

THE EDGE

MAGAZINE
Vol. 4

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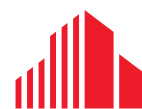
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**CUSHMAN &
WAKEFIELD**



COVID-19 has changed our world. As a global community, we are learning the way forward, taking it one day at a time. The human ability to adjust behavior to a changing environment showcases our unwavering relentlessness.

We will not give up.

From a real estate perspective, we're seeing our world adapt at an exponential pace. From the workplace to warehouses and everything in between, there is no question that real estate is in the process of evolving.

While there are no easy answers to some very difficult questions, we will continue to offer our clients access to our best advice, and our best thinking to prepare for post-COVID-19 recovery and the eventual return to the workplace.

This volume of The Edge Magazine focuses on the future – how we will move forward and what it will potentially look like. In order to provide you with the most up-to-date content, we'll be sharing articles in real-time over the next several weeks. Be sure to subscribe to be notified as articles are released and added to The Edge Volume 4.

We're in this together. Stay safe and healthy.

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How do we move forward after a global pandemic changed the world?

Stay at home for weeks, even months. Work from home while children attempt to further their education on the other side of the table. Don't go anywhere, and don't visit anyone.

During 'normal' times, all of these points would seem to reflect a position held by a totalitarian state, an extraordinary imposition and restriction on the freedoms we hold so dearly. But these are clearly not normal times. The experience of a global pandemic has changed the way we operate, run our businesses, live our lives, educate our children and socialize with our friends.



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FROM PHYSICAL TO DIGITAL, SO MANY CHANGES

So many aspects of the physical world have been dramatically altered by the pandemic, including:

- > Major sporting events completely canceled or suspended indefinitely
- > The famous theaters of New York's Broadway and London's West End remain silent and bereft of their audience
- > The Summer Olympics in Tokyo, originally scheduled to take place in August of 2020, now pushed back one full year to August 2021 (with no guarantees)
- > Office buildings shifting from being 87 percent occupied globally in February 2020 to virtually empty in April 2020 (leased, but without tenants)
- > Many hotels, bars and restaurants closed their doors and more importantly had their revenue stream cut off during the pandemic



Like the physical world, the digital world has also been tested by the global pandemic with the overall consensus that technology has been up to par, helping office-based individuals successfully operate from home while delivering vastly increased usage of video conferencing, cloud computing and general connectivity. Businesses with people working across myriad locations have seen greater levels of engagement across teams and countries. "We don't feel as distant because we're all working the same way" is one of many comments we've heard from people in our own business. But just because employees have the ability to work from home, doesn't mean they necessarily prefer it. Some find it challenging and less productive and can't wait to get back to the office.

Organizations should not confuse short-term, mid-crisis performance with blanket long-term preference. Many workers who are executing well with work-from-home policies by necessity



will be glad to return to the office when it is safe to do so and they again have the choice. A Stanford University work-from-home study showed the significant productivity and savings gains possible when employees move to work-from-home structures. However, at the conclusion of the study half of participants returned to working from the office either because they personally struggled to perform in the home office environment and/or because they missed the community and connection of working alongside their colleagues.¹

¹ Nicholas Bloom & James Liang & John Roberts & Zhichun Jenny Ying, 2015. "[Does Working from Home Work? Evidence from a Chinese Experiment](#)," The Quarterly Journal of Economics, Oxford University Press, vol. 130(1), pages 165-218.



TECHNOLOGY - NO LONGER AN OPTION

Whether you like working from home or not, using technology is no longer an option. Instead, people and businesses have been forced to embrace technology at both a faster and deeper rate than they may have planned. The extraordinary speed in which the move from office to working from home took place could only have been possible in a forced situation. If businesses could have planned to make this operational change, they would have done so by adhering to a carefully scheduled set of processes, trials and tests. This forced situation will ultimately provide a wealth of data which, in turn, will lead to invaluable insights for the future.

HAS THE OFFICE CHANGED FOREVER? (YES)

There is little doubt that the built environment will need to adapt as a result of these unfortunate circumstances. The bigger question is whether the office has changed forever or if we even need offices at all. The unequivocal answer to both questions is yes. Leaders that perhaps weren't historically on board with the idea of remote working have seen irrefutable evidence that individuals can be equally as effective while working away from the office. The simple fact that everyone has the same level of connection to one another has created an egalitarian environment for perhaps the first time in many people's working lives. Speaking to someone on the

other side of the world, time difference notwithstanding, is as simple a task as speaking to the person you face in the office every day. Why would people want to go back to an insular approach to work, indeed to life?


The workplace and the chance to work from home are not one-size-fits-all solutions. Through Cushman & Wakefield's proprietary tool, Experience per Square Foot™ (XSF), our workplace specialists have captured more than 2.5 million data points from workers all over the globe in the pre-COVID-19 era and a further 1.7 million data points from more than 40,000 respondents in the current work from home environment to develop a report, [The Future of Workplace](#). There is clear variance in how working from home is experienced by different departments and generations of employees. Not surprisingly, older workers are less comfortable with the current working situation (70 percent of Gen Z and 69 percent of Millennials report challenges in working from home, compared to 55 percent of Baby Boomers).

Many Millennials and Gen Z employees are pleased to work remotely, however their living situations—often in apartments or smaller homes in more dense parts of cities—can make it more difficult to execute work comfortably.

Going forward, the office of the future will become a place for connectivity, both virtual and physical. Businesses will need to create an environment that people will want to spend time in as opposed to seeing it as a daily chore, which will impact space layouts, amenities and location (given the pain of employee commutes). The considerations of social distancing will naturally lead to a horizon one and horizon two approach to change. Horizon one being the immediate return to work and recovery ready phase, evidenced as an example by the [Six Feet Office](#) concept developed by Cushman & Wakefield. With horizon two tailored to what happens once things return to some form of status quo – i.e., when we are in a position to make decisions based on normal business operations, as opposed to crisis-response.



Cushman & Wakefield's Six Feet Office



AN UNCERTAIN FUTURE AND REAL CHANGE IS COMING

To be at the center of a global crisis is to be part of an uncertain future. The change that is seen following a crisis is often a result of a collective will to evolve. Situations that seem life-altering while the experience is occurring often turn out to be mere blips in the evolution of society. Raging bull markets, fierce bear markets, changes in government, famine, natural disasters all trigger emotional responses as they happen, but rarely do they lead to recognizable ongoing global change. This event, however, does feel different. This time, the scale, the level of attention and the helplessness and impact on our daily lives, may indeed result in permanent change, a new normal.

Real change is coming. We have been on the cusp of a behavioral revolution for a number of years and this may prove to be the final impetus needed to make this a reality. From a behavioral point of view, there is a strong sense this will lead to a generational change. People will begin to see life as more than a collection of working days, weekends and the rare vacation. People rightly will expect more from their lives. Materiality will no longer be the key focus of life, but rather, experiences and creating memories instead. Work-life balance, flexibility, family time and continued integration of lifelong learning are some of the takeaways and positive feelings that are already resulting from the crisis.

COVID-19 will force many sectors of the economy, including real estate, to adapt and evolve. This is inevitable – but the real estate industry is used to it. Consider what has occurred in the last 10-15 years: technological shifts, density trends, the rise of teleworking, millennials, coworking, the eCommerce revolution and the Great Financial Crisis, to name a few. The industry *will* rise to the occasion, but if it wants to continue to play an important role in the economy going forward, it will need to define its own ‘new normal’ in the process.

5G is here

WHY IT MATTERS AND HOW IT WILL PLAY A PART IN A POST-COVID-19 WORLD

5G is here and it couldn't have come at a better time. With working from home becoming the 'new normal' due to COVID-19 – at least in the short term – being better connected via this next generation of wireless technology has become crucial to organizations. To get a little more perspective on 5G and how it's expected to make an impact on the corporate world, The Edge Magazine sat down with 5G experts **Andy Brady**, Vice President, and **Arvin Singh**, Vice President of Connected Solutions, from Verizon and their partners **Adam Stanley**, CIO and Chief Digital Officer, and **Rob Franch**, Chief Technology Officer, from Cushman & Wakefield. They covered everything from why 5G matters to how it will impact the occupant experience to how it is expected to play a part in a post-COVID-19 world.



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WHAT IS 5G EXACTLY AND WHY DOES IT MATTER?

Arvin Singh, Verizon: 5G is the next generation of wireless technology. It's not intended to replace 4G, but rather, to enable a whole new set of possibilities. It was designed to usher in the "connected everything" era. 1G brought analog voice to the world, 2G brought digital voice and text messaging capabilities, 3G put our mobile devices on the web, 4G offered video streaming possibilities on the mobile device and it enabled new business models such as food delivery apps, and 5G was designed with the premise of delivering unprecedented evolution and transformation beyond our imagination.

Andy Brady, Verizon: With global mobile data traffic expected to grow eight times by the end of 2023, we knew we needed more efficient technology, higher data rates and spectrum utilization. With the speed and performance of 5G, you have a powerful, game-changing platform for innovation. From throughput to reliability, 5G can bring endless new opportunities for people, society and business.

HOW WILL 5G IMPACT CRE AND WHAT DO COMPANIES NEED TO KNOW?

Rob Franch, Cushman & Wakefield: As we learn more about 5G's capabilities, we are increasingly looking at opportunities within the Internet of Things (IoT) realm, especially as it pertains to sensors, buildings and our ability to monitor different data points around any given building. The sheer number of sensors and the amount of data is exponentially growing and 5G allows us to capture that data in real time so that we can build smarter analytics around it. The potential in this area is huge. Another area 5G will directly impact in a positive way is the smart city space. As more progressive cities like New York City, Amsterdam and Singapore start adopting 5G strategies going forward, generating vast quantities of data on an hourly basis, we should see shorter wait times at traffic lights, less water waste, drivers being guided to available parking spaces, bins that report when they need emptying and more. And these areas are only going to evolve and grow as 5G becomes more available across these municipalities.

Adam Stanley, Cushman & Wakefield: One of the drivers of true technological change will be 5G's ultra-low latency, which is the time it takes data to travel from the user to the central processor and back again, bringing data transit speed to many times less than the blink of an eye. All kinds of new applications become possible for companies like ours once you reach very low levels of latency, including robotics, autonomous vehicles, connected video, cognitive insights, immersive extended reality (XR) and combining augmented reality (AR), virtual reality (VR) and mixed reality (MR).

Andy Brady: E-learning provides an example. Training documents will be able to track where employees are in real time on their training journey. And from background check to logistics, onboarding a new employee could be seamless and totally interconnected. From the technology side, we know how we are building 5G, but how it's going to be implemented is dependent upon all of the great ideas of companies like yours. It's a great place to be right now. We don't even know what we don't know and that's exciting in and of itself.



DUE TO THE COVID-19 PANDEMIC, WORKING FROM HOME MAY BECOME A BEST PRACTICE - AT LEAST FOR THE FORESEEABLE FUTURE. HOW WILL 5G IMPACT THIS?

Andy Brady: Our infrastructure is designed to handle the 119 million customers we currently have, and we've seen a huge uptick in call volumes to date. In fact, calls have been lasting twice as long. Our 4G LTE is structurally sound enough to handle this new normal, and we are focused on building our 5G network to handle it that much better going forward. I'm confident that our 5G network will allow employees to extend their offices to their homes basically seamlessly in a post-COVID-19 world.

Rob Franch: In this new working-from-home world, connectivity is everything. We are always looking at ways to optimize our networks and to ensure our colleagues are as productive as they can be. 5G has the potential to be a more flexible option than the standard connectivity we've been reliant on for the last several years and we look forward to exploring all of our possibilities when it comes to this new technology.

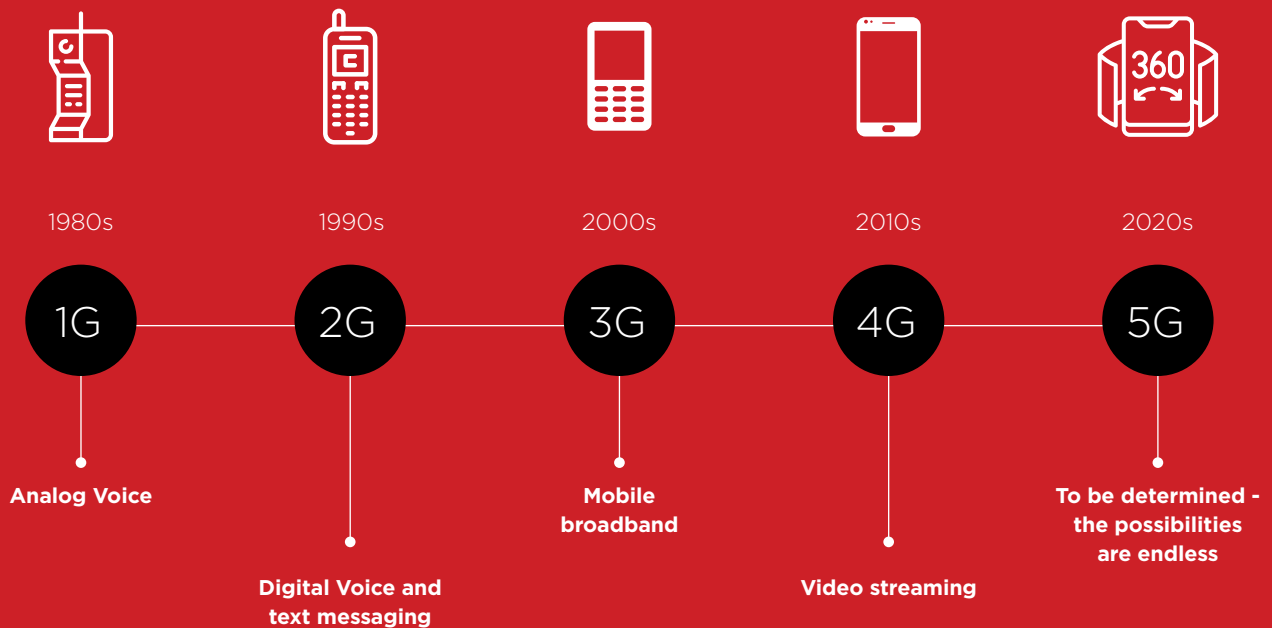
HOW WILL 5G IMPACT THE OCCUPANT EXPERIENCE AND WORKPLACE PRODUCTIVITY?

Arvin Singh: Employees are getting used to and want the ability to work from anywhere. The next generation of buildings will require a very connected workplace wherein the user has the ability to move seamlessly while sustaining high-performance connectivity. That will just have to be the norm.

Adam Stanley: Online audio calls, video conferencing, cloud-based collaboration, and other activities that consume a lot of data should become much faster. And

the resulting impact on the employee experience will be significant. In addition, 5G can make remote working more accessible than ever before. Today, there's always a risk of a glitch during a video call, an email getting delayed, or remote attendance tools malfunctioning due to poor network coverage. These issues should be less of an issue in the 5G era. Remote employees should feel more connected to their on-premise peers - and there will be an increase in the number of fully distributed workforces.

The evolution of 5G



WHAT WILL HAPPEN IN THE NEXT FIVE YEARS?

Arvin Singh: 5G is here and becoming increasingly available. It's a purpose-built technology designed to enable those cases that really demand high speed, high capacity and low latency. Over the next five years, it should scale over time as industries transform due to new capabilities brought on by 5G. Examples include the ability to download a full-length HD movie in seconds, the quick reaction time to enable remote robotics, and battery lifetimes extending beyond 10 years for remote cellular devices.

HOW IS VERIZON AND CUSHMAN & WAKEFIELD WORKING TOGETHER TO SEAMLESSLY BRING 5G TO ITS CUSTOMERS?

Arvin Singh: Through our partnership, we are seeing potential for new business models as well. With high speed connected buildings in place, owners and investors could potentially be offering premium connectivity to tenants in buildings going forward. And some of the smart building enhancements like security monitoring could also lead to new offerings. These are the types of things that could change the economics of the investments you make in a traditional building, really adding long-term value.

Rob Franch: Our technology partners like Verizon help us find the best ways to drive value to our colleagues and our clients. In the 5G space, Verizon has built a strong network and they know what it is capable of doing. Our partnership allows us to strategize how to bring the art of the possible from Verizon 5G to our colleagues and our clients.

The eight currencies

There are eight performance attributes, or currencies, to be considered when evaluating whether a 5G network can deliver on its full potential.

1 throughput

5G has the potential to deliver speeds many times faster than today's 4G, powering uses such as intelligent video, remote diagnostics and mobile command centers for live audio and video.

5G networks will one day offer peak data rates of up to 10 Gbps. So far, Verizon 5G Home has seen typical download speeds around 300 Mbps and, depending on location, max speeds up to 1 Gbps*. (Sacramento max speeds up to 940 Mbps*)¹

2 service deployment

Network virtualization (i.e., using software to perform network functions) enables service and application deployment without having to install additional hardware. This should lead to a reduction in typical service deployment time from six months to 90 minutes. Faster deployment times means we can roll out new features and security improvements quickly.

3 mobility

5G technology is designed to enable devices that are traveling up to 500 kph (310 mph) to stay connected to the network.²

Verizon has tested 5G network handoff techniques to enable passengers in fast-moving vehicles and trains to stay connected while they are moving.

4 connected devices

The number of connected devices is expected to be more than three times the global population by 2022.³ 5G will be capable of supporting up to 1 M devices in a square kilometer.⁴ Verizon 5G Ultra-Wideband will eventually handle 10 to 100 times more connected devices per square kilometer than 4G. This will allow

cities to tap into the power of 5G for things like smart streetlights, remote security monitoring, intelligent rail and smart parking solutions.

5 energy efficiency

Sustainability is one of Verizon's core values. 5G will have lower energy requirements for network operations (10 percent of current device consumption).

Also with 5G, complex functions could happen within the network, near the end user.⁵ That means the end user's device will not need as much processing capability and will consume less energy.

6 data volume

The 5G standard is designed to support up to 10 TB/s/km2.⁶ This means that a 5G network can carry a massive amount of data for a large number of simultaneous users. So, users in high-density areas—like airports, stadiums and urban areas—will all experience the fast speeds and low latency of 5G service.

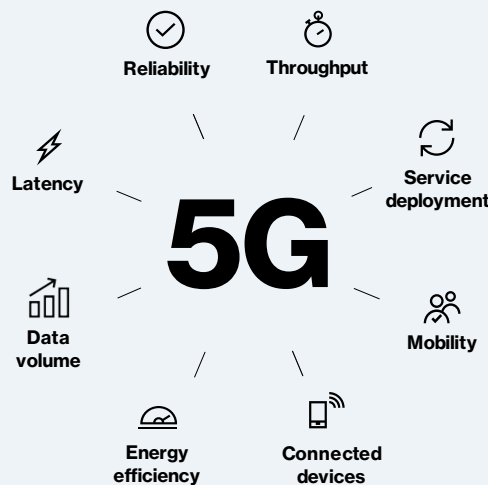
7 latency

5G's rapid end-to-end latency (the time it takes for data to travel from the user, over the

network to the central processor and back again) will bring data transit speed to many times less than the blink of an eye.

8 reliability

Verizon offers the most reliable network in the nation; we've been #1 in overall network performance, network reliability, data performance, and call performance in the U.S. by RootMetrics 13 times in a row.⁷ And we are bringing that same expertise and focus as we architect and build our 5G network.



¹ <https://www.rcrwireless.com/20181002/test-and-measurement/rcr-exclusive-in-first-independent-testing-verizons-5g-network>

² <https://www.itu.int/md/R15-SG05-C-0040/en>

³ <https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white-paper-c11-741490.html>

⁴ <https://www.samsung.com/global/business/networks/insights/news/5g-is-now-part-1-2018-the-year-of-5g/>

⁵ <https://www.verizon.com/about/our-company/5g/how-5g-will-pull-cloud-closer>

⁶ <https://5g-ppp.eu/wp-content/uploads/2015/02/5G-Vision-Brochure-v1.pdf>

⁷ Based on RootMetrics® by IHS Markit's RootScore® Reports: 2H 2019. Tested with best commercially available smartphones on four national mobile networks across all available network types. Experiences may vary. RootMetrics awards are not an endorsement of Verizon. <https://rootmetrics.com/en-US/content/us-state-of-the-mobile-union-2h-2019>

5G[✓] built right

Not all 5G is created equal. With ultra-fast speeds, ultra-low latency and massive capacity, Verizon 5G Ultra Wideband is more than 10x faster than some other 5G networks. And it's rolling out in cities across the country so people can experience the performance Ultra Wideband can deliver.

It won't just change what your phone can do. We're building it to change what cities, industries, and things we can't even imagine will do.

**There's 5G.
Then there's Verizon 5G.**

#5GBuiltRight

verizon[✓]

5G Ultra Wideband available only in parts of select cities.

Based on analysis by Ookla® of Speedtest Intelligence® data of T-Mobile and Verizon 5G (Beta) average download speed results for Q4 2019 nationally. Ookla trademarks used under license and reprinted with permission.

Up in the air: climate change uncertainty in an uncertain time

The impacts of the COVID-19 pandemic have been vast-reaching, affecting billions of individuals' daily lives and interactions with our communities. One major area being heavily impacted: greenhouse gas (GHG) emissions. With most of the world performing some form of social distancing, industrial productivity and commuting has declined immensely, resulting in fewer greenhouse gas emissions, a leading contributor to global climate change.

Climate change and COVID-19 are global problems with dire consequences, both on human health and economic stability. The World Health Organization (WHO) estimates that the effects of climate change may result in the death of 250,000 people annually between the years 2030 to 2050, for reasons including malnutrition, heat stress and more. If unchecked, global temperatures will rise by 4.5°C and potentially impact nearly two dozen different sectors of the economy, and specifically, from a U.S. perspective, cost the country \$520 billion* each year according to the National Bureau of Economic Research.

Both COVID-19 and climate change will require action to be taken by individuals in their daily lives, and perhaps more importantly, leadership by governments, corporations, and organizations worldwide to combat and minimize the effects.

*All currency amounts listed in USD



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DESPITE THE OVERWHELMINGLY NEGATIVE IMPACT OF COVID-19, IT HAS PROVIDED A CLEAR EXAMPLE OF SCALE: ONE PERSON ADHERING TO SOCIAL DISTANCING HAS LITTLE IMPACT, BUT ONE MILLION PEOPLE CAN “FLATTEN THE CURVE.” **EVERY EFFORT COUNTS, AND IT WILL TAKE ALL OF US TO MOVE THE NEEDLE.**

THE IMPACT ON GREENHOUSE GAS EMISSIONS: NOW AND LATER

According to China’s Ministry of Ecology and Environment, January and March 2020 showed an 84.5 percent increase in days with good air quality across 337 cities. Overall, a 5.5-5.7 percent fall in carbon dioxide levels globally have been identified due to the pandemic by leading climate experts, including the Center for International Climate Research.

The U.S. has witnessed grid-wide declines in electricity usage, with some markets seeing a seven percent decrease compared to 2019. While residential use has increased, commercial and industrial demand has contracted, resulting in energy demand to be broadly down for most of 2020 to date. Since roughly 63 percent of electricity in the U.S. is generated from fossil fuels, this decline correlates to a drop in greenhouse gas emissions.

Overall, this is the first fall in global carbon emissions since 2008, and the largest amount since World War II. However, experts warn that without structural change, the emission declines caused by COVID-19 could be short-lived and have little impact on the concentrations of carbon that have accumulated in the atmosphere over decades.

“VISIBLE, POSITIVE IMPACTS – WHETHER THROUGH **IMPROVED AIR QUALITY OR REDUCED GREENHOUSE GAS EMISSIONS** – ARE BUT TEMPORARY, BECAUSE THEY COME ON THE BACK OF TRAGIC ECONOMIC SLOWDOWN AND HUMAN DISTRESS.”

- INGER ANDERSEN, EXECUTIVE DIRECTOR OF THE UN ENVIRONMENT PROGRAMME

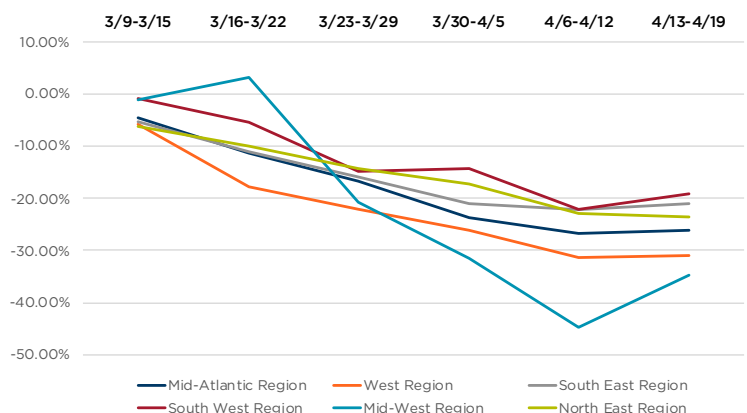
For commercial buildings, data from Aquicore real-time energy meters across the Cushman & Wakefield U.S. portfolio tell a similar story. As office buildings have been sparsely populated, our building engineers have been provided guidance to bring buildings down to idle as much as possible and aggressively focus on limiting energy use. This has resulted in a nearly 24 percent decline nationally in energy use by our managed properties over the last month.

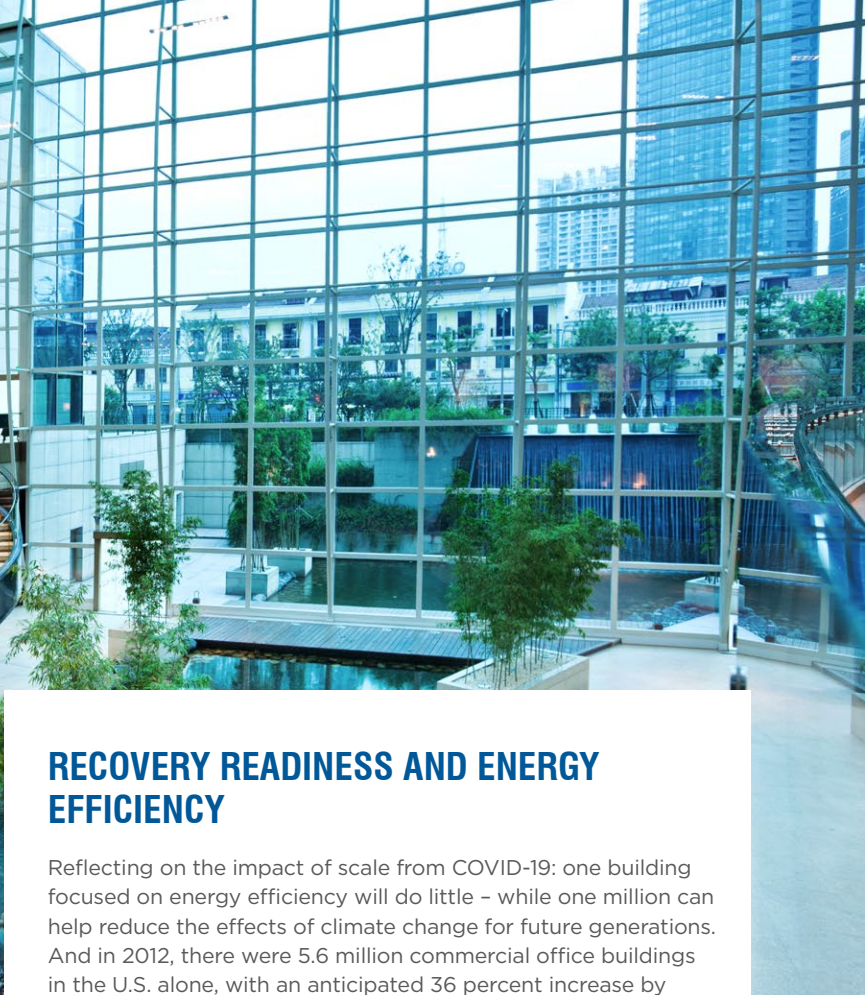
While in the short term, carbon emissions have declined as cars stay parked and industries remain offline, eventually an increasing amount will resume. With that, history tells us carbon emissions will pick up again. Emissions dropped during both the 1970s oil crisis and the 2008 financial crisis, but emissions bounced back as economies recovered. In fact, as China has worked to restart their economy over the past month, air pollution levels and carbon emissions all seem to be bouncing back to pre-COVID-19 levels, according to the Finland-based non-profit, Centre for Research on Energy and Clean.

Additionally, the lower pricing of fossil fuels, partly due to COVID-19, can hurt long-time climate efforts, as cheaper energy often leads consumers to use it less efficiently. Furthermore, financing opportunities for solar, wind and electric grid projects are potentially reduced by financial pressures caused by the pandemic.

The Intergovernmental Panel on Climate Change (IPCC) reported that limiting global warming to 1.5°C would require “rapid, far-reaching and unprecedented changes in all aspects of society.” This includes the immensely difficult goal of cutting global human-caused CO2 emissions 45 percent from 2010 levels by 2030. However, COVID-19 has shown how we can work together globally to mitigate an immediate threat. While more difficult to direct this same determination and cooperation to a longer-term threat, it is a must as the potential consequences are not worth the risk of inaction.

Commercial Office Energy Reductions By U.S. Regions (compared to 2019)





RECOVERY READINESS AND ENERGY EFFICIENCY

Reflecting on the impact of scale from COVID-19: one building focused on energy efficiency will do little – while one million can help reduce the effects of climate change for future generations. And in 2012, there were 5.6 million commercial office buildings in the U.S. alone, with an anticipated 36 percent increase by 2050.

As we prepare for cities and buildings to reopen, we must not lose focus on “flattening the curve” for energy use and greenhouse gas emissions. Minimizing operating costs will be essential as both owners and tenants will be facing financial hardships. As we begin to reoccupy buildings, we anticipate seeing energy use rising back up especially with the new recommended protocols of operating systems longer, increasing outside air ventilation rates and improving filtration. This could create additional strain to operating budgets already impacted by COVID-19, as well as increase GHG emissions.

Cushman & Wakefield released the “[Recovery Readiness: A How-to Guide for Reopening your Workplace](#),” a comprehensive guide for real estate tenants and landlords on reopening in workplaces as stay-at-home restrictions are lifted. It outlines some of the best thinking and practices for getting people back into their offices. This includes preparing the building for occupant safety with cleaning plans, pre-turn inspections and enhanced HVAC operating protocols and maintenance routines.

Every building is unique, and will each take a specific approach based on its design and operation to apply recovery readiness efforts. A common recommendation before re-occupancy will be building flush outs with outside air. After occupancy, at a minimum, buildings will be ventilating at higher rates where systems designs allow. If potential COVID-19 cases are identified, ASHRAE (The American Society of Heating, Refrigerating and Air-Conditioning Engineers) recommends increasing outdoor air ventilation, disabling demand-controlled ventilation and opening outdoor air dampers to 100 percent as conditions permit, keeping systems running longer, and bypassing energy recovery ventilation systems that leak potentially contaminated exhaust air back into the outdoor air supply.

WHAT'S NEXT?

As we emerge from our homes in the year ahead, we will be stepping into a new normal. Not only will social distancing and PPE be more common, but individuals, households, organizations, and financial institutions will be experiencing broad economic hardships. The World Bank notes that 2020 is on track to witness the deepest global recession on a scale not seen since The Great War, projecting GDP to contract in all developing regions.

This will be a time for governmental bodies to provide stimuli aimed at achieving financial and economic recovery. These actions can have long-lasting effects on economies, and some options may be better at long-term sustainable economic growth, poverty reduction, and environmental impact. “Thinking ahead, the urgent focus on short-term needs should not overlook opportunities to achieve other longer-term goals,” says experts from the World Bank.

A prime investment is the decarbonization of the global economy. There are diverse opportunities for investment that can boost job creation while generating sustainability and climate benefits, including investing in energy efficiency in the real estate sector. After all, buildings account for nearly 40 percent of energy-related global carbon dioxide emissions annually, according to the United Nations Environment Program. Here in the United States, residential and commercial buildings account for 40 percent of energy consumption, according to the U.S. Energy Information Administration.

1 Communication with occupants is key

- > Understanding specific schedules of tenants
- > Adjusting start/stop times accordingly based on specific occupancy and weather forecast data
- > Identifying parts of the building that may remain unoccupied or partially occupied
- > Teleworking, 50/50 shifts, and having higher-risk individuals delayed in their return to normal routines

2 Continuing to relax setpoints in areas that have lower than usual occupancy (load)

LOOKING TO THE FUTURE

A few thoughts on how to continue keeping energy-usage in the forefront when we return to the workplace.

3 Leveraging night-time walkthroughs to monitor baseloads with potential ventilation schedules running off-hours

5 Leveraging remote capabilities and technologies in the energy conservation effort, such as real-time energy metering and remote BAS access

4 Encourage returning occupants to commit to energy savings best practices:

- > Using natural or task lighting where possible
- > Ensuring plug loads are reduced at the end of the day
- > Working with cleaning crew to verify
- > Consolidating amenities that use energy where possible

Are Millennials and Gen Z powering a fintech revolution?



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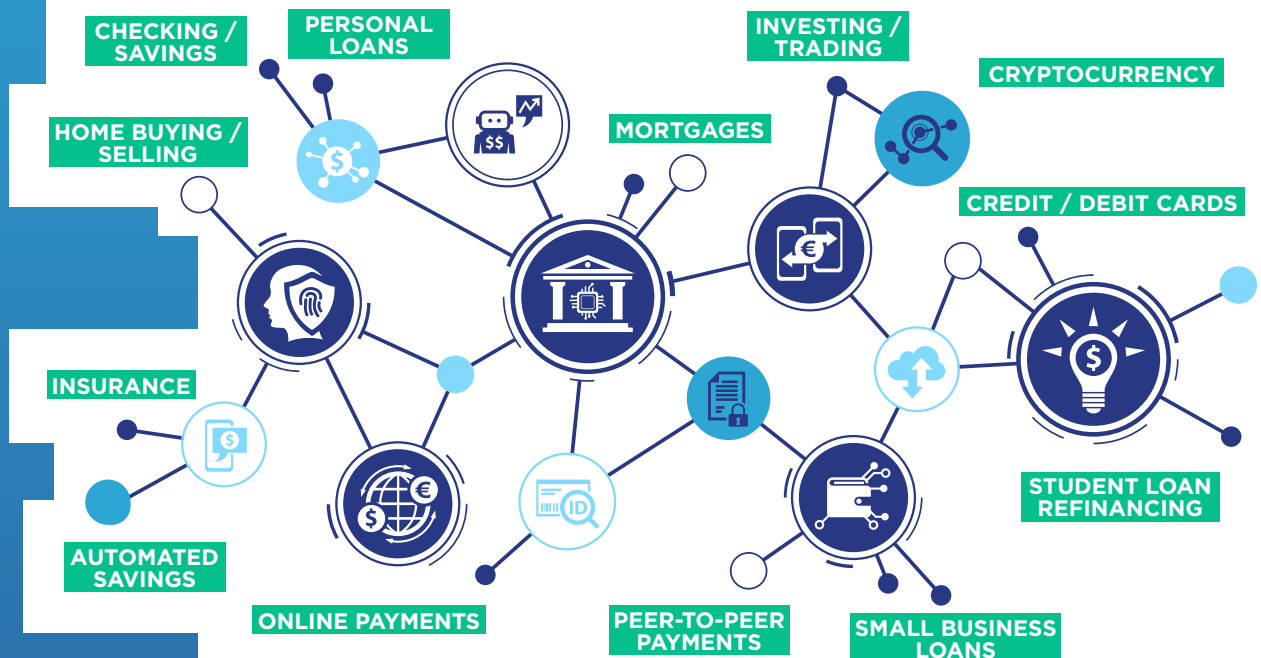


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Fintech has been around for decades, and while it isn't anything new, the relationship with the traditional banking system has moved from being largely symbiotic to increasingly disruptive and competitive.

Looking towards the future, there is potential for this disruption to be turbo-charged. Three fundamental reasons are driving this shift: seismic demographic change, a burgeoning middle class and further digitalization of financial services.





FROM SYMBIOTIC TO COMPETITIVE

The global fintech industry has grown significantly, with estimates suggesting that **more than \$70 billion in venture capital has been raised to support the industry in the past two years alone.**¹

This trend is expected to continue with forecasts of growth ranging from eight percent to more than 20 percent per annum by 2025. The pace of technological development, the willingness to fund that development and the rapid adoption of this technology, especially by younger generations, have been key drivers.

Fintech has evolved from complementing existing services offered by banks, such as ATMs and online banking, to a situation where they are in direct competition with one another. For example, the fintech sector surpassed traditional banks' global share of

unsecured loans in 2015, and was the leading source of personal loans in the U.S. in 2018. As a result, banks are starting to feel increased pressure on services such as payments, checking, savings, lending and investment management.

Unfortunately for banks, it doesn't stop there. For many, when thinking about fintech, the likes of Apple, Google, Amazon, PayPal or even peer-to-peer payment transfer platforms such as Venmo come to mind. While these are high-profile companies with huge user-bases, there are other lesser-known giants in the fintech world, with many focusing on third-party payment platforms. These include Ant Financial, originating from Alipay (part of the Alibaba group), which is valued at around \$150 billion, as well as Adyen and Stripe. In addition, eight new fintech unicorns were created in the past six months alone. It is becoming clear the market is more competitive than ever before.

¹ CB Insights 2019 "State of Fintech: Investment & Sector Trends to Watch"

* All currency amounts listed in USD

SEISMIC DEMOGRAPHIC SHIFTS

While the rise of technology has been part of the story, seismic demographic and cultural shifts have also played a role, none more so than the rise of Millennials. The generation born between 1980-1995 have collectively had a profound impact on society, bringing with them a thirst for technology, immediate gratification, flexibility, authenticity and transparency. Their impact on the financial sector goes beyond this as they make up about 40 percent of the world's working population. As their spending power increases, they are becoming even more influential consumers.¹

While the majority of Millennials have visited a bank, they are predominantly mobile-oriented, with around 94% actively using online banking services.²

They use online banking services regularly at a rate three times that of older generations. These statistics, combined with the increased use of contactless payment methods and a declining reliance on cash, have been key considerations in the rationalization of retail bank branch and ATM networks over much of the western world. England has been especially hard hit

as an estimated 30 percent of bank branches have shuttered in the past three years.

It remains to be seen whether the effects of COVID-19 will further accelerate this trend, though early reports suggest that as social distancing has become more universally adopted, there has been strong growth in digital financial services.³

To compound matters, nearly half of Millennials do not think their bank communicates to them through the right channels.⁴ Consequently, this generation has little affinity to existing bank brands. Among those surveyed, 73 percent of Millennials said they would be more receptive to financial services from tech companies such as Google, Apple and PayPal than their current bank.

Additionally, 33% believe that banks will not exist within five years.⁵

While that may be overly pessimistic, it does point to Millennials' lesser loyalty to traditional banking service providers.

Hot on the heels of Millennials is Gen Z, born between 1996-2012. While they are still in the early days of their banking experience and professional careers,

there are already some indicators of their intent. This is the first generation exclusively born into the digital age, making them more tech-savvy, but also more cautious about money having grown up during the 2008 Global Financial Crisis.

As a result, they tend to gravitate to brands they know, trust and that provide them with a highly personalized experience, which is likely to be increasingly found in the digital world. In support of this, Morgan Stanley research estimates that 50 percent to 80 percent of smartphone-owning members of Gen Z are already using mobile banking.⁶ However, they are far from a homogenous generation with a UK study finding that 45 percent of Gen Z would not open an account with an online-only bank (the other 55 percent would use an online-only bank). The majority of these respondents cited a lack of physical presence as a key reason.⁷ This underlines their more cautious approach to finance as well as the "phigital lens" that Gen Z brings – the experience that all of life is both physical and digital.

Just as retailers with both physical stores and eCommerce capabilities have thrived over the past few years, fintech and traditional banks will need to respond accordingly and focus on customers' digital *and* physical needs.

² For more analysis of the ways Millennials, Gen Z and Baby Boomers are all changing the future of commercial real estate, download Cushman & Wakefield's report, Demographic Shifts: The World in 2030 (<https://www.cushmanwakefield.com/en/insights/demographic-shifts-the-world-in-2030>).

³ <https://thefinancialbrand.com/53662/building-banking-relationships-with-digital-millennials/>

⁴ Beyond COVID-19: New opportunities for fintech companies, accessed via <https://www2.deloitte.com/us/en/pages/financial-services/articles/beyond-covid-19-new-opportunities-for-fintech-companies.html>

⁵ Millennial Banking Insights and Opportunities www.fico.com

⁶ <https://www.bbva.com/wp-content/uploads/2015/08/millennials.pdf>

⁷ <https://www.morganstanley.com/ideas/millennial-gen-z-loan-growth>

⁸ Unidays Gen Z Insights: Gen Z and Money: What you need to know

ASIA PACIFIC AND THE RISE OF THE SUPER-APP

For a look at what could be next, attention turns to Asia Pacific, the latest hotbed of fintech activity. Over the past two years, Asia Pacific has accounted for 40 percent, around \$30 billion, of fintech venture capital raised – broadly on par with the 42 percent invested in North America.⁸ At the national level, it also has some of the highest adoption rates with penetration in China and India nearing 90 percent. By comparison, the UK's adoption rate is 71 percent and the U.S. is just 46 percent.⁹ There is no doubt the globally leading levels of smartphone usage in China and India are playing a role. As a result, we see a more holistic adoption of fintech than perhaps seen in other geographic regions.

Couple this with the world's largest share of Millennial and Gen Z populations along with a burgeoning middle class and it is little wonder that fintech firms have such a focus on the Asia Pacific region.

What may be surprising though is that a large proportion of the region is still either unbanked or underbanked – i.e., they have no bank account or seldom use it. The World Bank estimates that two-thirds of Indonesia's population is unbanked, while half of India's bank accounts are inactive.¹⁰ Both of these countries offer great potential for fintech with their sizeable populations, increasing wealth and lack of relation to any existing financial organizations. For these reasons, Asia Pacific has seen the rise of the “super-app.”

In simple terms, a super-app is many apps under an umbrella app or an “all-in-one” experience. It is a predominantly Asian and, more specifically, South East Asian phenomenon. Within fintech circles, Grab is considered a leader. What started as a ridesharing app in Malaysia in 2012, has quickly grown

to become a behemoth in the South East Asia region. Grab is active in 196 cities across eight countries and has extended its services; offering a wider range of ride-hailing services, delivery services and – more importantly in this context – fintech. Through three subsidiaries – Grab Financial, GrabPay and GrabRewards – services such as lending, insurance, peer-to-peer fund transfers and South East Asia's largest loyalty program are now part of its arsenal.

Through its lending services, Grab is already directly targeting business customers using its payment platforms to help them expand. Targeting SMEs, loans are typically small, but numerous given Grab's geographic coverage. Interest in these loans is fuelled by low-interest rates, no requirement for security deposits and fast approval times – three factors that traditional banks often cannot deliver simultaneously. While there may seem to be an elevated risk in this type of lending, Grab already has insights into the business through the cash flow from its payment platform and can see levels and variability in trade, thereby helping to mitigate their lending risk.

We see a similar situation replicated at the individual level. The high-level of mobile smartphone penetration represents opportunity. Initial exposure to the brand is often through basic services such as ridesharing or food delivery, all paid for through the payment platform. It is then not a large step for this customer base to use peer-to-peer money transfer and seek higher-level financial services such as lending and insurance. All the while, discounts and offers are available across other services offered by the app as a reward for this loyalty. Indeed, 60 percent of fintech adopters prefer to view all their financial products through a single platform.¹¹

⁸ CB Insights 2019 “State of Fintech: Investment & Sector Trends to Watch”

⁹ EY Global FinTech Adoption Index 2019

¹⁰ https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_chapter2.pdf

¹¹ EY Global FinTech Adoption Index 2019

MILLENNIAL

ASIA PACIFIC IN 2030

1.07B

GLOBAL SHARE



GEN Z

ASIA PACIFIC IN 2030

1.07B

GLOBAL SHARE



MIDDLE CLASS

ASIA PACIFIC IN 2030

3.5B

GLOBAL SHARE



Source: United National World Population Prospects 2019 revision

ANATOMY OF A SUPER-APP¹³

FINTECH

- » Loans and lending services to unbanked and underbanked consumers, micro-entrepreneurs and small businesses.
- » Peer-to-peer fund transfers.
- » In-app mobile payments for seamless transactions.
- » QR-code enabled payments with merchants.
- » Loyalty reward programs.
- » Insurance options.

RIDE-HAILING

GET A VEHICLE

- » E-hailing solves safety and price certainty issues associated with traditional taxis.
- » Car rental with economy and premium options.
- » Bike sharing, one of the fastest growing transportation services, is popular in markets like Greater Jakarta, which is 60 percent larger than Beijing.

SHARE A RIDE

- » On-demand carpooling service for passengers to share a ride. Passengers enjoy cheaper rides with short detours; drivers earn more with two passenger bookings in one trip.
- » Social carpooling allowing passengers to hitch a ride with drivers who are going the same way.
- » Pre-book a shuttle bus seat for an affordable commute.
- » Charter different-sized vehicles to move large groups of people.

MARKETPLACE

- » On-demand delivery services for food and parcels. Addresses local challenges of last-mile delivery especially through congested cities.
- » Accessibility to multiple personal mobility partners, from bikes to eScooters, in a single marketplace.

¹³ Based upon services provided by Grab and other super-apps.

The unbanked are also more likely to turn to these types of financial instruments as they seemingly have a greater level of trust. What takes days and requires significant paperwork in a traditional bank can be achieved in minutes online.

Tie this with the growth prospects in the region and it is easy to understand how many Asian fintech companies are commanding such high valuations.

WHAT'S NEXT?

Asia Pacific is now considered the global leader in fintech having developed rapidly in recent years, but it is on the cusp of being turbo-charged. The combination of high demand for mobile services together with large, young and increasingly wealthy populations makes the financial system ripe for continued disruption.

It is almost certain that the sector will continue to grow and evolve at a rapid pace across the region, with fintech dipping into more complex financial services that have traditionally remained the remit of the incumbent banks. In the future, there is potential that we will see a return to a somewhat more collaborative approach between banks and fintech – the former bringing the physical experience while the latter focuses on the digital experience – to fully address the user requirements of younger generations. With Asian fintech paving the way, it is only a matter of time before the U.S. and Europe follow suit.



Coronavirus and supply chain disruption: prepare for impact

In a modern-day update to the proverb, “Necessity is the mother of invention,” one could now say that “Necessity is the mother of acceleration.” As the world adjusts to life during the COVID-19 pandemic, we are seeing a marked acceleration in the adoption or improvement of supply chain innovations, and an opportunity to address some pain points that had been lower on the priority list for many industries.

By some estimates, we’re already seeing, or will see, accelerated adoption of some trends to take place in a mere 10 weeks when they could have otherwise taken 10 years. Some trends, and the changes they bring, will stick. Others may change processes or behaviors temporarily to solve for the ‘here and now,’ but will provide an opportunity for businesses to innovate or improve on longer-term solutions that will yield productivity, efficiency and customer service well beyond the pandemic.

There are a multitude of supply chain opportunities the pandemic has magnified or highlighted, and many more that will become clear in the not too distant future. Several prominent acceleration needs have emerged and persisted already, and suppliers, manufacturers and distributors in a myriad of sectors should consider these opportunities for ways to drive business success and real estate solutions forward in this challenging time.



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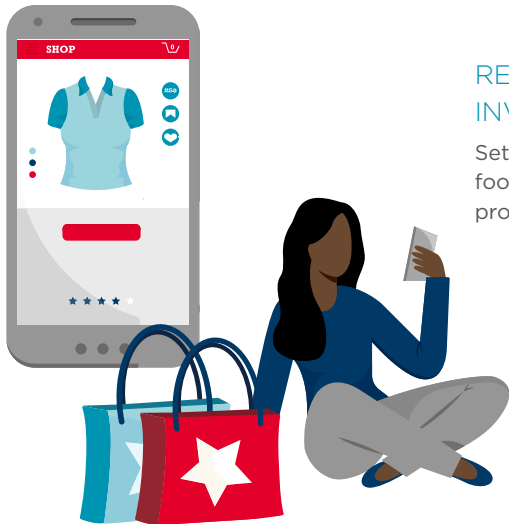


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FAST FORWARD TRENDS

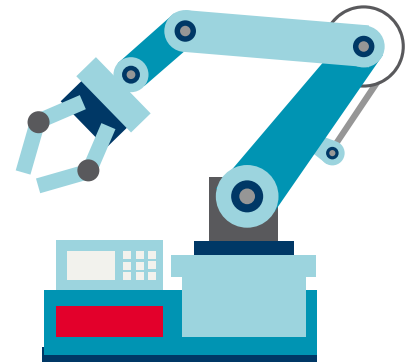


MEETING THE CUSTOMER WHERE THEY ARE THROUGH ONLINE SHOPPING

Whether driven by 'shelter in place' mandates across the globe, current consumer sentiment around venturing out into stores, or constraints around the number of shoppers allowed in stores for social distancing, online shopping has seen a dramatic increase in recent weeks, especially for categories like grocery, that were finding their way to customer adoption before the pandemic. Consumers are challenging companies to step up their digital capabilities, and to answer diverse needs for delivery of orders, ranging from traditional 'at-home' parcel delivery to curbside pick-up to contactless delivery of perishable goods, and everything in between. The lines between how the customer shops in-store and via direct distribution are increasingly blurred, and successful companies will find new ways to leverage processes, diversify building and space types, and inventories for a seamless customer experience.

REVISITING THE INVENTORY CHALLENGE

Setting aside 'panic buying' of certain food items, toilet paper and cleaning products, the pandemic is raising questions and challenges around managing inventories. Beyond the immediate actions to sell through current seasonal inventories online, sometimes using closed stores as distribution points for 'ship from store,' retailers and manufacturers are already contemplating longer-term changes to inventory 'days of supply' to avoid disruptions wrought by upstream supply chain points being shuttered or severely reduced in production capacity. Just-in-time inventory management may need new buffers throughout the supply chain, and some sectors are considering supply chain diversity to rebalance their reliance on some geographies, especially those with longer transit times.

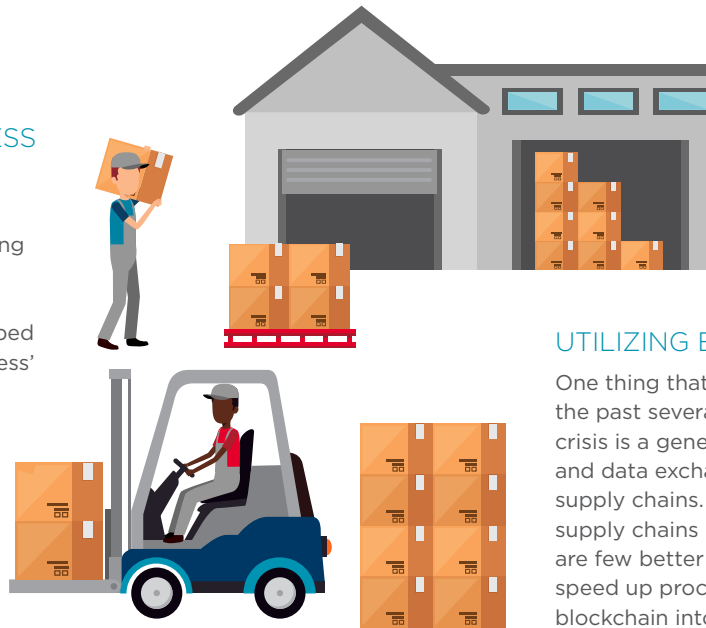


LEVERAGING ROBOTICS AND AUTONOMOUS VEHICLES

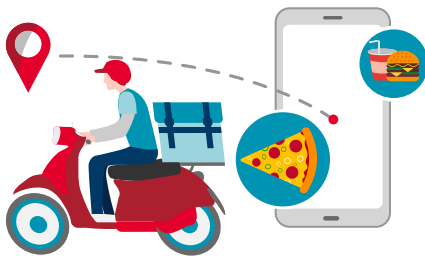
While a potentially expensive solution, COVID-19 may act as an accelerator to many efforts already underway in this space. Robotics in the warehouse may help limit contact among team members receiving goods, picking orders and shipping them out. Autonomous vehicles may help to offset driver shortages to meet the increased demand for shipments to consumers, and to expedite the shipment of critical goods to rural or remote geographies with fewer transit options and with immunocompromised populations. As an example, Automatic Guided Vehicles (AGVs), which are portable robots used to transport heavy materials around large industrial buildings, will be especially important to operators worldwide in a wide range of industries such as manufacturing and product assembly, military and defense, aerospace, warehouse, material handling, food and beverage, automotive assembly, plastics and metal, and goods packaging. AGVs can be used to improve workflow, lower costs or carry out specific tasks like product and pallets loading or unloading, assembling parts, moving materials between conveyor belts and towing equipment. Using AGVs will help provide a social distance solution in industrial facilities and further accelerate the robotics trend that had begun to emerge across the globe over the past several years.

IMPLEMENTING CONTACTLESS 'EVERYTHING'

Concerns over virus transmissions through contact proximity or touching of common surfaces has already changed the customer delivery experience, with food delivery dropped at the front door using the 'contactless' option, and no interaction with the person delivering. COVID-19 has amplified awareness of other needs for contactless technology far beyond payment and delivery solutions used by sellers and consumers. Both optical and voice-enabled technology, automation, and robotics will find new adopters in warehouse MHE (material handling equipment), order pick technology, and shipping/receiving processes.



each approximately twice the size of a big-box retail facility and filled with servers and storage to manage data. Companies' data centers will continue to expand as the need for digital data storage grows, especially with the introduction of 5G infrastructure (see article on page 8, "5G is here. Why it matters and how it will play a part in a post-COVID-19 world").



DEPENDENT ON DATA CENTERS

The pandemic has boosted demand for many online services - like Microsoft Teams, Zoom or Hangouts - as tools for video collaboration. As we move to using new social distancing practices in the workplace, technologies that provide safer meeting solutions and alternatives to travel are becoming increasingly in demand. Google, for example, operates one of the world's largest digital infrastructure platforms, with 19 data center campuses around the globe, including 11 in the United States, five in Europe, two in Asia Pacific and one in South America. Their cloud campuses house multiple buildings,

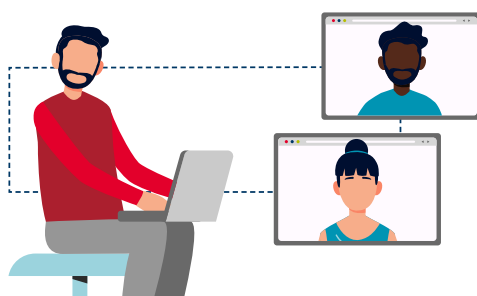
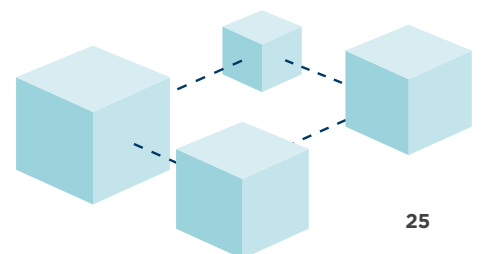
EXPLORING COLD STORAGE AND FOOD PROCESSING SOLUTIONS

One of the most active property types in industrial real estate is cold storage. With online grocery more popular than ever before, restaurants and farmers forced to adjust their food supply chain, and the shutdown of processing plants despite being "essential," the need for cold storage warehouse space is growing like never before. China, the UK and the U.S. are all seeing companies looking for new cold storage warehouses, opportunities to expand their existing space, infill properties to better serve eCommerce consumer needs, or ways to modernize facilities to make their supply chains more adaptable. This is also making investment opportunities on cold storage facilities extremely appealing.

UTILIZING BLOCKCHAIN

One thing that has become clear over the past several months of the COVID-19 crisis is a general lack of connectivity and data exchange built into our global supply chains. As the need to optimize supply chains becomes more vital, there are few better solutions to helping speed up processes than implementing blockchain into a company's network. Suppliers can use blockchain to record the origins of materials that they have purchased, and track them around the world. Some of these excellent and timely examples of there are pharmaceuticals and Personal Protective Equipment (PPE). Globally, blockchain is supporting efforts to combat the virus. This technology can help ship medicine and PPE globally to areas of the world most affected by COVID-19. This time last year, Deloitte surveyed 1,000 companies across seven countries about integrating blockchain into their business operations. Their survey found that 34 percent already had a blockchain system in production today, while another 41 percent expected to deploy a blockchain application within the next 12 months. In addition, nearly 40 percent of the surveyed companies reported they would invest \$5 million* or more in blockchain in the coming year. It is safe to assume, with the pandemic shaking up the supply chain, these numbers are likely to increase because the more information about every firm in the chain, the better. Being in touch with a customer's customer's customer, you can see ahead of time what's coming your way and start finding alternative suppliers if needed.

*All currency amounts listed in USD



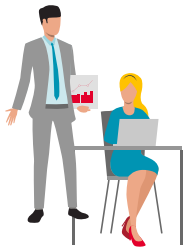
THE WAY FORWARD

This pandemic has challenged businesses and leaders to quickly respond to critical needs, and to ensure supply chains have the raw materials and finished goods to support manufacturing, distribution, and, ultimately, the consumer, for priority needs. In the process, it has pushed innovation and solutions forward quickly. Companies and leaders can take the following steps to navigate the path ahead.



LOOK AND LISTEN

Assess the business for continuous improvement in process and protocols; hear what employees, suppliers and customers are asking for; and innovate to deliver those needs.



LEARN

Scan the landscape to see how processes and innovations in other sectors and industries may be applied to the business. Where possible, pilot or test solutions for iterative improvement with quick feedback from users.



LEAD

Communicate, communicate, communicate. Instill confidence in the team to innovate and provide feedback. Encourage teams to collaborate, and course-correct when evidence of silos is found.

The pandemic is a unique event, and moment in time, for supply chain innovators and operators to survey the landscape; learn from consumers, partners, and other industries; and to install new practices, processes and products that will differentiate their business for the future. Partnerships among the supply chain, inventory management, human resources, store operations, finance and information technology teams within an organization, and across external partners used, will be a competitive advantage to moving quickly.



Workplace trends accelerated – and reversed – by COVID-19

Half a year—and counting—into the global pandemic and many questions about the future have been raised, several theories have been asserted, and yet very few answers are known at this time. The current recession is both an economic challenge as well as a health crisis, and it is unlike anything we have experienced in the past 100 years.

With real estate having changed so much just over the past decade alone, one might wonder what the pandemic's impact will have on the industry going forward. For instance, coworking had introduced new office concepts into the public consciousness, providing a fresh solution for freelancers and global enterprises. At the same time, growing venture capital interest in real estate had led to the rise of the PropTech universe, changing how occupiers and investors obtain, utilize, manage and maintain their space. Both of these trends, along with many others, are now running face-first into the dramatically altered world of COVID-19.

Although every crisis is new and unique, based on past experiences, we can examine with some confidence the trends within real estate likely to continue, as well as those likely to be halted by the outcomes of the current situation. How businesses operate will clearly need to shift in the wake of the current pandemic and economic recession. Which changes are actual disruptions of the status quo, and which are just accelerations of a pre-existing trend? We weigh in here.



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Trends being accelerated

WORKING FROM HOME

In 2018, approximately 5.2 percent of employees in the European Union worked from home full time,¹ and even fewer U.S. workers (3.6 percent) spent more than half of their time working remotely.² The vast majority of full-time workers are accommodated in their workplace on any given day (84.2 percent of U.S. workers), even as between a fourth and a fifth of full-time workers spent at least part of their day working at home for an average of 3.1 hours.³ However, this represents about half of workers able to work from home,⁴ indicating that many businesses have not been overly progressive in pursuing distributed workforce plans.

In early 2020, however, most companies around the world were thrown into an involuntary, comprehensive work-from-home experiment. Surprisingly, most aspects of people's workplace experience have been maintained.⁵ The ability to execute focused work is similar to pre-COVID-19, while teamwork has increased. However, the bond between colleagues is hampered by exclusively working from home, as is the connection employees feel with their company's culture. Organizations must work harder to maintain the human element of the organization when everyone is working remotely. The office is a place for memorable events, learning, team events, socializing and parties. The office will no longer be a place to come and sit silently in rows doing individual work, especially at historical city center rental rates and commute costs.

¹ European Commission, Eurostat Labour Force Survey.

² Global Workplace Analytics' analysis of 2018 American Community Service (ACS) data.

³ U.S. Bureau of Labor Statistics, American Time Use Survey.

⁴ A University of Chicago, Booth School of Business report published in April 2020 indicates that 42% of U.S. workers are in jobs that can be conducted from home. This compares favorably to other large economies: Germany, 37%; France, 38%; United Kingdom, 44%; Brazil, 26%.

⁵ According to Cushman & Wakefield's analysis of tens of thousands of employee responses to its Experience per SFTM consulting tool: [How will COVID-19 and data shape the new workplace?](#)



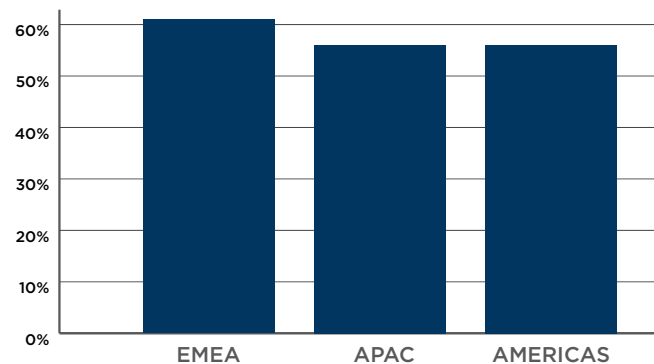
COST IS KING

Cost is always important, so this might not be a trend as much as a truism. However, the COVID-19-driven recession, like all economic downturns, will further sharpen the focus on cost containment as well as creating new strategies for how best to utilize office space. The Cushman & Wakefield office occupancy database shows that offices are underutilized with an average global utilization rate of 58 percent (56 percent in APAC, 61 percent in Europe and 56 percent in the Americas). Many organizations still size offices based on 100 percent occupancy. This enforced experiment will surely shine a light on this aspect of the office sector.

In addition, the economic challenges created by the current recession will put an increased emphasis on cost control. According to Gartner, three-fourths of CFOs are planning, as of early April, to shift at least five percent of employees to permanent work-from-home status.⁶ The cost-cutting priorities of CFOs will need to be balanced, however, with the human resources and business leadership demands to ensure workers continue to feel part of their company's culture, feel connected personally with colleagues, and are equipped with space that inspires creativity, innovation and collaboration.

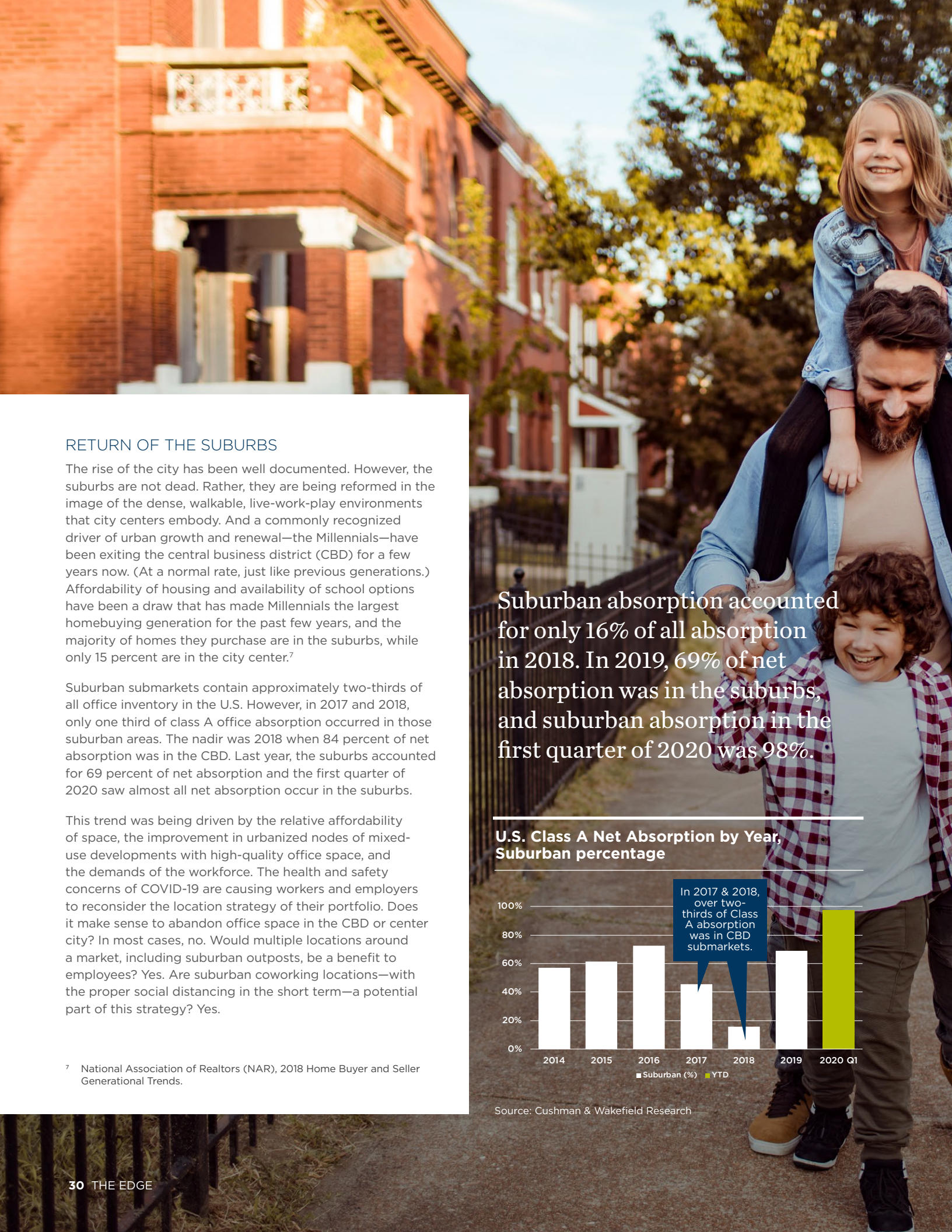
While the need for personal office space will reduce, the demand for other kinds of spaces will increase both within and outside the office. People will always need physical space and will always want to meet face-to-face. As we spend more time working virtually, the demand for better quality physical environments and experiences will increase. Office space will become more varied with much fewer desks and many more spaces to meet, eat, exercise and unwind.

Office Utilization by Global Region



Source: Cushman & Wakefield Total Workplace

⁶ According to a Gartner CFO Survey. "A Gartner, Inc. survey of 317 CFOs and Finance leaders on March 30, 2020 revealed that 74% will move at least 5% of their previously on-site workforce to permanently remote positions post-COVID 19."



RETURN OF THE SUBURBS

The rise of the city has been well documented. However, the suburbs are not dead. Rather, they are being reformed in the image of the dense, walkable, live-work-play environments that city centers embody. And a commonly recognized driver of urban growth and renewal—the Millennials—have been exiting the central business district (CBD) for a few years now. (At a normal rate, just like previous generations.) Affordability of housing and availability of school options have been a draw that has made Millennials the largest homebuying generation for the past few years, and the majority of homes they purchase are in the suburbs, while only 15 percent are in the city center.⁷

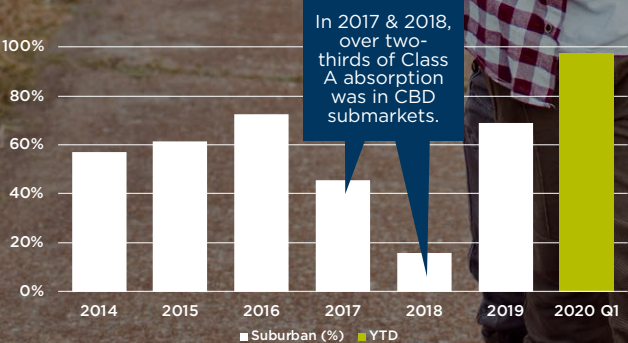
Suburban submarkets contain approximately two-thirds of all office inventory in the U.S. However, in 2017 and 2018, only one third of class A office absorption occurred in those suburban areas. The nadir was 2018 when 84 percent of net absorption was in the CBD. Last year, the suburbs accounted for 69 percent of net absorption and the first quarter of 2020 saw almost all net absorption occur in the suburbs.

This trend was being driven by the relative affordability of space, the improvement in urbanized nodes of mixed-use developments with high-quality office space, and the demands of the workforce. The health and safety concerns of COVID-19 are causing workers and employers to reconsider the location strategy of their portfolio. Does it make sense to abandon office space in the CBD or center city? In most cases, no. Would multiple locations around a market, including suburban outposts, be a benefit to employees? Yes. Are suburban coworking locations—with the proper social distancing in the short term—a potential part of this strategy? Yes.

⁷ National Association of Realtors (NAR), 2018 Home Buyer and Seller Generational Trends.

Suburban absorption accounted for only 16% of all absorption in 2018. In 2019, 69% of net absorption was in the suburbs, and suburban absorption in the first quarter of 2020 was 98%.

U.S. Class A Net Absorption by Year, Suburban percentage



Source: Cushman & Wakefield Research



Trends being reversed

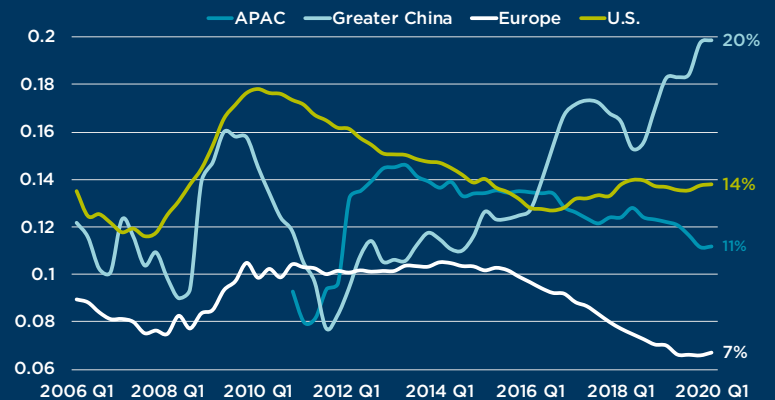
AN OCCUPIER'S MARKET... FINALLY

The U.S. office market was uncharacteristically stable in its tightness through the economic expansion that came to an end early in 2020. While vacancies haven't hit the lows we saw in 2007 (Class A office was 11.6 percent in Q3 2007), it has remained below its long-term average for an unusually long time (27 quarters as of time of print, starting in Q3 2013). The long, slow decline in vacancy rates and prolonged lower-end plateau mirror the broader job markets growth trajectory and is assisted by a more conservative development pipeline. For example, new inventory coming on the market in the three years prior to this recession (159 msf) is significantly lower than the previous two cycles (342 msf in 1999-2001; 203 msf in 2007-2009).

The rhetorical table is turning, however. U.S. class A CBD vacancy increased 26 bps in Q1 2020, which was the third straight quarter of increasing vacancy (+79 bps since Q2 2019). Rents stalled out as well, with class A CBD rents actually falling 0.4 percent quarter-over-quarter, while overall class A rents were essentially flat (up \$0.09 or 0.2 percent nationally). Twenty-eight different U.S. markets experienced rent declines in Q1 2020, including gateway markets such as Boston and NY – Midtown South. In other areas around the globe, Q1 2020 rents dropped QoQ in 17 European markets, 15 APAC markets and six Greater China markets.

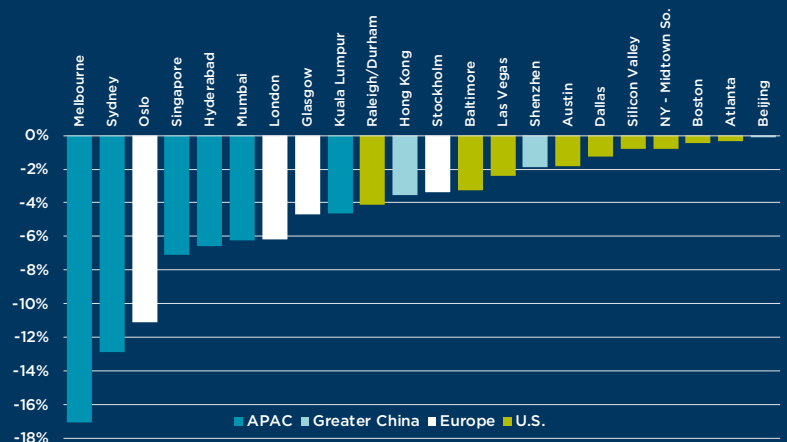
Typically, rent declines don't begin happening until well into a recession (often two to four quarters after a recession has begun). This time, however, the opportunities for occupiers may be available more quickly as the widespread impacts of COVID-19 are flipping market dynamics between landlords and occupiers at a faster rate.

Global Vacancy Rates



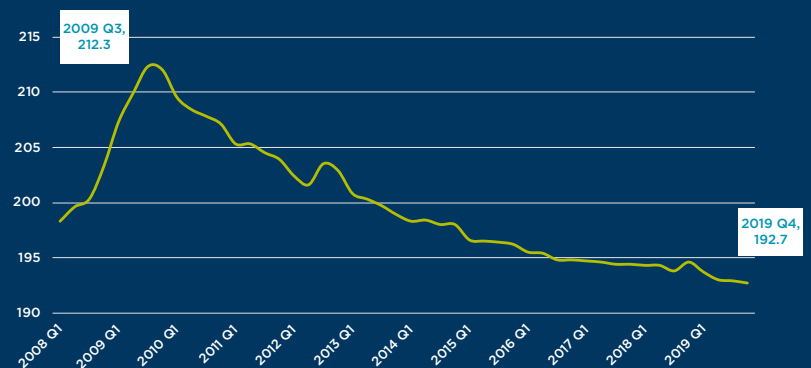
Source: Cushman & Wakefield Research

Rent Declines: Q1 2020 QoQ Class A / Prime Rent Change, Select Markets



Source: Cushman & Wakefield Research

Square Footage per Office Employee, U.S.



Source: Cushman & Wakefield Research

DE-DENSIFICATION IS NOT A WORD

It may not be a real word,⁸ but de-densification is getting used a lot these days. The push towards “open office” everywhere was more myth than reality; the best office layouts always incorporated a spectrum of workspaces to be utilized for different types of work (i.e., focus vs. social vs. collaboration vs. meeting, etc.). However, the movement towards more dense office space had certainly become a reality. The average square footage per office worker decreased by 9.2 percent between Q3 2009 and the end of 2019.⁹ This trend is no longer.

HOW WE GET AROUND

Interestingly, even though most U.S. workers commuted via cars and public transportation ridership remained stagnant¹⁰ in a pre-COVID-19 world, there continued to be a premium for office buildings located close to public transportation. This is true in large gateway CBDs, of course, but also in historically car-centric markets such as Atlanta. For example, a Cushman & Wakefield study showed that rental rates for office buildings within walking distance of a MARTA (Metropolitan Atlanta Rapid Transit Authority) train station were 25 percent higher than those in the rest of the Atlanta market.¹¹ This is also the case in suburban submarkets, such as Walnut Creek outside of San Francisco where office assets near BART (Bay Area Rapid Transit) boast lower vacancy rates (-420 basis points) and higher rents (20 percent).¹² Driving to work is much less common in most European and Asian cities which are more focused on public transport and cycling to work.

In a post-COVID-19 world, however, the concerns related to public transportation are not merely convenience, comfort or speed. The specter of virus contraction looms large on a public train or bus. Commuters reentering their workplace are going to be more reticent to utilize public transportation and ridesharing. In fact, when COVID-19-related disruptions subside, 39 percent of Americans who previously used ridesharing and 45 percent of those who previously used public transportation expect to decrease their use of these services.¹³ In China, as reentry was occurring in March, only a third of public transportation users were using their original mode of transportation, while 40 percent had shifted to motor vehicles (such as private cars, taxis and ridesharing) and the rest to walking or biking.¹⁴ Even if these trends remain at only half these levels, there will be reverberations in how people get around and where employers want or need to be for their employees to easily and safely access the office.

⁸ “Densification” isn’t even a recognized word in the Merriam-Webster thesaurus

⁹ According to Cushman & Wakefield’s analysis of employment data from the U.S. Bureau of Labor Statistics and Moody’s, along with Cushman & Wakefield office occupancy data.

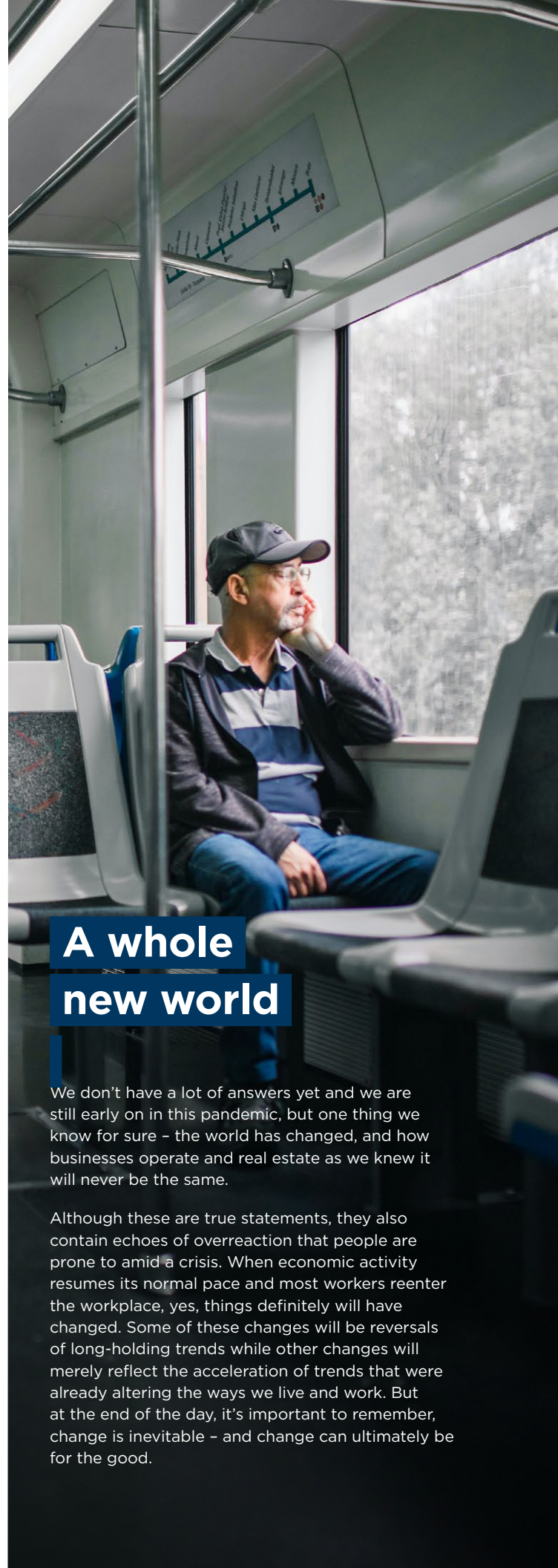
¹⁰ U.S.-Canadian ridership remains 8% below its mid-2014 peak. According to American Public Transportation Association data, total ridership reached 2,729,424 in Q2 2014. In Q3 2019 total ridership was 2,511,387.

¹¹ Cushman & Wakefield, The Growing MARTA Market: Ever-Increasing Demand Driving New Construction and Rate Hikes.

¹² According to Cushman & Wakefield analysis of Q3 2019 real estate data.

¹³ CarGurus, U.S. COVID-19 Sentiment Study.

¹⁴ China Institute for Transportation & Development Policy (ITDP), Epidemic Travel Selection Survey.



A whole new world

We don’t have a lot of answers yet and we are still early on in this pandemic, but one thing we know for sure – the world has changed, and how businesses operate and real estate as we knew it will never be the same.

Although these are true statements, they also contain echoes of overreaction that people are prone to amid a crisis. When economic activity resumes its normal pace and most workers reenter the workplace, yes, things definitely will have changed. Some of these changes will be reversals of long-holding trends while other changes will merely reflect the acceleration of trends that were already altering the ways we live and work. But at the end of the day, it’s important to remember, change is inevitable – and change can ultimately be for the good.

Urban to suburban: the growing shift to the suburbs as COVID-19 changes the way people live

Suddenly, the suburbs are all the rage.

After a decade that increasingly focused on central cities, it feels like everything has been turned inside out. The next big thing is now not only the big new development in an urban core, but also a walkable suburban development near a transit hub.

The arrival of COVID-19 has been a trigger for new modes of work. Office buildings across the globe have emptied out, but employees are still working. They're just working from home instead. Cushman & Wakefield's proprietary tool, Experience per SF™ (XSF), found that workers are as productive at home as they are in the office, and in some cases, even more productive.

**75% of employees
feel productive when
they need to focus
and collaboration has
improved by 10% from the
pre-COVID-19 period.¹**

¹ [The Future of Workplace: How will COVID-19 and data shape the new workplace?](#)



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The positive experience that many occupiers are having with working from home is now being considered a potential major turning point in how they think about real estate. Some companies are talking about a return to a “hub and spoke” model with a higher quantity of smaller offices in suburban locations. Other firms will come back to the office providing more individual flexibility, allowing employees to work from home more often. Whatever the future holds, the discussion about office real estate has shifted from strictly urban to a broader range of alternatives including the suburbs. While we are not convinced that occupiers will need less real estate, we do think that where an occupier’s real estate is located may change in response to the events that have transpired since the arrival of COVID-19.

The fact is the trends that are driving this renewed look at the suburbs are not new and they are not solely related to COVID-19. The shift is being caused by the single most important long-term driver of economic and real estate trends: demographics. And while the conversation is louder all of a sudden, there is nothing new about the shift to the suburbs – it has been happening for the past couple of years. Millennials are the catalyst and that is because they’re getting older.

MILLENNIALS ARE MAKING AN IMPACT

The Millennial generation is defined as the group of people who were born between the years 1981 and 1996. According to Pew Research, as of 2019, the latest population data available, Millennials became the largest age cohort in the U.S., exceeding the Baby Boomer generation.

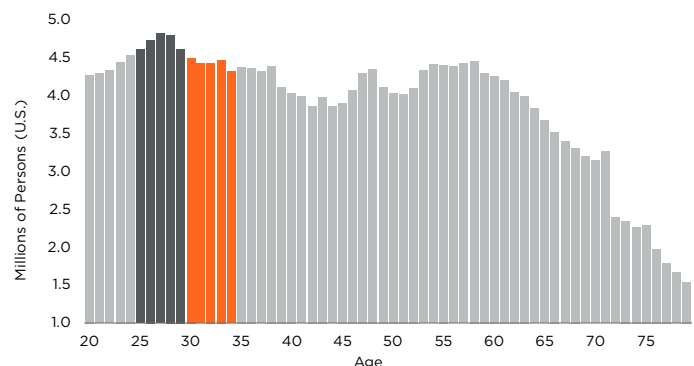
Currently aged 23 to 39, the Millennial generation now numbers approximately 72.1 million people. That age range is important. A decade ago, no one in the Millennial generation was over 30. Today, nearly one half of the cohort is 30 or older. They have entered, or are about to enter, a stage in

Millennials in Their 20s & 30s



Source: U. S. Census Bureau; Moody's Analytics Forecasted

U.S. Population by Age (2020)



Source: U. S. Census Bureau; Moody's Analytics Forecasted

their life cycle when they are more likely to be settling down, forming families and buying homes.

Research confirms that the Millennial generation has been slower to form family units than generations that preceded them. In 2019, 55 percent of Millennials were in a family unit (living with a spouse, a child or both), compared with 66 percent of Generation X within that same age range and 69 percent of Baby Boomers.²

Home buying, long a trigger for a move from the urban core to the suburbs, is also happening later. According to the National Association of Realtors, the median age of the first-time home buyer in the U.S. in 2019 was 33 years, the highest it has ever been. Approximately 50 million Millennials are currently under the age of 33. Considering that's 70 percent of all Millennials, there is a huge wave of buyers about to enter the housing market for the first time.

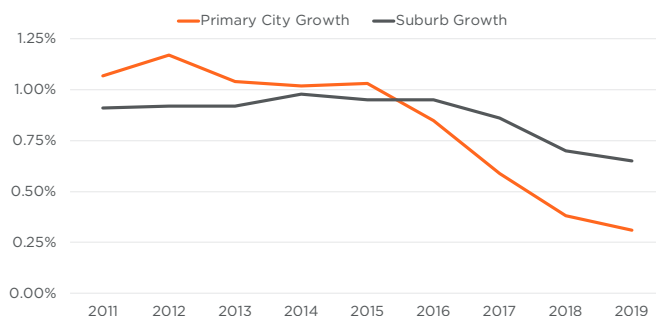
This bulge in the population is likely to boost demand for single-family homes over the coming decade. And this is likely to be amplified by pent-up demand from those who were unable to purchase homes due to more stringent lending requirements in the aftermath of the great financial crisis.

The consequences for real estate markets of the aging Millennial generation are already emerging. Over the past few years, populations have begun to move from central cities to the suburbs. Recently published research from The Brookings Institute, using census data from 2010 to 2019 for cities with a population of one million or more, indicates that from 2010 to 2016, populations grew more rapidly in cities than suburbs, but that trend reversed starting in 2017.

FROM CITIES TO SUBURBS

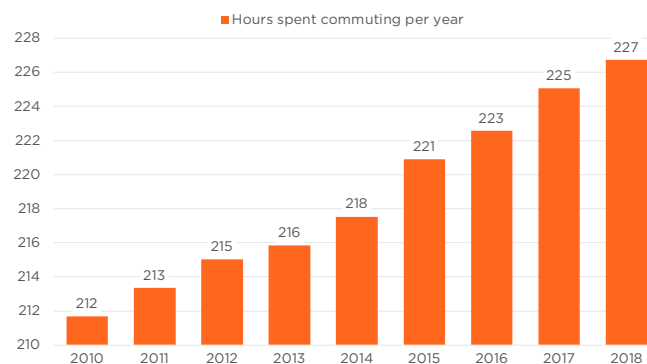
As more people move to suburban locations, they will likely continue to work at the same job and company, commuting from the suburbs. But over time, commuting can become a challenge. According to the U.S. Census Bureau, workers spent 227 hours commuting in 2018. That equals two weeks of awake time and is up seven percent from 212 hours in 2010. One way to reduce commute times is to work closer to home. As the suburban population continues to increase, it is likely that

Suburban Population Growth Stronger Since '16



Source: William H Frey analysis of Census Bureau Population estimates July 2010-2019 (released May 21, 2020); Brookings Institute

Commuting Time Continues to Climb



Source: U.S. Census Bureau American Community Survey

more and more suburban dwellers will seek to work locally. Millennials, in particular, are more focused than their older peers on proximity and convenience when looking for a new home.³

The result is likely to be more demand for suburban office space as companies seeking to attract and retain talent will see some benefit from locating at least a portion of their regional occupancy in the suburbs.

² <https://www.pewsocialtrends.org/2020/05/27/as-millennials-near-40-theyre-approaching-family-life-differently-than-previous-generations/>

³ Source: 2020 National Association of Realtors (NAR) Home Buyer and Seller Generational Trends

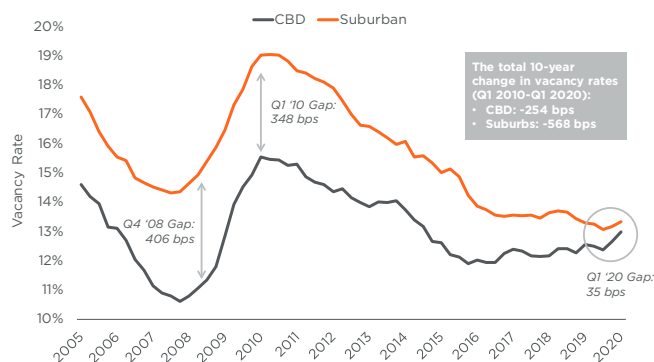




As this population shift to the suburbs has emerged, it has already been mirrored in commercial office real estate. Historically, vacancy rates have tended to be much higher in the suburbs than in central business districts (CBDs). From 2005 to 2016, the CBD vacancy rate has averaged 13.3 percent. During that same time frame, suburban vacancy rates have averaged a full 300 basis points higher at 16.3 percent.

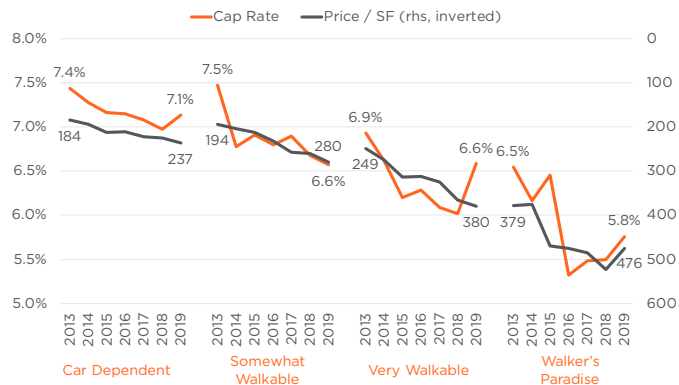
However, in recent years, the gap between the CBD and suburban vacancy rates has narrowed substantially. In the first quarter of 2015, the national CBD vacancy rate was 12.6 percent while it was 15 percent in the suburbs. Five years later, in Q1 2020, CBD vacancy had risen to 13 percent while the suburban vacancy rate had fallen to 13.3 percent.

Vacancy Rates Converging



Source: Cushman & Wakefield Research

Not All Suburbs Are Created Equal



Source: RCA, Cushman & Wakefield Research
Deals over \$5 million

CHANGING DYNAMICS

With more people working from home and employers not requiring them to commute into the city due to COVID-19, the dynamics between the CBD and the suburbs are shifting. These shifts in focus are occurring just as Millennials are entering a period in their lives when they are undergoing major changes, from forming family units to buying homes. Population studies show the move to the suburbs is already underway and given the size and age of the Millennial population, that move is likely to accelerate in the years ahead.

Since these two sets of forces – aging Millennials and the shift to working from home – are pushing in the same direction, they could very well lead to a much greater interest in suburban office space than we have seen in many years.

The in-demand suburb of the 2020s may not look like what has been the norm in decades past. You may be able to take the Millennial out of the city center, but you won't be able to take the city center out of the Millennial. Demand for walkable, highly-amenitized areas outside of the urban core are going to be disproportionately attractive to both young, first-time home buyers and empty nesters looking to downsize. The expectation will be the best of both worlds: providing the upsides of urban, walkable living with the proximity, affordability and ease historically more available in the suburbs.

Hotels are not checking out

IN THE FACE OF COVID-19, THE STRONGEST HOTELS ARE STRATEGIZING FOR A SUCCESSFUL COMEBACK

The COVID-19 pandemic has been universal, impacting every country across the globe. With little to zero travel happening on a personal or professional level since its inception, hotels have taken a hit like never before. According to STR Inc., Europe is the most impacted region, with the hotel revenue per available room (RevPAR) declining by 59 percent during the first half of 2020. Asia Pacific, while being the first region hit by the outbreak, recorded a less significant decline at 55 percent. The Americas experienced a 46 percent reduction and the Middle East & Africa region saw a 41 percent decline.



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Hotel performance recovery is appearing in some of these markets as occupancy increased to*:

40%
Americas

39%
Asia Pacific

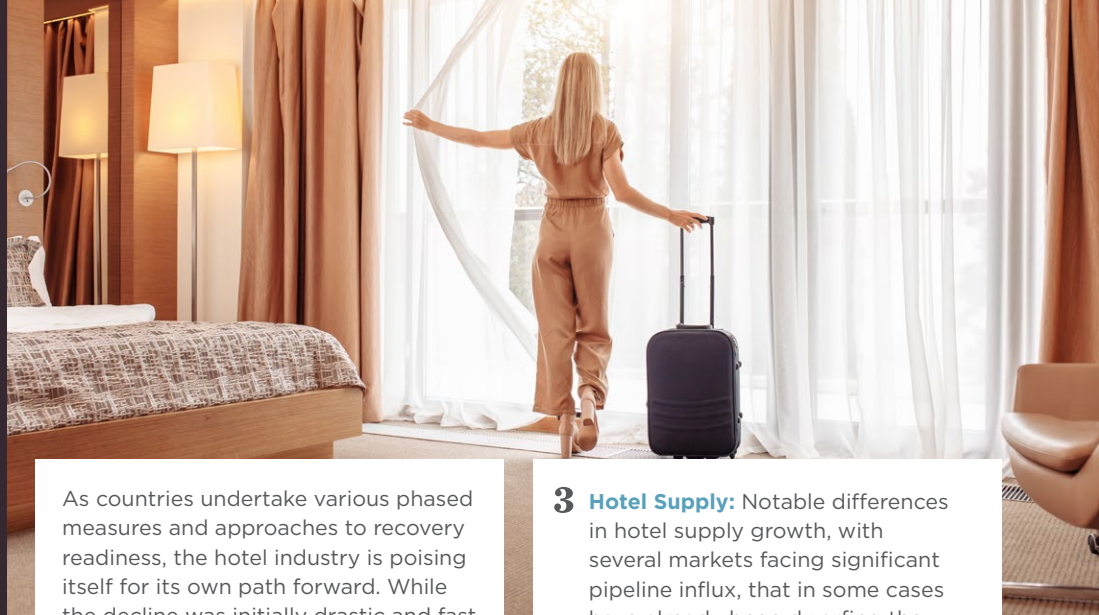
28%
Middle East & Africa

22%
Europe

KEY MARKETS

New York	46%
Los Angeles	42%
Hong Kong	36%
Beijing	33%
Sydney	30%
Dubai	26%
London	23%
Berlin	21%
Toronto	20%
Madrid	19%
Buenos Aires	18%
Tokyo	15%
Paris	13%
Rome	10%

* May 2020



As countries undertake various phased measures and approaches to recovery readiness, the hotel industry is poising itself for its own path forward. While the decline was initially drastic and fast across all markets, the pace of recovery will vary significantly from market to market due to various factors:

1 Role of Governments: Significant differences in restrictions on travel imposed by governments and non-coordinated timing of their lifting, as well as meaningful variances in support provided by authorities to travel sector, including hotels. For example, many tourism destinations in Europe, such as Italy and Spain, have quickly lifted restrictions and launched aggressive campaigns to attract visitors for summer holidays, including offers such as paying for 50 percent of flight costs in Sicily. The UK went the opposite direction by launching a 14-day quarantine requirement in June for all inbound tourists - only to be lifted one month later in July.

2 Macro-Economic Environments: Post-COVID-19 economic slowdowns, recessions and geopolitical tensions are rising at various levels of severity across geographies, with consequential impacts on business and leisure travel. According to Oxford Economics, GDP forecasts for 2020 are ranging from a -42 percent drop in Libya to 30 percent growth in Guyana.

GDP forecast of key countries:

U.S.	-4.2%
China	+2.5%
Japan	-6%
Germany	-6.1%
India	-5.7%
UK	-10.9%
France	-10.2%

Sorted by the size of the economy (nominal GDP in 2019)

3 Hotel Supply: Notable differences in hotel supply growth, with several markets facing significant pipeline influx, that in some cases have already been dwarfing the performance of hotels pre-COVID-19. Conversely, there are also markets with very limited supply and these should see stronger performance recovery once the travel restarts.

4 Travel Ecosystem: Hotels being part of a travel ecosystem including stakeholders such as airlines, tour operators, tourist attractions and events, conventions and meetings venues. The level of impact by COVID-19 on these players and pace of their recovery can also vary from market to market. According to latest publication by ICAO from June 2020, the airline passenger traffic for full year 2020 is expected to decline by 48-62 percent, a significant threat for markets depending on long-haul tourism.

5 Health & Safety: Variances in perceived sense of safety or risk, as well as threats of repeat outbreaks rising in various geographies such as in South Korea, China and other sub-regions in Asia Pacific, some regions in number of European countries as well as new spikes in several U.S. states such as in California, Texas and Florida.

While initially most markets were expecting a quick **V-shaped** recovery, it is becoming increasingly clear that while it still might be the case for some of them, other markets will face more extended recovery paths of various shapes with hotels likely to be trading in challenging conditions for some time. But the strongest hotels are not checking out. Instead, they are positioning themselves for success in the face of COVID-19 by coming up with their own strategies in the short, medium and long terms.

SURVIVING IN THE SHORT-TERM: IT'S ALL ABOUT SAFETY AND CASH MANAGEMENT

From housekeeping to dining, hotels are having to rethink how they approach everything – at least until the fears from the pandemic are mitigated. Guests will expect – and deserve – the utmost attention to health and safety the minute they walk through the hotel doors, which is exactly what hotels are delivering by following the cleanliness guidelines outlined by various organizations around the world, such as the Center for Disease Control and Prevention (CDC), the American Hotel & Lodging Association, and numerous global hotel companies.

But surviving this crisis goes well beyond merely operating a safe hotel. Hotels also need to stay afloat. To this end, hoteliers are operating hotels with a multi-tasking skeleton crew who are providing reduced service levels and amenities while ensuring flexibility to deal with notable fluctuations of demand (i.e., full on weekends and empty on weekdays) – all with the goal to minimize expenses.

Some innovative hotels are even diversifying income sources in the short-term by offering delivery services or repurposing underutilized rooms as office space or private dining rooms. Swedish hotel, Stadt, for example, has opened up underutilized rooms as private dining spaces, allowing people to go out to eat while still maintaining social distancing from other diners. Orders can be placed by phone, so diners never have to leave the room. Vienna hotel, Hotel Sacher, is another example of a hotel renting out its hotel suites or rooms for up to three hours for groups to have a meal served by a private butler. And in partnership with letswork, the UAE's largest network of co-working spaces, Rove Hotels in Dubai recently launched private office rooms offering reliable and fast Wi-Fi; unlimited coffee, tea and water; private bathroom; comfortable bed; and special meals for a fee.

Some innovative hotels are even offering 'bonds' for future travel where you can 'buy now and travel later' at a discounted rate. The 452-room hotel

London House in Chicago provides a good example of this strategy. The hotel is offering 'bonds' that people can buy in \$100 increments. After 60 days, those 'bonds' will have matured and be worth \$150 instead, a quick 50 percent return on investment. When guests are ready to book post-COVID-19, they can cash these 'bonds' in on everything from overnight stays to room service to drinks on the hotel's rooftop bar.

TRANSFORMING IN THE MEDIUM-TERM: GETTING EVEN SMARTER ABOUT SMART TECHNOLOGY

In recent years, many hotels had already started implementing smart technology to enhance their guests' stay, offering efficiency and convenience via high tech solutions. However, with the advent of COVID-19, the need for smart hotels has been further accelerated. Efficiency and convenience are still drivers of change, but smart technology can also play a crucial role in a hotel's health and safety going forward. According to a recent [Cushman & Wakefield report](#), *Looking Beyond COVID-19: Hotels – In for the Extended Stay in China*, smart technology solutions such as smart cleaning systems, automated HVAC services and more should be considered by hotels as they plan for the future.

In addition, smartphone apps, chatbots, roving robots and in-room technology such as voice assistants are playing more and more important roles and are becoming the connector between the guest and hotel. Equipped with cameras, microphones and speakers, roving robots, for instance, will play an important role by being able to answer common multilingual questions about the hotel such as "where is the bathroom?" while alerting humans for support when necessary.

Mobile check-in and check-out, digital door keys, delivery robots, and online concierge services are

already being implemented and should become a standard soon, allowing the guests and hotel to remain contactless while saving time with administrative processes and formal interactions.

THRIVING IN THE LONG-TERM: POSITIONING HOTELS FOR WHAT'S NEXT

While COVID-19 has required hotels to make some necessary changes in order to survive this crisis, it's also challenged hotels to look at their longer-term plans and strategies as they look towards what's next. Given cash flow difficulties, some hotels are now struggling from a business perspective and may wish to ultimately sell their property asset. Other hotels, also not in the position to reopen, might choose to repurpose their asset instead as a senior health-care facility, student housing or even a co-living concept. An increasing number of hotels in Hong Kong, for instance, are considering converting their properties to co-living spaces as they face ongoing occupancy challenges. Mojo Nomad





Aberdeen Harbour in Wong Chuk Hang is one such hotel to have converted to co-living in December 2019, which now consists of 65 rooms and 250 beds.

Many other hotels, however, may decide not to check out and to instead partner with their hotel operators and new capital infusions to renovate/reposition their property assets to ensure future business growth. These hotels might see this time as an opportunity to not only come out stronger and better positioned for the future with short, medium and long-term plans in place, but to also ‘reset’ by shaking off some of the industry’s legacy constraints. This is a good time to reassess existing protocols and even come up with new uses for hotel space.

As a result of COVID-19, hotels are operating with reduced services and amenities to ensure safety, but what if hotels don’t really need to offer all these services? Or, even better, what if guests start paying for services, such as housekeeping and laundry, going forward? This may become the new normal as daily services such as providing new towels and changing bed sheets may be deemed unnecessary and either not offered or could be offered only after a certain number of nights or at an additional cost. Reducing stayover cleans in a hotel with an average length of stay of two nights will reduce the daily number of rooms for cleaning by 50 percent, which is a big win from a sustainability standpoint. The positive impact of new technology and reduced

unnecessary services not only increase operational efficiency, but also have an environmental benefit.

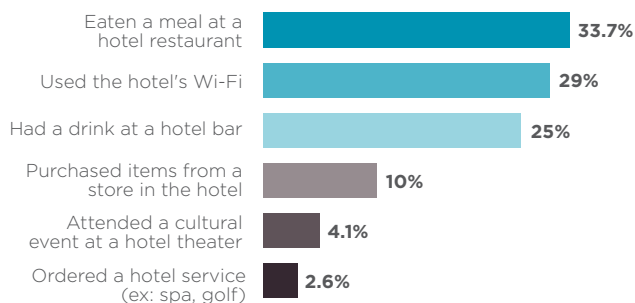
In addition, underutilized hotel space can provide not only a short-term, but also a long-term opportunity for hotels to think outside of the box. Amsterdam based Zoku is a hospitality brand that has rebranded its hotel rooms during this pandemic as day-stay hideaways, responding to the problems of our new – and hopefully temporary – reality.

Zoku’s Private WorkLofts provide guests some peace and quiet for a daily fee of 50 euros, which includes room service, high-speed Wi-Fi and office supplies. A great example of establishing a flexible concept in response to an unexpected shift, Zoku is already considering pursuing this model post-crisis.

Hotels should also be thinking beyond the guest room and into the community. Pre-crisis, innovative hotel brands like the ACE and Standard Hotels Group had been catering to a growing desire among local residents to eat, socialize, shop and work out of hotel lobbies. Based on a Skift consumer research report,

when asked about items and services survey respondents had used at a hotel as a “non-guest,” more than a third said they had eaten at a hotel restaurant. In addition, another 29 percent said they had used the hotel’s Wi-Fi, a quarter said they had had drinks at a hotel bar, and more than 10 percent had purchased items from a retail store located in the hotel. These hotels are marketing to not just travelers, but to the local community as well.

Have you purchased/used any of the following hotel services in the past 12 months as a non-guest?



Source: [Winning the Engagement War: Creating the Hotel of the Future With Ancillaries](#)

The hotel industry is used to dealing with changes on a daily basis which drives its resilience and ability to adapt. The breadth of professionals across the globe that are seeking solutions and evolving operational practices is impressive. The current environment is providing a rare opportunity for implementing new technology and service protocols with potential long-term benefits for hospitality practices and financial profitability.

Hotels aren’t checking out. Instead, many are learning daily to become savvier, smarter, more resilient and more prepared for what’s next.



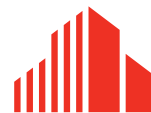
About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

WHAT'S NEXT IN RECOVERY READINESS

Cushman & Wakefield leads the development of best practices, products and partnerships to prepare clients for post-COVID-19 recovery and return to the workplace.

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