



BOMA INTERNATIONAL COVID-19 COMMERCIAL REAL ESTATE IMPACT STUDY

EXECUTIVE SUMMARY: SECOND QUARTER 2021

Insights from a nationwide survey of 3,115
office space decision-makers & influencers



Introduction

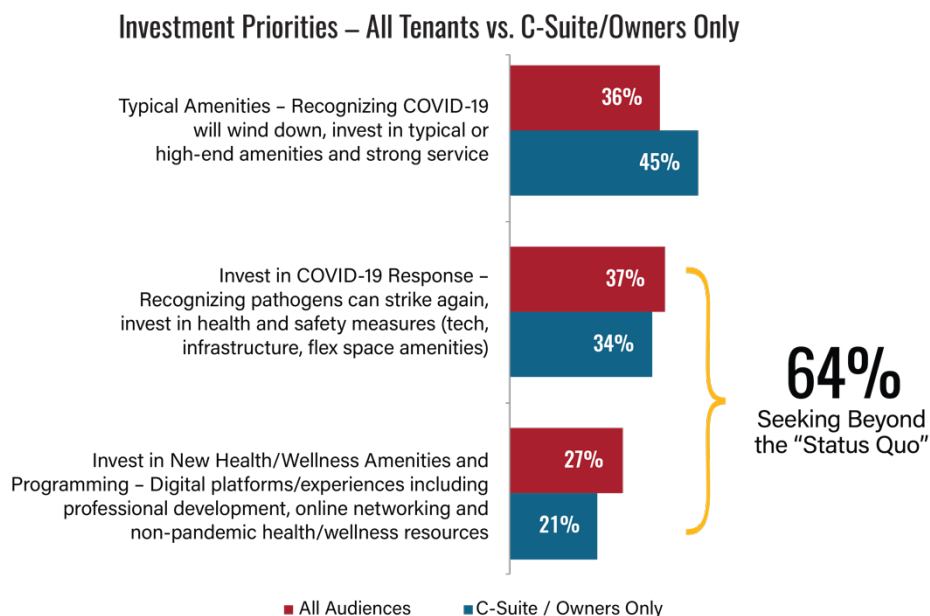
BOMA International, in conjunction with Brightline Strategies and supported by a grant from Yardi, has released its second in a groundbreaking series of nationwide studies gauging tenant sentiments relating to COVID-19. This latest study, which surveyed 3,115 U.S. office space decision-makers and influencers, measured the impacts on their businesses, their attitudes toward the physical work environment and office space decisions going forward. The survey also explored the financial and operational implications for commercial real estate owners and operators.

“More than just capturing important sentiments on office space perceptions today, our major goal in this study is to inform industry stakeholders on what lies ahead and how we can all help shape it. From its impact on technology and infrastructure to common spaces and amenities, COVID-19 is an accelerant of ‘the future of the office.’”

**- Robert Teel
Vice President, Yardi**

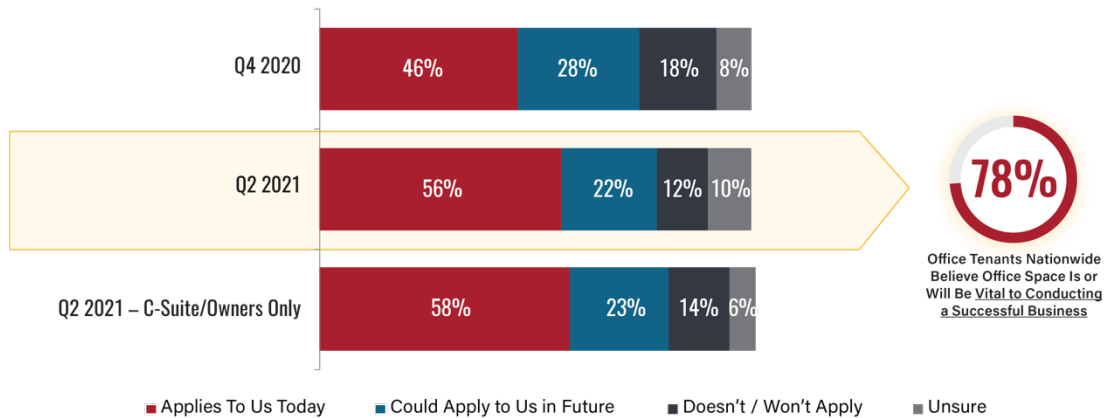
This executive summary contains select insights from the new Q2 2021 study, along with comparisons to the previous [Q4 2020 study](#).

Key among these findings is a marked interest on behalf of office space decision-makers to see additional investments by building management and ownership on infrastructure and technology to mitigate future crises of health and wellness. In fact, **64% of respondents** want to know their building teams are making further expenditures on amenities that support tenants' efforts to increase organizational culture, connectivity, productivity and well-being.



And yet, office tenants **generally approve of their landlords' response to COVID-19**, rising from a 77% approval rating in Q4 2020 to a strong 86%. Further, 78% believe that office space is vital to conducting a successful business. This is an increase of four points since the previous study. Vitality sentiment starts at 73% among tenants with less than 5,000 square feet, climbs to 81% among those with greater than 50,000 square feet and then to 83% among those with offices between 25,000-50,000 square feet.

“We believe our in-person office space is vital to conducting a successful business/operation”



Growing Confidence, Growing Resilience

With COVID-19 cases in decline nationwide and a majority of adults in the U.S. vaccinated, the Q2 2021 survey results show marked optimism.

One of the more notable shifts in sentiment is the perceived direction of the country's general handling of the pandemic, with 65% of respondents expressing confidence that the country is on the right track. This is in stark contrast to Q4 2020, when only 37% of participants felt that the country was moving in the right direction.

In addition to the relative comfort respondents have about their landlords' handling of the pandemic, a clear majority (54%) think employees will be comfortable with or supportive of returning to the office. However, the pandemic also pointed the industry to alternative means of working, and respondents are adapting, with 69% believing that their teams have been equally or more productive while working from home throughout the pandemic.

Encouragingly, 33% say that their companies have already returned to pre-pandemic profitability, with another 43% expecting to hit that target before the end of the year.



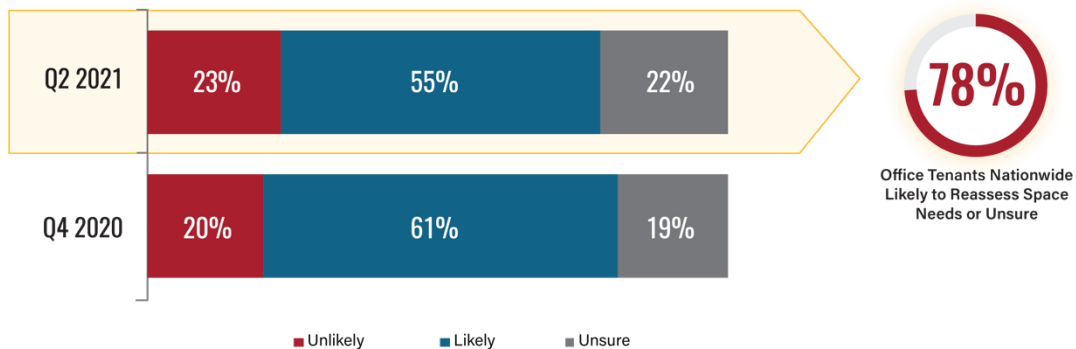
Office Tenants Nationwide Believe Country is Heading in the Right Direction in Handling Coronavirus

Space Reductions & Physical Shifts Imminent

Almost two-thirds (62%) of survey participants believe that the pandemic will ultimately transform the way they do business for some time to come, saying they believe COVID-19 was a “tremendous inflection point” for their workplaces.

While more than half of decision-makers see more value or no change in the value of their physical office space since the start of the pandemic, the number of respondents seeing less value in their physical office space has grown to 42%, up 12 points since the Q4 2020 study. However, the number of tenants reassessing space needs has fallen slightly, dropping from 61% to 55%, with 22% now unsure.

How likely are you to reassess your space needs based on business impacts from the coronavirus/ COVID-19 public health emergency (e.g., based on more teleworkers, revenue declines, etc.)?



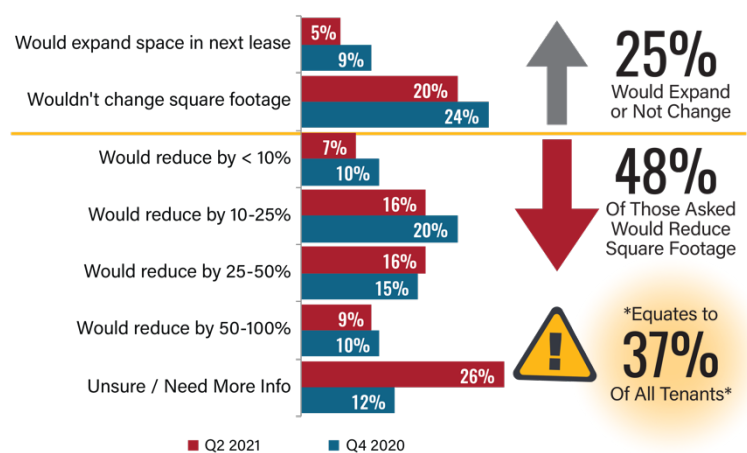
As businesses reconsider their physical footprints, space reductions and reimaginings are on the horizon. In short, commercial real estate and the future of the office as we know it are at a major crossroads.

Considerable but Decreasing Reductions

Among those respondents likely to reassess space or who remain unsure, 48% would reduce their square footage (down from 54% in Q4 2020), amounting to 37% of all office tenants surveyed. While this indicates the potential for nearly 4 in 10 tenants to consider some reduction—demanding attention from owners and operators—the numbers are trending toward more stable space utilization.

Office Square Footage Adjustment Post-Coronavirus

(Asked Among 78% Likely to Reassess Space Needs or Unsure for All Tenants)



When this group was asked how they planned to achieve square footage reductions, answers varied widely. The top methods included reducing the number of private offices, hoteling desks for flex workers and reducing the size of common areas.

Shifts in Workspace Utilization

All survey participants were asked to share whether other organizational and spatial shifts were complete or on the roadmap for their business because of the pandemic. Of those changes currently in process or complete, 19% are shifting square footage or offices to coworking environments, 18% are subleasing parts of their space and 17% are opening new, satellite offices to facilitate remote work and physical distancing, with many more reporting that these options are on the table for their companies.

As a response to the coronavirus/COVID-19 public health emergency, which of the following would you say your organization is considering – are the following “off the table,” “on the table,” “in process,” or “complete”?

		Off the Table	On the Table	In Process	Complete	Unsure
Trendline Indicators	Shifting square footage/offices to co-working/work-share environments like We Work, Industrious and Regus	43%	18%	12%	7%	19%
	Sub-leasing parts of our office space we no longer need	45%	17%	11%	7%	20%
	Staying closed/remote through the end of 2021 or beyond	48%	16%	10%	8%	19%
New Indicators	Reassessing our space and “moving down” from a Class A to a Class B building, or a Class B to a Class C, etc.	45%	16%	9%	7%	23%
	Investing in significant infrastructure and technology to facilitate remote work	21%	18%	22%	23%	17%
	Opening a new satellite office to facilitate remote work and physical distancing	50%	13%	9%	8%	21%

Return-to-Office Trends

With strong confidence in remote work and almost half of all tenants reassessing space needs, what does the return to the office look like? Survey data indicates cautious but steady return-to-office planning. Most agree that colleagues are ready to come back to the office, and nearly a fifth of participants (19%) report they’ve already resumed normal, in-person operations.

Resumption of normal in-person office operations

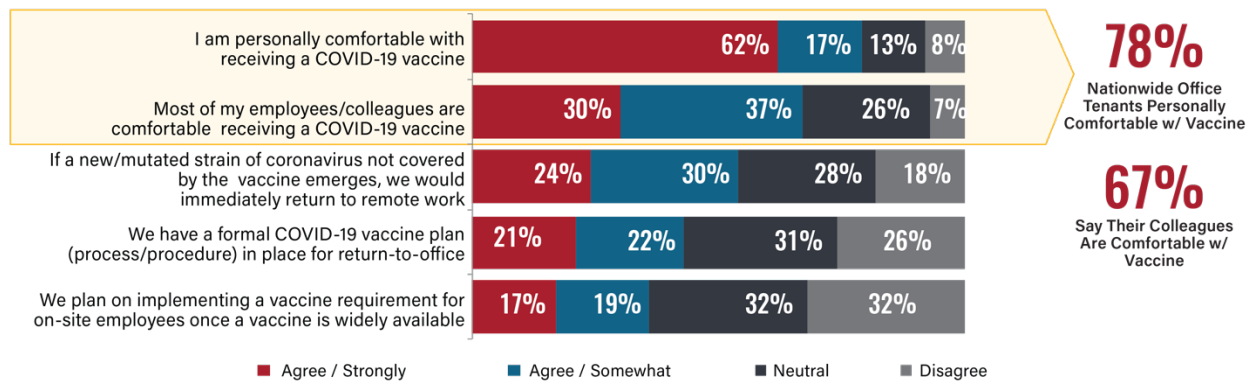
	Already Occurred	March-April 2021	May-June 2021	Q3 2021	Q4 2021	Later than Q4 2021	Never / Not Applicable
Resumption of normal in-person office operations	19%	6%	12%	26%	18%	13%	7%

Vaccination Viewpoints

Survey responses show a range of vaccination comfort levels. Perhaps unsurprisingly, there is no consensus on whether vaccinations will be required to re-enter the in-person workplace.

At the time of the survey, 9% of organizations reported their workforce as being fully or almost fully vaccinated. Another 79% expect to reach full vaccination by the end of 2021, with only 12% saying that will never happen or is not applicable to their business.

While 79% of survey-takers indicate they are comfortable taking the vaccine, they are more cautious when it comes to their team members. Only 67% think most of their colleagues are comfortable with vaccination. A full 43% report they have formal COVID-19 procedures in place for returning to the office, and approximately one-third (35%) plan on implementing a vaccine requirement for on-site employees.



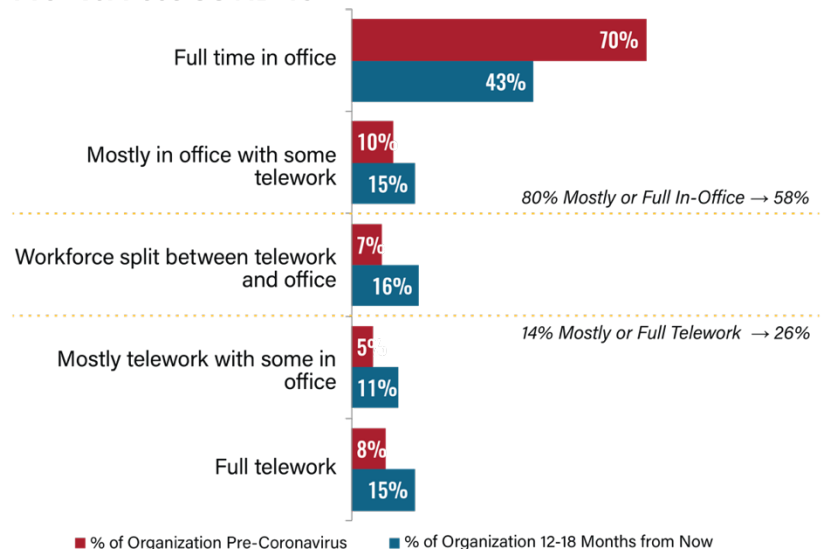
More than half of participants agree they would immediately return to remote work if a vaccine-resistant strain of the coronavirus emerges, but 18% disagreed.

Remote Work Here for Good?

Survey data reveals a major transformation as respondents define a new normal when it comes to the location of their full-time workforce. Participants said 80% of employees were full-time or mostly in office prior to the pandemic, but that number is projected to drop to 58% over the next 12-18 months, shifting many to partial or full remote work even as COVID subsides.

On average, 26% of respondents predict their offices will be mostly telework with some in office or full telework 12-18 months from now,

% of Organization In-Office vs. Telework – Pre- vs. Post-COVID-19



closely matching other studies and showing that nearly three-quarters of tenants will still largely depend on their in-person office.

Still, almost half of all tenants (45%) report they are investing in significant infrastructure and technology to facilitate remote work, indicating that the workplace likely will be agile and flexible.

Office as Cultural Hub

Maintaining corporate culture and connectivity is the top organizational challenge respondents faced during the pandemic, followed by keeping remote employees engaged, again underlining the important role played by in-person workplaces even as shifts to a more hybrid work approach accelerate.

“More tenants embracing telework is an opportunity to craft office space that fosters increased in-person and remote productivity while serving as the hub for enhanced culture, communication and collaboration.”

**- Michael Broder
CEO, Brightline Strategies**

Accordingly, the perceived importance of the office as a central place for connection and corporate culture has grown since the Q4 2020 study. Now, 70% of respondents see more value in their physical office space because it facilitates the interactions essential to keeping organizations productive (e.g., in-person meetings, collaboration and coaching).

Over half (58%) also see more value in office property owners and managers going beyond the basic concept of the office to offer places and communities where tenant organizations, cultures and bottom lines can thrive.

Opportunities for Owners & Operators

Commercial property owners and operators are delivering strong value to their tenants as reflected by high approval ratings. In fact, 39% of decision-makers report they are more likely to renew their leases based on the positive effects of communications, policies and processes implemented by their property manager or landlord in response to the virus. But this is down from 48% in the Q4 2020 study, reflecting a more complex tenant decision-making process coming out of lockdown.

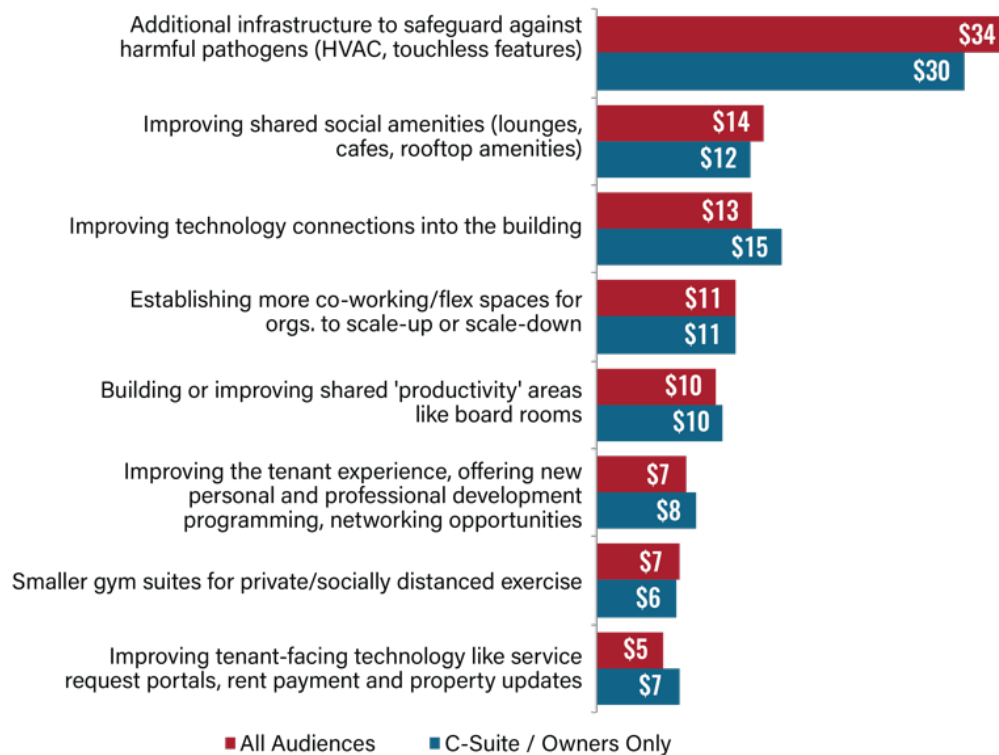
Broader understanding around how tenants expect the post-isolation workforce to engage with the office moving forward—and which actions they prefer property owners and operators take to accommodate these changes—are among the central touchpoints illuminated by survey responses.

Health & Safety Infrastructure Updates

Survey results indicate that tenants remain focused on physical infrastructure improvements, amenities and features to confront COVID-19 and similar pathogens, reflecting a desire to mitigate future threats to business continuity. Respondents were asked how property managers could be proactive in addressing the needs of their office, and 88% wanted to see investments in physical infrastructure and shared spaces.

When presented with a hypothetical \$100 to set budget priorities for landlords, the largest share went to infrastructure to guard against harmful pathogens, followed by \$14 for improving shared social amenities and \$13 for improved technology connections.

Hypothetical \$100 – Respondents Set Budget Priorities for Landlords



As illustrated by the strong approval rating for landlords that was described in the introduction, commercial real estate owners and operators have done well meeting the needs of tenants throughout the pandemic via new operational strategies and investments. The responses to the question of budget priorities can serve as a roadmap for what still needs to be done to reinforce tenant trust and confidence in the months ahead.

Amenity Improvements

Tenants are finding more value in the office as a place for connection and culture, even as compared to Q4 2020 results.

More than half (52%) say they would see more value in their physical office space if property owners and managers recognized the need to assist tenant organizations in their culture and growth, and they doubled down on innovative new events, on-site services and digital platforms.

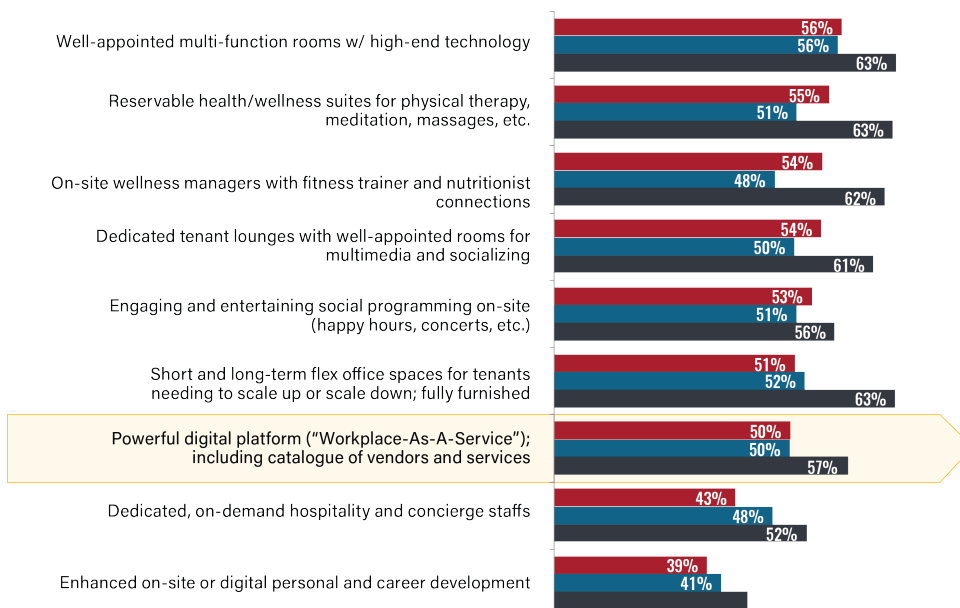
The study surveyed the most compelling building features and amenities, finding that tenants largely want reservable health and wellness suites, on-site wellness managers, dedicated tenant lounges and social programming.

Of note is that more than half also want short- and long-term flex space for tenants needing to scale up or down depending on the demands of their business and workforce.



More Positive on Culture and Power of In-Person, Human Connection, Up 8% from Q4 2020

Most Compelling Building Features – Summary of “Positive” Scores



Top Digital Platform Elements:

- 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
- Enhanced service call features (e.g., quick-service tickets, snap pictures of office elements needing service, immediate updates)

Tech Support

Technology upgrades, especially those that support health and safety, also ranked highly among tenant investment priorities. Office apps with touchless features and online reservation systems for shared amenities are among the top digital platform elements respondents indicate as “must-have” or “would impress.”

Elements respondents indicate as “must-have” or “would impress”	
Access to touchless features through office app (e.g., elevators, doors, parking)	50%
Online reservation system for common amenities	42%
Enhanced service call features for more efficient maintenance	38%
Key fob tracking to understand occupancy and traffic flow	36%
Food orders/delivery through office app	33%

Conclusion

The COVID-19 pandemic has deflated renewal enthusiasm, but commercial property owners and operators are delivering strong value to their tenants. Although space utilization is changing and office-size reductions are coming, the office as a hub for critical business interactions isn't going anywhere.

Landlords who invest in tenant priorities now are more likely to position themselves for an increasing return on investment in the future, even as office behaviors shift. Case in point, following exposure to new services, features and physical spaces that landlords and property management companies could invest in and deliver, survey respondents' likelihood to renew their leases jumps from 38% to 56%. Much of the intensity comes from unsure tenants converting to positive responses.

“COVID-19 has created an inflection point across the commercial real estate landscape, and these study findings show the road ahead is going to pose different challenges and opportunities. The value and vitality of offices remain strong, and there is also tremendous opportunity for owners and operators to work with their tenants on investments in building infrastructure, amenities, space designs and other features to create healthy, safe and productive workplaces.”

**- Henry Chamberlain
President & COO, BOMA International**

Proactive communications and outreach, a focus on future prevention of business interruptions and an ultimate pivot towards delivering more value and flexibility—both to on-site employees and those rotating in a hybrid environment—are key to finding success in a disrupted office sector.

Learn More

To request a full copy of the report or for additional information and insights, please contact covidstudy@brightlinestrategies.com.

About the BOMA COVID-19 Impact Study

The Q2 study was conducted from March to May of 2021 and surveyed 3,115 office decision-makers nationally. The results shared in this executive summary are part of a larger, longitudinal study series that began in August 2020.

The purpose is to gain greater clarity around the pandemic's broader effects on commercial real estate, learn how tenant attitudes towards physical space are shifting and discover opportunities for commercial operators eyeing the future of the office.

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.

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.

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.