

CBRE

The Transformation of Corporate Real Estate in the Age of COVID-19

**EXPLORE HOW CRE LEADERS
ARE PLANNING FOR THE FUTURE**

Q4 2020



THE CBRE INSTITUTE







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Study Overview

95

CRE leaders from around the world

449

Million square feet combined portfolios

10.7

Million square feet average portfolio size

Geographic Inclusion

Remit ranging from regional (e.g., Americas, EMEA, APAC) to global

Ever since the SARS-CoV-2 virus that causes COVID-19 was identified in Wuhan, China in late 2019, the world has been plunged into a crisis unlike anything seen in our lifetimes. As we continue to learn more about the virus, the implications for corporations, their employees, and the environments in which they work promise to be nothing short of transformational—at least for the foreseeable future.

Throughout this period, corporate real estate (CRE) executives have been thrust into the limelight, appointed to serve on multi-disciplinary committees focused on managing the closing and gradual, phased reopening of work environments as the virus has moved around the world.

As CBRE and CoreNet Global embarked upon our annual study of CRE management practices, it was clear that we were in the midst of a transformational period that needed to be acknowledged. We are grateful to the 95 CRE leaders who participated in the annual survey, which has been structured to help memorialize the transition underway as our industry navigates toward a new normal. Although we are just beginning the journey, these survey results capture a snapshot of how CRE leaders are thinking about the future—and how they are beginning to retool their strategies, teams, work environments, and portfolios to help their organizations emerge as strong as possible.

This year's study participants oversee combined portfolios of **449 million square feet worldwide** and an average portfolio size of **10.7 million square feet**.

Participating organizations spanned a host of industry sectors and world geographies (e.g., Global, Americas, Europe, Middle East and Africa, Asia Pacific). Please see the appendix for details.

Key themes transforming CRE in the wake of COVID-19 include:

- Health, safety, and the environment (HSE) now shares top billing with cost savings as leading priorities informing the mission of CRE organizations.
- COVID-19 is driving greater collaboration between CRE and other functions, such as HR and IT—a trend that is expected to continue as leaders navigate an uncertain future.
- Formalizing remote work programs is a common initiative of CRE organizations.
- CRE organizations are contemplating organizational restructuring, including adding team members with new and different skills.
- Topping the list of new skills being prioritized in the CRE organization are HSE, workplace strategy, and change management.
- COVID-19 has resulted in a notable increase in client relationship management (CRM) and portfolio planning activities.
- Overall portfolio size is expected to decrease in the next three to five years, with greater use of remote work and flex space—a continuation of a trend already underway pre-COVID-19.
- The trend toward CRE outsourcing will continue, with more CRE leaders reporting that they expect to outsource higher percentages of service delivery going forward—particularly in areas such as technology platforms, facilities management, technology, data and analytics, HSE, and project management.



Health, safety, and environment
now shares top billing with cost
savings as leading priorities
informing the CRE mission

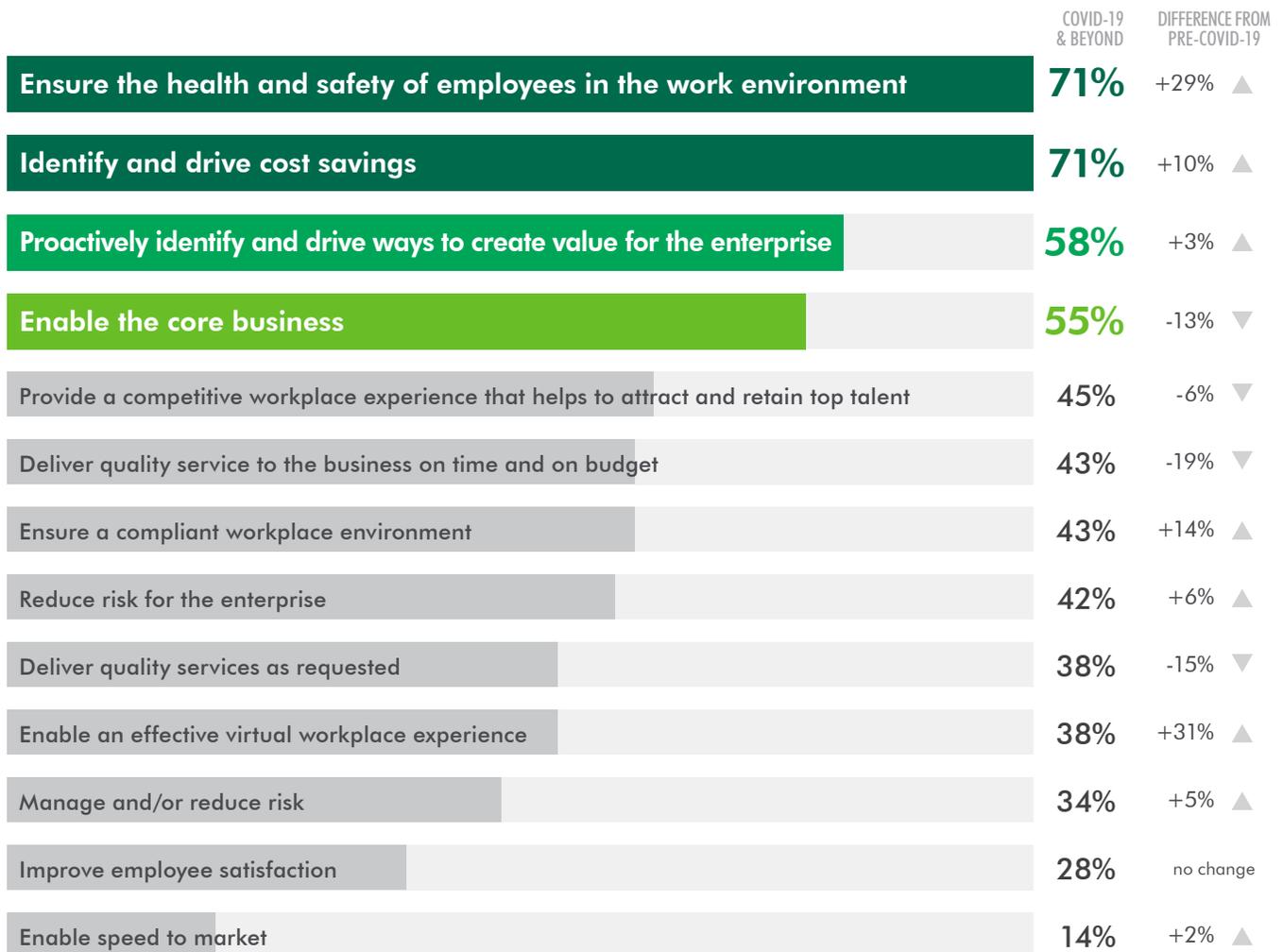


CRE leaders report a major shift in their mission in the era of COVID-19.

Pre-COVID-19, CRE leaders most commonly reported enabling the core business (68%) and delivering quality service on time and budget (62%) as core to their mission.

In the COVID-19-era, the top two missions of CRE leaders are ensuring the health and safety of employees in the work environment (71%) and identifying/driving cost savings (71%).

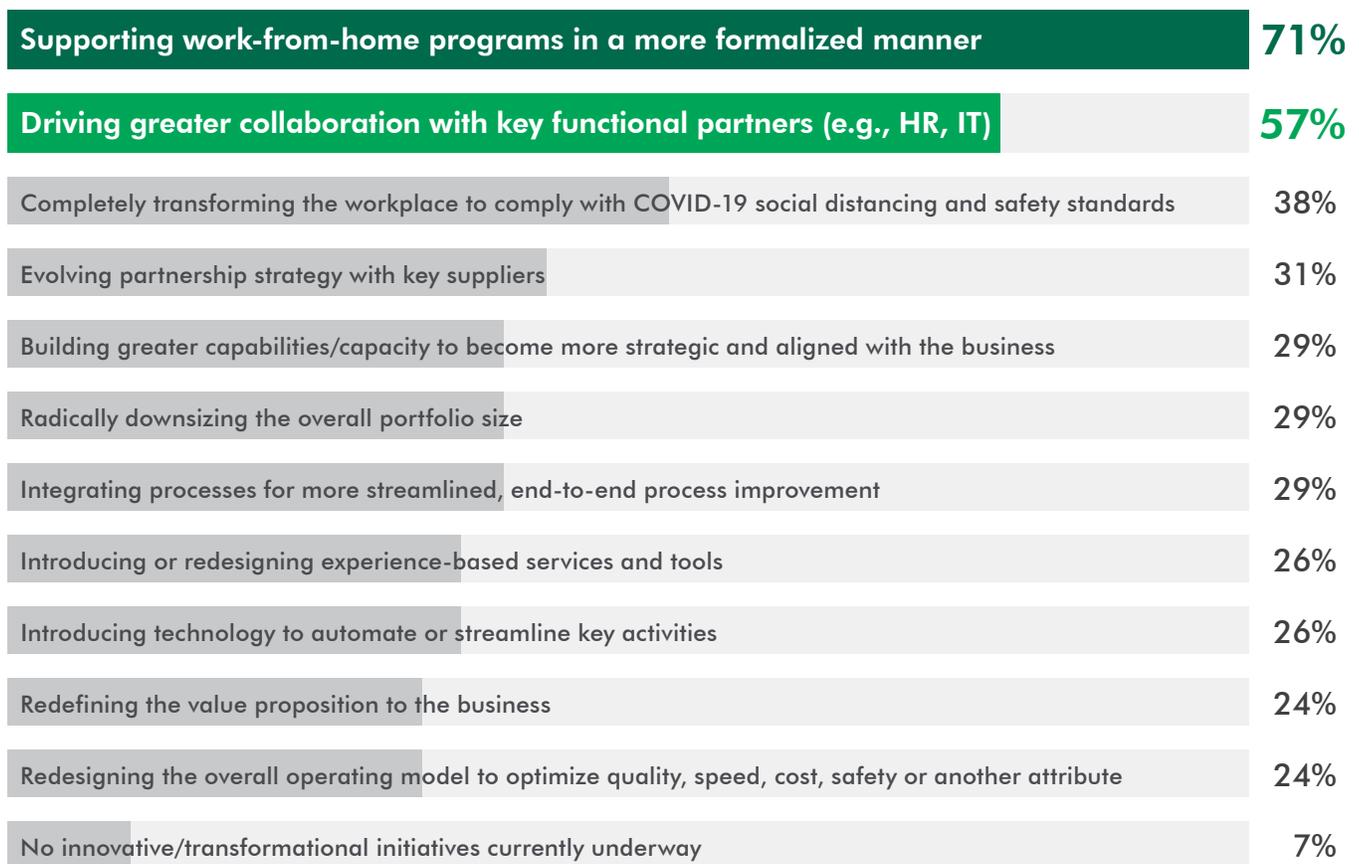
Figure 1: How would you describe the primary mission and priorities of your CRE organization?
Please select your top 5 in each column.



Formalizing remote work programs is at the top of the transformation agenda for CRE leaders

When asked about transformational initiatives underway as a direct result of COVID-19, most CRE leaders noted development of more formalized management of work-from-home programs (71%). COVID-19 is also driving greater collaboration between CRE and other functions, such as HR and IT (57%).

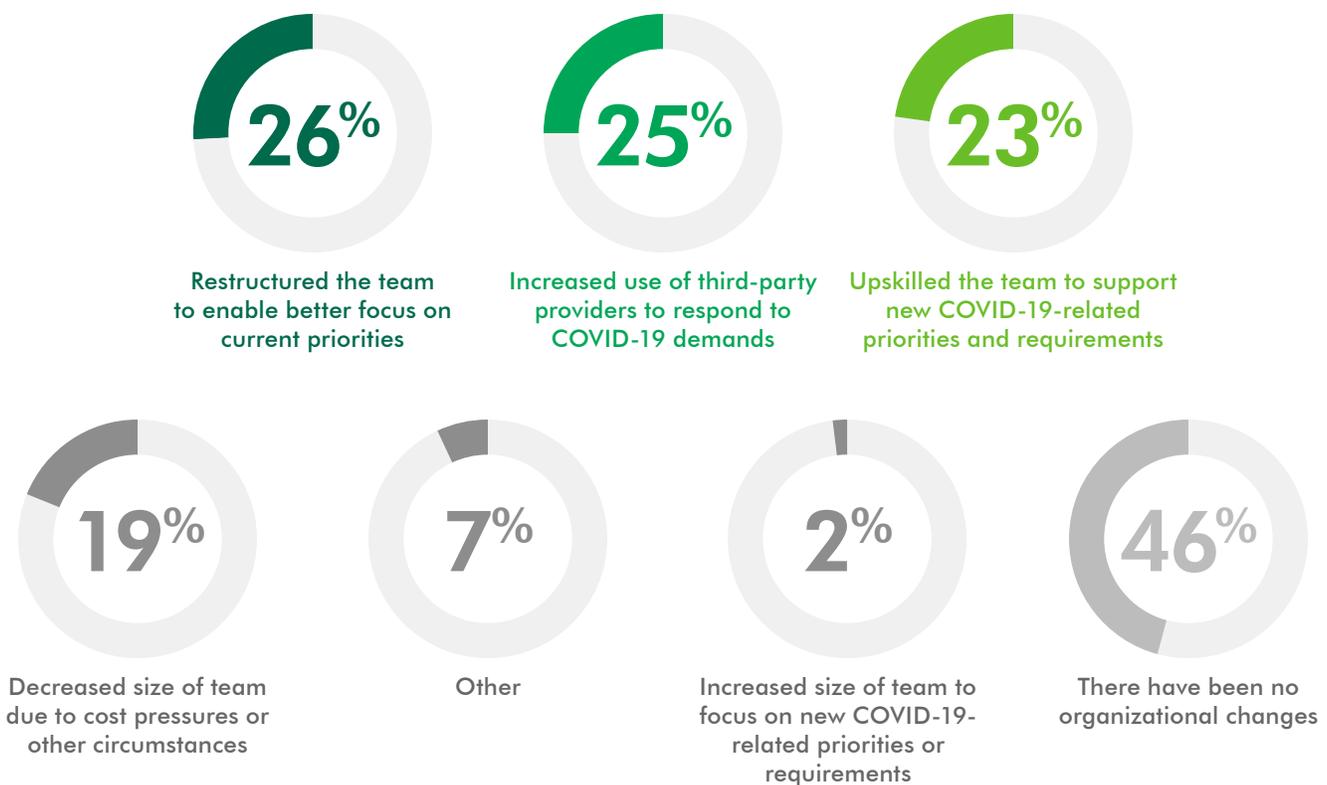
Figure 2: Is your CRE&F organization currently focused on any innovative/transformational initiatives as a direct result of COVID-19? If yes, please check all that apply.



Organizational restructuring, upskilling, and delivery model refinements are underway

Although 46% of respondents noted that there have been no organizational changes undertaken as a result of COVID-19, they provided what may be early insights into changes ahead: roughly 20-25% of respondents report being focused on organizational-related activities during this time, including restructuring teams to improve focus on current priorities; increasing reliance on third parties to support COVID-19 demands; upskilling the team to address new priorities and requirements; and trimming team size due to cost pressures.

Figure 3: For any COVID-19-driven organizational changes undertaken or planned, what are the changes and underlying catalysts of the change? Please select all that apply.

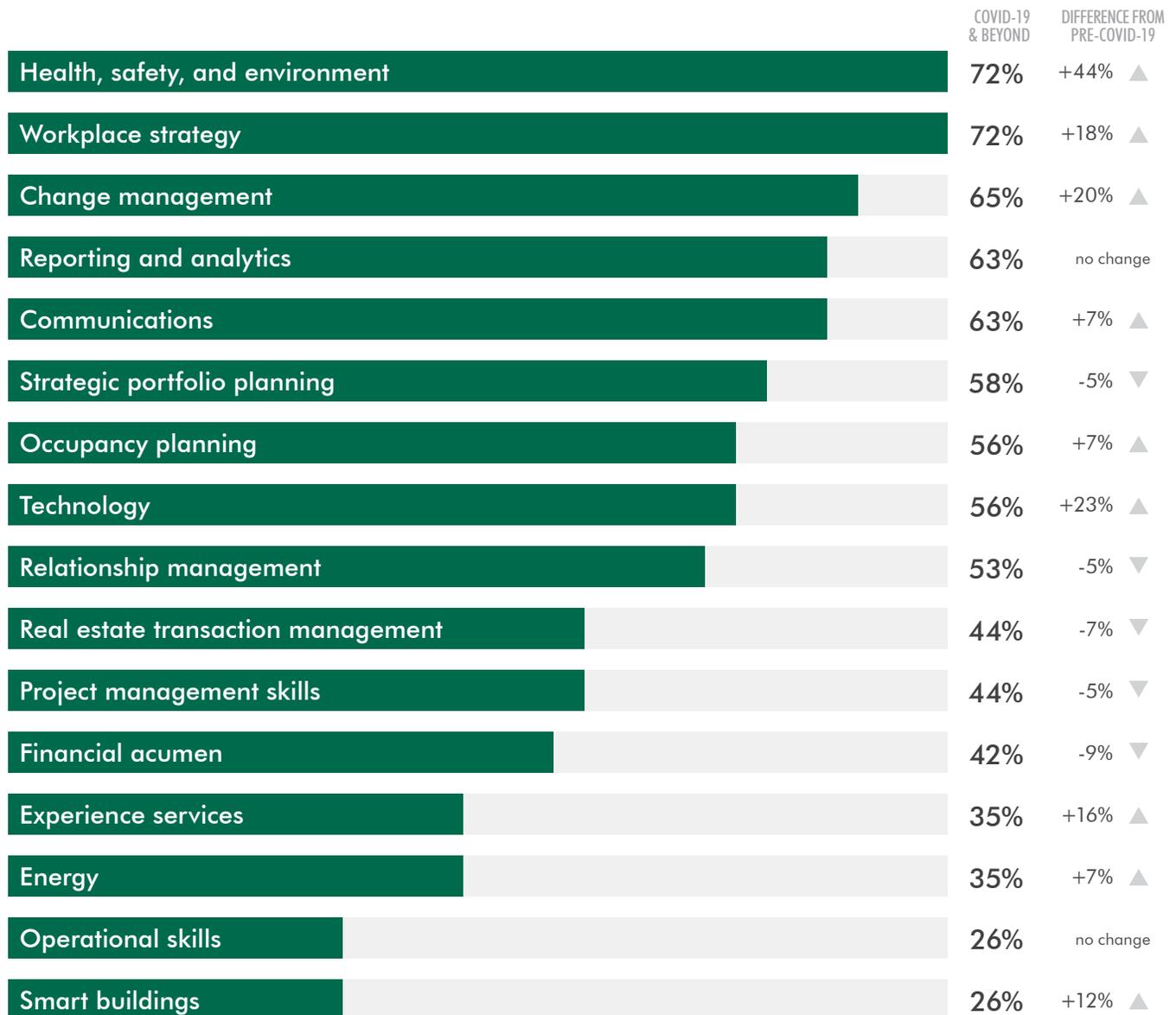


An aerial photograph of Singapore at sunset. The image shows the Marina Bay Sands hotel on the left, the Esplanade - Theatres on the Bay in the foreground, and a dense cluster of modern skyscrapers in the financial district on the right. The sky is a mix of blue and orange, with clouds catching the low sun. The water of the bay is calm, reflecting the light.

CRE leaders signal demand for new and different skills in response to COVID-19-era requirements

When respondents were asked whether there are new or different skills in demand within their organizations, three areas jumped to the top of the list in comparison to pre-COVID-19 priorities: HSE (72%), workplace strategy (72%), and change management (65%). Demand for technology, experience services, and smart building skills also saw notable increases, compared to pre-COVID-19 needs.

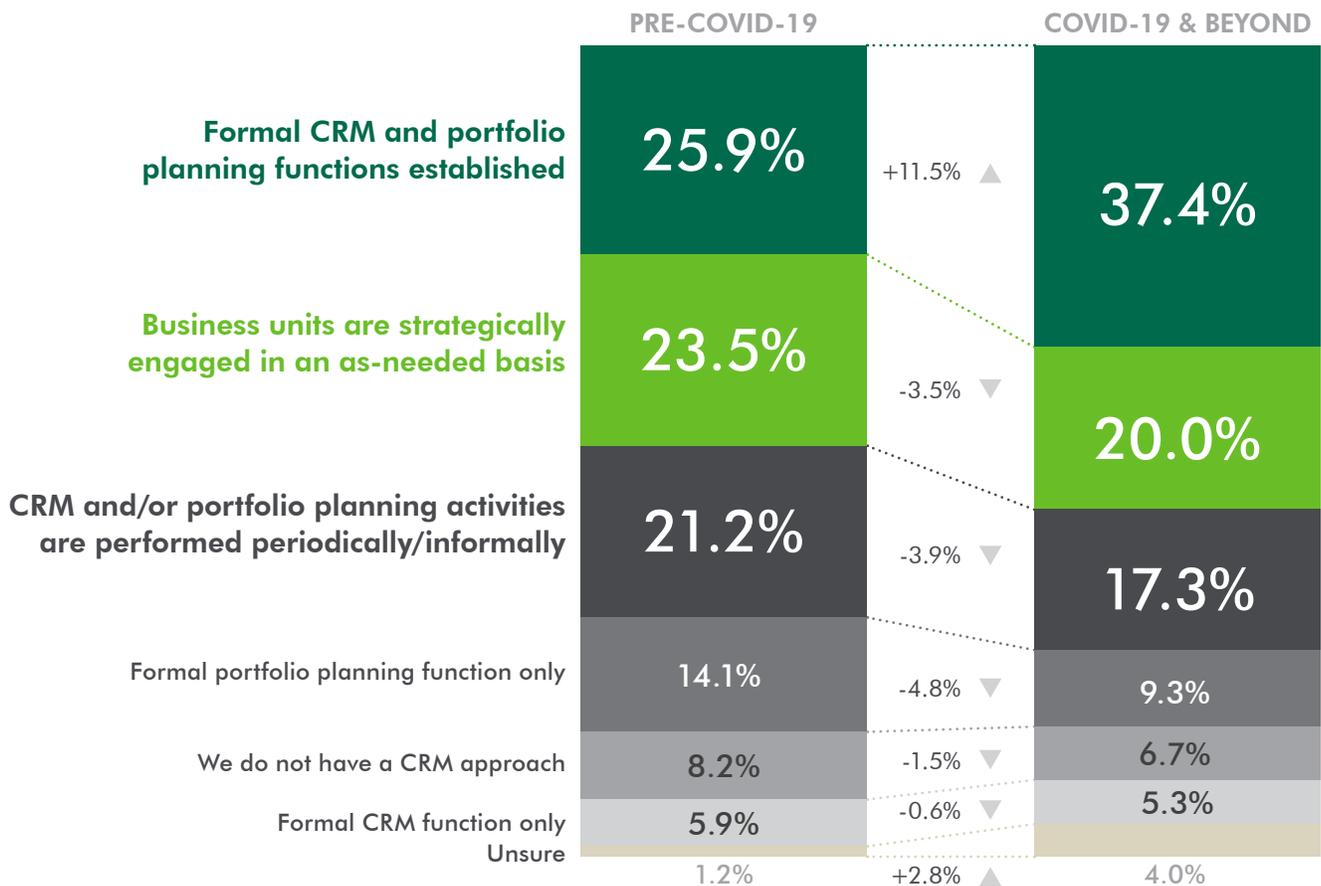
Figure 4: Where is the greatest demand for new or different skills in your organization today compared with pre-COVID-19? Please select all that apply in each column.



Leaders foresee an increased focus on CRM and portfolio planning as a result of COVID-19

While CRE departments have been steadily focused on improving alignment with their companies’ business units, it appears that COVID-19 will drive continued maturity of formalized CRM and portfolio planning activities, with 37.4% reporting it as an area of focus now versus 25.9% in the pre-COVID-19-era.

Figure 5: Which of the following best describes CRE&F’s current and future approach to business unit CRM and portfolio planning?

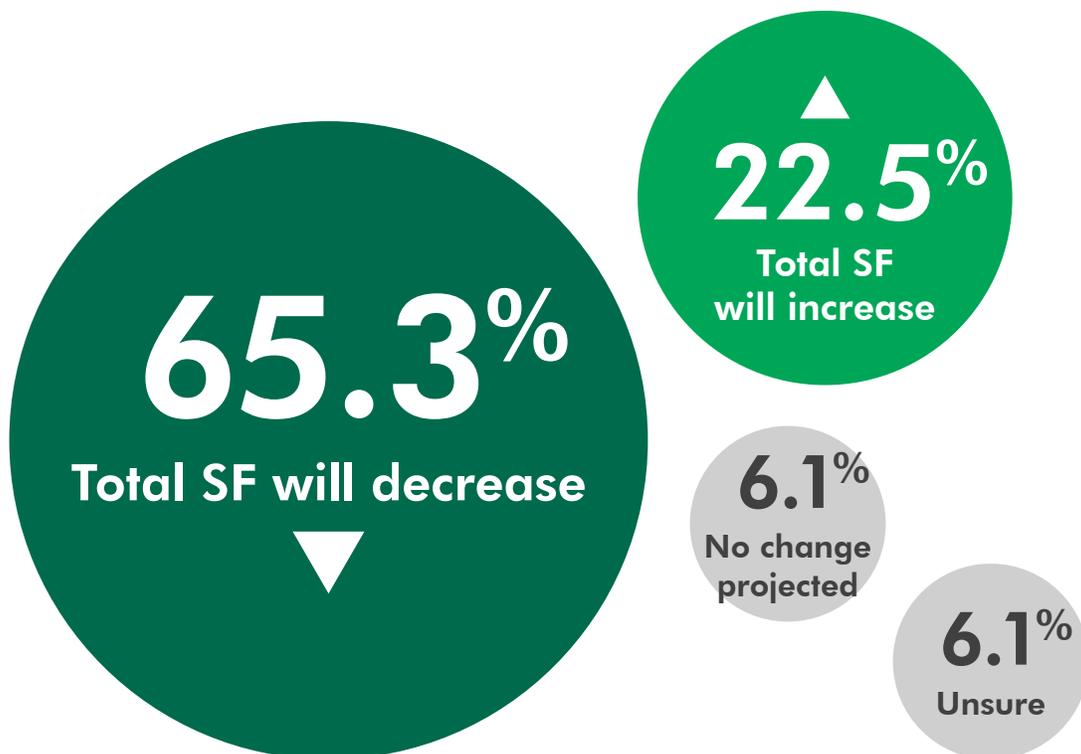


Expectations about decreased portfolio size over the next three to five years are consistent with pre-COVID-19 optimization trends

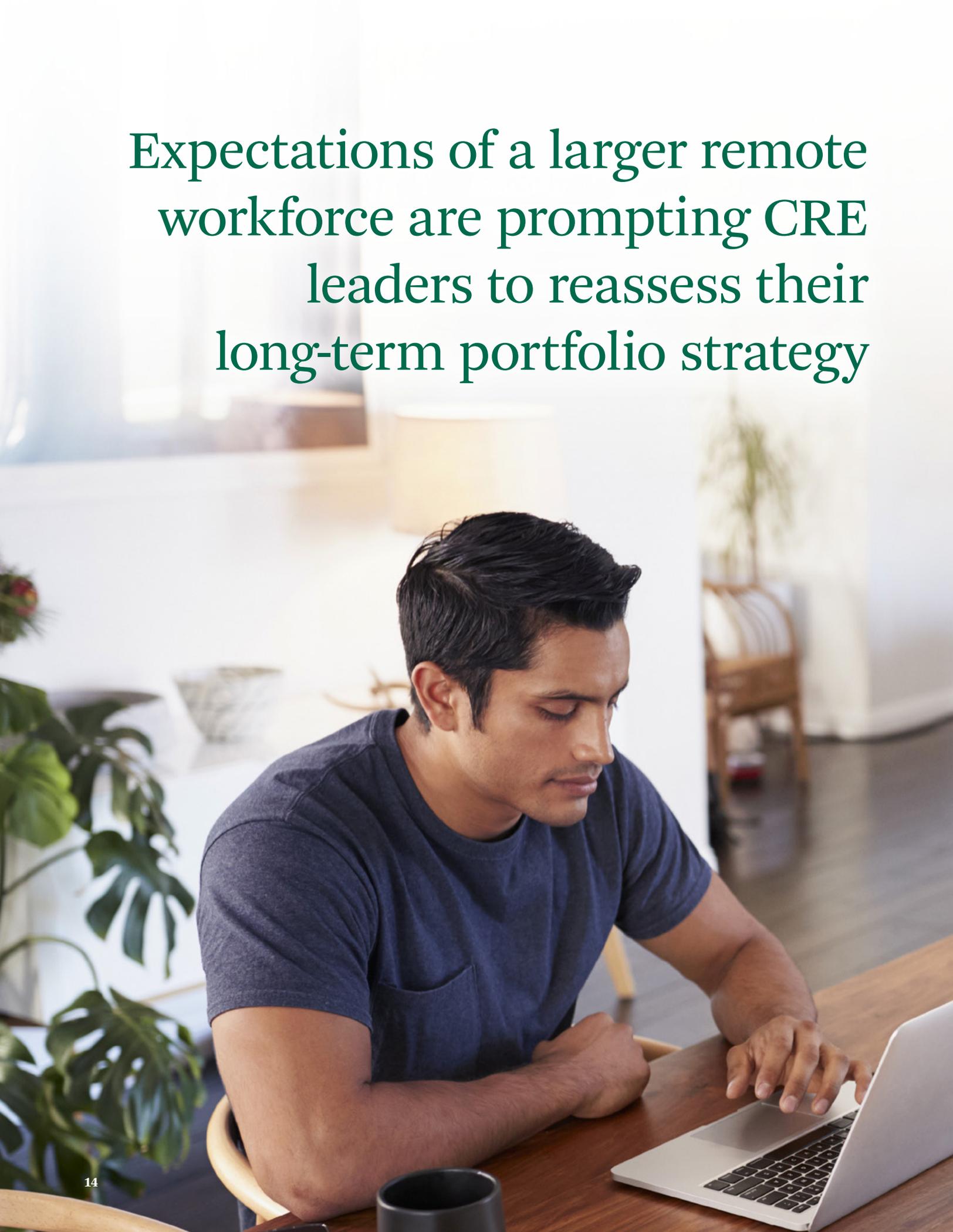
Two-thirds (65%) of respondents stated they expect their portfolio square footage to decrease over the next three to five years. This is unsurprising, as portfolio optimization and cost savings have always been common goals of CRE departments, with 42% of respondents in the 2019 study noting expecting portfolio reduction.

Interestingly, 22.5% of respondents this year report an expected increase in total square footage—possibly due to the demands of more generous space standards to accommodate social distancing for the foreseeable future.

Figure 6: How do you expect your corporation's total real estate portfolio to change over the next 3-5 years?



Expectations of a larger remote workforce are prompting CRE leaders to reassess their long-term portfolio strategy



In light of COVID-19 and its still-uncertain trajectory at the time of the survey, a large majority of respondents (86%) reported that they are analyzing the impact of a larger remote workforce on their portfolio strategy. Such considerations were scarcely on the radar in the pre-COVID-19 period (12%).

The next most prevalent portfolio strategies being pursued in the COVID-19-era include consolidations to support efficiency (57%) and more use of flexible space (57%). And while consolidation strategies are common today, this type of initiative saw a marked decrease of 16% compared to pre-COVID-19 times.

Figure 7: What portfolio strategies were in effect prior to COVID-19 and what strategies do you envision pursuing today and in the future? (Select all that apply in each column.)

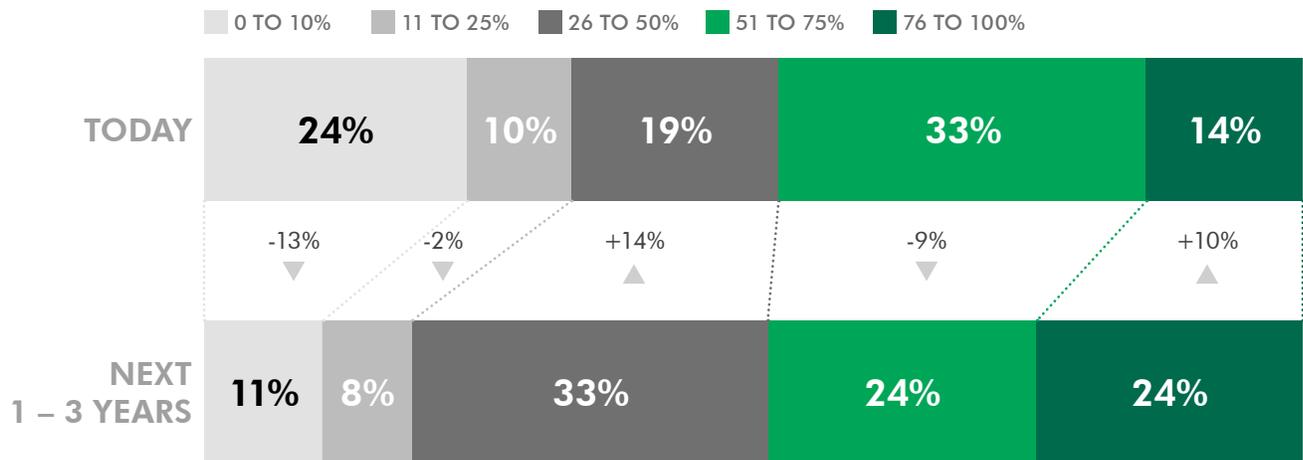
	COVID-19 & BEYOND	DIFFERENCE FROM PRE-COVID-19
Analyze the impact a larger remote workforce will have on portfolio strategy	86%	+74% ▲
Consolidation strategy to support efficiency	57%	-16% ▼
More use of flexible office space (i.e., serviced office, suites, coworking)	57%	+8% ▲
Review of locational footprint (offshoring, reshoring, near-shoring, etc.)	39%	+12% ▲
Hub & spoke model to support proximity to workforce/customers	37%	+4% ▲
Too soon to tell	16%	+12% ▲
Dispersion from high-density urban cores	12%	+6% ▲
None	0%	-4% ▼



CRE leaders expect to increase use of outsourcing in the COVID-19-era

While the use of outsourcing as a percentage of corporate occupiers’ total service delivery varies widely today, survey responses indicate that CRE departments that leverage providers for at least half of their service delivery needs today will leverage service providers for at least 75% of their service delivery needs in the next three to five years. Key shifts may take place in the COVID-19-era at the midrange and higher ends of outsourcing.

Figure 8: As a percentage of your total delivery model, please estimate the percentage managed by a CRE&F outsourcing provider today and in the next 1-3 years.

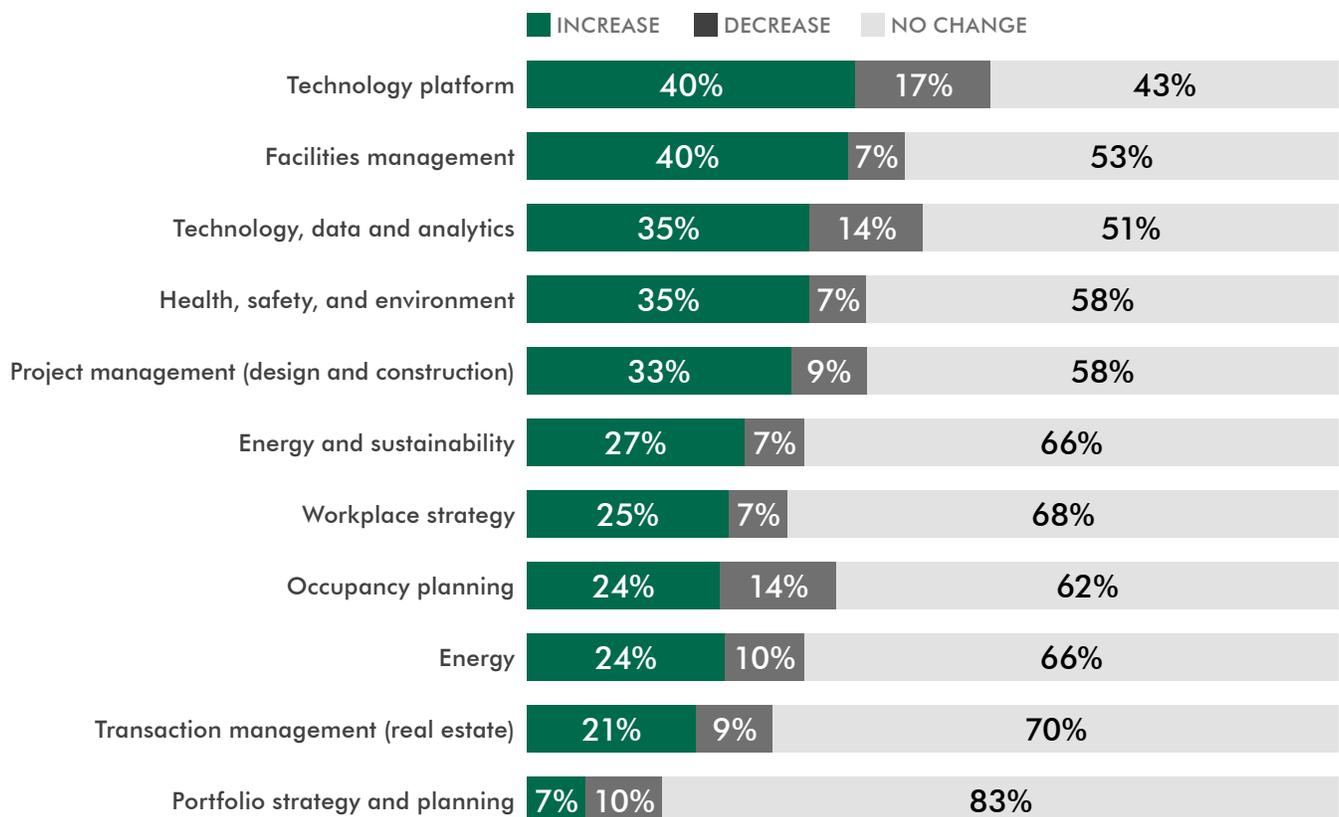


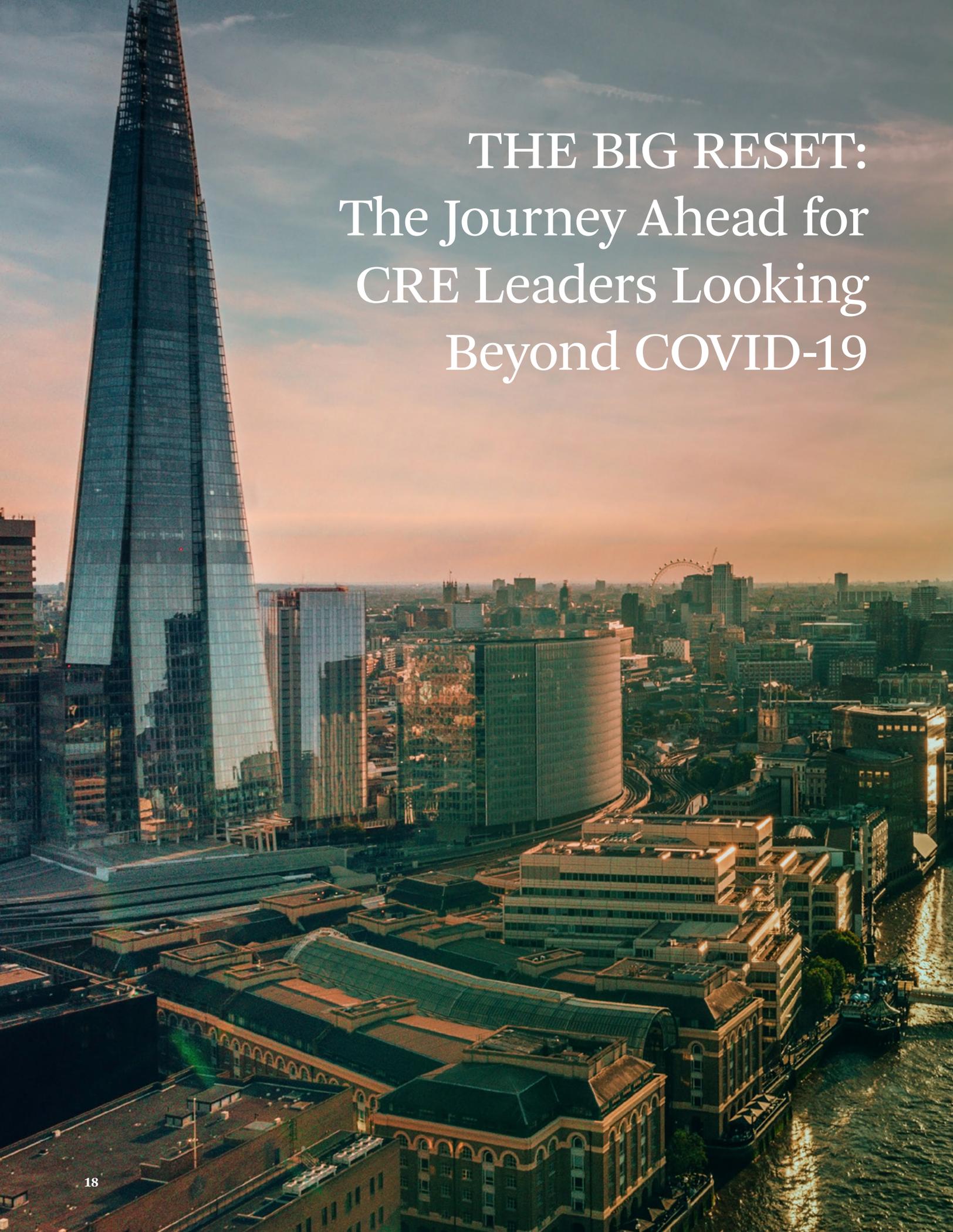
Further, outsourcing by service line (34%) has gained a slight edge over outsourcing by geography (25%) in the COVID-19-era.

CRE leaders expect to increase use of service providers in a range of areas

When asked how outsourcing would change by function over the next one to three years, respondents reported that they expect increases in areas such as technology platforms (40%), facilities management (40%), technology, data and analytics (35%), HSE (35%), and project management (33%).

Figure 9: Looking out 1-3 years, will outsourcing change by function?



An aerial photograph of London at sunset. The Shard skyscraper is the dominant feature on the left, its glass facade reflecting the golden light. The London Eye is visible in the distance. The River Thames flows through the bottom right corner. The sky is a mix of blue and orange.

THE BIG RESET:
The Journey Ahead for
CRE Leaders Looking
Beyond COVID-19

As the impacts and implications of COVID-19 and other significant events come increasingly into focus, it's clear that CRE leaders and their teams are already resetting priorities, strategies, and structures as they rethink and realign their strategic agendas and priorities as the new normal takes shape.

Resetting CRE'S Purpose & Mission

- **Pre-COVID-19:** Business Alignment, Cost Stewardship, Employee Experience
- **COVID-19 and Beyond:** Employee Health and Safety, Cost Stewardship, Business Alignment

With COVID-19 still top of mind for CRE leaders worldwide at the time of publication, it's reasonable to plan for a future in which safety continues to share top billing along with cost savings and business alignment. Safety is being broadly defined to include employee health and wellness across multiple dimensions, impacting items such as space design and configuration, building systems, service levels, IoT, employee apps, and more. As corporations and CRE leaders reset overall enterprise strategy, the safety mandate will be a heightened factor in the prioritization of capital and new operating expense budget considerations.



Figure 10

Redefining CRE Leadership Role & Scope

- **Pre-COVID-19:** CRE Executive
- **COVID-19 and Beyond:** Corporate Workforce Enablement

COVID-19 has resulted in the biggest unplanned remote work experiment in the history of the world—and it has, by many accounts, succeeded. As corporations define their new “North Star” relative to the future workplace, CRE executives will increasingly see opportunities to expand their role and scope—from the traditional, corporate portfolio to a new, dynamic network of workplaces and spaces where work will occur. CBRE first identified the potential for this trend, envisioning the rise of the “Chief Places Officer” in its *Global Outlook 2030: The Age of Responsive Real Estate* report. More recently, The Washington Post published an article, *Hot New Job Title in a Pandemic: Head of Remote Work*¹. CRE leaders would be well served to look to the future and take the reins to reshape the inevitable evolution of their role and corporate mandate in the days of COVID-19 and beyond.

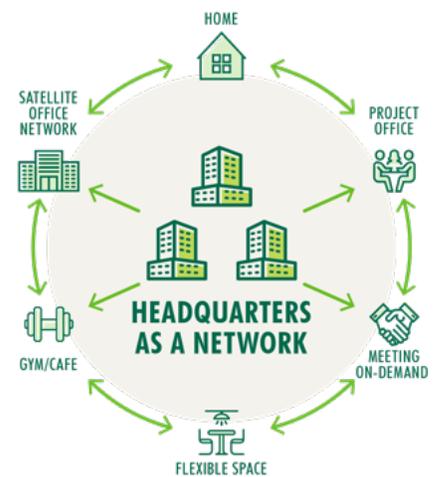


Figure 11

1. McGregor, J. (2020, September 9). Hot new job title in a pandemic: 'Head of remote work'. Washington Post. <https://www.washingtonpost.com/business/2020/09/09/head-of-remote-work-jobs/>

Retooling The CRE Team

- **Pre-COVID-19:** CRM, Analytics, Innovation
- **COVID-19 and Beyond:** HSE, Workplace Strategy, Change Management, Reporting and Analytics, Communications, Strategic Portfolio Planning

In the pre-COVID-19 period, CRE leaders and their teams were focused on increasing business unit alignment, doing more with data, and looking for applied innovation opportunities such as smart buildings and IoT. While these priorities remain important, CRE executives now report a more urgent need for increased skills and capabilities in six key areas:

- **Workplace Strategy:** Fundamentally re-imagining the workplace in the wake of COVID-19
- **Health, Safety, and Environment:** Integrating safety, health, and wellness practices into standard operating procedures
- **Change Management:** Helping stakeholders of all kinds make the transition to the new ways of working
- **Reporting and Analytics:** Adapting reports and data-driven insights to reflect new priorities
- **Communications:** The ability to convey updated information and reminders to employees—throughout the physical building and by digital means—is an essential capability
- **Portfolio Planning:** Corporate portfolios are poised for significant transformation and will demand deep expertise on the part of CRE and its partners

This array of COVID-19-centric skills will be in high demand. CRE leaders should encourage existing team members to take on new, stretch assignments and explore partner capabilities to close these skill gaps quickly.

Sustaining Multi-Disciplinary Functional Partnerships

- **Pre-COVID-19:** CRE as Individual Functional Participant
- **COVID-19 and Beyond:** CRE as Master Collaborator

A hallmark of COVID-19 has been to drive an unprecedented degree of cross-functional collaboration with the shared goal of successfully navigating the pandemic. CRE leaders are now signaling that it will be equally critical to sustain this collaborative



Figure 12



Figure 13

approach and maintain key points of cross-functional alignment as business priorities and workforce and workplace strategies take shape. COVID-19 offers CRE leaders a unique opportunity to elevate their profile—from peer participant to master collaborator—and play the critical role of “mortar between the bricks” in the new normal.

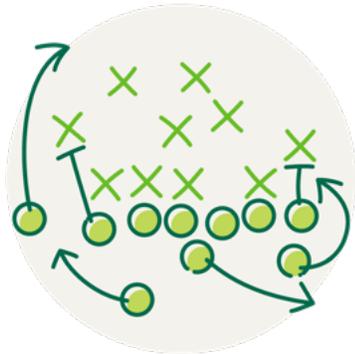


Figure 14

Reshaping The Portfolio

- **Pre-COVID-19:** Portfolio Planning
- **COVID-19 and Beyond:** Agile Scenario Modeling
Incorporating Flexible Concepts

A lasting impact of COVID-19 is likely to be the significant reshaping of corporate portfolios. This is largely due to the assumption that most corporations will implement work arrangements that feature a hybrid of corporate and remote work options—with employees being offered greater choice. While heads-down activities and standard work processes can be performed in a variety of workspaces, the need for employee engagement, collaboration, and innovation will be best supported by activity-based workplace configurations that give employees a spectrum of open and modular unassigned environments inside the corporate workplace. CRE leaders will be challenged to master the new era of agile scenario modeling.

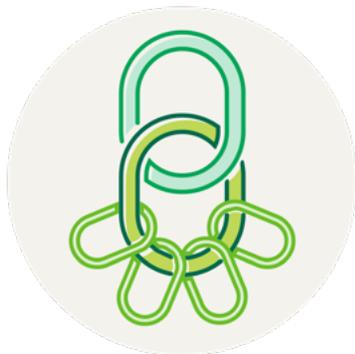


Figure 15

Rethinking Supplier Partnerships

- **Pre-COVID-19:** Traditional Outsourcing
- **COVID-19 and Beyond:** Transformational Partnerships

COVID-19, coupled with its impact on the economy, is prompting most corporations to challenge conventional wisdom in a host of areas and embark on a new level of transformational initiatives. For CRE leaders, this will go well beyond portfolio initiatives to include new approaches to the CRE delivery model, outsourcing partnerships, supply chain strategies, and more. In short, the entire “build/buy/partner” strategy of obtaining needed skills and services may need to be reset to be more streamlined. Now more than ever, it will be critical for CRE organizations and their partners to align around shared corporate goals—with cost savings and safe working arrangements at the top of the list.

Recalibrating Performance

- **Pre-COVID-19:** Traditional KPIs
- **COVID-19 and Beyond:** Strategic Business Outcomes

As C-suites look to CRE to support transformational company initiatives and strategic business outcomes, CRE will be required to manage and measure entirely new performance metrics. While traditional KPIs will remain fundamental to successful service delivery (e.g., budget variance, speed to market, uptime), they may prove insufficient to report progress against more critical and transformational outcomes such as employee safety and wellbeing, risk management, strategic capital deployment, employee enablement, sustainability, and reductions in the total cost of ownership (TCO). New delivery and contracting models, aligned to these and other strategic business outcomes, will be key to CRE's success.



Figure 16

Conclusion

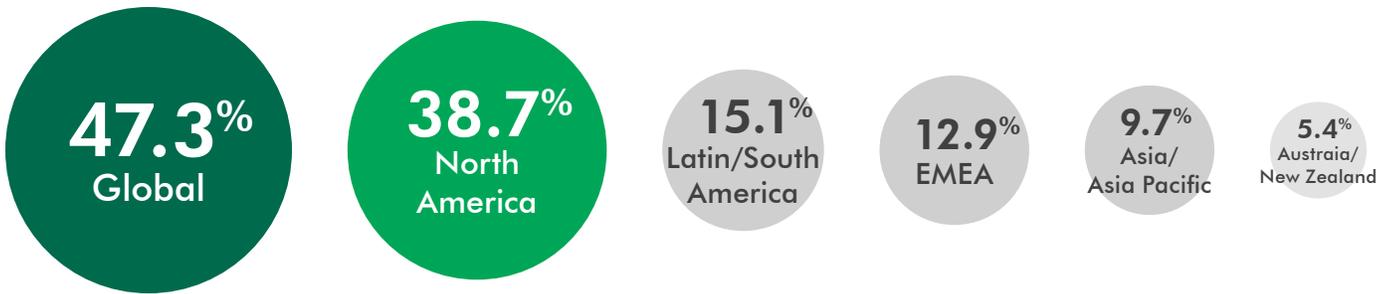
In these unprecedented times, CRE leaders have a unique opportunity to fundamentally rethink and reset their and their team's roles in supporting the enterprise recovery and resiliency. Doing so will require shifting from traditional approaches and embracing new, more transformational CRE models and methods—including the scope and remit of the CRE function itself. With workplace front and center as we navigate the pandemic and beyond, CRE's critical contributions to strategic business outcomes will be more pronounced than ever before.



CBRE and CoreNet Global surveyed CRE&F leaders from 95 corporations during July 2020. Respondents oversee combined portfolios of 449 million square feet worldwide, with an average CRE&F organization of 116 FTEs and an average portfolio size of 10.7 million square feet.

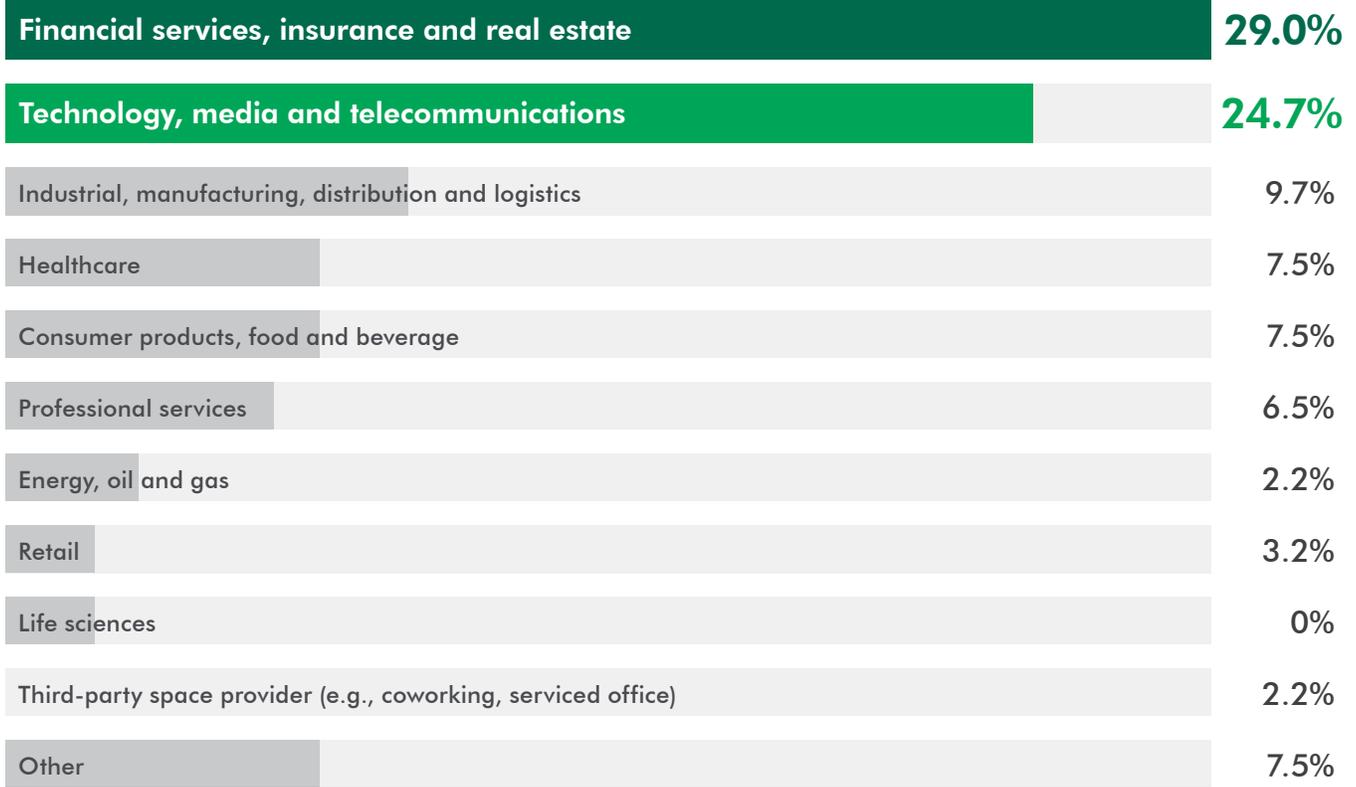
Geographic remit of respondents' responsibilities range from regional to global, as illustrated below.

Figure 17: What is the geographic remit of your organization/role? Select all that apply.



Participation spanned a host of industry sectors, with the greatest representation coming from financial services and technology, media and telecommunications companies.

Figure 18: Which industry sector best describes your company? Select one.



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