

BOMA INTERNATIONAL COVID-19 COMMERCIAL REAL ESTATE IMPACT STUDY

Q2 2021 Nationwide COVID-19 Impact Study

N=3,115 Respondents (Office Space Decision-Makers/Influencers)

June 2021

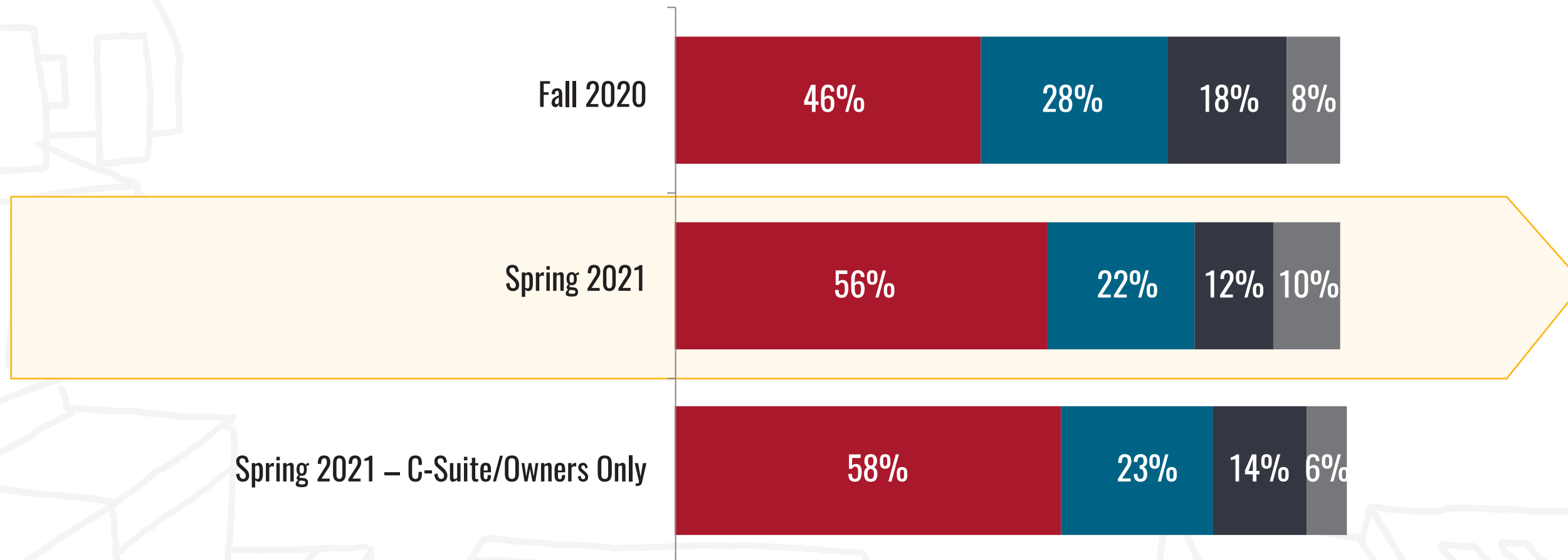


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VIEWS ON IMPORTANCE OF IN-PERSON OFFICE SPACE

- Respondents were asked if a series of statements/attitudes apply to them today, or could apply to them in the future.
- Views that in-person office space is vital to conducting a successful business/operation remained steady at 78% (+4 from Fall 2020), with sustained viewpoints among C-Suite and Owners (economic decision-makers).
- Vitality sentiment starts at 73% among < 5,000 SF users and climbs to 83% among 25,000 – 50,000 SF offices and 81% among those greater than 50,000 SF.

“We believe our in-person office space is vital to conducting a successful business/operation”



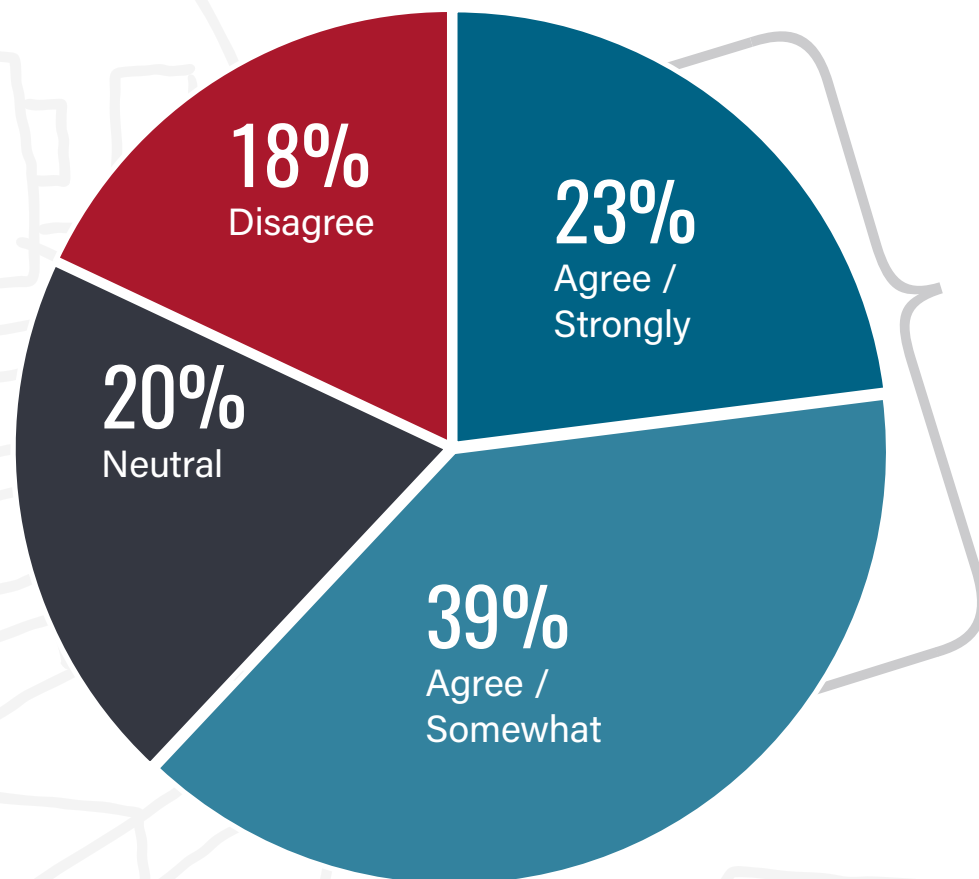
Office Tenants Nationwide Believe Office Space is or Will Be Vital to Conducting a Successful Business

■ Applies To Us Today ■ Could Apply to Us in Future ■ Doesn't / Won't Apply ■ Unsure

COVID-19 AS AN INFLECTION POINT OR TRANSFORMATION

- Views on COVID-19 as a “transformation” in workplaces remained remarkably consistent, with some key drops regionally (SW and Texas), but also some significant increases (MW, NW and among the highest rents per-square-foot).

Agree or Disagree – Is COVID-19 a Transformation?



62%

Nationwide Tenants Agree Coronavirus is a “Transformation”

65%

October 2020

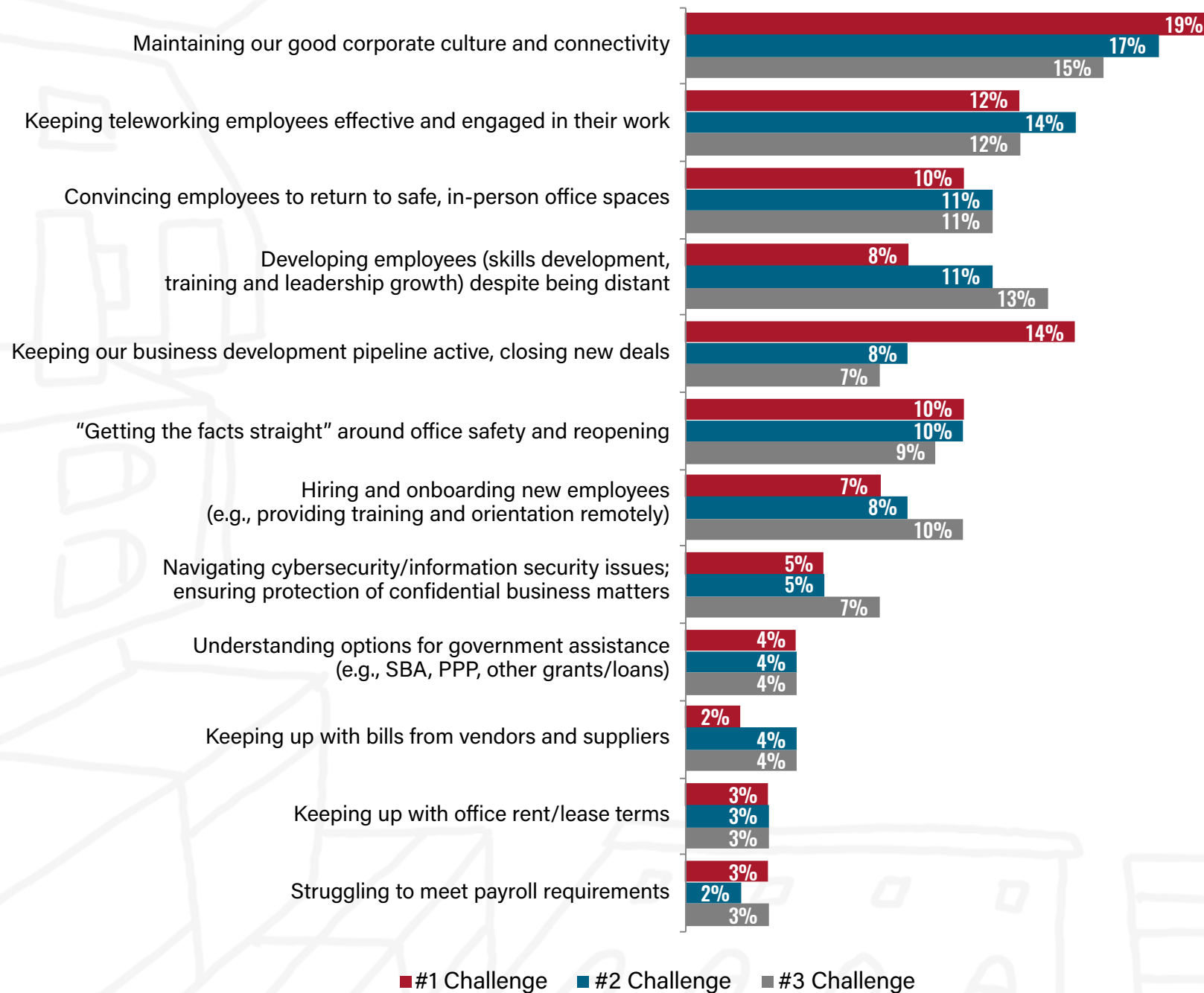
Q: “Coronavirus/COVID-19 is a tremendous inflection point or transformation in workplaces; and the way our company does business in its workplace will not be the same for some time to come.”

	Agree – Transformation	Transformation – October 2020	Transformation – May 2021
BY JOB ROLE	C-Suite, Owner	63%	64%
	VP, Director	65%	65%
	Facilities Manager	66%	59%
	Mid-Level Managers	69%	61%
BY LOCATION	Southwest	65%	57%
	California	64%	61%
	Texas	63%	53%
	South	64%	61%
	Northeast	67%	70%
	Midwest	60%	68%
	Northwest	60%	70%
	Mountain West	--	59%
BY SQUARE FOOTAGE	1,000 – 5,000 SF	58%	55%
	5,000 – 10,000 SF	67%	60%
	10,000 – 25,000 SF	68%	67%
	25,000 – 50,000 SF	67%	71%
	> 50,000 SF	73%	70%
BY RENT PER SQUARE FOOT (PSF)	< \$30 PSF	57%	55%
	\$30-\$40 PSF	68%	62%
	\$40-\$50 PSF	67%	76%
	> \$50 PSF	69%	78%
BY INDUSTRY	Technology	74%	74%
	Professional Services	63%	61%
	Healthcare	66%	63%
	Real Estate	53%	45%
	Construction	67%	66%
	Manufacturing	56%	71%
	Retail	66%	61%
	Other	62%	60%

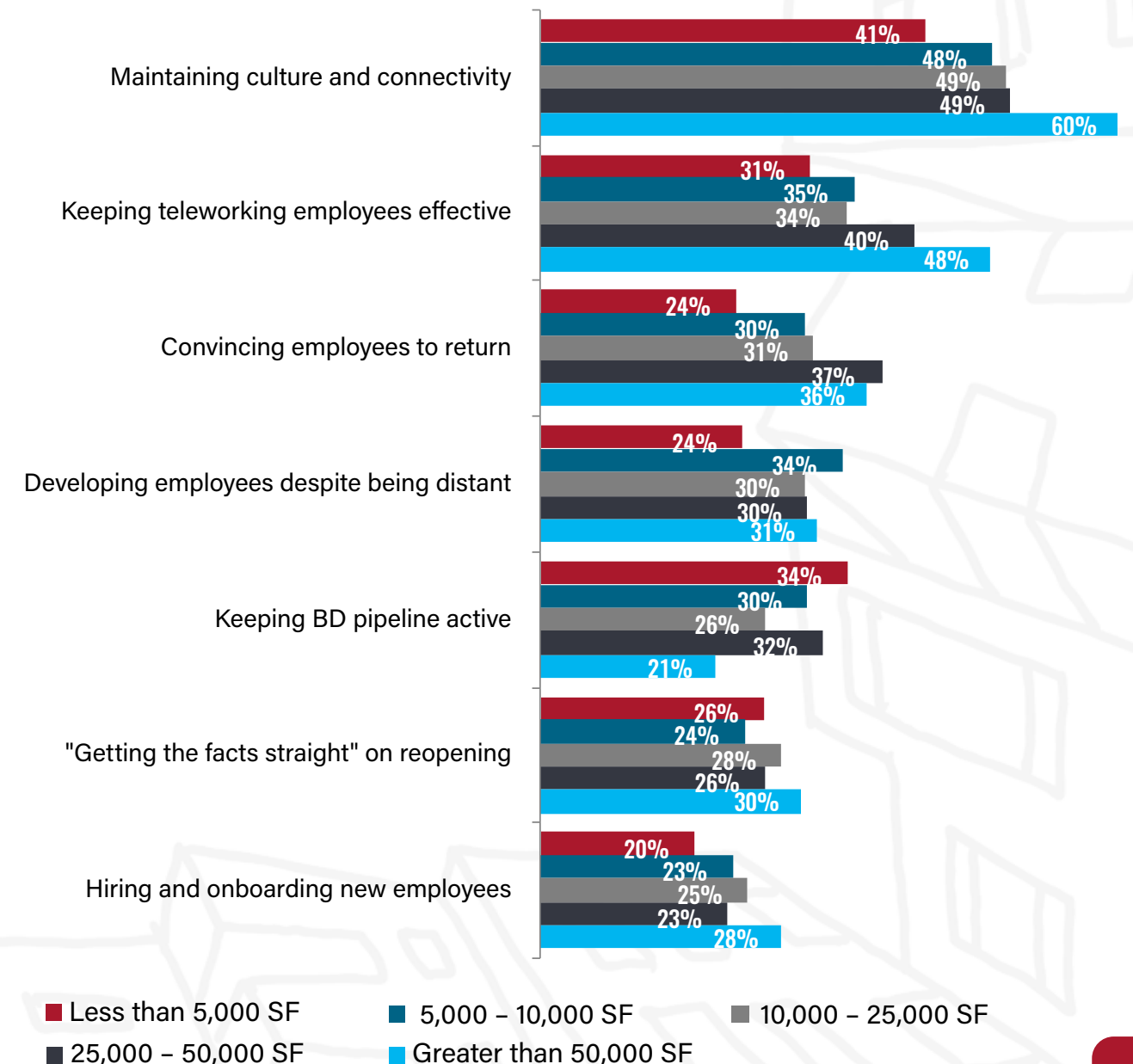
TOP 3 CHALLENGES AS A RESULT OF COVID-19 PANDEMIC

- Corporate culture and connectivity is top-of-mind as a challenge facing organizations as a result of COVID-19, followed by keeping remote employees effective. Notably, the largest organizations in the sample tend to respond most intensely to the "Tier 1" challenges in the top 4-5.

Top Organizational Challenges from COVID-19

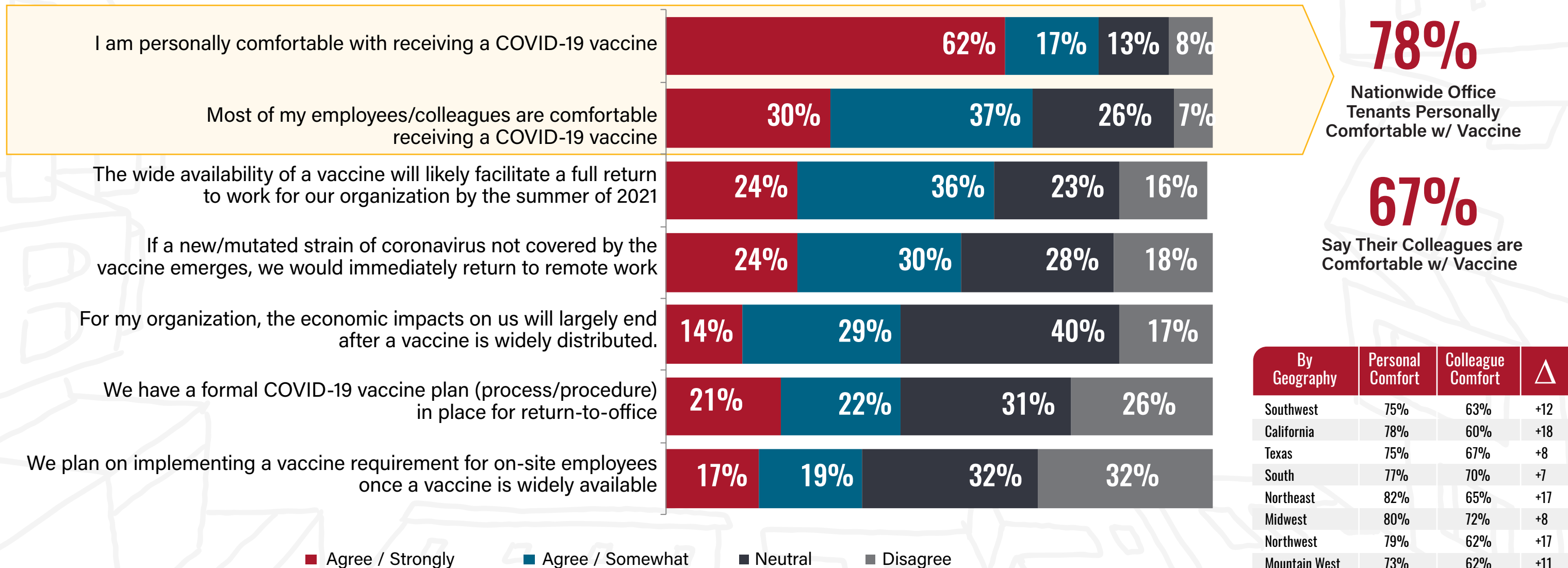


Greatest Challenges – By Square Footage (Sum of #1 + #2 + #3)



VACCINE VIEWPOINTS: HOW WILL TENANTS ADJUST BEHAVIORS?

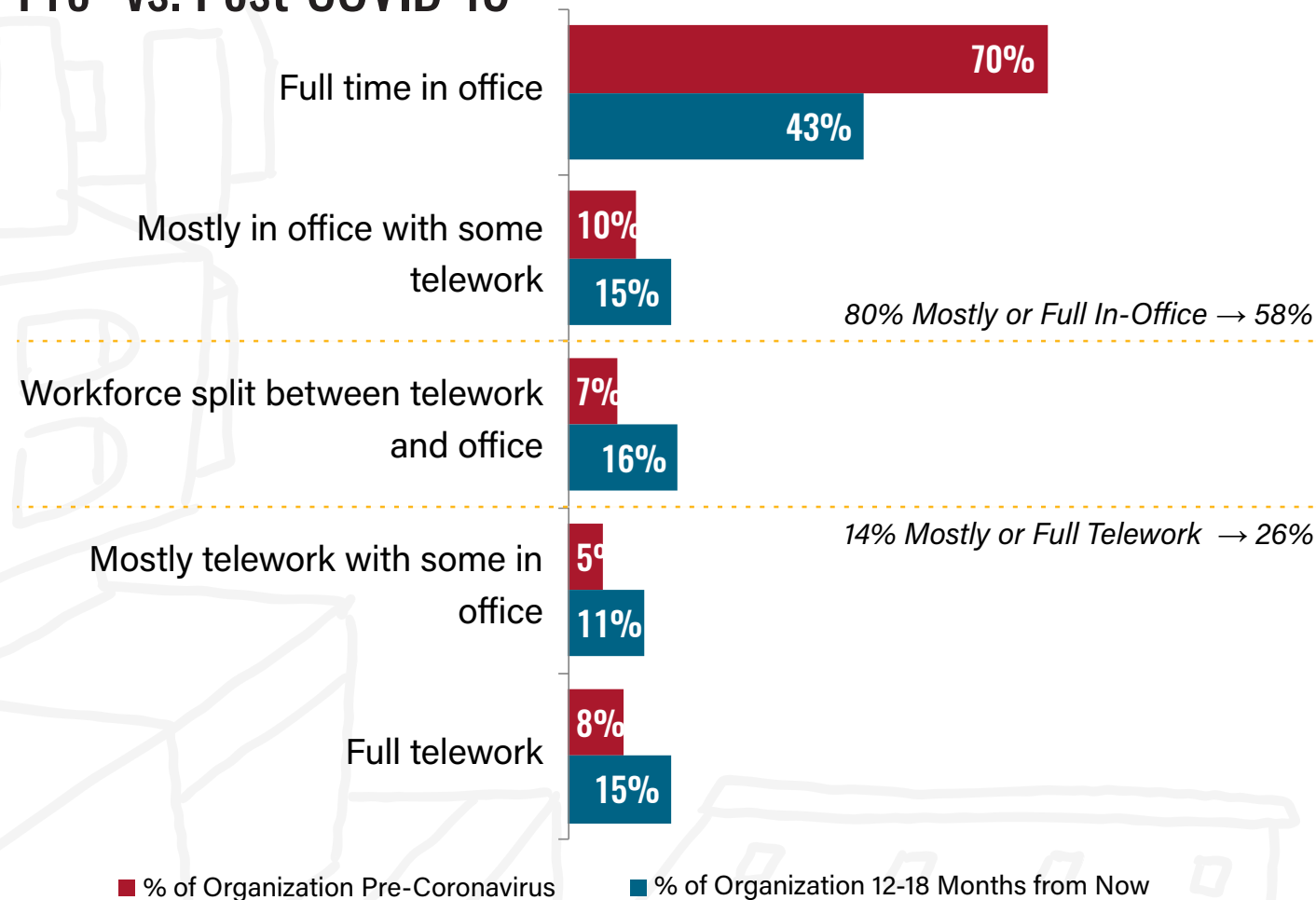
- There is a clear education/awareness gap in many respects on the range of COVID-19 vaccines and their intersection with the workplace – only 43% of tenant organizations have a COVID-19 vaccine plan, and fewer are considering a vaccine requirement (36%), leaving room for proactive owners/operators to provide sample guidance and templates to facilitate safe returns to work.
- Though nearly 8-in-10 tenant respondents say they’re personally comfortable with the vaccine, confidence slips when they “project” onto their co-workers (dropping 11 points), hinting at a need for awareness around “true” vaccine support/comfort levels – this gap widens significantly in California, the Northeast and Northwest.



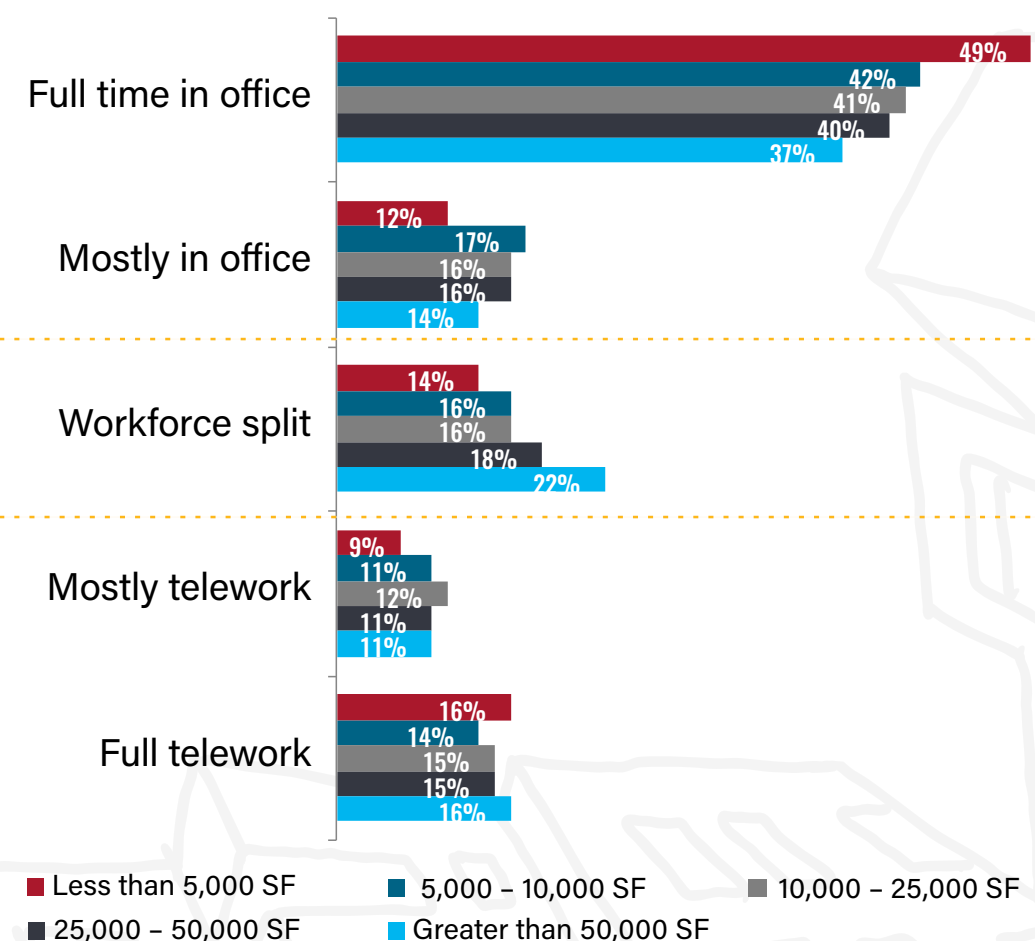
PROJECTING OCCUPANCY CHANGES DUE TO TELEWORKING

- With nearly two-thirds of tenants believe COVID-19 is transformational for workplaces, it's clear they're viewing one element of the new normal as the emergence of wider teleworking. **All told, where the average company saw 80% of employees full-time or mostly in office, that number is projected to drop to 58%.**
- At the same time, full-time telework (or most of the time) is projected to rise to 26% of occupants,.
- The largest companies in the sample, while driving declines in full-time office occupancy, foresee more a shift to split workforces.

% of Organization In-Office vs. Telework – Pre- vs. Post-COVID-19



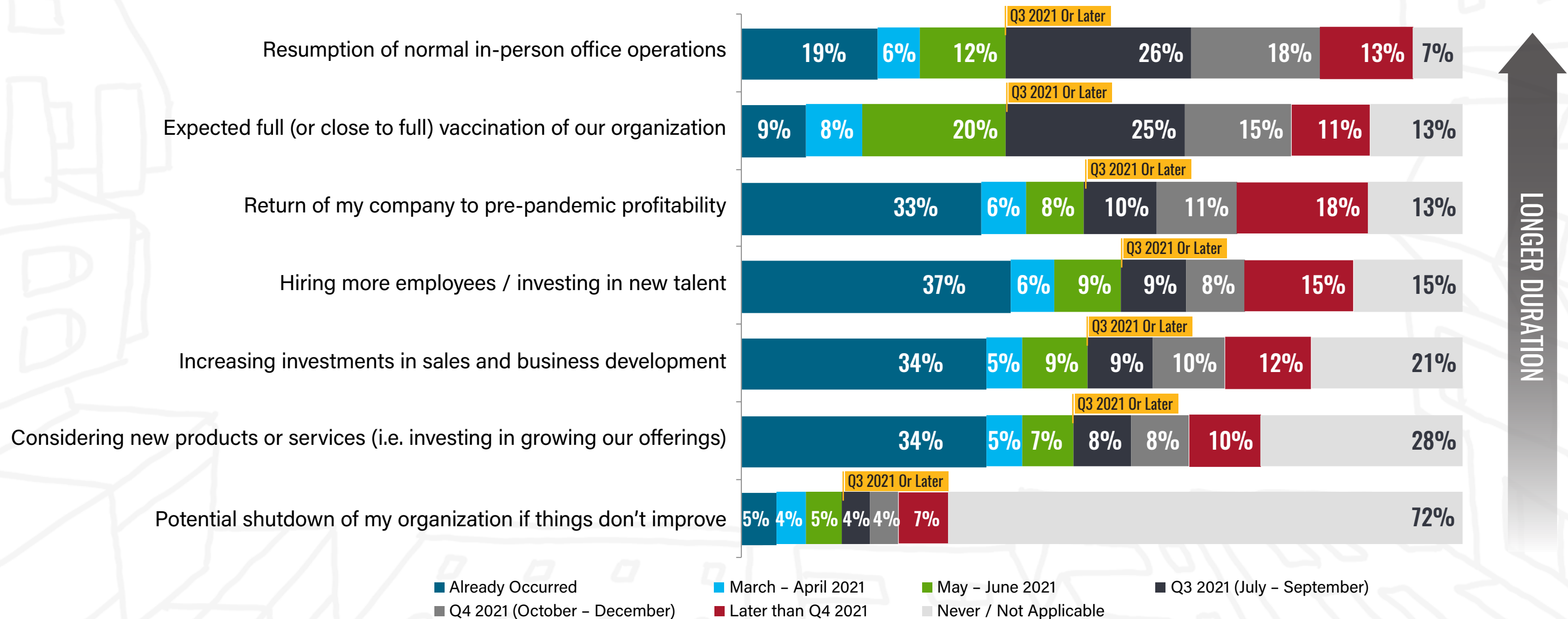
Post-COVID-19 In-Office vs. Telework – By Square Footage



Q: "Thinking about the percentages of your workforce who were full-time in office vs. teleworking and/or in the field – what percentage of your organization fell into the below categories before coronavirus, and where do you believe these proportions will stand 12-18 months from now (assuming moderate management and control of the pandemic)."

PANDEMIC TIMELINE: THROUGH THE LENS OF NATIONAL OFFICE TENANTS

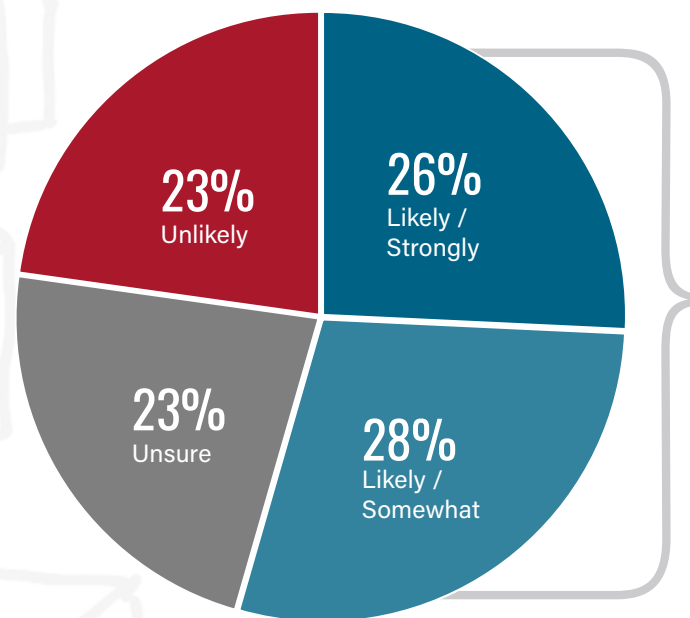
- While 47% of respondents indicate their companies have already returned to pre-pandemic profitability (i.e. by June 2021), fewer have resumed normal in-person office operations, which is set to change in their estimation by Q3 2021, by which 63% of tenants expect to resume operations (31% remain in Q4 2021 or later).
- While half of tenants in our 2020 study conducted in the peak of the pandemic could have seen a potential shutdown of their organization, 7-in-10 today said that would never happen or apply because of COVID-19.



RESULTING ORIENTATION TOWARDS REASSESSING/REDUCING SPACE

- As COVID-19 vaccines have continued to mitigate the pandemic in the U.S., tenants were asked if they would be likely to reassess their space needs – overall just over half (55%) would reassess their space needs with another 23% unsure – reassessment overall is decreasing from Fall 2020.
- At the same time, among those who would reassess or are unsure, the prospect of expanding or not changing their square footage has sank as the outright need for physical distancing is less apparent; 54% would reduce their square footage, which reflects 37% of all tenant organizations (dropping 6 points from Fall 2020).
- While this still indicates the potential for nearly 4-in-10 tenants to consider some reduction (and demands attention from owners/operators), the numbers are trending in the right direction for more stable space utilization.

Tenant Likelihood to Reassess Space Needs



55%
Likely to reassess space needs

&
23%
Unsure

Of Those Likely or Unsure

25%
Likely to to expand or not change square footage

48%
Likely to reduce square footage

37%
Of all tenants reducing square footage



Looking Back to Fall 2020...

61% & **19%**
Likely to reassess space needs & Unsure

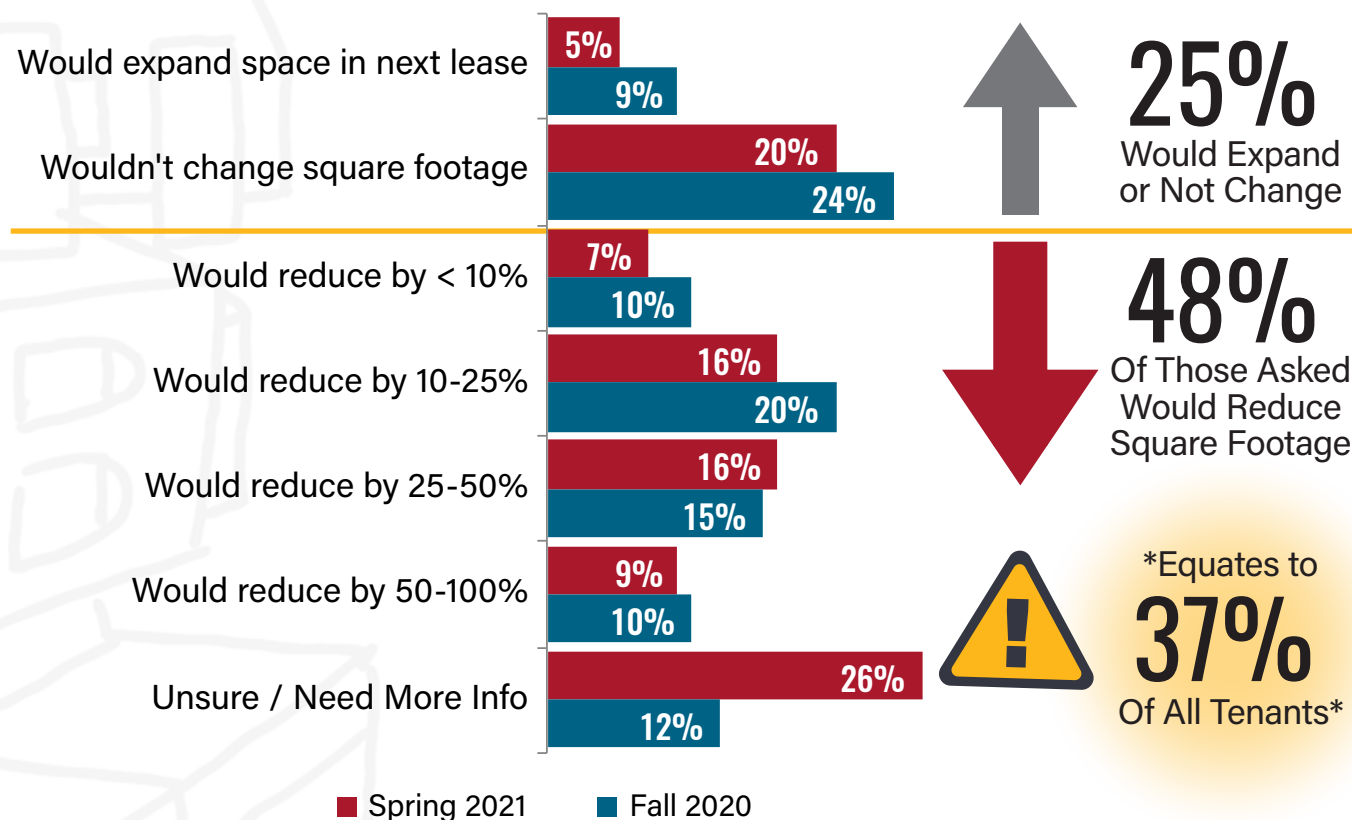
33% & **54%**
Likely to expand or not change square footage & Likely to reduce square footage

43%
Of Fall 2020 tenants reducing square footage

WHAT DOES REASSESSING SPACE NEEDS LOOK LIKE?

- Twice as many tenants as in Fall 2020 are “unsure” about whether their space reassessment will include a reduction or an expansion, leaving a window of opportunity for owners and operators to engage with tenant decision-makers.
- Similar to the Fall 2020 study, the immediate “reduction” threat resides in the 6-month-to-2-year-window with 17% of all tenants in that time-span considering reductions (versus 23% in Fall 2020).

Office Square Footage Adjustment Post-Coronavirus (Asked Among 78% Likely to Reassess Space Needs or Unsure for All Tenants)



Space Reductions by Renewal Horizon

(Relative and Absolute Space Reductions – All Data Among National Audiences)

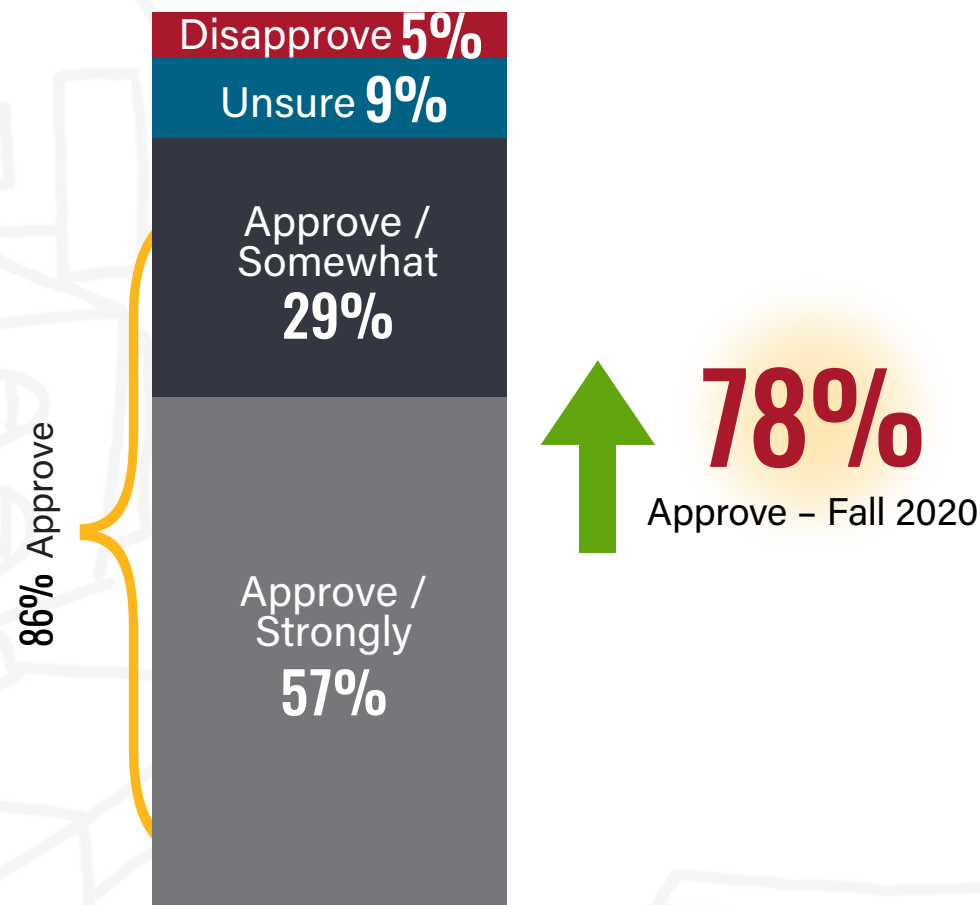
By Renewal Time Horizon	All	< 6 Months	6 – 12 Months	1 – 2 Years	3 – 4 Years	4+ Years
Reassessing Space Needs or Unsure	77%	70%	84%	80%	84%	71%
Reduction Among Those Reassessing or Unsure	48%	59%	63%	54%	48%	38%
Reduction as a Percentage of All Tenants	37%	41%	53%	43%	40%	27%
Spring 2021 – Percentage of Tenants Reducing Square Footage at Each Renewal Period (Total 37%)	--	2%	7%	10%	8%	10%
Fall 2020 – Percentage of Tenants Reducing Square Footage at Each Renewal Period (Total 43%)	43%	2%	9%	14%	9%	9%

Q: Based on your experience with staff reductions, teleworking and/or other business impacts during the coronavirus public health emergency—whether or not you stay in your current property—to what extent would you plan to change the total square footage of your space?

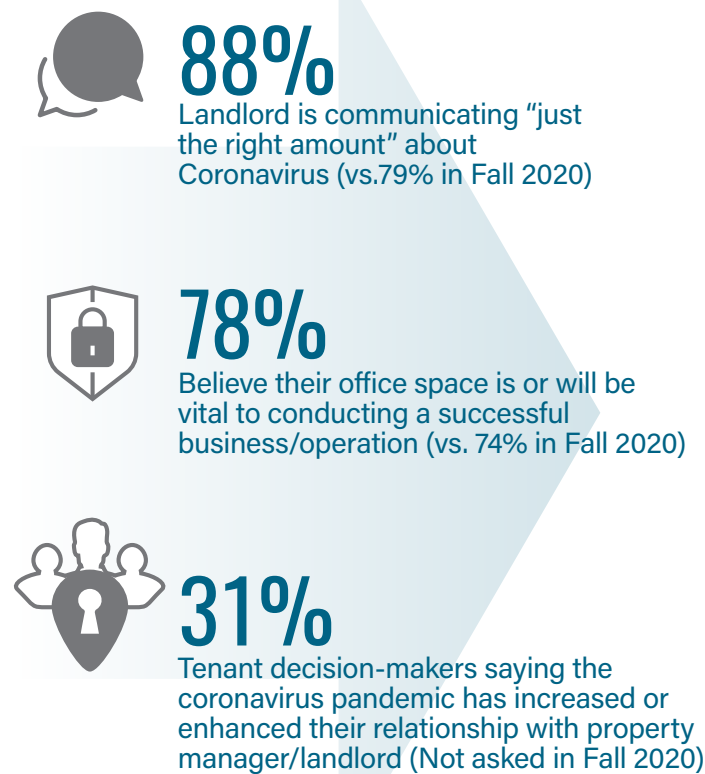
IMPACT ON TENANT LOYALTY / OWNER-OPERATOR ROI

- Approval for industry efforts to manage coronavirus have jumped 8 points, with some portfolios exceeding 90% approval; still the extent to which approval/coronavirus response exclusively is impacting renewal has slipped, reflecting a more "complex" tenant decision-making process.

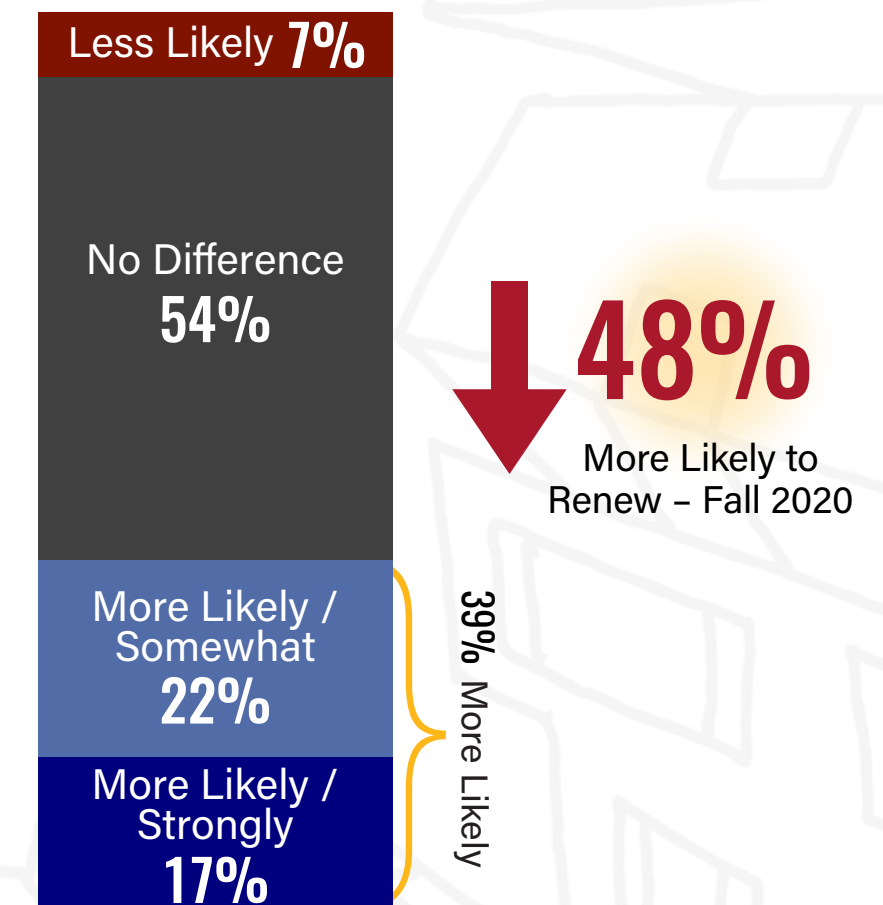
"State of the Union" – Approve vs. Disapprove on Office Landlord Coronavirus Response – Spring 2021



Contributing Factors to Strong Approval / Increased Loyalty



Impact on Renewal – Spring 2021 ROI on Coronavirus Response Measures



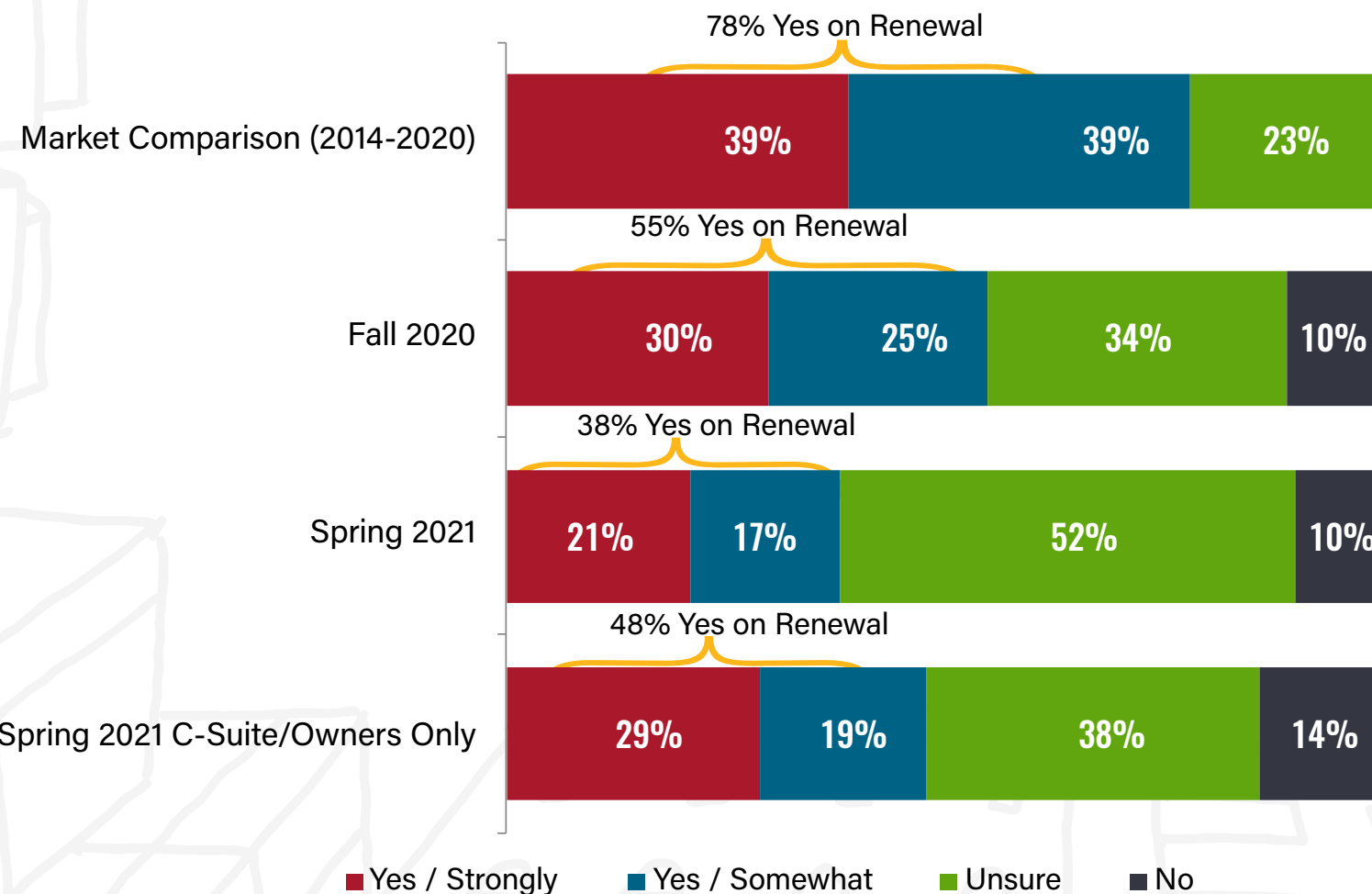
Q: "How would you rate your landlord/ property management company's response to the coronavirus/COVID-19 public health emergency? Do you approve of their response so far, disapprove or are you unsure?"

Q: "Thinking about the communications, policies and processes your landlord/property manager has implemented over the past several weeks in response to the coronavirus/COVID-19 public health emergency - Has their response made you more likely to renew your lease when it's up, less likely, or has it made no difference?"

CURRENT STATE: CORONAVIRUS IMPACT ON TENANT LOYALTY

- Renewal intensity slipped again in Spring 2021, down 17 points from Fall 2020 with 38% saying they would currently renew their leases, but a majority (52%) unsure.
- Significant drops occurred in California and Texas, and among the largest square footage tenants in the sample; while this question is not absolutely predictive of renewal likelihood, it is a gauge of overall tenant enthusiasm and confidence in the information they have to make a complete decision – notably C-Suite and Owners climb back to 48% “Yes” on renewal.

Are you currently planning to renew your lease?



	Yes – Will Renew – Fall 2020	Yes – Will Renew – Spring 2021
BY JOB ROLE		
C-Suite, Owner	61%	48%
VP, Director	57%	36%
Facilities Manager	47%	26%
Mid-Level Managers	47%	35%
BY LOCATION		
Southwest	51%	57%
California	65%	36%
Texas	64%	38%
South	57%	41%
Northeast	53%	36%
Midwest	56%	35%
Northwest	63%	57%
Mountain West	--	39%
BY SQUARE FOOTAGE		
1,000 – 5,000 SF	50%	40%
5,000 – 10,000 SF	57%	47%
10,000 – 25,000 SF	67%	48%
25,000 – 50,000 SF	70%	41%
> 50,000 SF	67%	25%
BY RENT PER SQUARE FOOT (PSF)		
< \$30 PSF	51%	43%
\$30-\$40 PSF	54%	48%
\$40-\$50 PSF	69%	64%
> \$50 PSF	71%	68%
BY INDUSTRY		
Technology	67%	49%
Professional Services	49%	33%
Healthcare	54%	41%
Real Estate	53%	44%
Construction	69%	56%
Manufacturing	68%	53%
Retail	57%	51%
Other	48%	32%

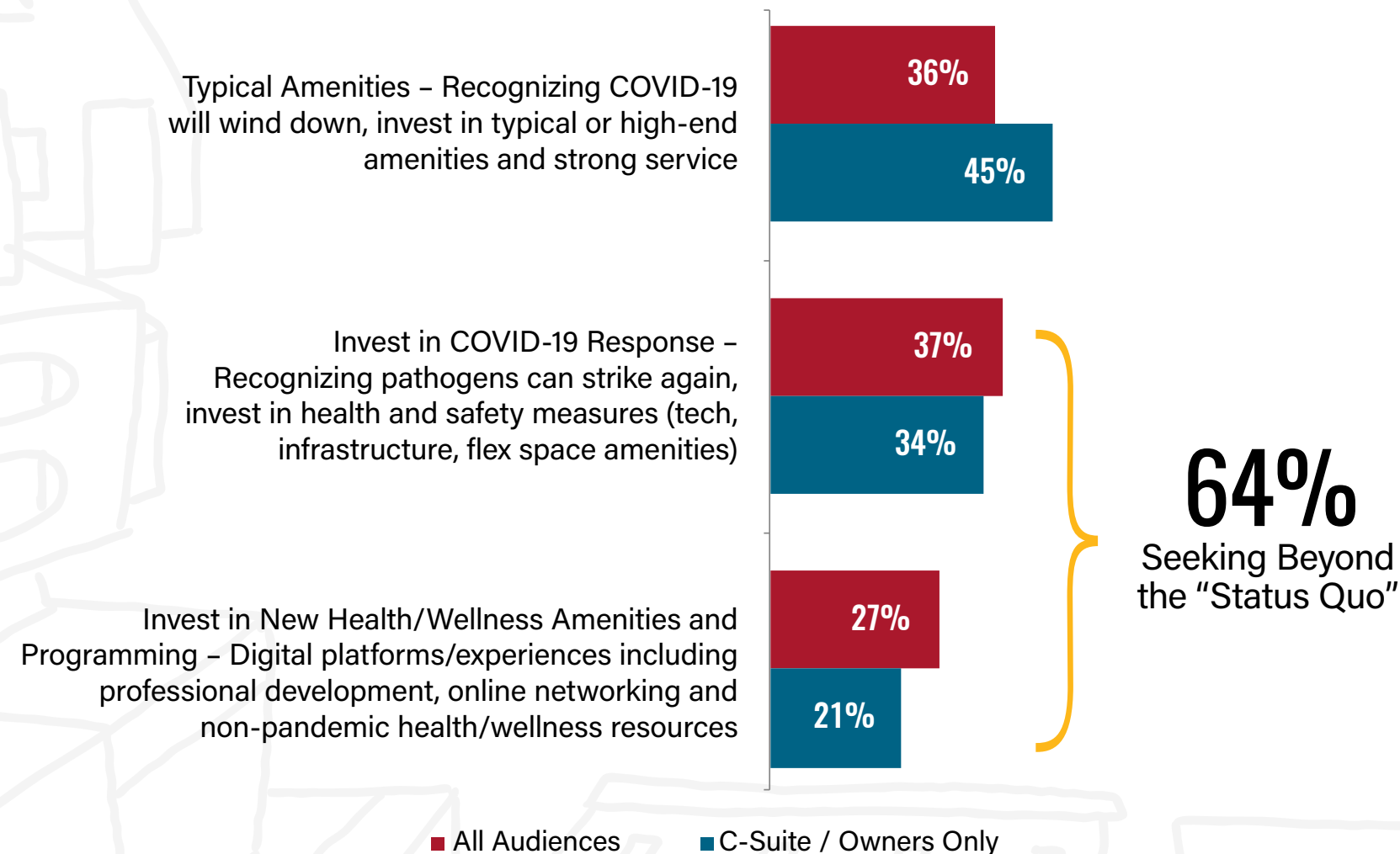
FUTURE STATE: KEY ACTION ITEMS / PRIORITIES FOR INVESTMENT-OUTREACH

- When asked for priorities for investment, almost two-thirds (64%) of tenants are seeking investments in either COVID-19 response (future pathogen mitigation infrastructure) or new/enhanced health, wellness and professional development experiences/amenities. C-Suite and Owners (economic decision-makers) are more likely than others to focus their priorities in "typical" or "high-end" amenities and strong service.

Investment Priorities by Key Audiences

		Typical Amenities	COVID-19 Response	New Health / Wellness
BY JOB ROLE	C-Suite, Owner	45%	34%	21%
	VP, Director	33%	40%	27%
	Facilities Manager	29%	42%	28%
	Mid-Level Managers	34%	35%	30%
BY LOCATION	Southwest	54%	36%	10%
	California	29%	42%	29%
	Texas	36%	31%	33%
	South	39%	36%	25%
	Northeast	27%	44%	29%
	Midwest	39%	41%	20%
	Northwest	52%	31%	17%
Mountain West	36%	31%	33%	
BY SQUARE FOOTAGE	1,000 – 5,000 SF	39%	38%	24%
	5,000 – 10,000 SF	34%	37%	30%
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BY RENT PER SQUARE FOOT (PSF)	< \$30 PSF	39%	36%	25%
	\$30-\$40 PSF	38%	39%	23%
	\$40-\$50 PSF	42%	33%	25%
	> \$50 PSF	48%	30%	22%
BY INDUSTRY	Technology	39%	36%	25%
	Professional Services	36%	39%	25%
	Healthcare	29%	35%	37%
	Real Estate	34%	37%	29%
	Construction	39%	32%	28%
	Manufacturing	39%	40%	21%
	Retail	42%	47%	11%
Other	35%	35%	30%	

Investment Priorities – All Tenants vs. C-Suite/Owners Only

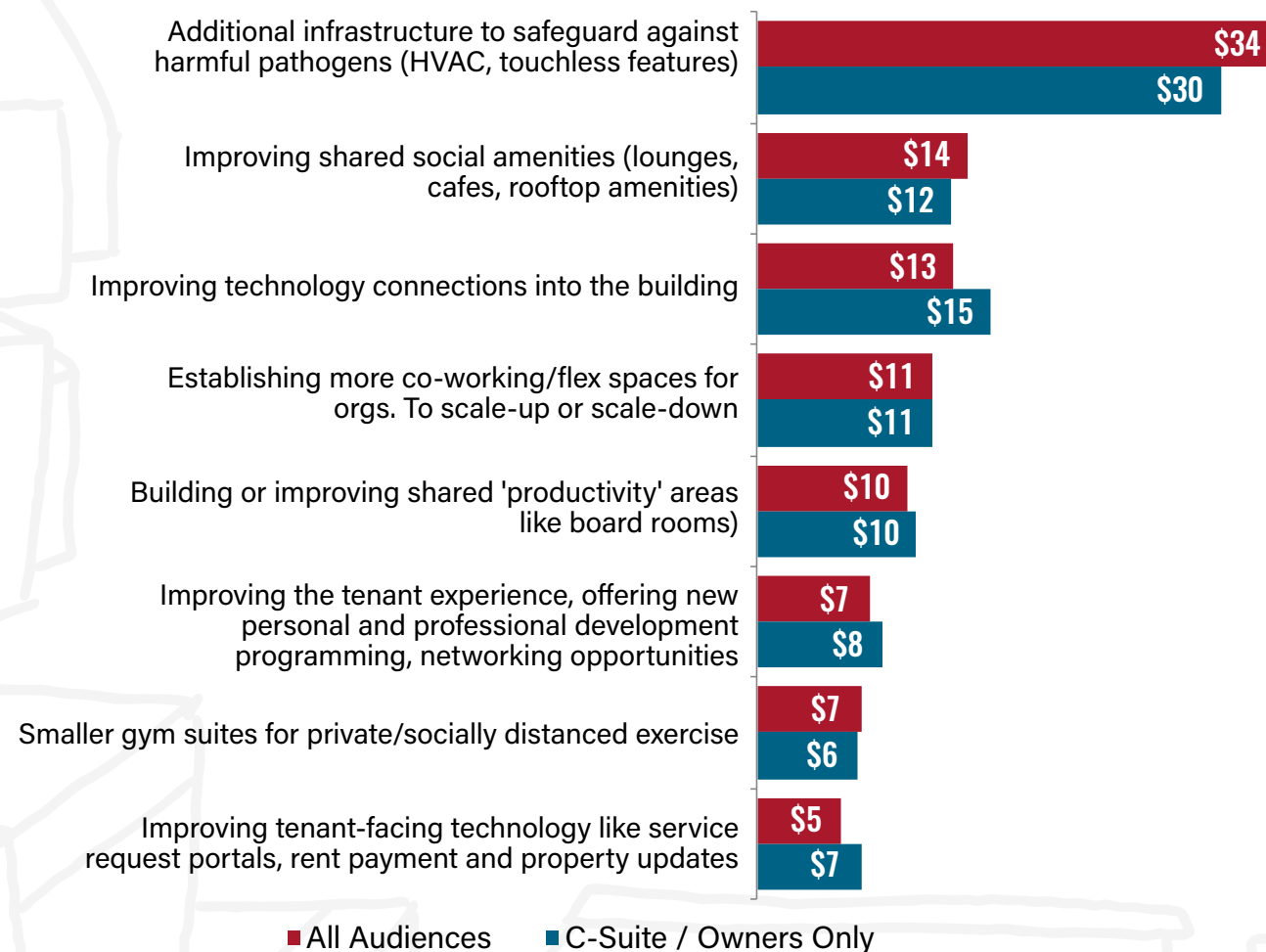


Q: "Thinking about your office property management company/landlord's long-term response to coronavirus and emerging industry trends – do you think your landlord should invest in:

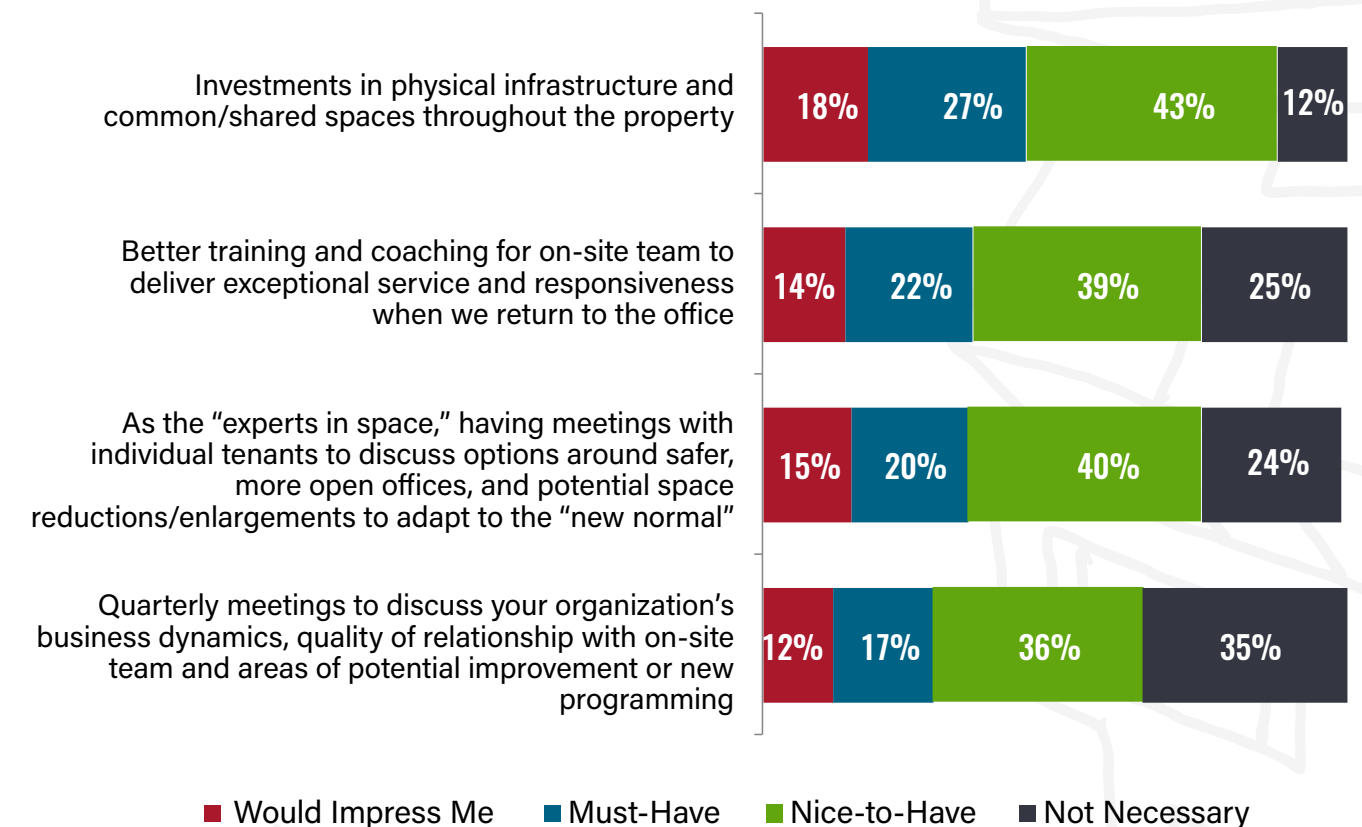
FUTURE STATE: TENANT VIEWS ON INVESTMENT PRIORITIES

- Tenants remain focused on physical infrastructure improvements and amenities/features to confront COVID-19 or similar pathogens in the near future, reflecting a desire to mitigate future disruptions to continuity of operations.
- Investments in shared social spaces, technology connections and more co-working/flex spaces to scale-up and scale-down as needed are tied as Tier 2 investments.
- Tenants recognize value in better training and coaching for on-site teams (36% say it would impress them or is a “must-have”), which ties “experts in space” meetings.

Hypothetical \$100 – Respondents Set Budget Priorities for Landlords



What Does Proactive Outreach from PMs Look Like?

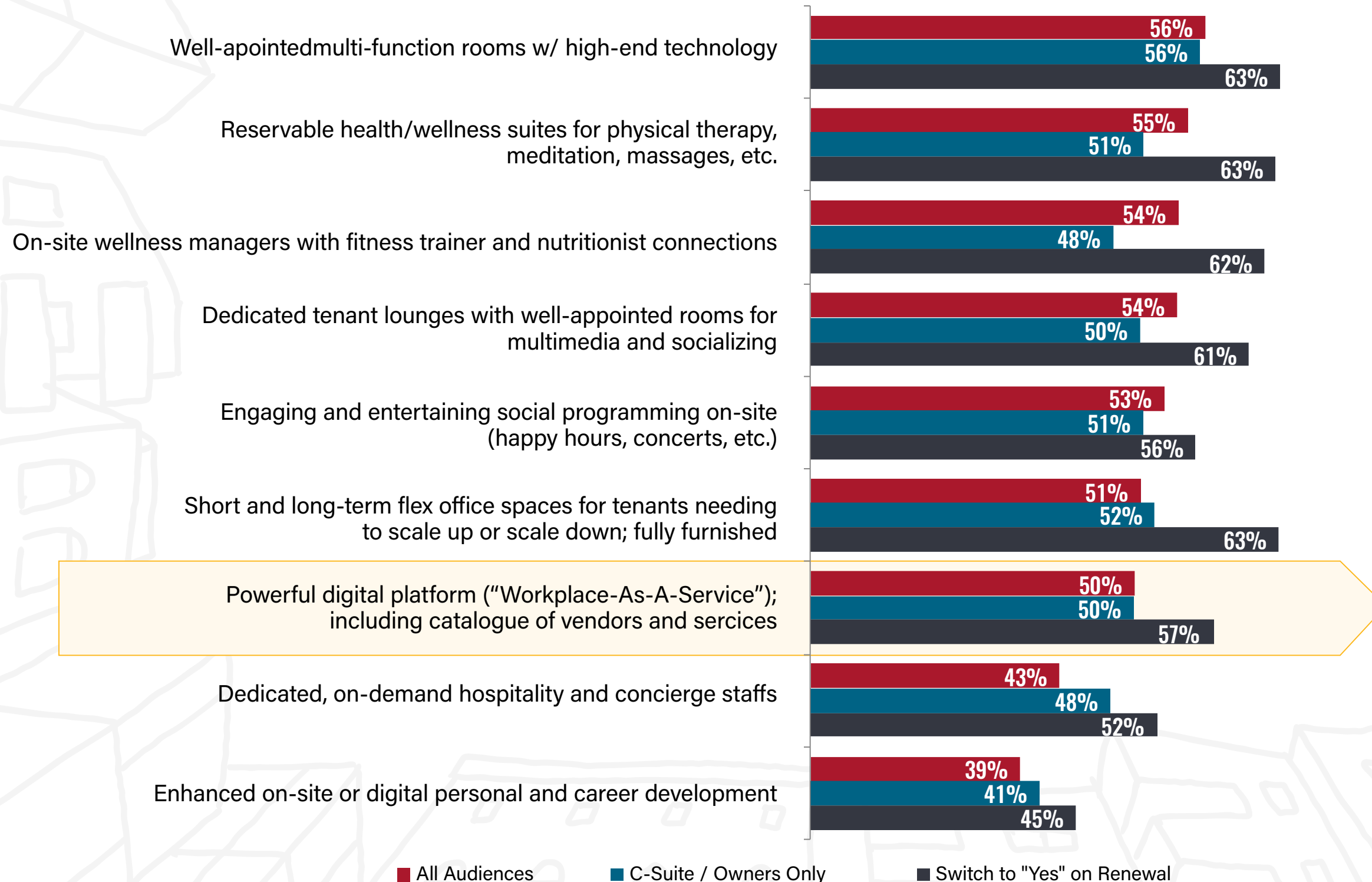


Q: “Thinking about the next 12-18 months, and the prospective return to “typical” health and safety precautions (e.g., effective management of COVID-19, near-complete reduction of risk through vaccination, return to in-person work, etc.). Where should your office property management company be focusing? Allocate a hypothetical \$100 across the following functions as if you were guiding their budget.”

Q: “We’ve heard in interviews with office space decision-makers and users like yourself that tenant organizations are looking for their property management company to be proactive in addressing their top needs, wants and expectations, particularly during and after coronavirus. Please review the list below and indicate if they would be a “must-have,” “nice-to have,” “would impress you,” or are “not necessary.”

FUTURE STATE: BUILDING FEATURES AND SERVICES

Most Compelling Building Features – Summary of “Positive” Scores

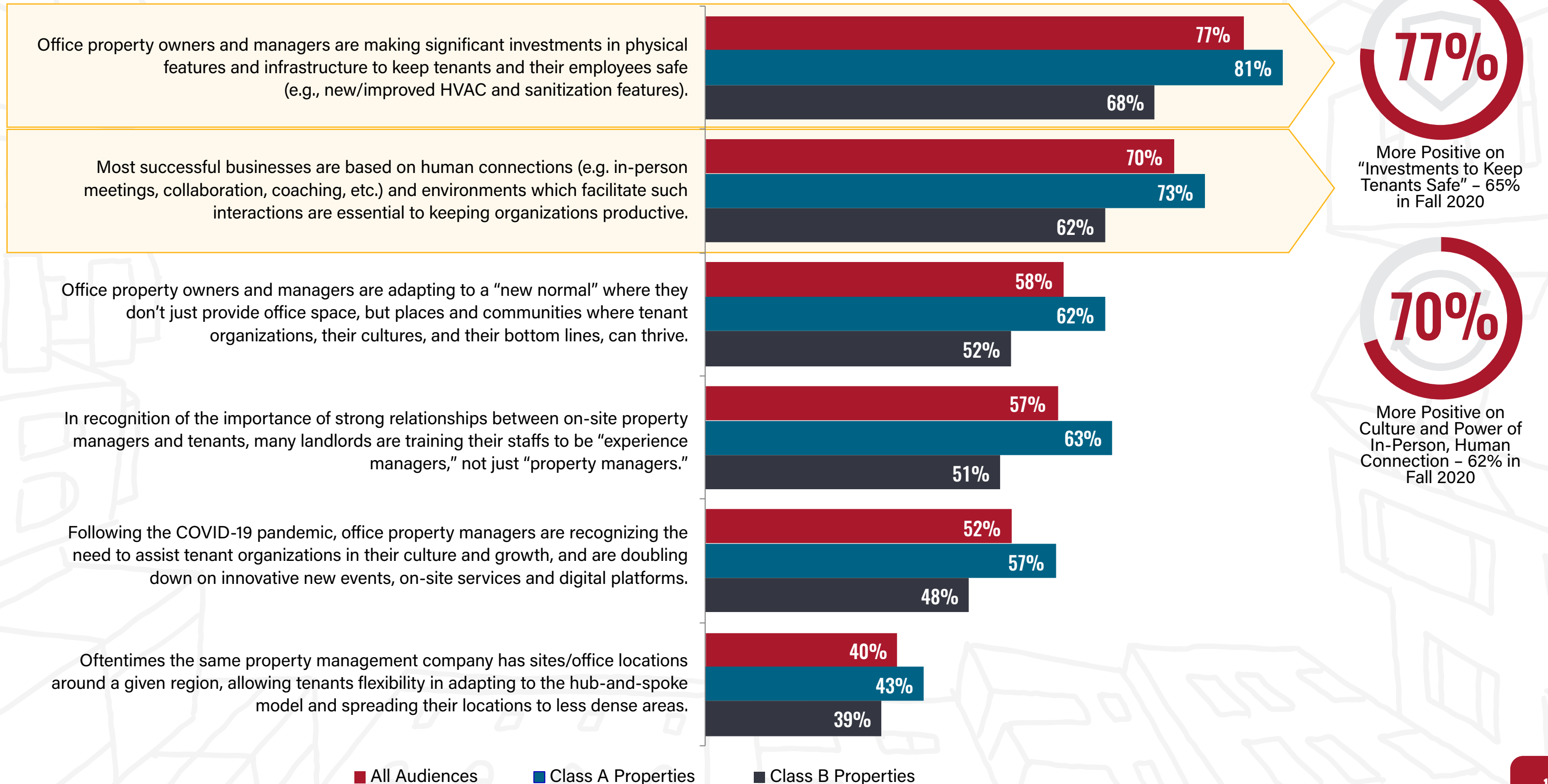


Top Digital Platform Elements:

- > Access to touchless features through the app (elevators, key fob, parking entry)
- > Online reservation system for property common amenities (e.g., social lounges, conference rooms)
- > Key fob tracking for office managers to understand occupancy and traffic flow through space
- > Enhanced service call features (e.g., quick-service tickets, snap pictures of office elements needing service, immediate updates)

WHAT WE SAY: CENTERING THE NARRATIVE ON SAFE RETURNS TO WORK

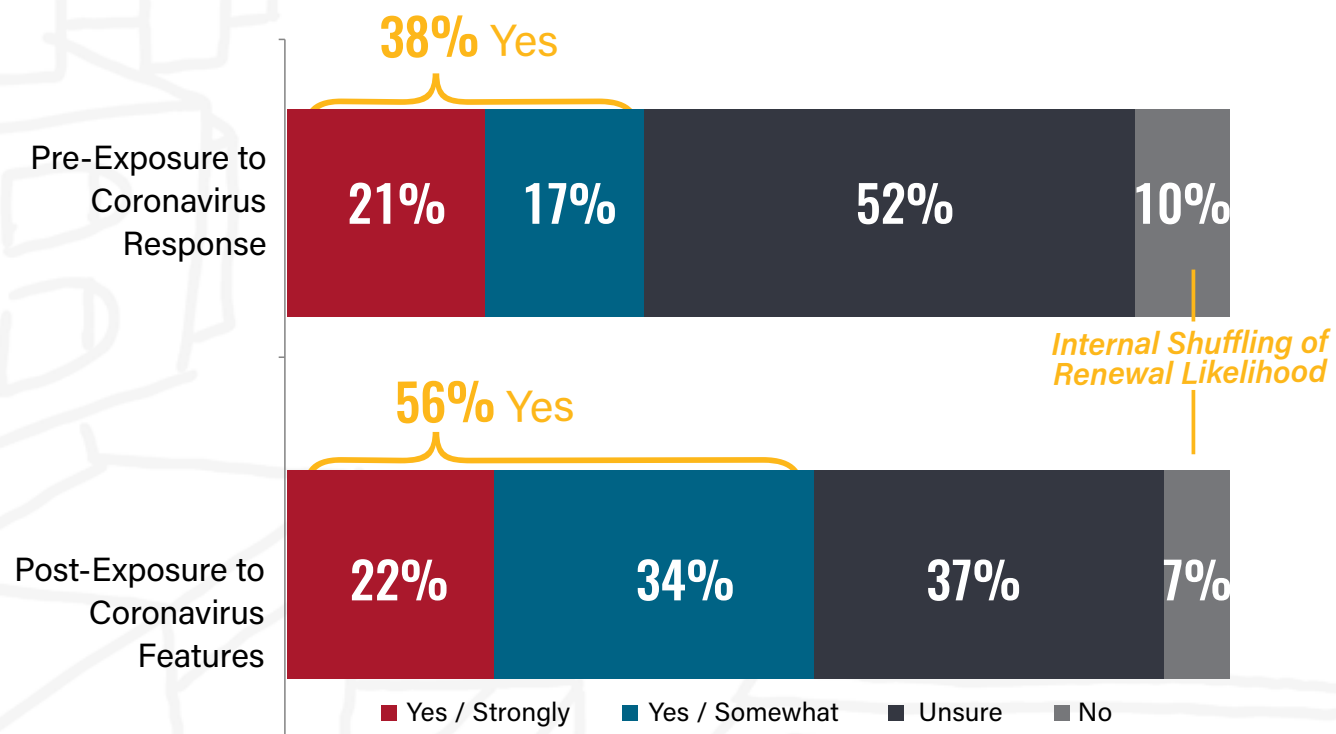
Message Effectiveness Based on “Value Delivery” – Summary of “More Value” Scores



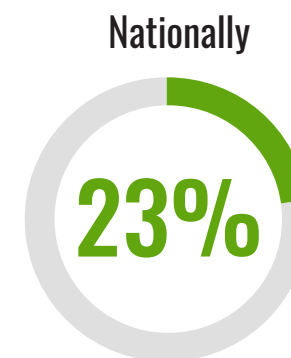
FUTURE STATE: GROWING RENEWAL SHARE AND ACHIEVING OWNER-OPERATOR ROI

- As a result of the COVID-19 pandemic, renewal enthusiasm is clearly deflated, with more uncertainty in the earliest renewal indicator in the survey.
- Following exposure to new services, features and physical spaces landlords/property management companies could invest in and deliver, tenants' likelihood to renew their leases jumps from 38% to 56%. Much of the intensity comes from "Unsure" converting to "Yes."
- There is significant internal shifting as 29% of respondents "move up the ladder" **towards** a stronger renewal likelihood, **and fully 23% switch to "Yes" from a "No" or "Unsure."** Driving switching include Texas and Mountain West, smaller square footage footprints (less than 5,000 SF) but also mid-to-large firms (25,000 – 50,000 SF), and those currently having challenges maintaining their corporate culture. Key to achieving this level of growth (despite in the construct of the survey) is proactive communications and outreach, a focus on future prevention of business disruptions (e.g., COVID-19 response infrastructure) and an ultimate pivot towards delivering more value both to employees on-site full-time and those rotating in a hybrid environment

National Audience – Likelihood to Renew Based on Landlord/Operator Response If Your Property Implemented Features Discussed



Q: "If your office property management company implemented the physical features and service programs you found most compelling earlier, would you now consider renewing your lease when it expires?"



Switch to "Yes" on Renewal from "Unsure" or "No" Following Awareness/Prompting on Coronavirus Response

Who Are the Switchers?

Demographics

- Healthcare Industry (26%)
- Texas (26%)
- Mountain West (25%)
- Less than 5,000 SF (23%)
- 25,000 - 50,000 SF (25%)
- \$30 - \$40 PSF (26%)
- 3 - 4 Years in Lease (25%)
- Company Revenue / \$10 - \$50 Million (27%)

Psychographics

- Largest Challenge / Maintaining Culture (26%)
- Employees Have Been Less Productive Teleworking (28%)
- Would Reduce Square Footage (26%)
- Tenant DM Age / 55 - 64 - (27%)