

Commercial Real Estate Evolution, What's Next?

COVERD-19. Yes, we know it is talked about constantly these days but its effects cannot be ignored, even for a moment. As businesses are starting to reopen, and new cases in Canada are beginning to decrease each day, many are wondering when we will be able to return to normal and what that may look like.

Office spaces were one of the hardest hit "working environments" outside of the healthcare industry. Within a matter of days, businesses that adamantly refused to provide work-from-home options closed their doors and allowed all employees to work remotely. It was done out of need and necessity, as many would have had to close their doors permanently if these flexible options did not exist. One of the largest arguments regarding working from home was the possibility of a decrease in productivity. Yet in a report by Cushman & Wakefield (C&W), it was found that, "collaborative work increased by 10 percent with telework over the pre-COVID-19 period, with technological advances being credited for the big shift."

David Zweig, a professor at the University of Toronto, states that COVID-19 has "ripped a lid off" of how we consider work, workplaces and working from home.

He went on to say that:

“ In a tremendously short time, we have dropped the wall between work and home life and we have continued to be productive. ”

— David Zweig, Professor at University of Toronto

The big question, however, is that if individuals are able to work from home, productivity levels have not decreased and quality of life has increased, what is to be done with the commercial real estate that now sits empty?

Revised Workplaces

When discussing the new norm, businesses who are looking to reopen their commercial spaces and welcome employees back are now navigating the revised designs and strategies required to ensure overall health and safety. Barriers, revised schedules to reduce the number of people in the space at a time,



cubicked areas rather than open-concept design, and imposed traffic flow measures are just a few of the ideas that have been tossed around in order to help businesses resume operations from a shared physical space. One of the proposed solutions, however, is being called the “total workplace ecosystem,” which features a combination of both virtual and physical spaces.

As Toronto, Vancouver and Montreal are known hubs of commercial real estate, it could mean that we will see an increase in office vacancies unless they make a shift.

Some large giants are taking full measures, however, and are choosing to implement a work from home policy right away. Shopify is one of those companies that is redefining its business model as a “remote-by-default workplace.”

Rezoning?

Across the country, cities are beginning to reopen—all at various stages and with their own bylaws and regulations coming into play. It is difficult to look at the commercial real estate market and determine what it will look like by the end of 2020, but ideas have already been proposed to assist the commercial

real estate industry and make the most of this highly sought-after market.

Commercial spaces have typically been few and far between, especially as more and more people have come to these city-centres to work and as entrepreneurship has continued to rise. Residential properties have also been in high-demand within these centres, causing people to move to the surrounding area. Would it then make sense to rezone commercial buildings as residential ones? That is the question that is being asked.

Rezoning property is no easy task, but it may be the most attractive solution to fully utilize the preexisting spaces that are available. Not only would it provide an increased flexibility in occupancy and meet current demands, but it could alleviate the growing investment prices that businesses and homeowners face.

COVID-19 has changed the world in a very short period of time. Now, as we move forward we will be forced to change how we view the commercial real estate industry and what it will look like in the months and years to come.

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