

March 23, 2021

Special Report: How City Office Centers, Written Off as Relics, Will Return, Post-Pandemic

The urban workspaces of the future are going to see more personalization, more automation, and more focus on health and wellness.



You have a couple options for your early morning commute. There's the train or the company rideshare. But you have to drop your kids off at school, so you take the car. Once you're in the city, you park in the firm's smart garage, which directs you to an empty space.

The air seems cleaner and healthier in the office. A quick glance at your phone tells you your desk assignment for the day, what section of the building you'll be in, even the room temperature. The area is too cold so you turn the thermostat up. Another tap and you have a list of colleagues who are also scheduled to be in. It's been weeks since you've seen some of them so you're eager to catch up.

At noontime, you consider going through your options on UberEats, but the company commissary is right downstairs. So you scroll absentmindedly from your desktop to see what it has.

Welcome to the future of office work. In the social sense, the environment will resemble what workers left last March. But like many other aspects of life now, the pandemic has accelerated some trends that had already been in place: more personalization, more automation, and more focus on health and wellness.

With vaccines rolling out, companies are hard at work figuring out when [remote employees can come in](#) again and what will happen when they do. That means employers have to help build trust on the health aspects of public spaces. That said, they also have to compete with the comfort of home offices, since many workers no longer need to be onsite to accomplish their tasks. Real estate firm JLL says it's been working with many of its Fortune 500 clients to ready their workplaces.

“If you're going to attract and retain the right kind of talent, you have to provide these capabilities and abilities to people so they can be effective,” said Sanjay Rishi, JLL Americas CEO for corporate solutions.

Excess Office Space

All of this will be a boon to our once-bustling city centers. While residential neighborhoods in urban centers have remained lively, commercial buildings in places like Times Square have stood empty and abandoned for the past year.

Commercial real estate has suffered. Last year, the value of office real estate investment trusts (REITs) tumbled 18.4%, according to numbers from the National Association of Real Estate Investment Trusts (Nareit). Those numbers have since bounced back, up 1.35% for the calendar year, although they remain far from returning to pre-pandemic levels.

As for whether office buildings will ever make a full comeback, the jury's still out. At this stage, however, there likely will be “a reduction in office demand moving forward,” said Peter Rogers, director of investments and head of real assets research, Americas, at Willis Towers Watson.

For wary real estate investors, the consulting firm has been [recommending other return-generating properties](#) such as senior housing, medical offices, data centers, and, recently, life sciences facilities. Willis said it picked these properties because they are much less likely to be tied to tenants who can opt to work home. Other experts have been thinking similarly. PwC [forecasts](#) that the impact on office demand could be minimal, or as high as 10% to 15%, in the future. Still, there are some notable trends that mean good news for office real estate investors. Owing to social distancing, the shift to densify space has reversed, requiring “more space per square foot per employee than perhaps you had historically,” Willis’ Rogers said. That may offset lower demand for the asset class as a whole.

Not to mention, plenty of workers want to [return to the office](#), with JLL [finding](#) three in four workers hope to come back at least part time—either for collaborative work projects or to spend some time with their colleagues around the water cooler.

“The purpose of the office is tilting much more toward collaboration, toward innovation, toward the sense of community, toward the sense of belonging,” JLL’s Rishi said. “Because talent is so portable.”

The Rise of Healthy Buildings

As for how analysts expect firms will use office space, they say the square footage will have more smart property technology, which has gotten cheaper. Offices will have purification systems pumping out filtered air—a health consideration that is likely now ingrained into commercial buildings.

“We’ve seen the demand for healthy buildings grow steadily over the last decade as property owners have increasingly recognized the connection between the built environment and holistic health outcomes,” said Joanna Frank, president and chief executive officer at the Center for Active Design.

“The pandemic has been a catalyst for accelerating this demand as they seek to mitigate the spread of infectious disease within their buildings,” she added.

This nonprofit is the sole licensed operator of Fitwel, the healthy building certification system that was originally created by two federal agencies, the US Centers for Disease Control and Prevention (CDC) and the General Services Administration. Last fall, Fitwel launched its Viral Response module, setting baseline requirements to reduce transmission of infectious diseases. Supporting the Fitwel effort are leading asset managers including Brookfield Properties, Hudson Pacific Properties, and Nuveen Real Estate.

Fitwel and other certifications such as Well are showing that there is a connection between investors and the health and safety of the buildings in their portfolio, Frank said.

Much has changed in our relationship with public spaces since the pandemic started one year ago. When the coronavirus calms down, there's a strong case that office space, and city centers, will come back. The question is when.

PwC [estimates](#) it will take about three to five years for large cities like New York, Los Angeles, and others to fully recover.

To Meredith Jenkins, chief investment officer at Trinity Church Wall Street, it's hard to recreate the same kind of infrastructure elsewhere. She says her portfolio, which is more than half made up of directly held NYC commercial real estate, has remained resilient. That's partially because blue chip tenants like Hudson Square have thus far wanted to remain at their Manhattan perches, even as they have announced publicly that they will allow significantly more remote work.

Besides, like many others, she is waiting to return to the vibrancy of large metropolises, as they continue to enchant new and old inhabitants.

Said Jenkins: "I am quite positive that all of that will return."

Related Stories:

[Forget Offices, Invest in Life Sciences Real Estate, Report Says](#)

[Why Offices, Abandoned as a Virus Risk, Will Be Back](#)

[How Asset Allocators Are Planning Life Back in the Office](#)

Tags: [city](#), [office real estate](#), [offices](#), [overbuilding](#), [Real Estate / Real Assets Special Report 2021](#), [Recession](#), [REITs](#), [vacancies](#), [working from home](#)

By [Sarah Min](#)