COVID-19:
UK REAL ESTATE PERSPECTIVES

PART 3

22 APRIL 2020

CUSHMAN & WAKEFIELD

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CUSHMAN & WAKEFIELD

INTRODUCTION

Digby Flower
Chair UK & Ireland

As we settle in for a further period of lockdown, we do at least know what the Governments high level conditions for release are. These are likely to involve a period of parole, details of which are some way from being finalised.

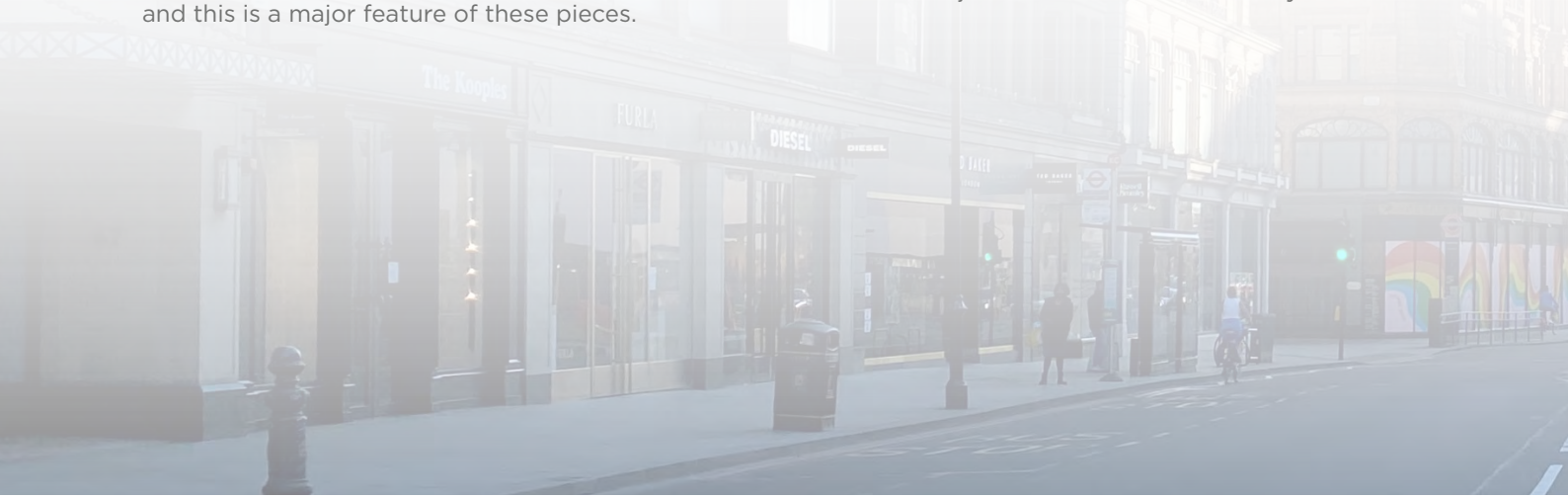
Against this background I am delighted to present Part 3 of our UK Real Estate Perspectives series. In this edition we seek to provide further insight and intelligence from a collection of our senior leaders covering the topics of the moment and providing up to the minute market commentary.

We start with ***Nicola Gillen*** taking a more granular look at ***The Challenges of Returning To Work.*** Nicola considers what is necessary to achieve readiness for day 1 return to work and what, in the short-term at least, will be the new norm of a combination of office working with social distancing and continued remote working. She also considers the challenges to be overcome in the medium and long-term. ***Watch out this week for the issue of our Back to Work Readiness Manuals which give all of the detail.***

In the second of our two features on alternatives, ***David Haynes*** introduces four more of our sector heads as they consider their markets ***Looking Beyond Short-Term Market Dislocation.*** The prevalence of shorter leases, turnover arrangements and direct operational investments, which expose landlords of alternatives to today's market conditions more directly than investing in conventional assets and this is a major feature of these pieces.

Sarah Jones and ***George Dyer*** consider ***Student Accommodation: Weathering the Storm.*** This has been one of the sectors most directly impacted, as universities closed their physical doors in March and moved to online teaching. Although many students are still in residence, universities remain closed for the summer term and operators have offered rent rebates to students who have left campus. There is uncertainty over when universities will reopen for 2020. In the long-term, the growing UK 18 year-old population and the fact that freshers week cannot be experienced online, are cause for optimism.

James Sheppard - Looking Forward Beyond COVID-19 describes a life sciences sector now at the forefront of society which has rapidly risen to the challenge. Hospitals have been built in days, the UK's largest biomedical research facility has been transformed into a testing centre and mobile, inflatable laboratories created. This is against a backdrop of a marketplace where investors and developers now understand the unique requirements of companies in this sector and are helping to create an ecosystem which fosters growth. Life sciences are therefore well placed to use their newfound status to become a major driver of the UK economy.



By contrast ***Senior Living*** is, as ***Caryn Donahue*** writes, ***A Resilient Sector During Uncertainty*** as it is a needs based product that has historically proven recession resilient and stable and is demonstrating these characteristics again in the current crisis. The rapidly aging baby boomer demographic will drive future demand for fit for purpose accommodation of which there is a drastic undersupply across the UK. The nuance is how the sector may be impacted by instability in the housing market resulting in consumers being unable to sell their homes to fund a move into senior living accommodation.

Charles Whitworth in ***Residential: As Always, Timing will be Everything*** comments that the residential market has had a turbulent period as a result of the political uncertainty around BREXIT, the Boris Bounce following the 2019 election and then being effectively closed down by the Government as one of it's social distancing measures. Whilst in the long-term there will continue to be a housing shortage across the South East, in the short to medium-term with potential buyers suffering severely from economic decline the BtR market is likely to be the beneficiary.

Finally, ***Richard Pickering*** examines in the context of social distancing, whether we should be ***Rethinking Density.*** Density has been a fundamental driver of value for cities throughout history, but current events have highlighted the inequalities created by density. As density is shunned for safety, and as amenity values shift, do we also need to rethink cities and offices?

The contact details for all of our contributors are included below, as are links to our global commentary. Please do get in touch; we stand ready to help you navigate through these uncertain times.

Nicola Gillen
Head of Total
Workplace EMEA

THE CHALLENGES OF RETURNING TO WORK

Across the world workers, tenants, landlords and co-working providers are asking when and how we will return to work. They are also asking how this remote working experiment could more fundamentally change the way we work and occupy office buildings.

To address these questions Cushman & Wakefield have assembled a team of experts across our ***Total Workplace*** ecosystem with input from FM, HR, technology and sustainability to create a Return to Work overview. This is a strategic document from which to frame organisation or portfolio specific plans. Its purpose is to be a living document, that evolves as we learn more about the medical and legislative issues and, as we prototype and test with clients.

Return to work is considered across ***3-time horizons:***

Short-term
This is the emergency response, including preparation and readiness for day 1 return. It segues into our new normal, including social distancing and continued remote working. Until a vaccine is found, a second wave of infection is possible within this timescale.

Medium-term
This is the next 1-2 years, including projects already in the pipeline through 2021 and 2022. This phase allows organisations to test and validate interventions made during the initial return to work period.

Long-term
This time frame is post vaccine, looking at the next 3 to 5 years and beyond. A new business as usual responding to fundamental shifts in how and where we work.

Considerations are across ***5 key areas:***

1. Integrated Facilities Management (IFM)
Including facilities management, operations, security, sanitization, hygiene, real time continuous service provision.

2. People and Future Work Patterns
Employee experience, wellbeing, communication, staff engagement, future work patterns and behaviour change management.

3. Work Space
Workplace strategy, space planning, interior design and furniture.

4. Buildings
The architecture and building services including sustainability and smart building technology.

5. Portfolio
This pandemic is likely to change how and where we work, it is unlikely that everyone will go back to working the way we did before. These changes will impact overall real estate portfolios, where significant questions are being raised about how much and what kind of office space is really needed.

Short-term considerations are captured in the Cushman & Wakefield ***Recovery Readiness Task Force (RRTF) Back to Work Readiness Manuals*** alongside work from other cross company expert task forces. Topics include:

Who comes back and when?
A phased return is likely, in order to reduce volumes travelling and test response plans. Phasing could be done by sector e.g. manufacturing and construction first, as we are seeing in Spain. A split work pattern in the office could be considered, e.g. Monday/Wednesday/Friday and Tuesday/Thursday. In China and Singapore solutions are emerging using QR codes on mobile phones and colour coded wrist bands according to whether people are immune or symptomatic.

Pre-arrival and commute experience
Commute patterns will vary enormously by city and region. Unnecessary travel is likely to be discouraged. Those travelling via public transport versus car will have higher levels of potential exposure. Organisations need to review their remote working policies to understand who really needs to come into the office and who can continue to work remotely.

Entering the building
In addition to phasing of populations, occupiers may consider staggered arrival times. This would reduce pressure on public transport and avoid peaks for building entry. In the immediate-term we could see airport style temperature gauges at stations and receptions.

Working on floor
Should social distancing continue and transition to the workplace short-term, we may need to look at demarcation of circulation routes, lifts, stairs, desking and meeting areas. The sixfeetoffice.com is a living lab created in our Amsterdam office showing what social distancing could mean in reality.

Preparing people
Communication and change management will be key to a successful return to work. Staff will need to understand new protocols and safety issues. Service providers will need to be trained to manage the protocols on site.

Facilities Management
FM will be on the front line with increased cleaning, new protocols for reception and increased waste due to PPE and cleaning. Air quality and building servicing will be a focal point for health and wellbeing. Food provision may need to be reconsidered with potentially fewer open deli counter solutions and more wrapped food. FM will directly impact employee experience.

Cost Benefit Analysis
Not all interventions will require capital expenditure, some changes could be implemented through policy or training. Depending on the starting point, especially in terms of IT infrastructure and building condition, any changes made could require significant investment. A cost benefit analysis is recommended for any proposed change particularly highlighting whether the improvement responsibility sits with the landlord or the tenant.

Considerations for landlord, tenant and co-working providers
Whilst many of the principles above apply to landlords, tenants and coworking space providers alike, there are some areas which are specific to each. The Landlord will be primarily concerned with arrival and common areas. They will also be responsible for building services and cleaning, both of which are key areas of focus for return to work.

Technology
The success of organisations right now is largely determined by how prepared they are for agile working through the provision of remote collaboration tools and cloud storage. Topics considered include; mobile technology, remote access, booking and monitoring systems and intelligent building information management systems.

Environmental considerations
If there are any positives to come out of the current pandemic situation is it likely to be the environment. We are already seeing media coverage of positive impact on air quality in cities and regions all over the world. Remote working on this scale is showing the impact society can have in arresting and potentially reversing the impact of climate change. It is critical to focus on both the short-term and long-term implications of returning to work.

Key contributors; Despina Katsikakis, Nicola Gillen, Antonia Cardone, Rachel Casanova, Carol Wong, Steve Zatta, Bryan Berthold, Caroline Gardiner, Emma Swinnerton, Stefanie Woodward, Andrew Baker, Joe White and Karon Woodcock.

David Haynes
Head of Specialist Sectors

LOOKING BEYOND SHORT-TERM MARKET DISLOCATION

As our report in the last issue highlighted, returns to investors in Specialist Sectors are closely aligned to the fortunes of the underlying businesses. The prevalence of shorter leases, turnover arrangements and direct operational investment exposes landlords to the ultimate industry sector in a more direct way than investing in conventional offices or logistics assets.

Each of our focus sectors in this issue are impacted by similar short-term factors:

- End-users cannot take occupation; whether students unable to return to universities, or retirement renters being unable to move in, so completions are delayed or rents are refunded
- Construction slowdowns are causing delays to practical completion and highlighting development risk
- Investor and lender appetite is reduced across markets

Our expert contributors look through these short-term impacts on their markets to re-appraise the long-term fundamentals. The key is assessing when short-term market dislocation offers opportunity as recovery looms.

Two of the sectors highlighted in this issue have made very different headlines through the COVID-19 crisis.

Universities have been directly affected. Whilst teaching has continued virtually, rent rebates to students who cannot physically attend campuses and cancellation of events which generate summer income, are hitting private sector operators of accommodation and universities in equal measure. Investment in ***Purpose Built Student Accommodation (PBSA)*** markets has slowed but the fundamental strength of the sector will buoy market sentiment as the situation settles.

In contrast, the ability of business and society to get back to some form of normality appears to hang on the endeavours of our ***Life Sciences*** industry. The UK has a global advantage in biotech with world renowned clusters within the Golden Triangle (Oxford, Cambridge, London) and beyond. In a new world where immunologists and epidemiologists are household names, and politicians seek resilience in the face of future threats, demand for laboratory space will accelerate.

We have long believed in the growth potential of life sciences real estate and built our own team, led by James Sheppard to advise clients in the space, way before the COVID-19 pandemic elevated the visibility of the sector to the general public. Equally, we remain confident that demographic and societal trends will support the PBSA and ***Retirement Living*** sectors through any temporary, short-term dislocation in markets.

Residential markets are impacted by government imposed restrictions during lockdown, as our Head of Residential, Charles Whitworth highlights. Many BtR Investments are continuing to progress but greater caution will limit the supply of new opportunities and stall some transactions. With physical viewings very difficult to carry out and the Government advising deferral of completions, lockdown is having a very immediate impact on New Homes sales and standing investment stock. There are brighter spots, with appetite from Chinese buyers supported by digital marketing tools.

We continue to believe alternatives will account for a significant proportion of the investment market in 2020, but no sector can withstand the short-term impact of a shock of the scale of COVID-19. So volumes will undoubtedly be lower. The fundamental appeal of the sectors should mean a reversion to an upwards trend once the shock subsides.

Sarah Jones
Public Sector Advisory

George Dyer
PBSA Investment

WEATHERING THE STORM

Universities closed their physical doors in mid-March and made a rapid transition to virtual teaching. Most universities have enabled students to leave accommodation contracts for the summer term, and summer business has been cancelled. A number of private accommodation operators followed suit by allowing students to request a refund of summer term rent.

Many students remain in residences, including international students unable to leave, careleavers and those affected by the virus, and work continues to ensure the safety and welfare of residents. Cushman & Wakefield data suggests that the cost to the main private sector providers offering contract releases is almost equal in size to universities, accounting for a proportion of revenue for the summer term, and resulting in short term pressure on university and investor cashflows.

Looking forward, COVID-19 makes planning difficult for the forthcoming academic year. Universities face uncertainties around recruitment, with caps on UK student intake proposed by Universities UK to restrict aggressive competition, as universities seek to backfill the partial loss of up to £7bn in international students' fee income. Some UK students may choose to sit exams in the autumn, thus delaying their entry into university until January or the following year. Private accommodation providers who support universities (short-term/soft nominations) may find less certainty of agreements, and direct-let providers are planning for all eventualities as the situation is changing daily.

The lack of certainty over the 2020/21 academic year and impact on student intake has caused some investors to be more cautious. This, combined with general uncertainty in the wider real estate sector and turbulence in the debt markets, has significantly reduced transaction volumes. Equally, challenges for developers and contractors in completing schemes in time for September, given current labour and supply constrictions, may cause a number of schemes to be delayed or mothballed for the 2020/21 academic year. This will have an impact on investors' cashflows, however, given the relatively low levels of debt compared to 2008, investors in most cases should be well placed to weather any short-term dislocation.

One speck of light for providers is the alternative use of student accommodation. Many residences are located close to teaching hospitals and universities are typically one of the largest organisations in any city. Conversations are taking place with the NHS and councils to house key workers, the sick and the vulnerable, subject to inevitable logistical challenges. Whilst this might represent a modest source of alternative revenue for investors, it is also a means whereby all providers are able to meaningfully assist with the current crisis.

Post COVID-19, there are reasons for optimism. The UK 18 year-old population is growing again and participation in higher education continues to rise. During a period of economic regression, even more may turn to higher education. Virtual teaching for first year undergraduates is being ruled out by some universities, in favour of students being fully immersed in the university experience. Non-UK students value the quality of our higher education and demand pre-COVID-19 was at an all-time high. We expect an increase in demand from students (both overseas and domestic) and investors once there is some degree of certainty.

James Sheppard
Head of Life Sciences

LOOKING FORWARD – BEYOND COVID-19

Life science: from academia, to businesses and clinicians, the sector has never been more at the forefront of society. COVID-19 has highlighted, some gaps where we need to be better prepared. However, it has also seen some of the best of the industry. We have seen hospitals built in days, the UK's largest biomedical research facility transform into a testing centre and the creation of mobile, inflatable research laboratories.

Pharmaceutical companies are working together like never before. The COVID-19 Therapeutics Accelerator brings together industry leaders, universities and charities come together to discover and trial new therapies. Dr Jeremy Farrar, Director of Wellcome, said: 'Science is moving at a phenomenal pace against COVID-19, but to get ahead of this epidemic we need greater investment and to ensure research coordination.'

Over the past 18 months, the UK life science real estate market has been growing in stature. Investors and developers are understanding the unique requirements and the ecosystem for growth companies is improving. The fundamentals of the UK life science market are strong and long-term the pandemic should not change this. The UK has a world class research base, talent and a growing ability to translate research into companies.

Life science companies are long-term investments requiring patient capital and in many cases are well placed to see through dips in the market. In the first few weeks of 2020 several life science venture capital firms have raised over $5bn of new capital to invest. In the height of the pandemic two biotechs also went public (IPO) both raising more than 25% on their first day of trading.

Over the past month we have seen a number of global pharma occupiers' complete transactions and new laboratory buildings and campuses progress their development. However, as we continue to battle the pandemic it is important to start to look forward at what trends will arise and their impact.

1. Increased M&A activity. Life science has always been a comparatively active market for M&A but as market caps decrease it will present an opportunity for cash rich pharma to acquire new assets.

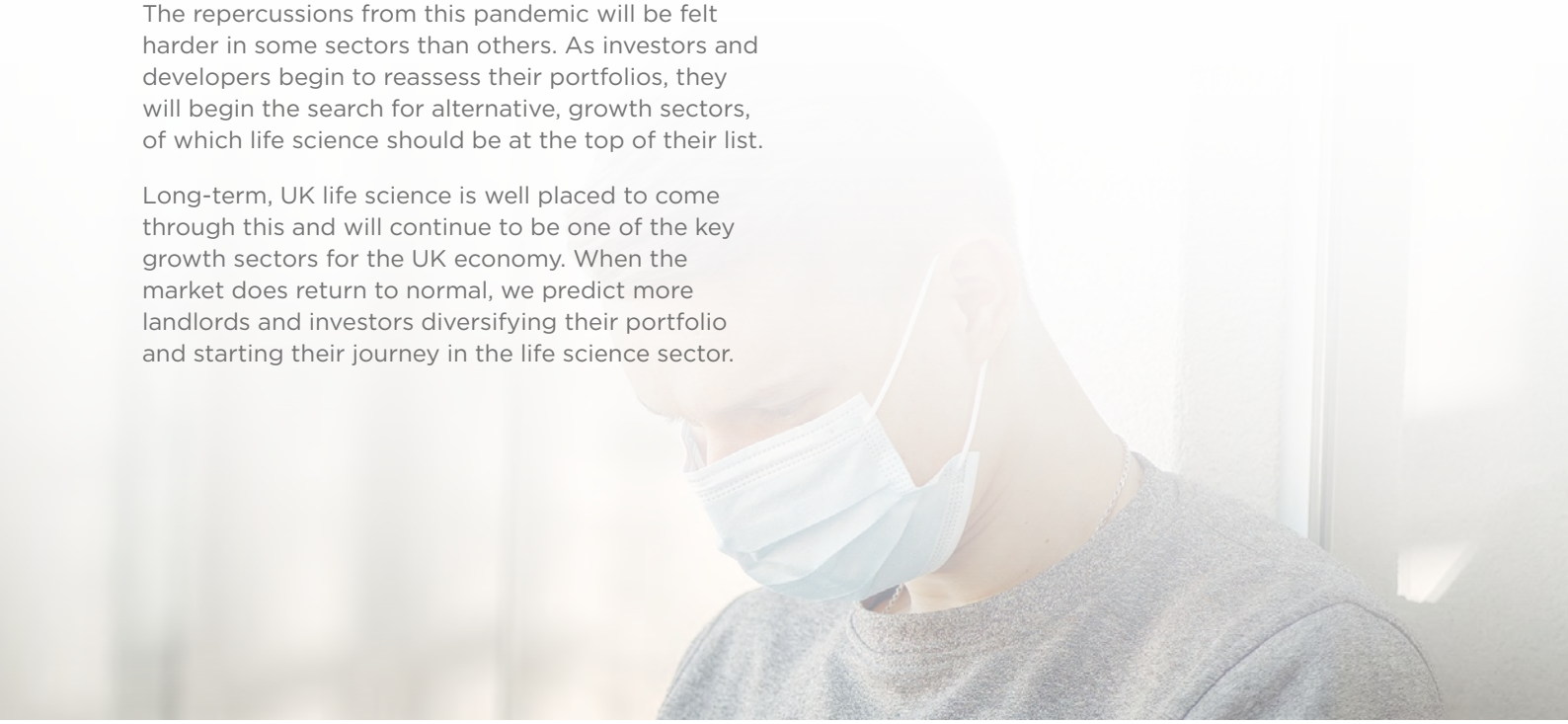
2. Updated regulatory pathways to boost innovation and speed to market. Post COVID-19 we may see a shift in how clinical trials are designed, conducted and monitored, an area where the UK is already a global leader.

3. Increased public sector investment in facilities and services. The pandemic has highlighted gaps where we need to be better prepared. The government's, pre-COVID-19, announcement of a big funding boost was welcomed but will only be effective if we have the right facilities. This may also create unique joint-venture opportunities between the public & private sectors.

4. Life science real estate developments are long-term propositions. These centres need to be sustainable over the long-term and as such they should be able to manage bumps in the market. Many of the UK's largest upcoming life science projects have continued development throughout the pandemic.

5. Diversification of portfolios towards alternatives. The repercussions from this pandemic will be felt harder in some sectors than others. As investors and developers begin to reassess their portfolios, they will begin the search for alternative, growth sectors, of which life science should be at the top of their list.

Long-term, UK life science is well placed to come through this and will continue to be one of the key growth sectors for the UK economy. When the market does return to normal, we predict more landlords and investors diversifying their portfolio and starting their journey in the life science sector.



Caryn Donahue
Head of Senior Living

A RESILIENT SECTOR DURING UNCERTAINTY

Whilst the challenges caused by COVID-19 are unprecedented, and the pandemic has created an environment of uncertainty amongst operators and investors alike, there continues to be faith in the long-term fundamentals of the senior living sector. As a needs-based product, senior living has historically proven to be more recession-resilient and stable than traditional real estate sectors like retail and hotels.

Due to the at-risk nature of the elderly population during the pandemic, senior living operators are extremely focused on preserving the health and safety of their residents right now. Whilst COVID-19 is having a near-term impact on the number of new prospects, move-ins and occupancy levels, this decline in move-ins over the next few months will not fundamentally change the demographic makeup of the country. The rapidly ageing baby boomer demographic will still require fit for purpose accommodation in later life, and there is still a drastic under supply across the UK.

The issue that remains to be seen is how the sector may be impacted in the longer term if there is instability in the housing market. If the older generation is unable to sell their homes, they may not be able to buy into a retirement scheme, and there may be an increased demand for rental projects or other shorter-term operating models as a result. Quality operators have always been paramount in this sector but with move-ins stagnant, and the potential need to change operating models to adjust to a new economic environment, investors, more than ever, will be looking for best in class operators that can manage through extraordinary circumstances, such as COVID-19.

Though there is volatility in the sector at the moment, we think this will only continue in the near to medium-term while the global economy is suffering. Once the immediate impacts of the virus have passed, senior living will continue to be an attractive asset class and investors will continue to show strong appetite for the sector, as they have historically.

There are 3 key fundamentals about the senior living sector that remain:

1. The ageing baby boomer population is not going away.
2. As a needs-based product, the sector proved to be a more resilient investment than many of the other major real estate sectors during the GFC.
3. Senior living involves caring for people and while other industries are shut down, senior living is not and will not be shut down. Operators are caring for their residents all day, every day, and this will and must persist.

Charles Whitworth
Head of Residential

AS ALWAYS, TIMING WILL BE EVERYTHING

We all thought 2019 was challenging with BREXIT and the political uncertainty culminating in the General Election. However, we immediately benefited from the "Boris Bounce" and this continued at the start of 2020 until the arrival of COVID-19. This has now been supplemented by the Government's advice to close down the new homes and secondhand markets along with the prospect of a major recession and the impact that will have on the markets in terms of both demand and pricing.

Our ***International sales team*** had been on lock down since Asia closed down the exhibition market in late January. The team has been pioneering new marketing initiatives including digital marketing, on-line seminars and virtual viewings of proposed developments for potential purchasers. With Asia seemingly ahead of Europe and the banks opening again for business, buyers from Asia remain active in the UK market with both exchanges and completions taking place.

More importantly other teams are looking to learn and implement similar marketing initiatives and adapt them where possible for the UK market. In the ***Development*** sector developers are trying to conduct business where they can. The major PLCs and large private housebuilders are (as a generalisation) withdrawing and/or attempting to install "corona clauses" into contracts.

Bidding prices appear to remain at pre-corona levels. For example, in early April we received strong bids on a site suitable for senior living that out-performed expectations; furthermore, with a portfolio of sites going into joint ventures, the parties remain committed to closing those transactions out. The well capitalised non-debt reliant property companies and developers are becoming more opportunistic, seeing this as a chance to deploy capital when the major market players take stock of the situation. In reality, transaction levels will drop in the short-term but both vendors and purchasers appear keen to transact where possible, particularly for quality assets. Flexibility from both parties in agreeing contracts will be key.

In the Residential ***Investment*** market, parties are still focussed on closing out transactions where possible but there is a general nervousness around forward commitments and the ability for developers to deliver in accordance with agreed costs and programmes. However, the fundamentals have not changed that have been attracting institutional investment into this sector and we believe investment will continue in the short and long-term. Standing stock is more challenging without the ability to undertake internal inspections but due diligence can be undertaken online.

In ***UK New Homes*** at the start of the year reservations were up a staggering 160% year on year, but individual sales have largely been put on hold in the short-term following the government's announcement that home buyers and renters should, where possible delay moving to a new house whilst measures are in place to fight COVID-19. Many developers as a result have closed down there on site marketing operations. The inability to sell homes over an extended period may well have an adverse impact on the poorly capitalised developers.

The prospect of a deep recession bringing high unemployment and reduced salaries will in many locations impact on both pricing and demand along with a slowdown in buyer activity.

As ever, timing will be key. At present we do not know the extent of economic pain but the longer it takes for 'normality' to return the greater the challenge, but also the greater the opportunity.

There is still a shortage of housing across London and the South East. In the medium/long-term, it is expected land and home buying activity will resume with the demand-supply imbalance at the core. In the short/medium-term with Residential now emerging as a real stand-alone asset class, resilient against many wider geo-political impacts, the BtR market could be a beneficiary.

Richard Pickering
Chief Strategy Officer, UK

RETHINKING DENSITY

'Cities have always been the fireplaces of civilization, whence light and heat radiated out into the dark'. American reformer Theodore Parker was pointing to the role that cities have played in the progress of our species. From the early settlements of Ur and Jericho, to modern megalopolises of New York, London and Tokyo, cities have been the catalytic forces behind innovation, growth and trade. Why?

Cities perform a number of roles. Firstly, they create predictability of demand. In business, you want to expose yourself to markets where there is likely to be a sustainably high number of customers – this gives you the confidence to invest. Secondly, they create agglomeration. The benefit of industries delivering their services in alignment and geographic proximity creates learning benefits and economies. Thirdly, they create serendipity; the chance encounter, the overheard conversation that leads to opportunity.

All of these benefits rely on density. The same might be said of the office or creative venues. Putting people together creates value. However, these fundamental principles are now being significantly challenged by COVID-19. Do we need to rethink density? If so, do we also need to rethink cities and offices?

In the short-term, density undeniably increases the spread of disease. Humans are the primary vectors for transmission, and so it stands to reason that the more humans present in a given space, the more likely it is for transmission to occur. Evidence published in the New York Times shows that the COVID-19 mortality rate in large metros is x4 greater than in low density suburbs and x8 times higher than in non-metropolitan areas.

For this reason, we are currently looking to de-densify, which at a city level means keeping people out of busy public spaces and underpins policies around social distancing and lockdown. However, this comes with consequences, and exposes significant inequities also associated with density. For those of us that live in houses in semi-rural locations:

1. gardens have taken the sting out of being confined to home
2. typically larger properties mean that finding a space to work from in your home is more manageable
3. if you're still travelling to work, it's likely to be in your car
4. the chances of coming within 2 metres of someone on your 60 minutes daily exercise are very limited. Contrast this with a keyworker living in a multi-occupancy flat in a dense inner London high rise who needs to take the tube to work; the benefits of space become apparent.

Density is not just about people, however. Cities also tend to provide density of amenity; coming in the form of retail, cultural, health or social infrastructure. Areas with low amenity density are now coming into focus. The most topical example of this relates to intensive care facilities. The international picture paints significant disparities in the number of ICU beds per capita; however, even within the UK there are wide variances. Data from Edge Health suggests that while London is reasonably well provisioned, the South West has a very low density of ICU beds. Overlay the predicted transmission rates however, associated with more dense populations, and areas such as the Midlands are highlighted as low on capacity relative to predicted demand.

A further amenity consideration is the presence of public space, or semi-private space. Private gardens have become invaluable in this crisis. Were present conditions to continue over a longer term, one wonders what additional premium would attach to houses with a garden. However, in current lockdown conditions where travelling to exercise is discouraged, density of local public amenities such as parks also draws greater importance than in normal circumstances. In a world that is growing ever upwards, ground floor amenities by definition are squeezed to lower ratios relative to denser populations. Ironically, the parks that have been shut down are ones in areas of high population density that need them the most. The public wood at the back of my house unsurprisingly remains open.

Retail is another key amenity, but in a world where pretty much all high street shops are shut, and where delivery order slots for the big supermarkets are gold dust, new factors take importance. The key competitive factor in convenience retail has always been...erm, convenience (also a bit to do with price). Your choice of supermarket, and even more so local store or sandwich shop, is driven primarily by the convenience of location. You are unlikely to travel twice the distance based on brand preference. This means that density of footprint is in normal circumstances a USP. However, uncertainty over stock levels, and not wanting to spend long periods in crowded supermarkets, means that convenience is in some cases being sacrificed for safety.

In the short-term, non-traditional operators are using a breakdown of traditional rules to access markets that they had no chance of competing in previously. Half of the Pickering family food deliveries are now bizarrely coming from garden centres. The price is higher than we'd pay in normal conditions; but the products are in-stock, they deliver quickly (a recent business model innovation), and the level of friendly, personal customer service is leagues ahead; the true definition of a retail 'experience'?

So how might this new focus on density affect real estate in the longer term?

The health sector feels like a special case in this new world. The adequacy of public health care provision will be judged both in the short and the long-term against its potential to cope with peaks in demand, rather than the interquartile range. In the short-term this means the adaption of existing unused facilities (stadia and events centres) to hospitals (Nightingales). In the longer term as a bigger share of GDP is likely allocated to the NHS, the elimination of white space on the map is likely to be a priority.

Comparisons being made against the density of provision in countries like Germany surely must translate into public investment in more health care space in the medium-term.

In the office, things are a bit different. Based on the typically modelled scenarios for the duration of post COVID-19 recovery, it feels unlikely that many will be making major capital investments wholly predicated on virus containment that can't be recouped in say a 2-year horizon. For similar reasons, radical long-term easing of the density of office occupation feels unlikely. The trend over past decades has been to the denser use of space driven by cost pressures that will continue to be relevant. However, shorter term cost-lite adaptions, such as those proposed by our ***'6-foot office'*** concept are a different story. Recent industry discussion has refocussed from managing the cost of real estate to using it to create enterprise value for corporations. Here is a clear example of how a 'safe' adapted environment could deliver significant value for organisations, faced with the binary alternative of not being able to trade.

The bigger impact on the commercial sector is likely to come in the location of these offices. About 20 years ago, corporations started moving into cities to capture their target workforce. That was where young talent wanted to be. I don't see a sudden COVID-19 related shift in this trend. However, combined with affordability issues, the case for being in cities, and not in spacious, leafy out-of-town campuses, is starting to soften.

Let's not forget than density comes and goes in waves over time, with real estate fortunes ebbing and flowing in tow. In the 1950s in response to a health issue (pollution), an incentive (more space) and an enabler (better rail and road connections), city centres emptied and the suburbs boomed. Moving to present day, we have another health issue (COVID-19), another incentive (cheaper, better natural amenity) and another enabler (the internet).

The benefits of the city remain in principle. Cities are the crucibles of culture. 'Live' pop concerts delivered over the internet don't have the same buzz. And whilst remote working seems to work, the serendipity and joie de vivre is lost. Inherently, most of us prefer cities for these reasons. Hence whether current events will result in a similar shift to that see in the 1950s will likely depend on, as Dan Doctoroff said this week, 'the ability to rebuild trust in the city – and in dense city life itself' rather than being a matter of preference.

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