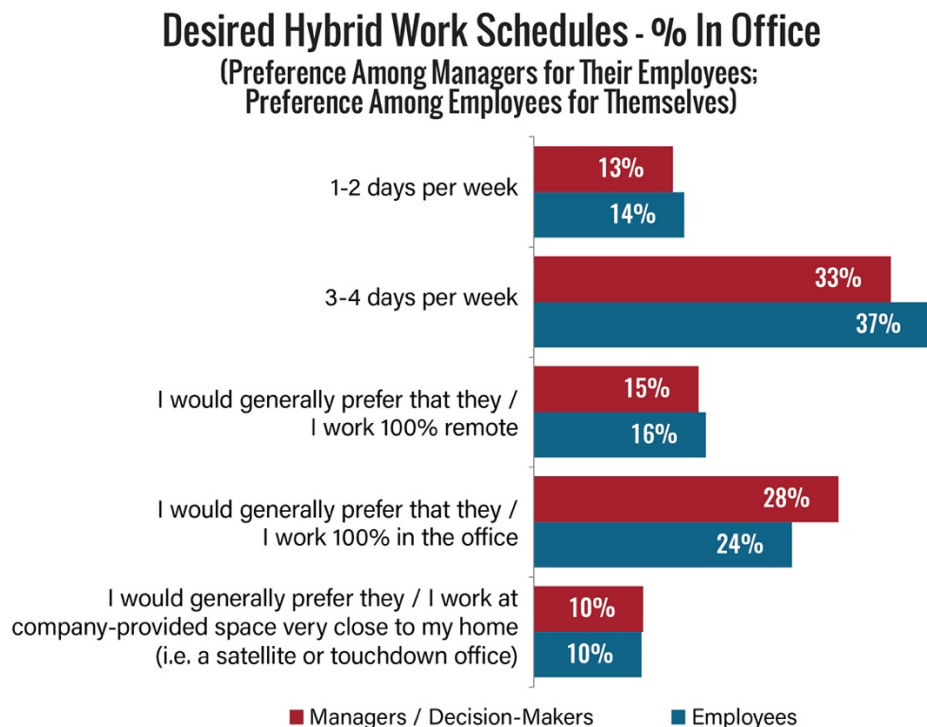
Also noteworthy: 10,000- to 25,000-square foot tenants are most likely to say their post-COVID workforce will be more hybrid or fully remote.



## Telework & Hybrid Schedules

While physical office space is increasingly valued, support for more telework has remained stable year over year, and investments will continue in that area, with strong support increasing slightly to 55%. Regionally, the Southwest has seen the largest decline in support for telework, while California and the Northeast have significantly increased. Smaller tenants tend to be less supportive of telework than larger ones, while those paying the highest rents per square foot continue to be the most supportive.

Managers and the employees reporting to them tend to be in alignment around the optimal hybrid work schedule, with 61% of managers supporting at least 3 to 4 days per week in the office, compared with 60% of general office employees. Only 16% of employees would support 100% remote work, though another 10% said they'd prefer a company-provided space very close to their homes, meaning a full quarter of general office employees are seeking employee-defined hybrid arrangements, with either the "office coming to them," or working remotely.



Leading reasons for employees to favor telework include family obligations, commuting cost and time, and the overall wellness benefits of remote work. The lowest-ranked factors involve not liking their office building or office suites, its neighborhood location and amenities, meaning this is more about convenience than the quality of their office environments.

## In-Person Office Space Is Vital

Even with pandemic impacts, tenants are placing increasing value on in-person office space. A striking 86% of tenants nationwide said they believe office space is now or will be vital to operating a successful business, a rise of 8% since the 2021 survey. Vitality sentiment is highest among Class

A tenants (90%) and those occupying more than 5,000 square feet, below which 79% still call their office space vital.

Tenants this year are more likely (57%) to see “more value” in their office space, indicating enthusiasm to return to the workplace and collaborate with owners/managers regarding telework and hybrid work environments. Having a “home base” community for connection is a recurring theme, including space for more group gatherings, and 78% agree that having a place for interactions with clients and customers is fairly to very important.

### Tenant Value Drivers - “What Are Your Primary Reasons for Having Physical Office Space?”

	Only Important, or Less	Fairly Important	Very Important	Total Fairly + Very Important
Place for interactions with clients and customers	19%	24%	54%	78%
Promote company presence and brand in our markets	22%	27%	49%	76%
Support learning and continued training	22%	25%	50%	75%
Support co-creation for innovation and new ideas, with space and technology to work together	23%	27%	48%	75%
Promote our organization’s culture and values	25%	25%	49%	74%
“Home base” community for connection and belonging	24%	28%	45%	73%
Support social connections	24%	27%	46%	73%
Place for meetings	25%	25%	47%	72%
Support individual focus	24%	27%	45%	72%

### Renewal Intentions & Landlord Approval

Renewal intensity in Summer 2022 has returned close to its pre-COVID-19 levels. An impressive 72% of respondents said they are planning to renew their leases, but 54% prefer a shorter lease term, from 3 to 5 years instead of 7 to 10 years.

With 80% continuing to approve of their landlord’s response to COVID-related issues, tenants identified some key challenges beyond that of office space. For those unsure about renewing with their current property owner/manager, the top reason (at 30%) was “looking at competing office locations or shopping around.”

### New Economic Pressures

The transformative effects of COVID-19 are now combining with the impact of economic forces. More than 8 in 10 tenants (81%) are pointing to current inflationary pressures and supply chain issues. Several challenges include:

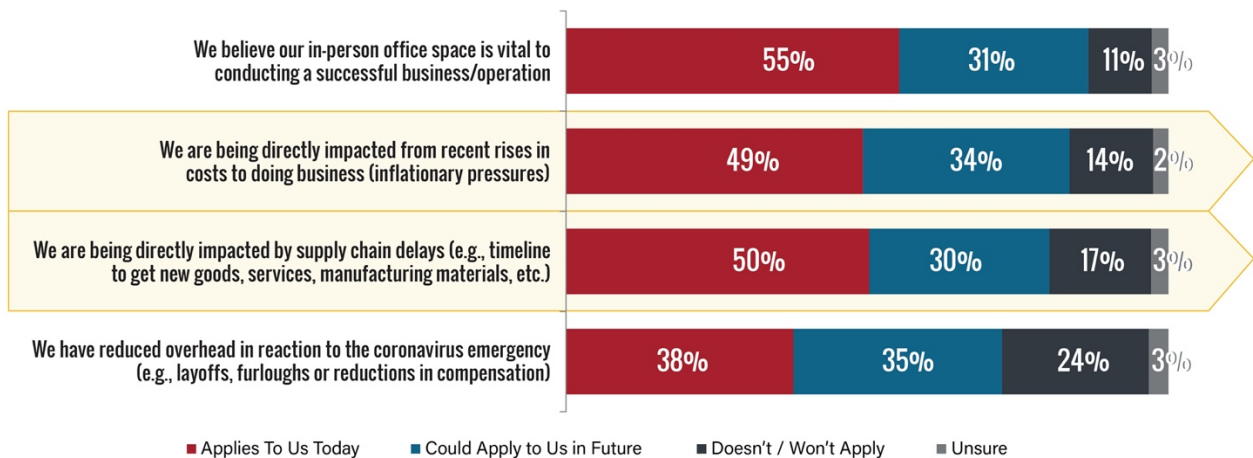
- foundational business dynamics/macroeconomic factors,
- shift to hybrid workplaces and teleworking, and
- lasting COVID-19 health concerns.

**"There's an opportunity for organizations not only to partner with tenants to foster environments employees want to come back to, but also to support them on macro-economic challenges like inflation and supply chain issues."**

**- Michael Broder, CEO, Brightline Strategies**

As a result, tenants will be demanding more value and ROI from their spaces, including 36% currently seeking new infrastructure and technology to help contain the spread of pathogens, reinforcing the lasting impact of the pandemic.

### New Economic Pressures Driving Tenant Views On Space



### COVID-19 as Transformation Point

Nearly two-thirds of respondents continue to view COVID-19 as impactful on their businesses, consistent with responses from last year. Nationwide, tenants mostly agree (65%) that COVID-19 is transforming workplaces. Tenants with larger footprints and higher rents per square foot tend to drive transformation views.

Notably, those who see "more value" in their office space going forward are 12 points more likely to agree (74%) on transformation due to COVID-19 than those who see less value (62%) — which suggests "less value" views are driven in part by other environmental factors (e.g., supply chain issues, inflation, overall macroeconomics).

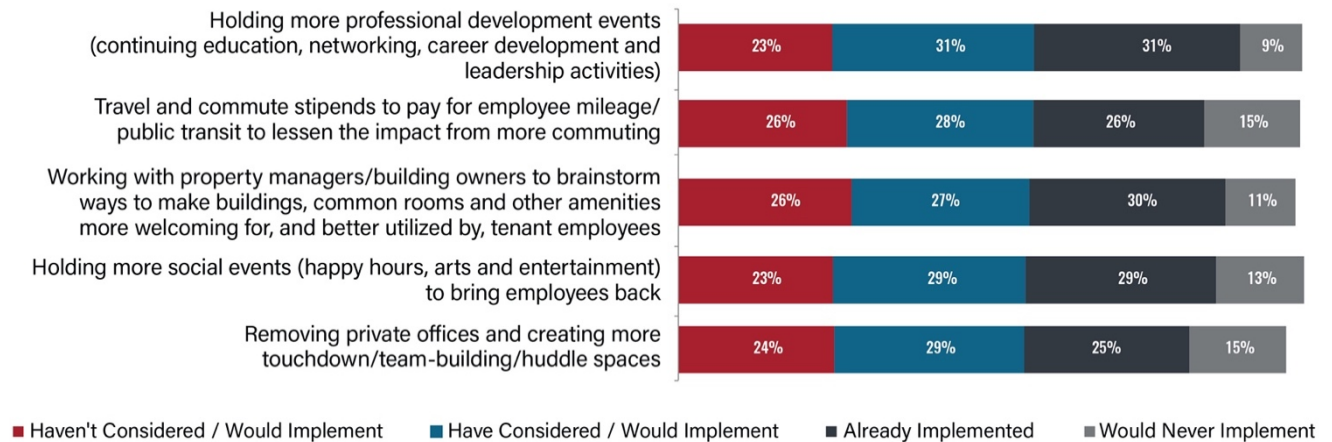
## Tenant Adjustments & Owner Opportunities

For guidance on investment priorities and to determine key action items for owners and operators, tenants were asked about amenities to encourage the return to office among teleworking and hybrid employees. Nearly 8 in 10 tenants (78%) prefer “beyond the status quo of typical amenities,” versus 64% in 2021.

Tenants prioritized ways to adapt their offices for remote and hybrid workers. The most popular planned changes dealt with professional development events, commuting incentives including stipends and parking reimbursements, as well as more social events.

Vaccination requirements are the least popular change, despite a strong message from tenants about wanting a healthier office environment. A third of tenants (36%) value an ongoing investment in COVID-19 response, recognizing pathogens can strike again. This response includes safety measures encompassing infrastructure, flex space and technology amenities.

### How Are Tenants Adjusting Their Space Usage? Top 5 Changes Based On Potential Implementation



### In Their Words

Tenants were asked what in particular they would like their property manager/landlord to invest in to create a more appealing environment for their teleworking and returning employees. Distinguishing between “Tastemaker Amenities” and “Utilitarian Investments” provided interesting feedback.

**On the utilitarian side**, comments included wanting, “A nice clean open space, so everyone feels still in touch but keeping a safe distance,” and “to keep deep-cleaning office daily, and office materials [also] need to be sanitized. [Ensure that cleaning protocols are] up to date [for people] to feel secure and safe.”

**On the tastemaker side**, comments included wanting, “Gym with shower/dressing spaces, cafeteria/food area with reduced rates for tenants, along with child and pet care,” and “I would like [owners] to invest

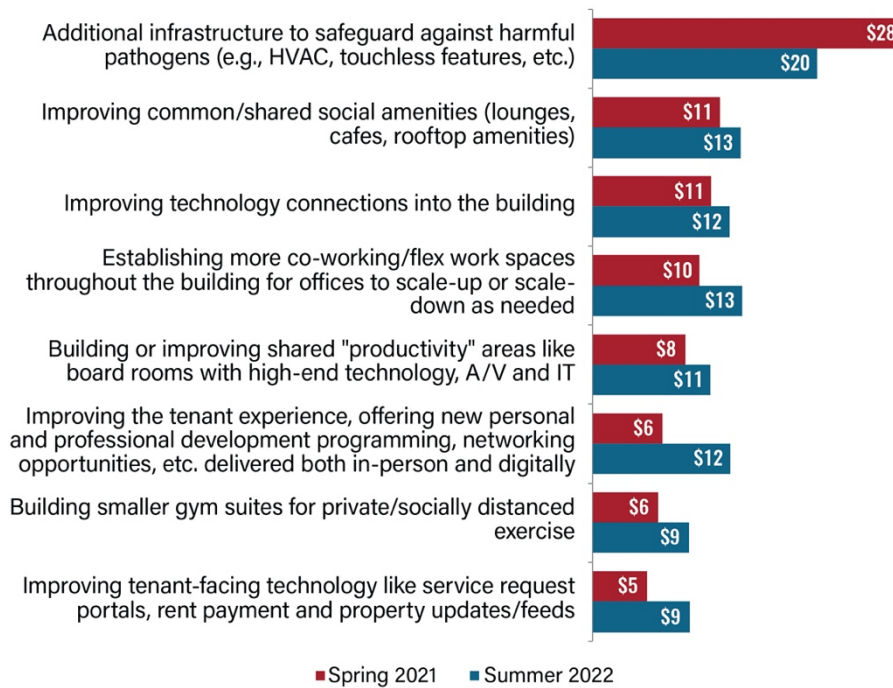


in technology that makes life easier, especially keeping a serene environment, the use of green technology, planting trees to facilitate cleaner air and gym facilities to engage workers to stay fit.”

### Health & Wellness Focus

For property owners still unsure about continuing COVID-19 safety protocols, the message is clear: 76% support hand sanitizer availability and continued disinfection of common spaces such as lobbies, along with 73% wanting continued integration of more fresh air in HVAC systems. With regard to technology that supports a safer and healthier workplace, touchless elevators are well received, with 65% in favor.

### Hypothetical \$100 - Respondents Set Budget Priorities for Landlords



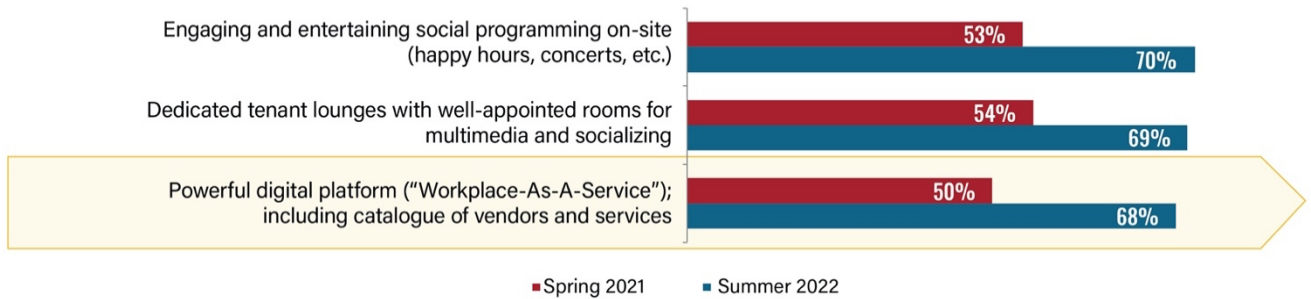
### Digital Platforms & More Connection

Going deeper into the value of office space, many respondents (73%) cited the importance of social connection. The majority (75%) indicated that being in the physical workplace to support innovation and new ideas, with space and technology to work together, is fairly to very important.

Tenants (33%) are also asking for more investment in tech amenities and programming, including digital platforms with content for professional development, along with online networking and wellness resources.

With regard to digital platforms and “future state building features,” the most-wanted elements were identified.

## Future-State Building Features - Sum of “Positive” Scores for Each Feature Tested (2021 vs. 2022)



### Top Digital Platform Elements:

- **Enhanced air quality monitoring in the HVAC system**
- Access to touchless features through the app (elevators, key fob, parking entry)
- Online reservation system for property common amenities (e.g., social lounges, conference rooms)
- Key fob tracking for office managers to understand occupancy and traffic flow through space
- **Online listing of all tenant organizations for networking**

## Conclusion

The crisis in confidence that loomed in 2021—regarding the safe return to the workplace and ongoing commitment to office space—is clearly almost over. Up from 56% in 2021, a strong 72% said “yes” to renewals at the beginning of our survey, approaching pre-COVID baseline renewal intensity. After being prompted with the earlier mentioned COVID-19 response measures and new building amenities to foster better culture, connectivity and communications (and to attract employees to the in-person office environment), renewal intensity climbed to 81%. Even with less space and shorter term leases, this shows there is still room for owners/managers to engage and collaborate with tenants to build even stronger relationships, and address their key challenges around COVID-19 safety and hybrid workplaces.

With new clarity around COVID-19 responses and lease renewals, including the shift from a focus on safety to economic pressures, owners and operators have opportunities to provide what

today's tenants want and need. This includes adapting to the new office experience and engaging hybrid employees with more appealing amenities.

Tenants are more positive (71%) on the power of in-person, human connection and still care (71%) about investments that keep them safe. Further, with Zoom and pandemic fatigue setting in for 69%, employees are looking for safe, comfortable and productive workplaces that invigorate them.

There will also be rightsizing for office space as tenants determine what they require now and moving forward. Class A and B tenants are driving reassessment, along with those paying the highest rents per square foot. COVID-19 is still sticking as an inflection point (albeit stable at 65%), and larger tenants with the biggest footprints are driving transformation views.

**"The office still plays a central role in the future of businesses. Because employers and employees both see value in the physical workplace, our research shows that a majority of both groups want to spend more time in office than out of it. This means commercial real estate has an opportunity to create even stronger partnerships with tenant companies to promote innovation and reinvention to shape the offices of tomorrow."**

**- Henry H. Chamberlain, APR, FASAE, CAE, President and Chief Operating Officer, BOMA International**

## **Learn More**

The results shared in this executive summary are part of a larger, longitudinal study series that began in August 2020 and concluded in June 2022. To request a full copy of the report or for additional information and insights, please contact [covidstudy@brightlinestrategies.com](mailto:covidstudy@brightlinestrategies.com).

## **About BOMA International**

Founded in 1907, the Building Owners and Managers Association (BOMA) International is a federation of U.S. local associations and global affiliates. The leading trade association for commercial real estate professionals for more than 100 years, it represents the owners, managers, service providers and other property professionals for all commercial building types, including office, industrial, medical, corporate and mixed-use. BOMA International is *the* partner individuals in the commercial real estate industry choose to maximize value for their careers, organizations and assets. Its mission is to advance a vibrant commercial real estate industry through advocacy, influence and knowledge. For more information, visit [boma.org](http://boma.org).

## About Yardi

Yardi develops and supports industry-leading investment and property management software for all types and sizes of real estate companies. Established in 1984, Yardi is based in Santa Barbara, CA, and serves clients worldwide. The Yardi corporate motto is to take care of our clients, take care of our employees, take care of our communities, stay focused and grow. Yardi uplifts the industry and the people in it through charitable grants and philanthropic efforts. For more information on how Yardi is energized for tomorrow, visit [yardi.com](https://yardi.com).

## About Brightline Strategies

Brightline is a research and advisory services firm for the high-stakes business of real estate development, marketing and management. For more than 20 years, we have helped some of the most recognized names shape their development, programming, positioning and management strategies; mitigate risk; drive demand, preference, loyalty and premiums; and expand portfolios across markets and borders. To deliver outsized returns in today's hyper-commoditized real estate environment, you have to know what matters to whom and how to capitalize on it in the right way to grow NOI, enhance asset liquidity and maximize investment returns. For more information, visit [brightlinestrategies.com](https://brightlinestrategies.com)