

**COVID-19:
Evaluating
The “New Normal”
for Commercial
Real Estate**

April 23, 2020



**When we look back on 2020,
it will be seen as the year
the world changed.**

Not just in a cyclical economic sense – but in more fundamental ways, around our relationships and behaviours. Commentary is already emerging about exactly what those changes will be, and what the future will look like. Well-meaning as they may be, many of these views are premature and founded on limited evidence – if any. In this initial paper we set out how Avison Young is thinking about the stages we will move through to get to a post-COVID world. We then provide a framework for evaluating the various predictions being made about what the “new normal” may look like. The questions and issues raised in this summary will be expanded upon in future Avison Young reports.

Executive Summary

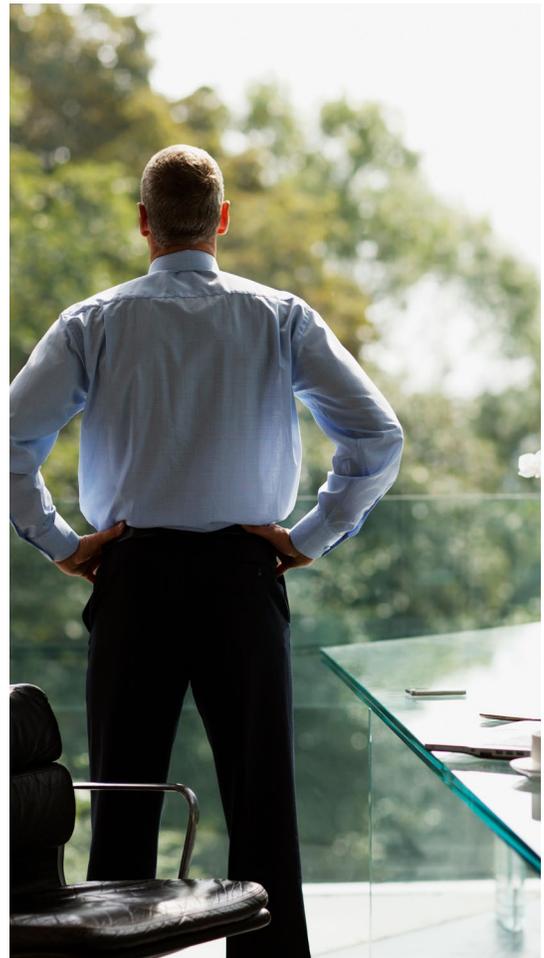
- The way the world responds to COVID-19 will need to evolve as events unfold; we should acknowledge that we might see the future direction of travel, but it remains too early to identify the destination.
- Before jumping to conclusions about a radical “new normal,” we should recognise that our society and our world today are the product of some very powerful forces that will not easily be overturned.
- We must also acknowledge that responses which are appropriate in one location or organisation may not be suitable in another. Recent experience and cultural context will be hugely important, and organisations will require customised solutions rather than a one-size-fits-all approach.
- Restrictions on our movement and activity are likely to be relaxed gradually, lifted for different people in different places at different times. Until an effective vaccine is found, the first stage of “returning to normal” will involve continuance of defensive measures designed to prevent a resurgence of the current outbreak.
- In terms of the impact on commercial real estate, those measures can be divided into changes to our working practices and adjustments to our workplaces.
- Changes to our behaviour and work practices may include continued remote working or a partial return to the workplace incorporating modified schedules or shift working.
- There will be a general desire to avoid crowded public transport, so in the short term commuting by car, motorbike or bicycle is likely to increase. Some will avoid their previous commute by working from suburban or branch offices outside city centres or utilising local flexible/serviced office providers.
- Office occupation densities will be reduced, at least temporarily – initially managed by seating policy and behaviour rather than more expensive desk reconfiguration. Video calls will continue to replace many meetings and most business travel.
- Homeworking is only a viable option for a small proportion of workers. Industrial activity will be re-processed wherever possible to reduce the need for direct human interactions.
- Wherever people are required to return to proximity to others, the current experiences of healthcare professionals may offer an insight into how people will respond – Increased respect for personal space; Extensive use of personal protective equipment (PPE); Frequent testing and monitoring campaigns; Rigorous contact tracing and isolation of individuals or teams when incidences of infection are identified.
- Smart organisations, smart buildings and smart cities that can effectively harness data and technology to monitor, manage and minimise the risks for individuals will be at a clear advantage – and we should expect to see an explosion of innovation in these areas over the coming months.
- Eventually we should expect to prevent the spread of COVID-19 via vaccination or treat it more effectively. At that point we will be able to move on to the next phase of the recovery – toward the true “new normal.” Only then will we see which changes will be retained as common practice once the immediate need for them to combat COVID-19 has passed.

Responses which are appropriate in one location or organisation may not be suitable in another. Recent experience and cultural context will be hugely important, and organisations will require customised solutions rather than a one-size-fits-all approach.

Executive Summary

There are three kinds of impact that could persist beyond the immediate crisis to become embedded in a “new normal”

- First, those which would probably have happened anyway, but which have been accentuated or accelerated by COVID-19; these are the impacts about which we can be most confident in predicting they will endure. Some we comment on in the report include extension of technology-enabled flexible working and agile workplaces; health and wellness at work; penetration of online retail; de-globalisation and de-risking of supply chains; and the extension of the Internet of Things (IoT) to create smart buildings and cities.
- Second, those which will happen (or stop happening) in future because we have learned something positive from our COVID-19 experience; we can also be reasonably confident that such improvements will endure to some degree. Examples we elaborate on include the elevated importance of business continuity planning, and health & safety in the workplace; technological enablement of business process re-engineering and robotic process automation; use of video-conferencing to reduce business travel, supporting carbon reduction strategies; and new-found respect for the importance of “places”: cities open spaces, offices, shops.
- Third, those changes which are driven by fear of COVID-19 itself or the recurrence of an infectious disease pandemic; predictions along these lines rest on the assumption that avoidance of infection from virus pandemics will be a primary driver of behaviour in the future. We explain why we believe these should be treated with a greater degree of caution because it is simply too early to judge the validity of this speculation. Examples discussed include permanent de-densification of office occupation, the widespread creation of “disease resistant buildings”; the suburbanisation of economic activity; and a significant long-term reduction in public transport usage.



There will be many implications that arise from the current crisis. The world will never be the same again, and real estate will be affected along with every other aspect of business, economics and society. Whatever else happens, we cannot allow the very real **ESG and sustainability challenges** faced by governments and companies, and the central role that real estate must play in dealing with them, to be overlooked.

Organisations need to plan ahead, starting with short term-priorities and considering potential longer term solutions. But claims of a “new normal” that is radically different from the old appear at the very least premature and in many cases misplaced; for now, they should be treated with caution.

Introduction

We regularly debate with our colleagues what the current crisis may mean for different aspects of real estate – but amongst all that expertise, the only sensible conclusion at this stage tends to be “it’s too early to tell.” There is also a temptation to try to find “the answer” – yet we must recognise that responses which are appropriate in one location or organisation may not be suitable in another. Recent experience and cultural context will be hugely important, and organisations will require customised solutions rather than a one-size-fits-all approach.

Yet for ourselves and our clients we still have to anticipate what the future may hold, so it’s important to set out how we believe we should be thinking about this – in a calm, logical and structured manner; recognising that our response will need to evolve as events unfold or hard evidence emerges; and acknowledging that we might see the future direction of travel but it remains too early to identify the final destination. In the coming weeks we will set out our views on these issues in a series of studies from our teams of experts – what follows will explain the overarching principles that are at the heart of our approach.

At Avison Young everything we do is underpinned by thinking about people; how they interact with each other and with the places around them. Our homes, our workplaces, our shops and the myriad of other buildings that make up the fabric of our towns and cities are the places where we gather together. If COVID-19 fundamentally and permanently changes the way we want to interact with other people, the implications for our communities, buildings and cities could be truly monumental. But before jumping to too many conclusions, we should recognise that our society and our world today are the product of some very powerful forces that will not easily be overturned.

There are three main drivers that will condition how we respond, now and in the future:

- **Governments** and the legislative environment they create;
- **Businesses**, and their need to survive, thrive and make a profit;
- **Society**, and the way it prioritises and values different issues, which is a reflection of each of us as individuals and the very human ways we respond physically and emotionally to this truly unprecedented situation.

Any meaningful prediction of what the future holds needs to fully consider all these perspectives, and how they are likely to change over time. Organisations are already planning for getting “back to work” and, whenever it happens, at least to begin with it will be very different to our pre-COVID experience. Let’s start by highlighting some of the issues we need to consider in this first phase of the recovery, before moving on to consider “the new normal.”

Living With the Now

Restrictions on our movement and activity are already being relaxed gradually in some parts of the world. Even within individual countries, they are likely to be lifted for different people in different places at different times. This will present challenges in itself – how will we respond to ongoing restrictions when others around us may be starting to rediscover their freedom. It will also provide evidence of how individuals and communities in different places re-awaken. The common thread around the world is that our lives are likely to be “returning to normal” with the spectre of COVID-19 still hanging over us. Until an effective vaccine is found, the threat of renewed outbreaks will never be far from our thoughts.

It therefore seems to us that the first phase of recovery will still be characterised by unusual measures and behaviours by any historic standards. Whether by government mandate or fuelled by personal concern, people are likely to avoid situations where they are forced into close physical proximity with others – particularly with strangers. And where contact is unavoidable, behaviour will be modified and precautions taken to minimise the risk of infection. This has implications across all aspects of society, many of which we will explore further in the future, but for now we focus on those most relevant to the commercial real estate market.

For many of us, and for governments tackling the recession now impacting the global economy, “getting back to work” will be a top priority. We can see a variety of short-term changes to our working lives designed to reduce the risk of infection. These can broadly be broken down into changes to our working practices and adjustments to our workplaces.

As we have seen in recent weeks, changes to our behaviour and work practices may be inconvenient but in some cases they can be implemented relatively quickly and effectively. Knowledge workers can use technology to work remotely, including from home, and teleconferencing can help maintain effective communication. During this first phase, those who are most at risk or most concerned about becoming infected may choose to continue to work this way wherever they can. Others may prefer a blended approach of a gradual or partial return to the workplace – reflecting corporate or personal experiences of the current homeworking experiment.



The common thread around the world is that our lives are likely to be “returning to normal” with the spectre of COVID-19 still hanging over us.

Living With the Now

For many, the opportunity to get out of the home and “back to work” will be seized upon as soon as possible – but with understandable concerns over the residual risk of infection. There will be a general desire to avoid crowded public transport, so in the short term at least commuting by car, motorbike or even bicycle is likely to increase – with consequent challenges for urban congestion, the environment and car parking or bike storage at the workplace. In some cases it may be possible to avoid the “traditional” commute into “the city” – for example by working from suburban or branch offices outside city centres, or utilising local flexible/serviced office providers who can offer working environments away from home that don’t require commuting “into town.” Large employers may seek out flex office providers who can help support such “micro-commuting” via corporate arrangements, providing a welcome boost to a sector currently suffering from reduced levels of occupier demand.



Working days may also be extended or modified to allow commuting to take place outside traditional peak periods. Shift-working, varying the days and the hours when individuals are physically at work, could become much more common among service sector companies to help ease commuting congestion and reduce the number of people in the workplace at any one time. This will allow occupation densities to be reduced, if only temporarily – although in the short term this may be managed by seating policy and behaviour rather than more expensive desk reconfiguration. Even once “back at work,” employees will find many of their colleagues still working remotely – or simply unwilling to sit in a confined meeting room with others for any significant period – so video and conference calls will remain a feature of work life even after restrictions on movement start to be relaxed.

But we should not forget that homeworking is only a viable option for a small proportion of workers and is impossible for many. Where people are effectively forced into returning to proximity to others, the current experiences of healthcare professionals may offer an insight into how people will choose, or be required, to respond:

- Use of personal protective equipment (PPE) including gloves and masks, particularly when in higher risk environments (including, for example, crowded trains);
- Routine adoption of “social distancing” as part of daily interactions, maintaining separation from other individuals when in transit or in the workplace;
- Enhanced personal and workplace hygiene practices, with frequent workplace cleaning regimes;
- Regular testing to ensure early identification of infection, prevent unnecessary quarantining and identify individuals with immunity who can safely undertake tasks requiring a degree of physical proximity to others;
- Potential workplace scanning of individuals for symptoms or “health passport” certification requirements prior to entering buildings;
- Working practices that “ring fence” teams to limit the risk of infection spreading throughout entire workplaces, and use of “contactless” processes wherever possible (for example reduced use of cash and physical documentation replaced by scanning or electronic documents);
- Rigorous contact tracing and isolation of individuals or teams when incidences of infection are identified.

None of these measures are “normal,” but these are not normal times. It seems likely that we will be prepared to accept many such changes as the price we have to pay - for a time at least – to restore a degree of normality to our lives and get back to work.

Living With the Now



Smart organisations, smart buildings and smart cities that can effectively harness data and technology to monitor, manage and minimise the risks for individuals will be at a clear advantage.

Travel *to work* may return to a semblance of normality before travel *for work*. Business travel has come to a virtual standstill in recent weeks, and the financial strain on corporate balance sheets from the economic slowdown mean it is likely to remain constrained for a time even after government restrictions are lifted. Those restrictions will be relaxed at different times in different countries – and even in different cities within a country – so we should expect that long-distance business travel will remain affected for a considerable period, at least to some destinations. Whilst some countries are now emerging from lockdown, others have thus far escaped a major outbreak. Until a vaccine is available, we would expect individuals and businesses to feel very nervous about travelling to any destination perceived as an infection risk.

Life is not just about work, of course. Humans are inherently social animals. The impact of social distancing on our lives has been significant – holidays, family gatherings, travel, leisure activities, shopping, culture, sport and socialising have all been curtailed. Once government restrictions are lifted, how quickly – and how – people choose to re-introduce these activities to their lives will be a crucial litmus test of popular confidence...and ingenuity. People must work, but they want to socialise. If you are prepared to spend your Saturday afternoon at a busy shopping centre or a sports stadium, it will be easier to rationalise returning to a more “normal” work environment – even if both activities are undertaken whilst wearing a mask.

The quicker communities can make available instant, cheap, reliable testing for COVID-19 (together with discrete but effective PPE) the easier it will be for organisations and individuals to rebuild the confidence needed to relax some of these measures. Smart organisations, smart buildings and smart cities that can effectively harness data and technology to monitor, manage and minimise the risks for individuals will be at a clear advantage – and we should expect to see an explosion of innovation in these areas over the coming months.

Eventually – one would hope months rather than years – we should be able to prevent the spread of COVID-19 via vaccination or treat it more effectively. At that point we will be able to move on to the next phase of the recovery – toward the true “new normal.”

Life Beyond the Immediate COVID Crisis

The phrase “new normal” will be subject to many interpretations and definitions over the coming months, so it’s important to clarify what Avison Young means when we use it. To us, “new normal” is about what changes will be adopted as common practice once the immediate need for them to combat the spread of COVID-19 has passed.

Much has already been written – including by us – about how the current crisis is accelerating some of the structural trends we were already seeing. We also believe that organisations, governments and individuals will learn from their successes – and failures – in dealing with COVID-19 and make changes going forward. But we also believe that some current speculation runs contrary to common sense, deep rooted drivers or the previous history of societal evolution. It is understandable that emotions are currently running high, which is why now is a time for cool, calm deliberation rather than knee-jerk reaction.

Our starting assumption must be that at some point in the not too distant future, a vaccine against COVID-19 will be found. If it isn’t, we accept that the world has probably changed beyond recognition for the time being. But the combined endeavour of the world’s research and healthcare institutions, coupled with historic successes in dealing with similar contagious diseases in the past, suggest a solution is likely within the foreseeable future.

The longer this takes, the more ingrained our temporary coping mechanisms will become. Home office niches properly equipped with ergonomic furniture will be carved out in the home. Practical and wearable PPE will be developed to allow as many business and social activities as possible to resume. Workplaces and work practices will be reconfigured – so far as is practically and financially possible in a constrained economic environment – to support individual distancing. Ever-greater emphasis will be placed on affordable home testing kits, allowing individuals to test for infection as part of their daily or weekly routine. But if having to live with COVID-19 is NOT going to be permanent, we can move on to consider “life after COVID.”

It strikes us that there are three kinds of impact that could persist beyond the immediate crisis to become embedded in a “new normal”:

- Those which would probably have happened anyway, but which have been accentuated or accelerated by COVID-19; these are the impacts about which we can be most confident in predicting they will endure;
- Those which will happen (or stop happening) in future because we have learned something positive from our COVID-19 experience; we can now see a better way of doing things; whilst we can’t be certain how quickly and how widely these will be adopted, we can also be reasonably confident that such improvements will endure to some degree;
- Those changes which are driven by fear of COVID-19 itself or the recurrence of an infectious disease pandemic; predictions along these lines are the ones we believe should be treated with a greater degree of caution.

This is the framework we will be using, across all aspects of our business, to examine what the “new normal” will really look across different issues, geographies and real estate sectors. For now, let’s briefly examine each of them and give some examples, to explain our thinking.

Life Beyond the Immediate COVID Crisis



As highlighted in our recent **Avison Young 2020 Global Forecast Report**, a series of structural shifts are driving the long-term evolution of property markets and sectors. It is clear that a number of these trends are being accelerated by the COVID crisis and our response to it.

- Many companies were already adopting remote and flexible working practices, including homeworking, to reduce costs and offer employees more flexibility and an improved work-life balance. The enforced expansion of experimentation in this area will encourage many organisations and individuals to adopt a more flexible, agile approach to working both within and beyond the office.
- Not only will this accelerate innovation and adoption of technology to facilitate agile working, it will also drive a more aggressive strategic version of truly agile workplaces. No longer a simplistic “open plan vs cellular office” decision (which many organisations had, in any event, moved well beyond), we will see more widespread adoption of workplaces that are tailored to the needs of an individual workforce.
- Similarly, at the corporate level, office occupiers will recognise the value inherent in greater flexibility of format, location and tenure within their portfolio. Flexible and serviced office operators have been facing challenges maintaining occupancy levels during the latest downturn, but should see renewed interest from large corporates looking to build longer term relationships and greater flexibility into their occupational portfolios.
- Employee health and wellness in the workplace was already a hot topic amongst employers across all sectors of the economy and has been brought into even sharper focus by the COVID-19 crisis.
- An early casualty of the crisis was the business handshake. This COVID-induced reduction in unnecessary physical contact extends existing discussions around unwanted physical contact in the workplace. Handshakes may not disappear entirely, but we will see a new-found and more stringently observed respect for personal space in many business situations.

Life Beyond the Immediate COVID Crisis

- The closure of many retail outlets and enforced isolation of many households has driven increased usage, or in some cases reliance, on online retail. This accelerates a trend that was impacting retail markets around the world to varying degrees. The stronger brands and operating models will survive and could thrive in the face of less competition as weaker operators, already facing a bleak future, are forced into insolvency.
- The likely permanent growth in online retail shouldn't be over-exaggerated; many retailers struggle to develop a commercially viable online model for home delivery, and as we have **highlighted previously**, we believe physical retail has a strong and vibrant future. That said, a proportion of those forced to experiment with online retail for the first time are likely to integrate it into their regular shopping process with greater frequency.
- Many retailers are taking advantage of the current crisis to express a preference for electronic payment, or even refuse to accept cash. The COVID crisis looks set to accelerate the use of cards, particularly contactless payment.
- Similarly, there has been a significant rise in customer use of self-scan technology in supermarkets, to reduce the level of interaction required with checkout staff. This trend is also likely to persist post-COVID, with potential implications for employment levels in this category of workers.
- The COVID crisis has highlighted the fragility of existing supply chain arrangements across many areas of industry and commerce. The process of **de-globalisation** is something we have examined elsewhere and is being driven by a variety of factors. Organisations will be looking closely at how to de-risk supply chains by developing multiple and localised sourcing strategies to make themselves more resilient to disruption.
- The trend toward "Everything's Connected" was already well established pre-COVID, but will be accelerated by the current crisis. Devices, machines, buildings, cities that are "connected" can be monitored, analysed and managed remotely – and more easily diagnosed and rectified when things go wrong. This proves a huge advantage when direct human oversight is limited or impossible and will drive acceleration of "smart" once the current crisis abates.
- Smart cities that use technology to create more efficient, well-run business environments are more successful in attracting corporate occupiers. A natural extension of this is that those cities that utilise data analytics and technology to more accurately track, manage and contain outbreaks could utilise health as a competitive advantage in attracting workers and corporates.



**Organisations will be looking closely
at how to de-risk supply chains
by developing multiple and localised
sourcing strategies to take themselves
more resilient to disruption.**

The above are just a few examples of trends that we identified previously are being amplified and accelerated by the current crisis. Our teams of specialists are reviewing their markets and business segments to evaluate the trends that we can confidently predict will – still – be at the forefront of clients' strategies in the "new normal" ahead.

Life Beyond the Immediate COVID Crisis



Learnings from COVID-19

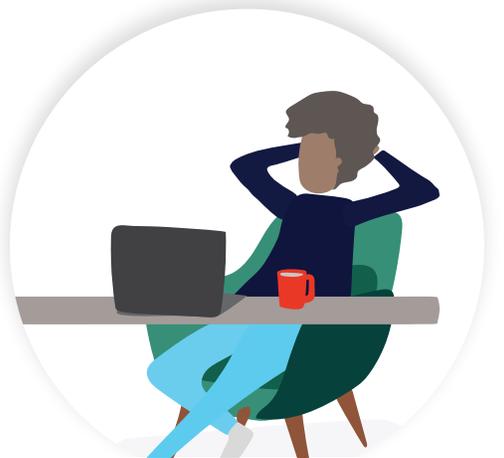
A second category of impacts are the improvements we are identifying as a result of COVID-19 and our response to it. Some things we are learning to do better, others we will have to do better in future. Either way, we see an imperative for improvement that will ensure changes adopted now persist long into the future.

- The importance of the healthcare (and aged care) sector has been highlighted as never before. Inadequacies in levels of provision and physical as well as technological infrastructure will be widely debated. Optimists suggest that significant public and private investment is sure to follow – albeit what public finances will be constrained in the years ahead. Public health services and the professionals who staff them will be the subject of much attention for the foreseeable future.
- Business continuity planning has already risen sharply up the agenda in most organisations. How many real estate contingency plans would have envisaged complete shutdown of the entire organisation's property portfolio, with an inability to source alternative premises or move individuals to alternative territories? Integrated continuity planning across real estate and other disciplines will become a prominent feature of corporate strategic planning from now on, with organisations looking to increase the distributed nature of their workforce and supply chains, trying to maintain talent and cost competitiveness while reducing risk.
- Similarly, organisations are currently learning valuable lessons around their use of technology to support agile working and wider business activities. These lessons will be integrated into strategies for driving efficiency through workplace technology. As organisations have temporarily or permanently streamlined their workforce, they are also identifying opportunities to introduce Robotic Process Automation (RPA) and other **"augmented intelligence"** tools.
- Whilst many of us may feel "over-Zoomed" by the number of videoconference calls filling our calendar, they are a welcome improvement on the monotonous drone that characterised many conference calls. Concentration and participation levels also appear higher as fewer attendees use the time to catch up on email! As organisations continue to pursue carbon reduction and ESG strategies in the future, video meetings are likely to replace some long-distance business travel.
- As valuable as the current experiments in remote-working and video conferencing have been, an overriding impact of the current crisis will be a newfound respect for the important role of the office. Successful offices and workspaces support health and wellness while promoting interactions that drive productivity and creativity. Social interaction is core to team building and the development of effective working relationships. As much as the current crisis will promote adoption of agile working, it will also highlight the very valuable role that well-designed offices play in service sector organisations.

Life Beyond the Immediate COVID Crisis

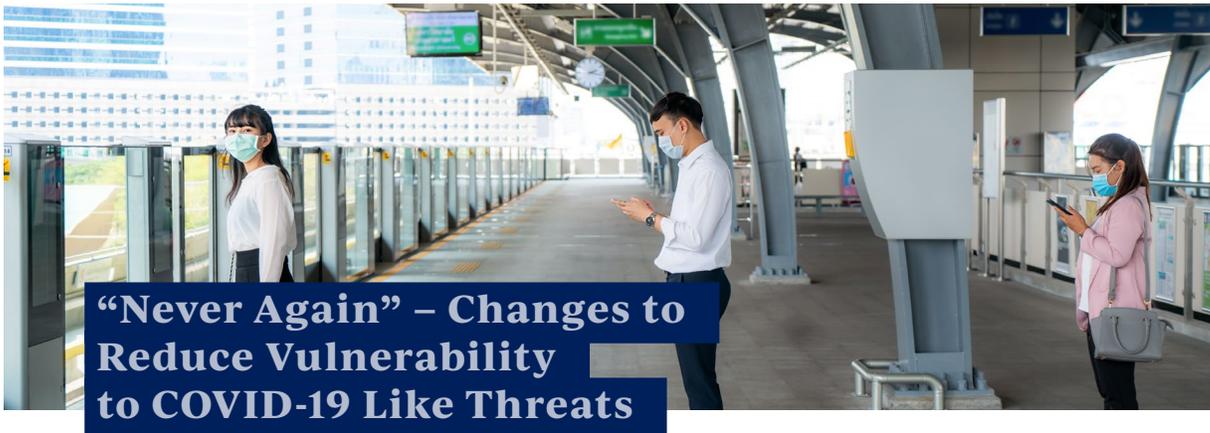
- Hand in hand with that recognition will be a renewed focus on health and safety in the workplace. Personal hygiene policies will be matched by enhanced cleaning and disinfection processes – at least in the short term while employees have a heightened sensitivity to such issues. How long such sensitivity will last depends on how quickly the current outbreaks can be tackled – but with wellness a key feature of many corporate employee welfare plans, it could remain in focus for some time.
- As in the office sector, it will be interesting to see whether “absence makes the heart grow fonder” for retailers. Purchasing can be done online, but **shopping as a leisure activity** is best carried out in-store. It is likely that having closed their doors, certain retailers will never re-open some – or any– of their stores. But in other cases, their efforts to attract customers could receive a welcome boost from shoppers keen to re-establish a direct connection with their favourite brands.
- Across the globe, governments have vowed to do “whatever it takes” to support their economies and their populations through this unprecedented crisis – and thus far they are acting to back up their promise. But they have also implemented restrictions on the activities and movement of companies and individuals that have rarely, if ever, been seen before in western democracies during peacetime. Individuals have been asked to give up traditional rights and liberties for the greater good. It remains to be seen how much the relationship between peoples and governments will be permanently influenced by the current crisis. But as we have noted elsewhere, **populism has been on the rise** and city authorities have been increasingly responsive to local pressure on issues of inequality and sustainability. Local populism could be further accentuated by a renewed sense of partnership and civic responsibility within local – or even national – governments.

It is not just wishful thinking that there will be positives to take from our experience of the current crisis. Our teams are critically evaluating all areas of our business to identify where we responded well – but more importantly to understand where and how we could do better. That is what will drive future improvement in our business and our service to clients.



An overriding impact of the current crisis will be a newfound respect for the important role of the workplace.

Life Beyond the Immediate COVID Crisis



There is a final category of changes being widely discussed, which rest on the assumption that avoidance of infection from virus pandemics will be a primary driver of behaviour in the “new normal.” Whether this is because our collective psyche has been so scarred by COVID that we will remain perpetually terrified of a repeat, or because further outbreaks of COVID-like diseases are now deemed more likely, is not clear. Either way, at Avison Young we believe that it is simply too early to judge the validity of this speculation – much of which seems somewhat far-fetched. Pandemic-resistant homes, offices, clothing and lifestyles may indeed become the norm; or they may not. Speculation around such a “new normal” may be inevitable, or even helpfully thought provoking. But for now, it should be treated as what it is: pure speculation.

Many things we now take for granted as “normal” have their roots in previous crises – for example, immediately following the 9/11 attacks: heightened security at airports, around aircraft cockpits and in many office buildings. But these were implemented to address the very real concern that having happened once, others would be motivated to mount similar attacks. At the time of the 9/11 attacks it was also suggested that companies would be reluctant to occupy upper floors, tower offices or iconic buildings and that people would be reluctant to get back on planes. This may have been true for some, but in most cases the combination of prudent measures to prevent repeat attacks with recognition that the true level of risk was low was sufficient to address most people’s concerns. The world has never been the same since 9/11 – but the “new” normal is not radically different from the old.

So, what of some of the suggestions being made about the post-COVID world? They are worthy of consideration but need to be evidence-tested before companies make strategy and investment decisions on the assumption they are true. This is particularly the case where they suggest that the future will run counter to a trend which has been clearly apparent to date, and where there are legitimate questions over affordability, viability or practicality for many organisations.

- It has been suggested that fear of infection and a desire for greater personal space will result in de-densification of office occupation, and potentially the return of cellular offices at the expense of open plan working. There are good reasons to suggest that some current versions of open plan should be changed and in the short term we would indeed expect lower density occupation to be a component of most organisation’s anti-COVID strategies. But there seems no reason why, once an effective vaccine is developed, lower density occupation will become the norm. If anything, organisations struggling to recover from a recession of great severity will be incentivised to rationalise their space portfolios and make greater use of agile working strategies.



Speculation around a “new normal” may be thought provoking. But for now, it should be treated with caution.

Life Beyond the Immediate COVID Crisis

- The creation of “disease resistant buildings” is being postulated as a likely response to the current crisis. Enhanced air filtering, bacteria-resistant surfaces, automated monitoring of individuals entering the building and a host of other features are being discussed. Many of these are quite plausible and practical responses, and anything which promotes a healthier and safer working environment is to be encouraged and applauded. In fact, Avison Young agrees they are best practices. However, it remains unclear whether such solutions will ultimately be affordable or necessary. Will the demand for disease-proof buildings be strong enough for long enough for them to be anything more than a rarity?
- It has been suggested that resistance to crowd avoidance will lead to a suburbanisation of economic activity – or even the widespread abandonment of offices in favour of remote working. There is currently little evidence to support this thesis, which would run counter to the prevailing trends in many cities where urban cores have been seeing a renaissance of commercial and residential activity. If people are indeed going to reject crowded city centres as places they want to work, presumably they will also stop visiting successful shopping centres, drinking in popular bars or attending theatres or sporting events. Once a vaccine is developed and widely available, it seems unlikely that such behaviour would persist.
- It should also be noted that suburbanisation as a response to the “dangers” of congested cities would be a solution for the select few rather than the majority. Many city centre residents have low-income jobs, with no opportunity for residential or employment mobility. We are already seeing strong political reactions to inequality within society; large scale migration of jobs and wealth out of urban areas would further exacerbate existing social and political tensions.
- For those who continue to work in cities, the daily commute on public transport is likely to remain – as at present – the point when they are forced into proximity with others. The idea that most people will permanently abandon public transport in favour of cars, bicycles or other forms of transport appears as fanciful and financially impractical as it is logistically impossible to accommodate within most of our cities. It seems likely that development of highly effective PPE would be a more feasible response to fears of infection than substitution for public transport services.



Anything which promotes a healthier and safer working environment is to be encouraged and applauded. However, it remains unclear whether such solutions will ultimately be affordable.

There will be many implications that arise from the current crisis. The world will never be the same again, and real estate will be affected along with every other aspect of business, economics and society. But most claims of a “new normal” that is radically different from the old appear at the very least premature and in many cases misplaced.

Worryingly, the environmental and wider ESG agenda which rose to such prominence last year is too often being side-lined in the rush of post-COVID predictions. Whatever else happens, we cannot allow the very real sustainability challenges faced by governments and companies, and the central role that real estate must play in dealing with them, to be overlooked.

We will continue to diligently examine all areas of the real estate landscape, identifying what we think may change... and what will not. We look forward to sharing more of our thoughts – and the evidence that underpins our views – in the near future.



For more on the virus' potential CRE impacts, read the latest briefings on the Avison Young Resource Centre: avisonyoung.com/covid-19-resource-centre

For further information about any aspect of Avison Young research, please contact:

Nick Axford

Global Head of Research
+44 (0) 20 7911 2939
avisonyoung.com/nick-axford

Mark E. Rose

Chairman and Chief Executive Officer
+1 416.673.4028
avisonyoung.com/mark-rose

Visit us online
avisonyoung.com
