

The office apocalypse is not here, yet

Sarah Paynter

Reporter

Most office buildings have been empty since mid-March as companies ordered employees to work from home due to the novel coronavirus pandemic, which prompted widespread lockdowns and social distancing protocols.

Landlords worried that office tenants would continue remote work policies and renege on their leases when the lockdowns lift. But so far, there is no “office apocalypse.” Most tenants have not tried to renegotiate the terms of their leases, although they are looking for short-term rent relief.

“There will not be a huge exodus from the office, but you will see people having a balance. They might spend four or three or one day in the office — they might be in the office a little less, but it’s not all or nothing,” said Joe Learner, vice chairman and director and Midwest region lead for Savills, a London-based real estate services provider.

Tech firms Twitter and Square made [headlines](#) for announcing a voluntary permanent transition to remote work for employees, but both said they have not yet made changes to their office agreements. Landlords like [Time Equities, Inc.](#), a New York City-based real estate firm with more than \$5 billion in assets, confirmed that they have not received requests from any tenants to downsize, according to Brian Soto, director of acquisitions and asset management.

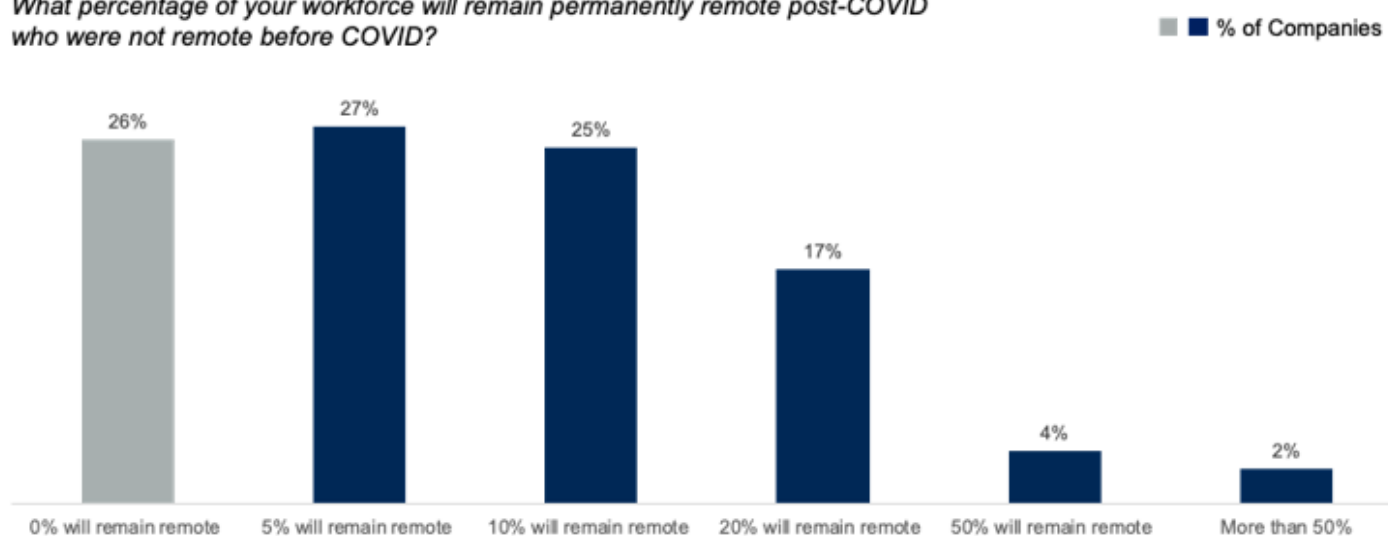
“Companies will offer more flexibility to work from home, but people will still want to go to the office. People are social, even introverts,” said Jonathan Wasserstrum, CEO and co-founder of [SquareFoot](#), a New York-based commercial listing and brokerage company.

Experts won’t rule out a [consolidation of office space](#), but most tenants are not making drastic decisions about their office leases yet. Only 6% of CFOs plan to have half or more of their workers stay remote after the pandemic, according to a recent Gartner [survey](#) of 317 CFOs on March 30.

“I believe most if not all companies are going to offer the ability to work remotely. But the jury’s still out as to how much that actually impacts office space and the number of square feet someone has,” said Wasserstrum.

Social media giant [Facebook](#) announced Thursday it will allow some employees to work from home permanently and plans to have a 50% remote workforce in the next five to 10 years.

What percentage of your workforce will remain permanently remote post-COVID who were not remote before COVID?



Graph and data by Gartner, April 2020.

Temporary rent relief

Tenants are, however, looking for temporary [rent relief](#), as business interruptions cause revenue loss. Some businesses have received [Paycheck Protection Program loans](#), but many others have had to make cuts and [layoffs](#).

“Tenants are looking for rent relief in the next two months or so, but they are not trying to alter the lease other than that,” said Wasserstrum.

A small percentage of tenants are reducing real estate costs by negotiating with their landlords. Some 13% of CFOs say they have made cost reductions in real estate

expenses, and another 9% said they plan to do so in the coming months, according to a recent Gartner [survey](#) of 317 CFOs on March 30.

But it's a [tenant's market](#), so landlords prefer to negotiate with tenants rather than evict and look for a new tenant. For example, Time Equities is meeting abatement and deferment requests from a "select few tenants" through a pandemic hardship relief application, but they have not allowed tenants to break their lease obligations.

The requests for rent relief has not crippled most commercial landlords at this point, say experts. About 93% of Time Equities' office portfolio — which spans 3.4 million square feet worldwide — are still paying rent. Time Equities is even collecting over 80% of rent from tenants who occupy its 400,000 square feet of office space in New York City, which Soto said is "slightly under pre-Covid performance, but not considerably."

"I think most landlords and tenants are communicating with each other and trying to amicably resolve their issues... litigation can be a timely and costly process and going to court will likely not provide the immediate relief that businesses are looking for," said Steve Silverman, co-founder of Kluger, Kaplan, Silverman, Katzen & Levin, P.L., a Miami-based law firm.