Companies May Be Backing Away From Major Cuts in Office Space, CBRE Survey Finds

Overwhelming Majority of Occupiers Now Say They Expect Workers to Spend At Least Half Their Time in Offices

Remote work will remain a fixture but most firms now expect employees to spend at least half their time in the office, according to CBRE. (Getty Images)

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Fewer than one in 10 companies is now considering deep cuts to office space as corporate giants such as Apple and Google order most employees to return to the office at least part time after more than a year of working at home, according to brokerage CBRE Group.

Only 9% of businesses now plan to dramatically shrink their office portfolio over the next three years, far fewer than the almost 40% that contemplated huge cuts last fall, according to a survey of 185 U.S. companies by CBRE, the world's largest commercial property services firm.

Many firms appear to have decided that some collaborative work is best done in person, with 85% expecting their employees to spend at least half of their time at company offices, according to CBRE's Spring 2021 Occupier Survey. More than 40% said they intend to return to a steady and relatively normal state of office use in the third quarter.

The report comes as tech companies and other large corporations grapple for the correct balance between forcing workers to return to company offices and allowing them to keep working remotely. The decisions affect most major types of commercial buildings, from offices to nearby shopping centers to apartments and hotels.

Decisions by some large corporations to order employees back to their office have been met with resistance, and e-commerce giant Amazon, for example, already made an about-face in its stance on bringing its workers back, making three days of in-office work the standard weekly minimum. A few months ago, the Seattle-based firm said workers must come to the office five days a week.

"We've done surveys of our tenants and customers and the preponderance of them just don't know yet exactly what they want to do," said Greg Fuller, president of Dallas-based office landlord Granite Properties, which owns more than 10 million square feet of space in Dallas, Houston, Atlanta, Denver, Southern California and Nashville. "I spend most of my time talking to the executives that run their companies. They're all wrestling with what's right for their company, but they all want their people back a majority of the time."

Of course, as a brokerage and real estate services firm it is in CBRE's best interest to have findings that show leaders of influential businesses are planning to continue to take large amounts of office space, activity that generates revenue for the company.

Even so, CBRE said multiple factors, including the economic rebound as the pandemic shows signs of easing, and a realization by occupiers that they need to keep more space than they previously thought, is contributing to a shift in survey sentiments across the board. Free-address seating, for example, which includes unoccupied desks available for use by other employees, is one redesign element leading companies to conclude they need more elbow room than they hoped.

“Many companies now recasting the design and function of their offices will find that the square footage needed to accommodate team-centric work, free-address seating and meeting space often exceeds the [square footage] previously dedicated to rows of individual offices and cubicles,” CBRE Global Head of Occupier Research Julie Whelan said in a statement.

Declining Reductions

While fewer large companies predict deep cuts, 72% anticipate “modest” office reductions, an increase from 45% in September. Smaller companies are more likely to retain or increase their current office requirements, according to the survey.

Survey data indicates that 3% of respondents expect workers to spend three or more days a week in the office and about one-third anticipate an equal mix of in-office and remote work. Just 15% foresee only in-office work and only 7% said workers will do most if not all of their work remotely. Another 7% aren’t sure yet, according to CBRE’s rounded percentages.

Office workers are expected now to spend an average of 1.8 days a week working remotely, up from 0.8 days a week prior to the pandemic, translating to companies using 9% less office space per worker, according to CBRE Econometric Advisors data. However, that impact could be largely offset in coming years by increased hiring as the economy recovers from the pandemic that closes non-essential businesses in March 2020. The newest office floorplans will provide more room between desks and plenty of space for group-centered work.

CBRE also forecasts that the U.S. office market will start its recovery in mid-2022, with asking rents returning to pre-crisis levels in early 2025. That's a shorter timeframe than recoveries from the global financial crisis in 2008 and other economic shocks.

Companies reported they intend to use more flex-office space leased on a shorter-term basis than traditional office leases, with flex space topping the list of most desired in-building feature requested by companies in the survey.

Billionaire real estate investor Sam Zell said the intense industry speculation about how many people will continue to work remotely doesn't warrant the attention it's receiving.

"As someone who employs thousands of people, I haven't figured out how to motivate by modem," Zell told CBRE Senior Economic Advisor Economist Spencer Levy during Levy's weekly podcast in April. "Zoom doesn't create the kind of connection that sitting across the table has."

Zell said many companies will adopt hybrid office policies that allow people to work remotely, but it could get complicated.

"The reality of it is that if you're sitting at work on Thursday and you didn't get the deal done or finish whatever you were doing and you say 'whoops, I'm not going to be here tomorrow because it's my quote 'day at home' working, you're going to get a lot less sympathy and a lot less support," Zell said.