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HISTORIC TAX CREDIT TOOL BOX 🌿

COVID-19 Impacts on Design and Commercial Real Estate: An Interview with Gensler and Cushman & Wakefield



JOHN TESS, HERITAGE CONSULTING GROUP

COVID-19 is requiring owners and architects to look at ways to provide a healthier, safer and more efficient work environment for employees and since the onset of the coronavirus in the United States, we have been in constant communication with architects, developers and commercial real estate leaders to understand how the pandemic has impacted the various real estate sectors.

In this article, we interview leaders from two global firms, Gensler and Cushman & Wakefield, to explore how the commercial real estate industry is responding and adapting to the changing nature of the COVID-19 world. Providing insight are Jack Paruta, senior project architect with Gensler, and Tom Usher, executive managing director and Samuel Hatcher, research analyst with Cushman & Wakefield. We conducted the interviews separately and combined the responses.

Q: Clearly, COVID-19 has had widespread impacts on the world at large, but also on how businesses operate in an office environment. How has it impacted your operations and how has your company responded?

Paruta: A lot of things have affected us since March. As a global company, we had the advantage at the onset to observe and understand how our offices in China were coping with the evolving situation. Since the pandemic is global, all of our 50 offices have been affected in some way. Our research has shifted gears

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to focus wholeheartedly on COVID-19, in an effort to help our clients through this difficult time.

Usher: Our focus as a company has needed to shift swiftly and considerably due to the onset of COVID-19 because we want to make sure that we supply our clients with the most up-to-date information.

Q: Where do things stand at your company with regard to employees working in the office or at home?

Paruta: All of our offices are coping with the situation based on the conditions in the respective regions. For example, our Asia offices are working at partial office occupancy. Nearly all other regions are working from home and the timelines for return to the office varies from location to location. Fortunately, we have been able to retain employees due to our strong presence in multiple sectors and our employees have been able to stay very productive while working from home. Video conferencing and collaborative platforms allowed us to stay in frequent contact with colleagues and clients.

Hatcher: There has been a change in how people have been working. Just like many offices around the nation, our employees have been working from home with limited time and occupancy in the office, typically no more than 20 percent occupancy at any time. While we are currently functioning in this capacity, our employees are anxious to get back in the office. I, personally, miss the interaction with my colleagues.

Q: Over the past several years, there has been a focus in commercial real estate on retrofitting buildings for energy efficiency. Do you think that will take a back seat to renovations in response to COVID-19?

Paruta: COVID-19 is preempting the conversations on energy and sustainability to some extent. Sustainability and COVID-19 are linked and not necessarily independent entities. We've seen that the pandemic has

lessened our carbon footprint as the world's buildings that contribute a large percentage of emissions have less demand for energy, since we're not occupying them as much. In the near term, the pandemic could potentially lead to a decrease in the need for new or renovated commercial space. However, it remains to be seen how this will play out following the pandemic.

Usher: Today, everyone expects to be in a green environment. It has become par for the course and we do not foresee a change post-COVID-19.

Q: It seems fair to say that there will be significant changes in the design and construction of buildings post-pandemic. What do you anticipate will be priorities for owners and tenants?

Paruta: A big focus will be on the configuration and layouts of office buildings. There will be a need to spread people out, a challenge that would not only be present in the construction of new buildings, but also in the retrofitting of existing office buildings. We will be evaluating how to properly space people out within existing spaces by reconfiguring furniture or establishing new circulation patterns. We are also encouraging people to use stairs in buildings as an alternative to elevators. One change we are implementing with projects on the boards is the incorporation of monumental stairs and making them more inviting to encourage usage.

Usher: One significant change that we anticipate is that tenants will demand additional and separate entrances. The incorporation of new mechanical systems featuring improved airflow and more effective filters will also be required by building users. Touchless technologies will be incorporated where possible. We also anticipate that companies will right size their spaces and plan for staggered work schedules for employees.

Q: What specific challenges do historic buildings present post-COVID-19?

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Paruta: Historic buildings inherently present limitations that we will need to overcome. We anticipate that building occupants will value open and outdoor space. Historic downtown buildings often have limited opportunity for these types of amenities. Larger spaces such as lobbies and meeting rooms will have to be designed to encourage smaller groupings and potentially repurposed for other uses. We also anticipate an uptick in the trend for experiential retail, which allows for reduced inventory and smaller retail footprints. And we'll need added flexibility for jurisdictional approvals in adapting historic buildings so these buildings remain economically viable.

Q: What changes do you think we will see in the various sectors such as hotel and office?

Paruta: Within hotels, everything will lean toward a touchless experience, including access, check-in and in-room operations. We are seeing an emphasis on adding signage to communicate policies and procedures, particularly with respect to cleaning. Lobbies and public spaces will need to be designed for easy cleaning and brighter to convey the sense of cleanliness to guests. Gensler has hosted a number of "Back To" webinars, which can be found on our website, to prepare people to go back to buildings.

Usher: From an investment standpoint, we believe that the industrial sector will see the most opportunities followed by multifamily, office, hospitality and finally retail.

Q: Where do you see opportunities in the marketplace?

Paruta: I foresee the potential for suburban growth, as people are looking for more space and reduced density. This may result in a bump for Main Street retail because smaller buildings are easier to navigate and generally less populated.

Usher: We believe there will be increased interest in hoteling, which will provide a solution for employees seeking to leave home offices and for companies looking to sublease. We believe that both vacancies and subleases are going to rise, and that there will be shorter renewal periods because companies don't know what the future holds. Big cities offer public transportation, but figuring out how to make it safe for all passengers will be challenging. The suburbs offer low-rise solutions, as an alternative to tall elevator buildings, but in the end, we believe that people will still want to be in big cities.

Conclusion

It seems clear that COVID-19 has required design and commercial real estate firms to refocus their practices in order to help their clients successfully manage their changing real estate needs. It is too soon to tell and uncertainty is likely to remain until there is an effective vaccine or treatment. Gensler and Cushman & Wakefield have been listening to clients and planning for change so that their clients are prepared to go back to business and back to buildings in the post-pandemic world. Both Gensler and Cushman & Wakefield have been proactive during the COVID-19 pandemic and further information on how they are responding to the changes in the design and real estate landscapes can be found on their websites.

About Gensler

Gensler is a global architecture, design and planning firm that studies how people and organizations use and experience place and space. Its expertise spans sustainability, interior design and real estate services, to highlight a few. With 50 locations across the world, Gensler's global footprint allows their clients to receive a comprehensive and valued understanding of the ever changing world. Jack Paruta is a senior project architect and has more than 25 years of experience as a project architect. He specializes in hospitality work

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that focuses on a wide range of project types, including adaptive reuse, new construction, major renovations and additions. His prominent portfolio of work focuses on the adaptive reuse of historic buildings, many using federal historic tax credits.

About Cushman & Wakefield

Cushman & Wakefield is a global commercial real estate services firm whose focus is to create real estate solutions for clients in order to best prepare them for the future. With 53,000 employees in offices located in 60 countries, Cushman & Wakefield is experienced in providing clients with knowledgeable insight on global real estate market trends.

Tom Usher is executive managing director and has more than 40 years of experience in the real estate industry. Over the years he has played a valued role in the growth and maturing of the commercial real estate industry in the Pacific Northwest. He focuses on strategic planning and problem-solving for clients with complex real estate needs. Samuel Hatcher is a research analyst who recently joined Cushman & Wakefield. Hatcher is an experienced research analyst with experience in sales and customer service, market research, written communication, and social media. ❖

John Tess is president of Heritage Consulting Group.

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