Post-pandemic corporate office real estate

A proactive multi-case approach for realignment

30-06-2021

1st mentor: Dr. H. Remøy
2nd mentor: Dr. A. Straub
Delegat board of examiners: S. van den Breemer

TU Delft JLL

ABN Amro verhuist grotendeels van Zuidas naar Zuidoost

Werknemers Microsoft kunnen thuis blijven werken na coronacrisis

BUSINESS 09/10/2020 2 min lezen door Niels Saelens

Eerste bedrijven stoten kantoren af: thuiswerken wordt de norm

De eerste bedrijven sluiten de kantoren om thuiswerken de nieuwe norm te maken. Voor de kantorenmarkt heeft dat de komenden jaren nog geen heel grote gevolgen, denken vastgoedexperts.

'Booking.com schrapt maximaal duizend banen in Amsterdam'

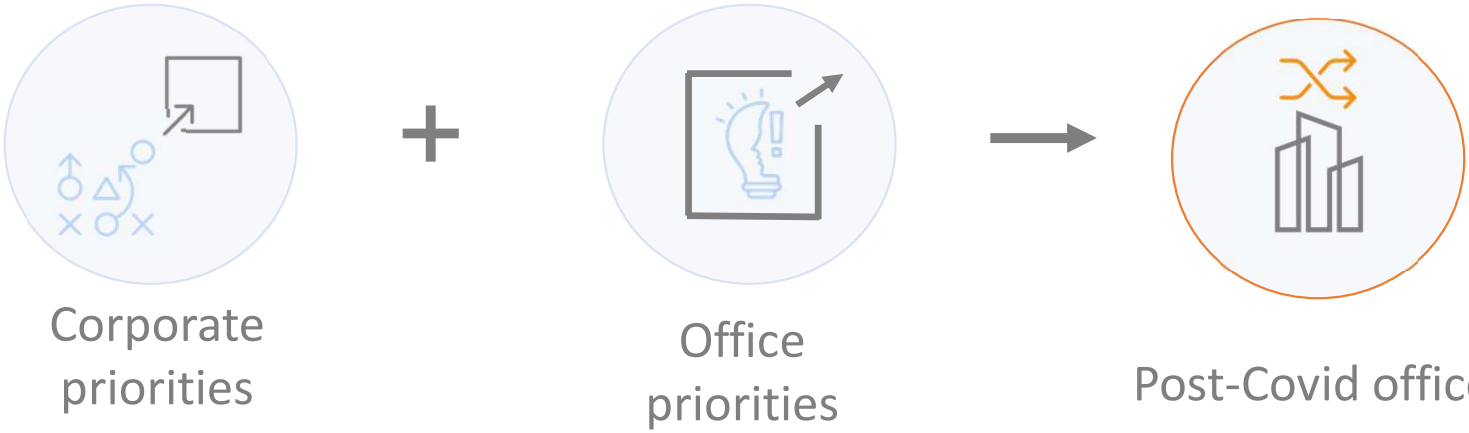
Vakbond FNV verwacht dat er maximaal duizend banen verdwijnen bij het Amsterdamse hoofdkantoor van Booking.com. Dat is minder dan het bedrijf zelf drie maanden geleden in het vooruitzicht leek te stellen, bij een aankondiging van een rigoureuze reorganisatie.

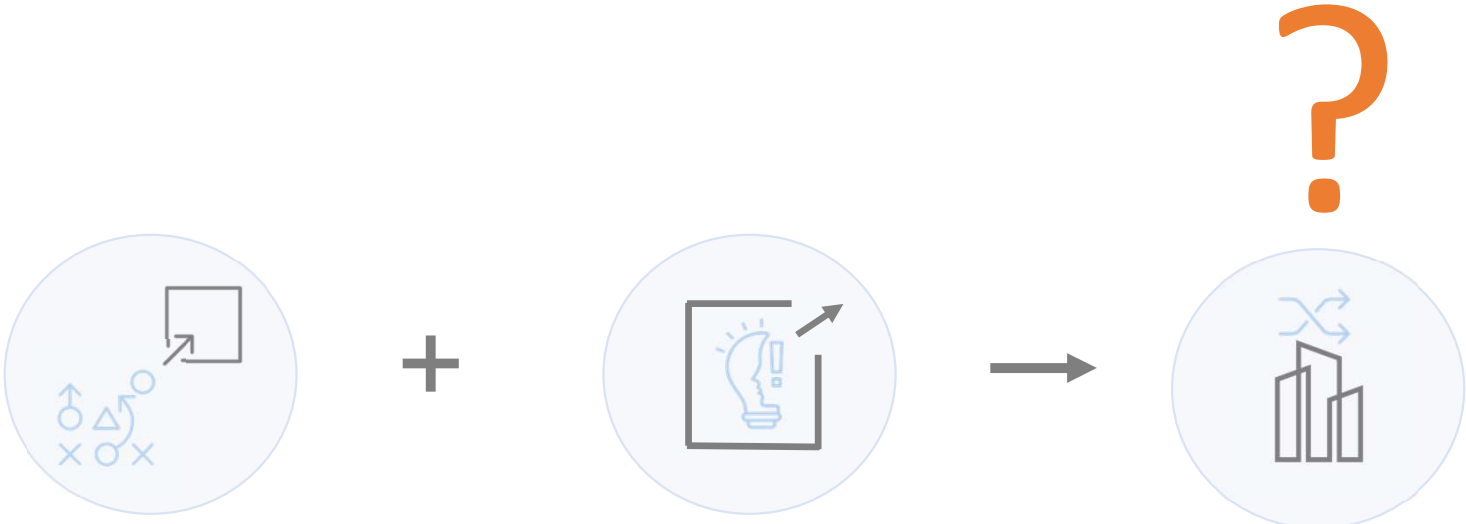
Trouw

Thuiswerken

Het kantoor wordt na corona misschien een soort 'clubhuis' van het bedrijf

Heineken hard geraakt door coronacrisis: 300 miljoen verlies


Corporate priorities
Office priorities
Post-Covid office


Corporate priorities
Office priorities
Post-Covid office

Mismatch

Current office portfolio

≠

Post-Covid demand portfolio

Match

?

Current office portfolio

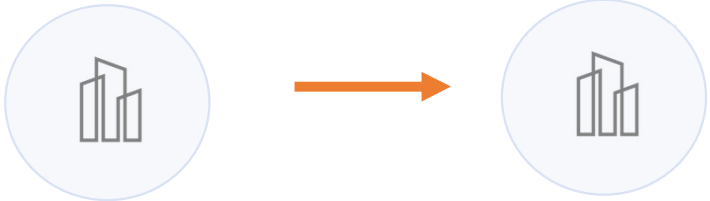
Post-Covid demand portfolio

Main research question

“How can a strategy be developed that large corporates in the Netherlands could implement to proactively realign their corporate real estate office portfolio to their post pandemic corporate and real estate priorities?”

Proactive realignment strategy

“…. contains a method with guidelines and measures to transform the office portfolio in advance to ensure it supplies to the future demand….”



Current office portfolio

Post-COVID demand portfolio

Corporate and real estate priorities

“…. Priorities are formulated on a strategic level and the real estate priorities are steered by the corporate priorities ….”

Post-COVID demand

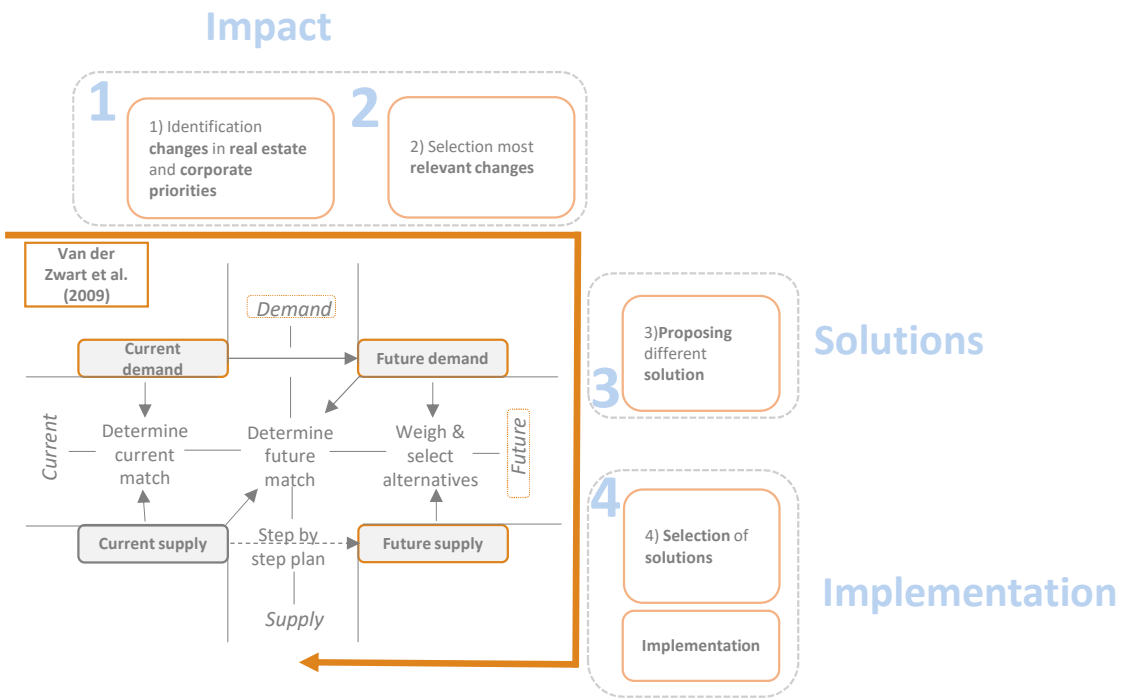
Real estate priorities

- Increase value
- Risk reduction
- Reduce costs

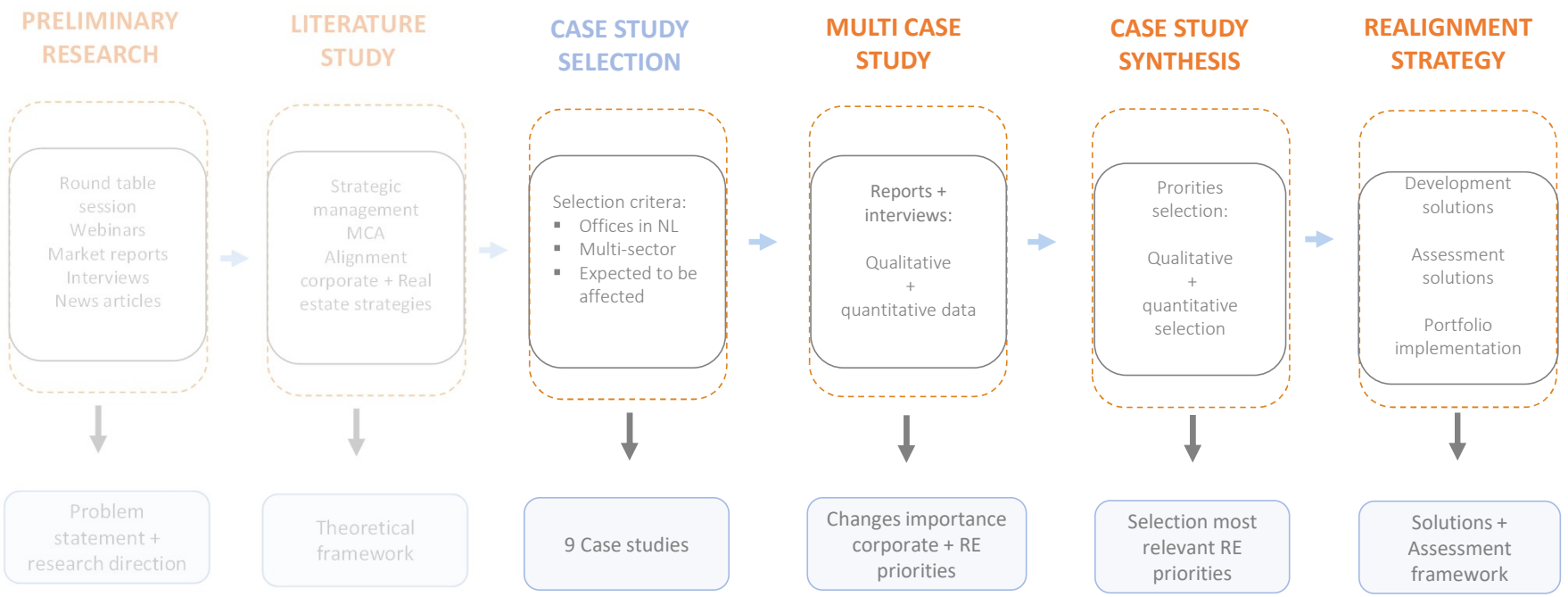
Corporate priorities

- Return/profit
- Production capacity

How to design a proactive realignment strategy?



Approach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Round table session
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Interviews
News articles
Problem statement + research direction
LITERATURE STUDY
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MCA
Alignment corporate + Real estate strategies
Theoretical framework
CASE STUDY SELECTION
Selection critera:
Offices in NL
Multi-sector
Expected to be affected
9 Case studies
MULTI CASE STUDY
Reports + interviews:
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Changes importance corporate + RE priorities
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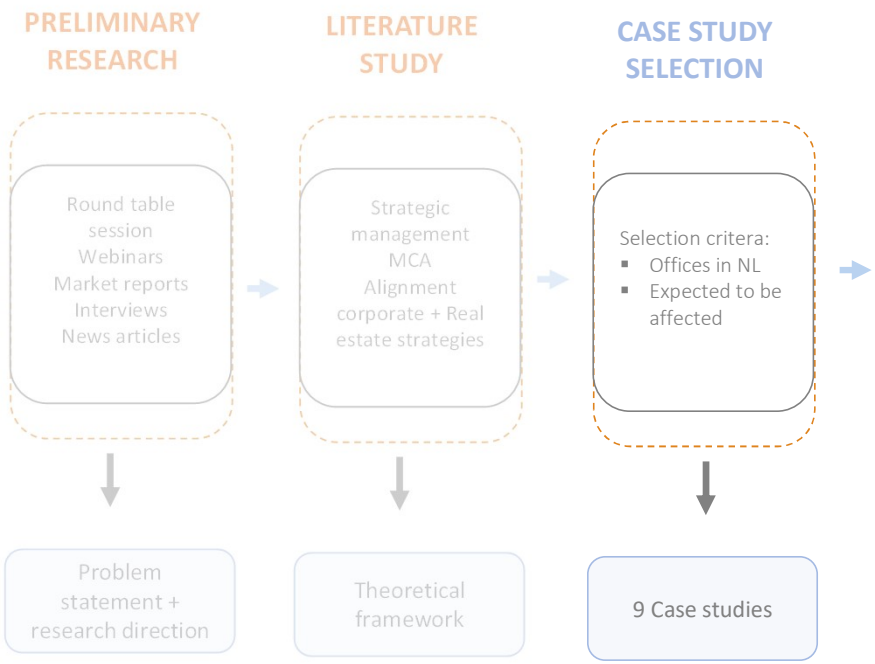
Qualitative + quantitative selection
Selection most relevant RE priorities
REALIGNMENT STRATEGY
Development solutions
Assessment solutions
Portfolio implementation
Solutions + Assessment framework

Approach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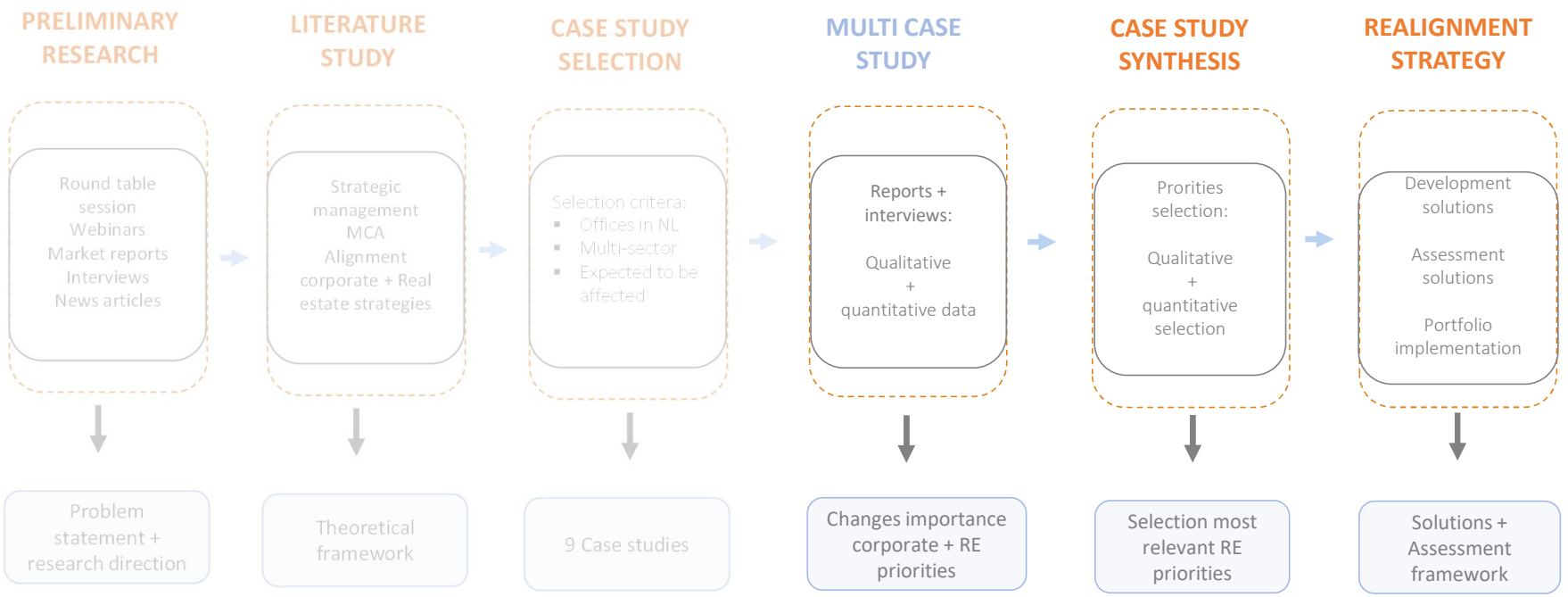
Elektrotechnical
ENGIE
VATTENFALL
PHILIPS
ING
JLL
Royal HaskoningDHV
Enhancing Society Together
Security

Approach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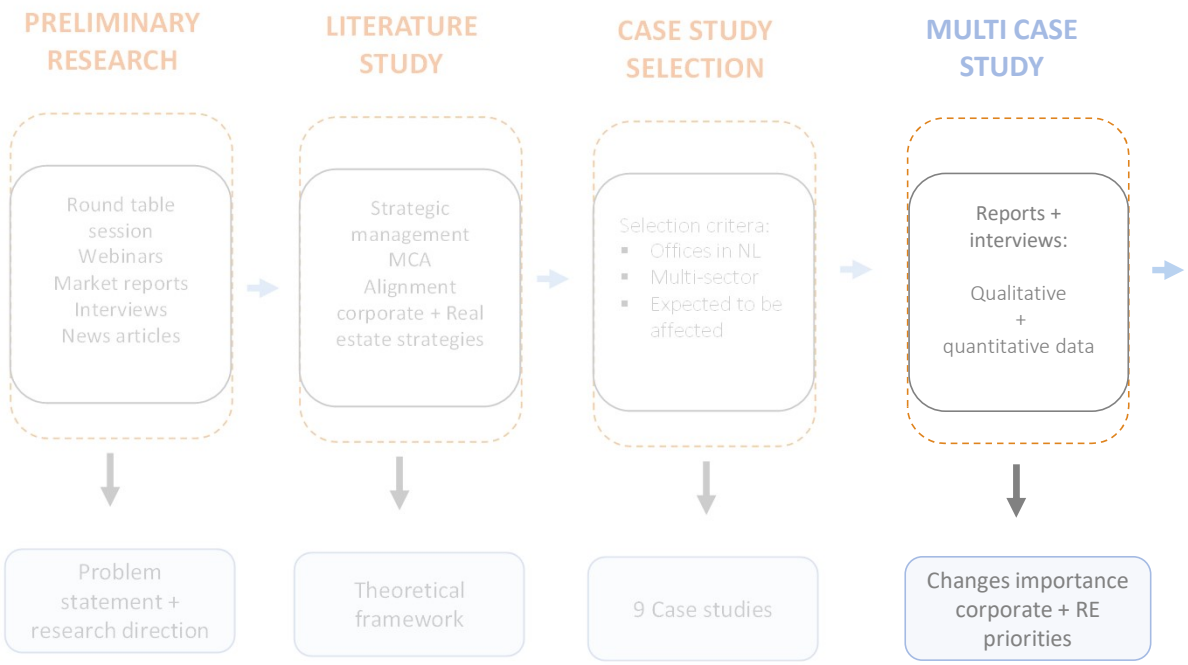
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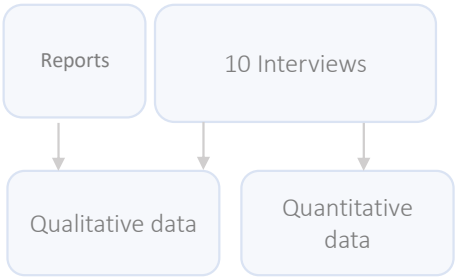
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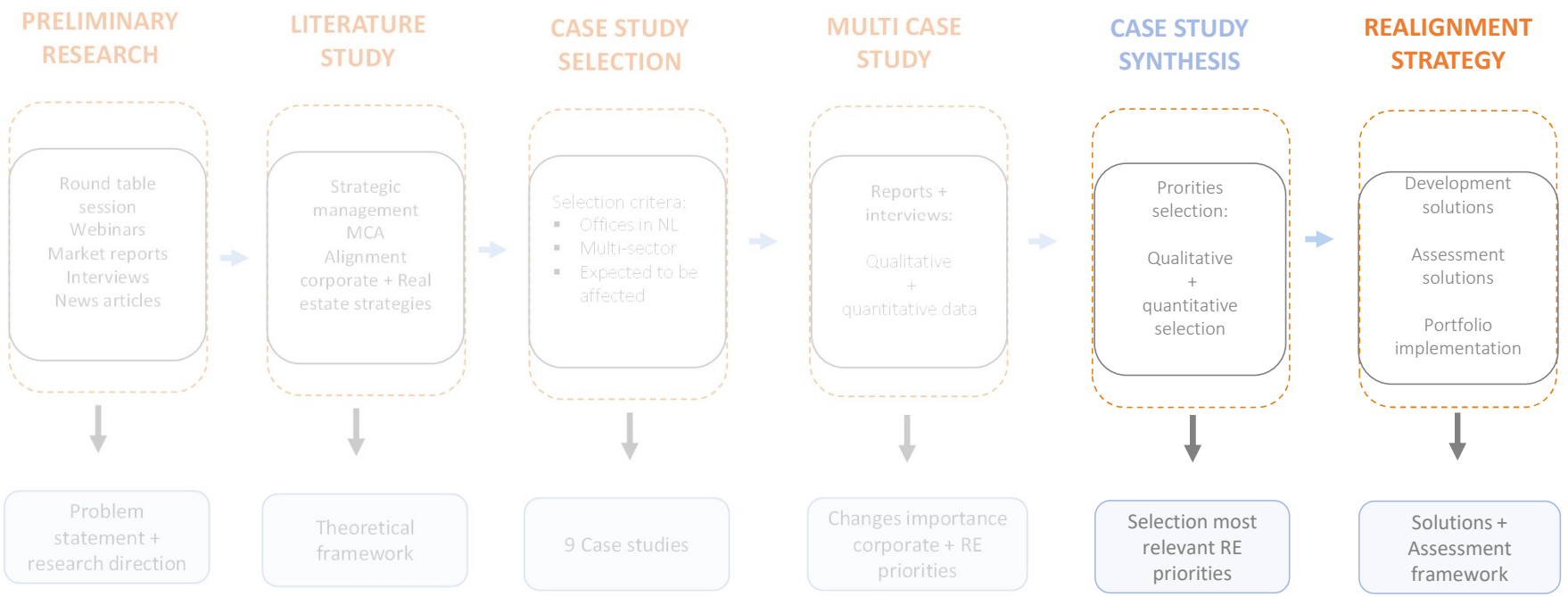
Qualitative data
Quantitative data

Approach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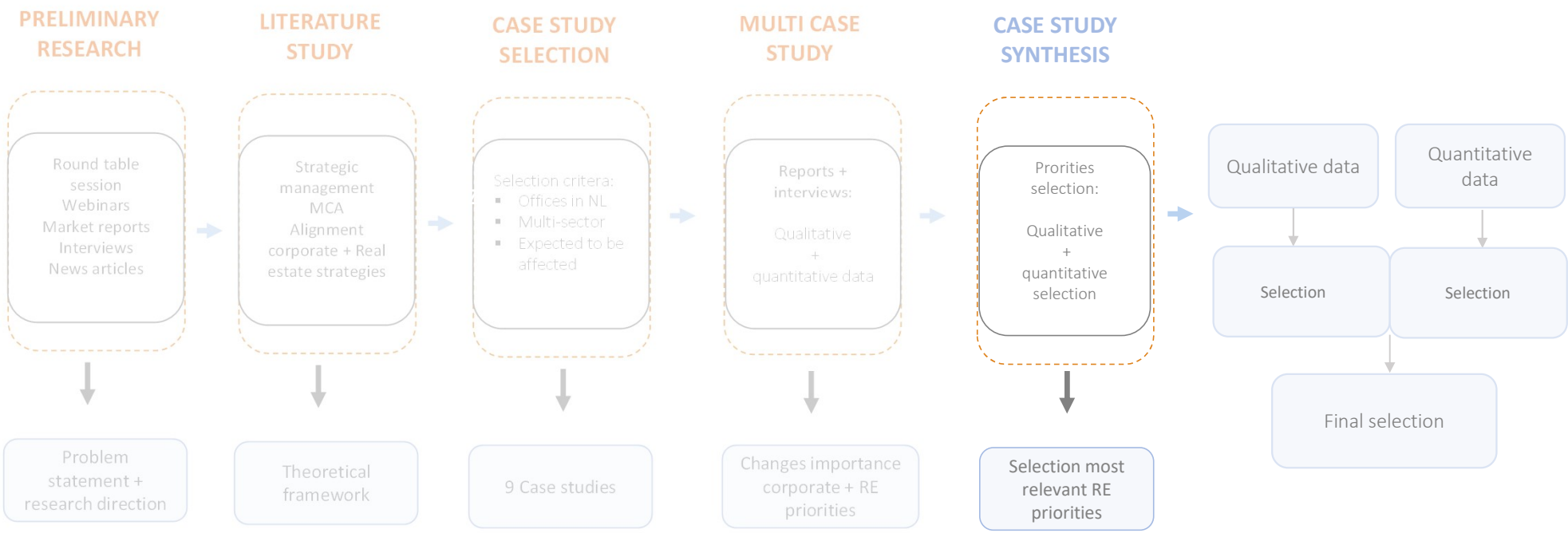
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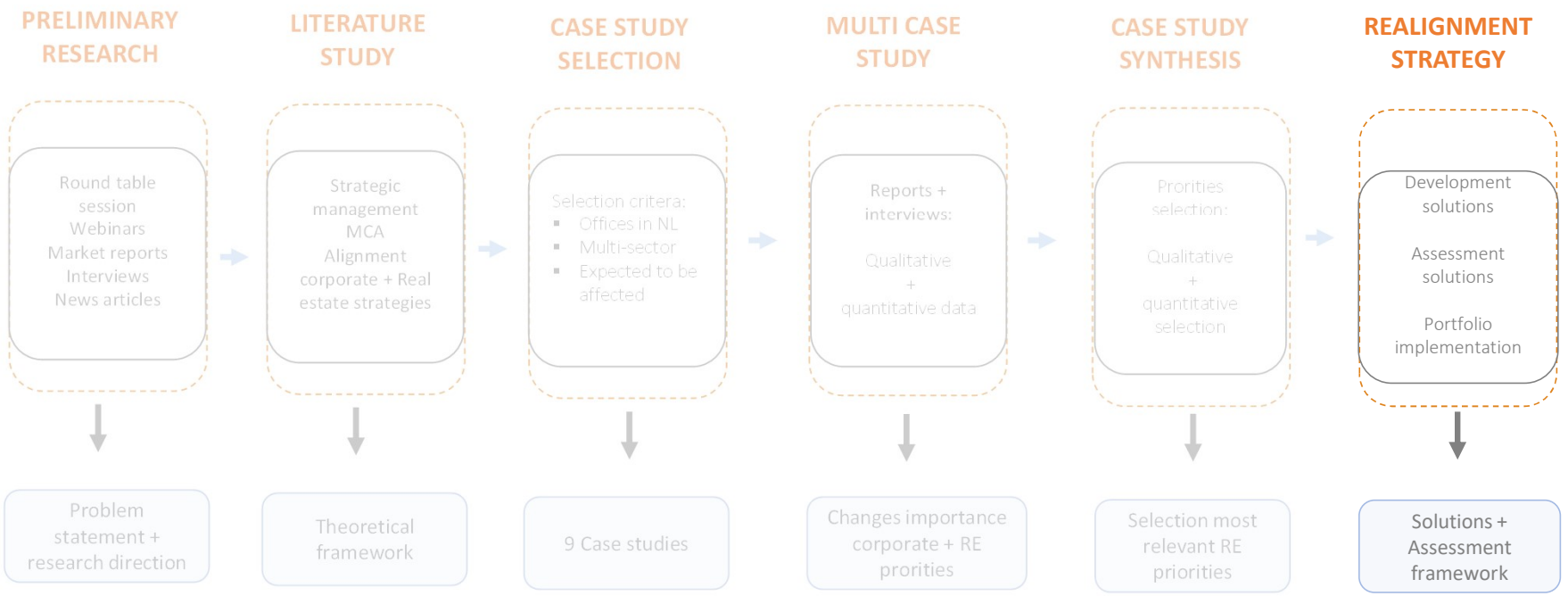
Quantitative data
Selection
Selection
Final selection

Approach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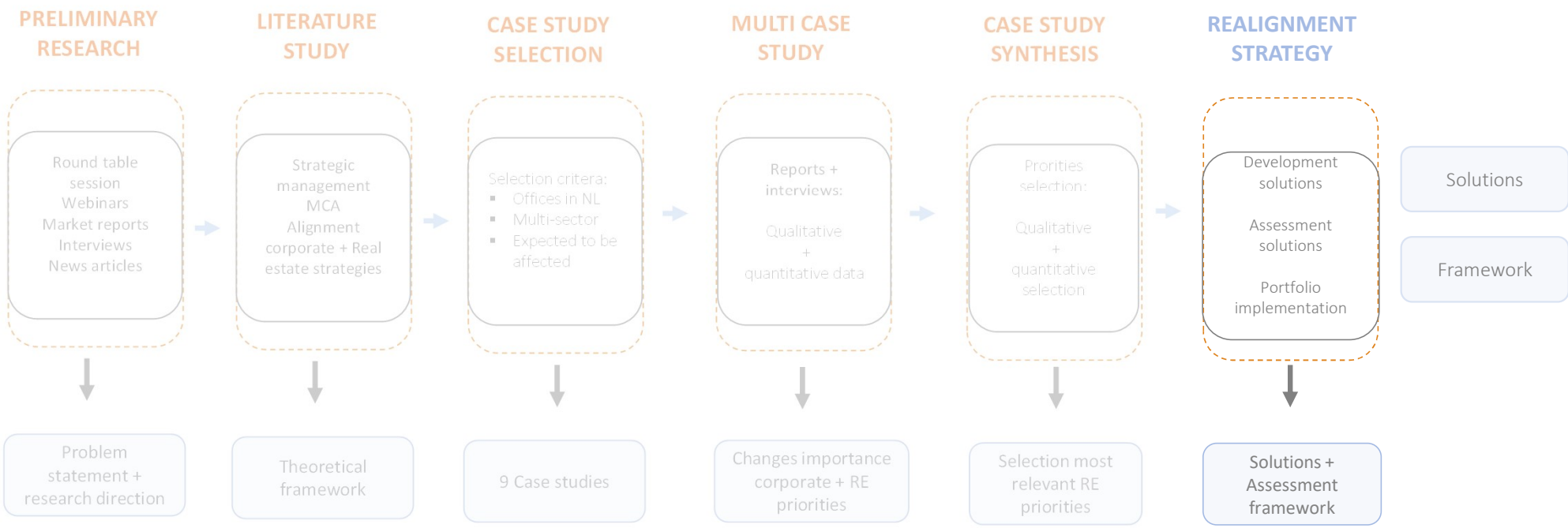
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Solutions
Framework

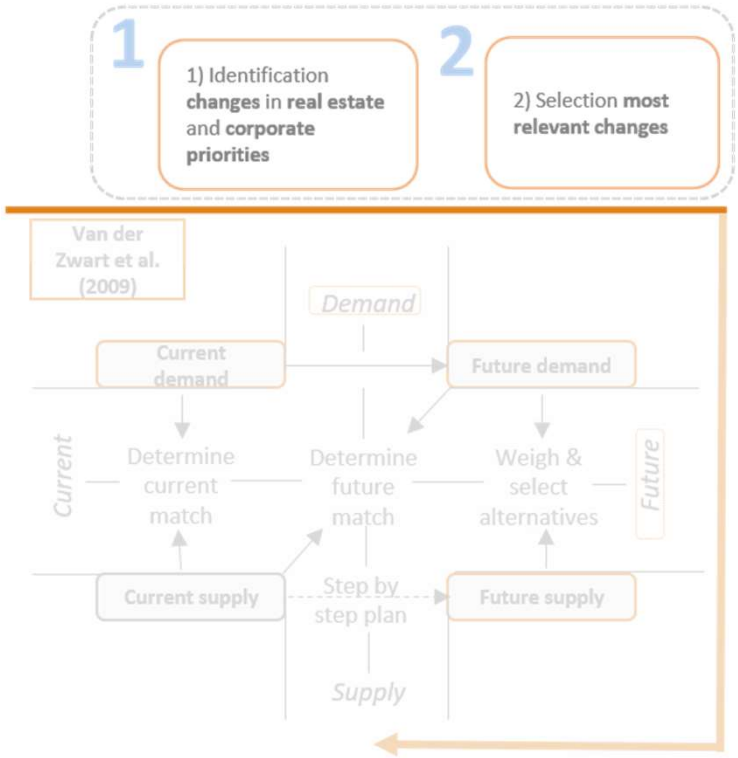
01 Impact

02 Solutions

03 Implementation

04 Conclusion

Impact


1
1) Identification changes in real estate and corporate priorities
2
2) Selection most relevant changes
Van der Zwart et al. (2009)
Demand
Current demand
Future demand
Current
Determine current match
Determine future match
Weigh & select alternatives
Future
Current supply
Step by step plan
Future supply
Supply

Impact

Which RE priorities are most relevant for realignment ?

Δ X

\+

=

‘priority’

Largest change in importance Post-Covid

Most permanent: Link to most important corporate priorities Post-Covid

Selected priority

Impact

expected mismatch

Which RE priorities are most relevant for realignment ?

Δ X

+

=

‘priority’

Identified with the largest change in importance

Most permanent: Link to most important corporate priorities Post-Covid

Selected priority

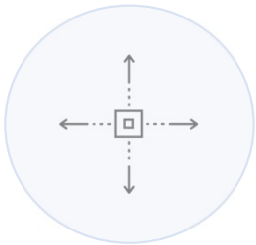
Most relevant real estate priorities impacted by Covid

Increase productivity

Cultural support

Increase sustainability

Increase technology



Increase flexibility

Impact

Most relevant real estate priorities impacted by Covid

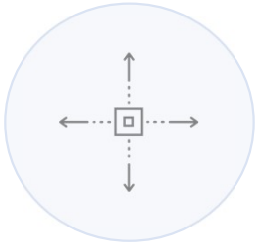
Increase productivity

- Type of work
- Distribution of space
- Time spent

Cultural support

Increase sustainability

Increase technology



Increase flexibility

Most relevant real estate priorities impacted by Covid

Impact

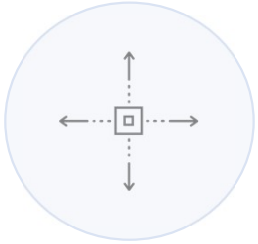
Increase productivity

Cultural support

- Sense of belonging
- Communicating a culture

Increase sustainability

Increase technology



Increase flexibility

Most relevant real estate priorities impacted by Covid

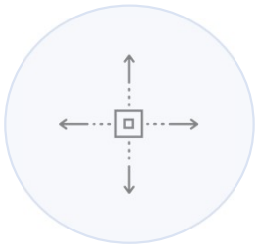
Increase productivity

Cultural support

Increase sustainability

- Practice what you preach
- Showcase

Increase technology



Increase flexibility

Most relevant real estate priorities impacted by Covid

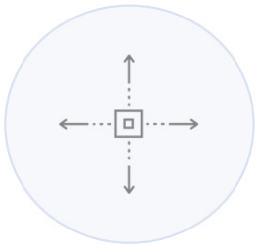
Increase productivity

Cultural support

Increase sustainability

Increase technology

- Support remote working
- Enhance collaboration



Increase flexibility

Impact

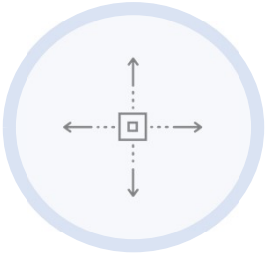
Most relevant real estate priorities impacted by Covid

Increase productivity

Cultural support

Increase sustainability

Increase technology



Increase flexibility

- Adapt to company size and tasks
- Integrated solution
- Different levels in portfolio

Impact

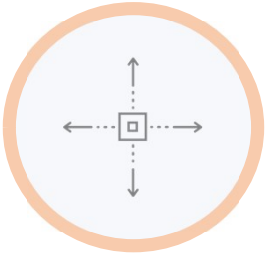
Most relevant real estate priorities impacted by Covid

Increase productivity

Cultural support

Increase sustainability

Increase technology



Increase flexibility

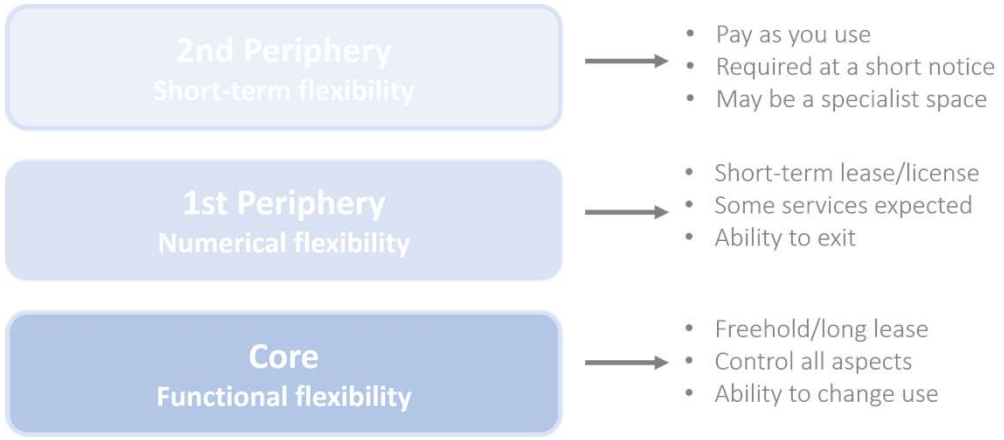
1. Grown importance indicated by all cases
2. Selected through both methods
3. Connected to other priorities

“Increase of flexibility within the office portfolio is considered the starting point for the realignment strategy”

Solutions

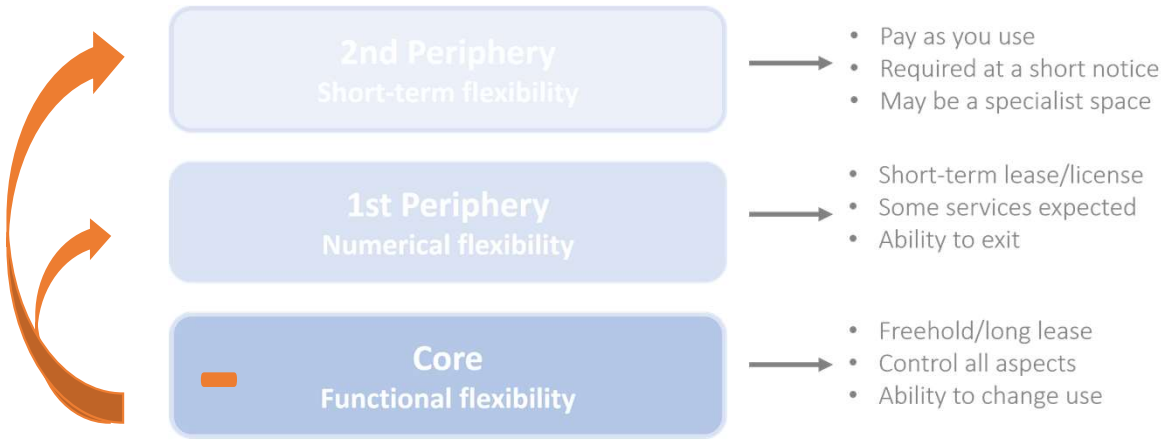
3 3)**Proposing** different **solution**

How to increase flexibility within the office portfolio ?



Flexibility framework of Gibson and Lizieri (1999)

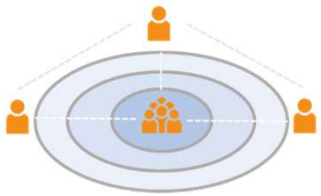
How to increase flexibility within the office portfolio ?



Flexibility framework of Gibson and Lizieri (1999)

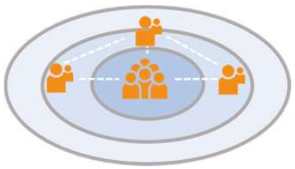
Three integrated flexible solutions

Solution A



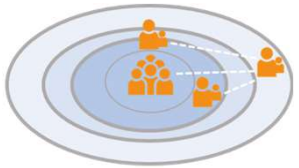
Working from anywhere

Solution B



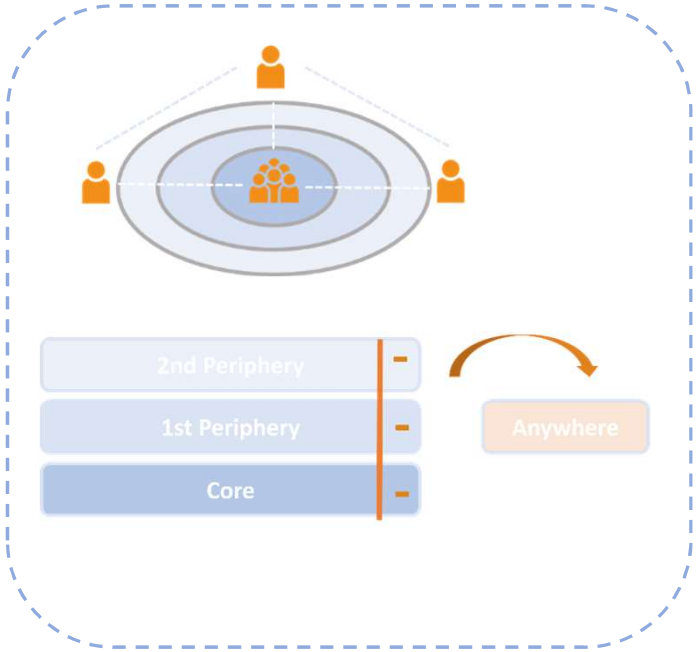
External co-working

Solution C



Internal co-working

Solution A - Working from anywhere

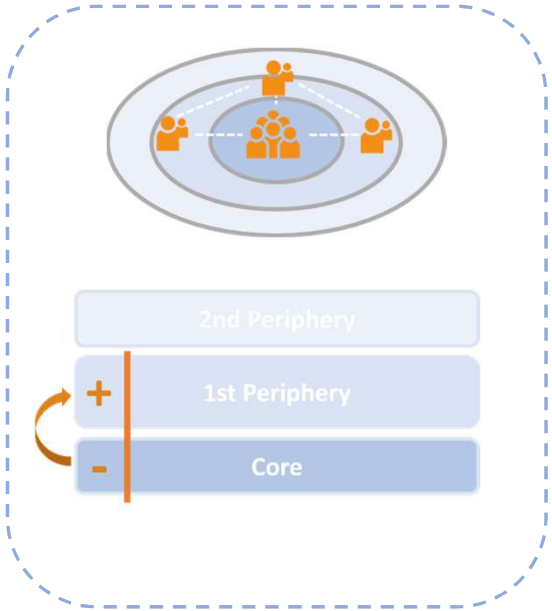


- Employee works from home or any other location of choice
- Employer does not provide for this space

Applicability

Company characteristics		Portfolio characteristics	
Type of office work	Priorities	Owned vs leased	Asset types
- Highly confidential work + No dependency office facilities	- High priority of cultural support + High priority of sustainability	- Owned office buildings + Emphasis on leased portfolio (core)	- High variety of asset types

Solution B – External co-working

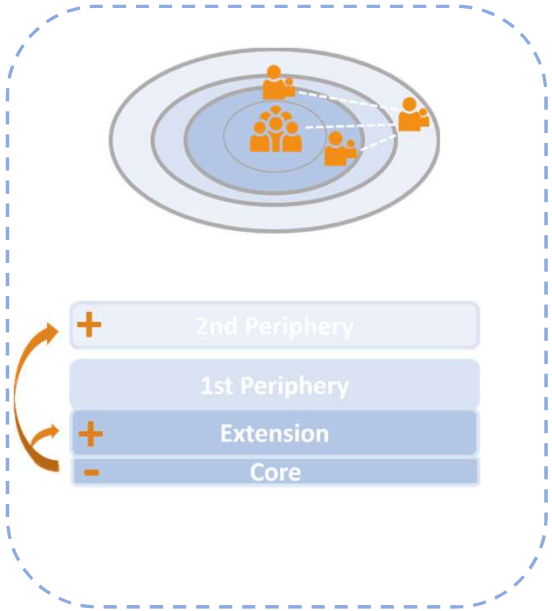


- ❑ Dedicated space from a serviced office provider
- ❑ Majority for collaboration, small area for focus work
- ❑ In proximity of core office
- ❑ Short lease length
- ❑ Additional investments needed to support company culture

Applicability

Company characteristics		**Portfolio characteristics**	
Type of office work	Priorities	Owned vs leased	Asset types
- Highly confidential work + Low dependency office facilities	- High priority of cultural support - High priority of cost reduction + High priority of sustainability	- Owned office buildings + Emphasis on leased portfolio (core)	- High variety of asset types

Solution C – Internal co-working



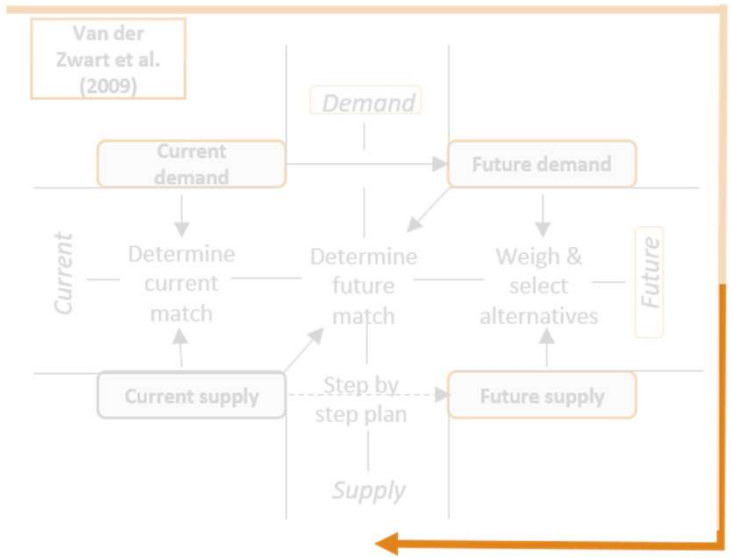
- ❑ Dedicated space from a serviced office provider
- ❑ Located as close as possible to core space
- ❑ Short lease length
- ❑ Collaboration space

Applicability

Company characteristics		**Portfolio characteristics**	
Type of office work	Priorities	Owned vs leased	Asset types
- Highly confidential work + Moderate dependency office facilities	- High priority of cost reduction + High priority of sustainability + High priority of cultural support	- Owned office buildings + Emphasis on leased portfolio (core)	- High variety of asset types

“Three possible flexible integrated solutions could reduce the core space and increase the flexibility of the office portfolio, however their applicability depends on the company and portfolio profile”

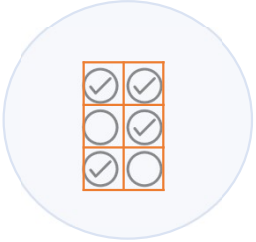
Implementation



How to select the solution(s) to implement ?

Profile applicability

+



Assessment framework

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‘Solution’

Solution selection

Assessment framework

Qualitatively scored

RE priority	Post- pandemic Measurable items	Weights	Score sol. 1	Score sol. 2	Score sol. 3
Increasing productivity	Distance employee				
	Informal and concentrated space distribution				
	Retain human capital				
Increase of flexibility	Organisational flexibility				
	Financial flexibility				
	Technical flexibility				
Cultural support	Interaction				
Sustainability	Reduction of m2				
	Mobility				
	Shared resources				
Technology	Technological support				
	Total score				

RE priorities

Implementation case portfolio

Assessment

RE priority	Post- pandemic Measurable items	Weights	Score sol. 1	Score sol. 2	Score sol. 3
Increasing productivity	Distance employee		+	o	o
	Informal and concentrated space distribution		+	o	o
	Retain human capital		+	o	o
Increase of flexibility	Organisational flexibility		o	+	+
	Financial flexibility		+	-	-
	Technical flexibility		-	-	-
Cultural support	Interaction		-	-	+
Sustainability	Reduction of m2		+	o	+
	Mobility		+	+	o
	Shared resources		-	+	+
Technology	Technological support		+	o	o
	Total score		4	o	2

- **Working from anywhere** scores the **highest**
- **Internal co-working** is an effective **addition** to 'organizational flexibility' , 'Interaction' and 'shared resources'
- The **combination** of **Working from anywhere and internal co-working** is considered most effective
- (priorities not taken into account)

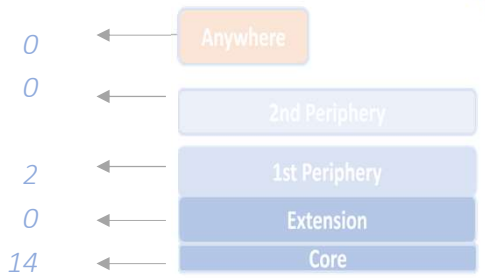
Implementation case portfolio

Office portfolio + approach

Property selection

16 offices located in 8 different countries

Present flexibility



Implementation

Quantified goals of the strategy:

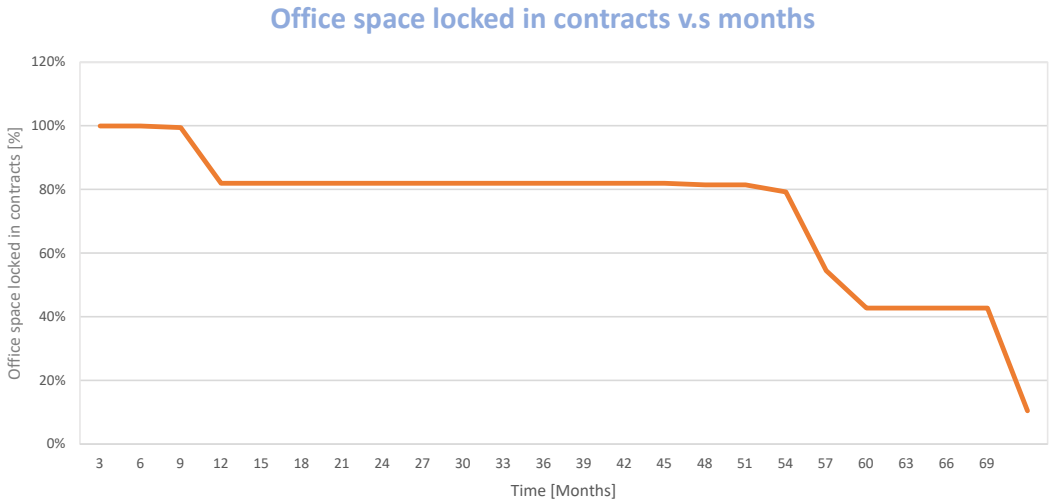
- *-20% desks in core*
  - *- 50% 'working from anywhere'*
  - *-50% 'internal co-working'*
- *+ 15 % collaboration space*

Implementation on case portfolio

Implementation

Interesting findings

- ‘Working from anywhere can be implemented immediately and transformed into collaboration space
- The duration of implementing internal co-working is driven by existing lease contracts
- In the short term the amount of core office space will likely not have to be down- or upsized
- Implementation takes at least 6 years



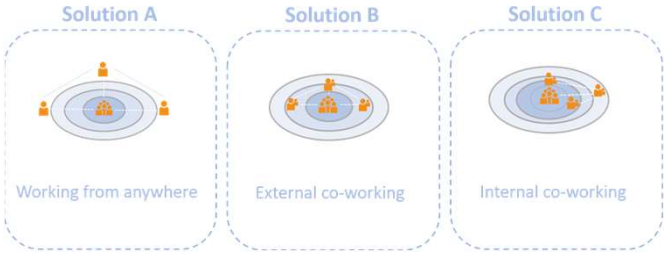
Conclusions

Question

“How can a strategy be developed that large corporations in the Netherlands could implement to proactively realign their corporate real estate office portfolio to their post pandemic corporate and real estate priorities?”

Conclusion

- The selection of most relevant priorities for post-pandemic realignment are ‘support culture’ , ‘increase flexibility’, ‘increase productivity’, ‘increase sustainability’ and ‘increase technology’
- Three integrated flexible solutions could reduce the core space



- The applicability of solutions depends on the company and portfolio profile
- The assessment framework can be used to select the solution(s) to implement

Even with a proactive approach implementation of flexibility could take years and accordingly the side effects of disposal could show later..

Questions?