

COOPER

PROJECT SPACES

REDUCE COSTS WITH A HYBRID WORKING MODEL

HOW 2 + 2 + 1 = REAL ESTATE SAVINGS



In 2020, COVID-19 pressed the world into an unexpected remote working experiment and, for most, productivity did not decline. Employees proved they can be trusted and it seems the new work-from-home model is here to stay. This is good news for companies hoping to save money on real estate costs.

REMOTE WORKING IS WORKING

- In July 2020, a PWC Canada workforce poll conducted by the Angus Reid Group of 1,528 full-time or part-time Canadian employees and a sample of 505 Canadian employers found 75% of Canadian workers say their productivity had not changed or had even increased during the pandemic. ⁱ
- According to a recent McKinsey Research survey, 80 percent of those questioned reported they enjoy working from home. ⁱⁱ
- The Grossman Group conducted an online survey in April 2020 of employees across different sectors and 48% said they'd like to continue working from home. ⁱⁱⁱ

The work from home experience has proven it's time for businesses to rethink the traditional 9-to-5, commute to the office, work model. Including some form of remote working in a business model can increase employee satisfaction and retention and save money on real estate by reducing the amount of space required. ^{iv}

BENEFITS OF WORKING FROM HOME

The jump to remote working for most in 2020 was instigated by safety concerns in light of the global Coronavirus pandemic. Remote working makes it easier to practice social distancing, protecting health and safety. Remote workers and employers are now citing a variety of other reasons why working from home improved productivity and worker satisfaction.

- People are regaining minutes and even hours in the day without a commute to the office, leaving more time for work and family.
- Organizations are rethinking their perception of employee accountability and performance metrics from a traditional hours-at-their-desk approach to one that focuses on project-completion. This enhanced autonomy equals increased job satisfaction.
- Broad acceptance of virtual meetings mean project teams are no longer limited by geographic proximity. Team members can collaborate and pitch from anywhere in the world, ensuring the best experts are present without lengthy and expensive travel constraints.
- Businesses that embrace remote working also benefit from broader access to global talent.
- It is also no longer necessary for a firm to have enough prime, expensive office space in major urban centres to seat all of its employees and to attract talent.

The world's experience in 2020 proved that being in the office full-time is not essential to carry on business. Leading organizations will take the lessons of this remote work experiment and pioneer the change in how we do business and how we use office space.





WHY WE STILL NEED THE OFFICE AND WHAT IT MIGHT LOOK LIKE

While remote working has functioned well for the most part during the unforeseen challenges of protecting lives and health during a global pandemic, it has also shown that some tasks are better fulfilled in a traditional office environment.

Individual work and project execution may be completed remotely, but the following interactions are best accomplished in person.

- Collaboration
- Onboarding
- Brainstorming
- Innovation
- New project initiation
- Socializing (important for the mental health of employees)

Pre-pandemic, the typical office included a reception, open floor of cubicles, a few private offices, meeting rooms, lunchrooms, and server rooms, allowing approximately 200 square feet per employee. A new normal post-pandemic may require a transformed office. New office designs may include greater space for employees to allow for social distancing. They may also emphasize space for collaboration and flexible touch-down desks rather than personal work spaces.

Returning to the office post-pandemic offers organizations an extraordinary opportunity to take bold steps to reimagine the office, taking advantage of alternative workplace strategies, including remote working, to make their space more productive and cost effective. A repurposed office offers significant potential to save money on real estate costs by reducing the amount of space needed.

HYBRID WORKPLACE MODELS

Allowing employees to work remotely improves job satisfaction and can save employers money, but, as we have shown, does not work for every employee or every task. Many companies are considering Hybrid Workplace Models which bring employees into the office a few days a week and allows them to work from home on others, combining the best of both working systems.

A Hybrid Working Model would create a rotational work schedule which brings a subset of employees into the office on certain days while another subset of employees work remotely, and the groups would alternate locations day by day. Many schools were the first to embrace this new model of on-again off-again physical attendance in order to limit the number of students in a school building at any one time.

According to a McKinsey & Company Global Institute analysis, the sectors with the highest potential for remote work and hybrid models are: finance and insurance; management; professional, scientific, and technical services; and IT and telecommunications. ▼

When only a portion of employees are in the office at one time, less space is needed and businesses can reduce spending on rent, office supplies, utilities, etc., freeing funds for reinvestment in innovation and growth.

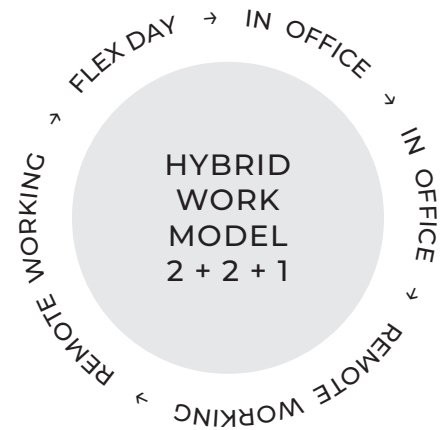
2 + 2 + 1 HYBRID WORKING MODEL

There are a few ways to approach remote working, including: 1) all employees remote and no physical space; 2) fixed set of remote workers and fixed set of in-office workers; and 3) alternating sets of remote and in-office employees. Organizations need to work with their Human Resources and IT groups to determine whether remote working fits their business model and, if so, which form can best be adapted to meet their requirements and corporate goals.

Cooper Project Spaces recommends our 2 + 2 + 1 Hybrid Working Model as the most versatile and cost effective. Using the 2 + 2 + 1 Hybrid Working Model allows businesses to get the most efficient real estate space utilization and combination of remote and in-person employee attendance.

In the 2 + 2 + 1 Hybrid Working Model, employees alternate 2 days in the office, 2 days working from home, and 1 flex day.

- Two days in the office are focused on tasks best performed in-person with other members of their functional team, such as collaboration, brainstorming, innovation, new project development, and team building.
- Two days working remotely allow time for individual work, project execution, production, and delivery.
- One day allows a flexible use of time based on need such as additional work-from-home individual work or offsite client/team meetings (coffee shops, video conferencing, customer visits, etc.).



2/5THS WORKFORCE ROTATION

The next decision to make is which employees will be in the office and when. Cooper Project Spaces recommends using the 2/5ths Workforce Rotation model we have designed in order to get the most out of your real estate. In the 2/5ths Workforce Rotation, your employees are divided into five relatively even groupings—A, B, C, D, and E. Each group is assigned two days in office, two days remote, and one flex day, as described in the 2 + 2 + 1 Hybrid Working Model.

2/5 Workforce Rotation			1/2 Workforce Rotation		
Day	In-Office Teams	Remote/Flex Teams	Day	In-Office Teams	Remote/Flex Teams
Mon	A & B	C, D & E	Mon	A	B
Tue	C & D	A, B & E	Tue	B	A
Wed	E & A	B, C & D	Wed	A	B
Thu	B & C	A, D & E	Thu	B	Q
Fri	D & E	A, B & C	Fri	FLEX	

The 2/5ths Workforce Rotation is the most efficient system of rotation because it uses the least space possible and ensures the office is used to its maximum capability on all five business days. Using the example above, comparing a 2/5ths Workforce Rotation against a 1/2 Workforce Rotation:

- The 2/5ths system allows businesses to reduce the real estate footprint by 60% to accommodate employees in office, while the 1/2 system can only reduce the footprint by 50%.
- The 2/5ths model ensures that two teams are always in-office on any given day of the week, while the 1/2 model leaves the office under-utilized one day of the week.
- The 2/5ths model allows each team to interact with two different teams of people per week rather than limiting their in-office interaction to the same group of people every time.

SAVING MONEY WITH THE 2 + 2 + 1 HYBRID WORKING MODEL AND 2/5THS WORKFORCE ROTATION

Fewer people in the office equals less space required and less space equals lower rent and utility costs. Utilizing the 2 + 2 + 1 Hybrid Working Model and 2/5ths Workforce Rotation, office space can be reduced by 60%. With the increased space per employee metrics expected to become the norm following post-pandemic protocols, even when the amount of space per employee is doubled, using these workplace models still results in a 20% real estate cost savings.

For example:

Pre-pandemic Office	2 + 2 + 1 Hybrid & 1/2 Workforce Rotation	2 + 2 + 1 Hybrid & 2/5 Workforce Rotation
<p>500 employees in office per day</p> <p>200 sqft per employee</p> <p>Gross rent \$40 per sqft per anum</p>	<p>250 employees in office per day</p> <p>400 sqft per employee</p> <p>Gross rent \$40 per sqft per anum</p>	<p>200 employees in office per day</p> <p>400 sqft per employee</p> <p>Gross rent \$40 per sqft per anum</p>
<p>500 x 200 = 100,000 sqft office</p>	<p>250 x 400 = 100,000 sqft office</p>	<p>200 x 400 = 80,000 sqft office</p>
<p>100,000 x \$40 = \$4,000,000 per year</p>	<p>100,000 x \$40 = \$4,000,000 per year</p>	<p>80,000 x \$40 = \$3,200,000 per year</p>
<p>\$20,000,000 over a 5 year term</p>	<p>\$20,000,000 over a 5 year term</p>	<p>\$16,000,000 over a 5 year term</p>
<p>\$0 Savings</p>	<p>\$0 Savings</p>	<p>\$4 Million Savings</p>

CALCULATE YOUR POTENTIAL SAVINGS WITH 2 + 2 + 1 HYBRID WORK MODEL AND 2/5THS WORKFORCE ROTATION:

Pre-pandemic office model

$$\# \text{ of Employees} \times \text{Sq. Ft. per employee} \times \text{Gross Rent} \times \text{Lease Term} = \$\text{Rent}$$

Hybrid office model

$$2/5 \text{ of Employees} \times \text{Sq. Ft. per employee} \times \text{Gross Rent} \times \text{Lease Term} = \$\text{Rent}$$

Your Savings

$$\text{Pre-pandemic office model } \$\text{Rent} - \text{Hybrid office model } \$\text{Rent} = \text{SAVINGS}$$

Given the strong possibility of increased space-per-employee standards, if a business does not add some form of remote working to its workplace model, more space will be required and real estate expenses will increase. In other words, if you can add the 2 + 2 + 1 Hybrid Working Model and 2/5ths Workforce Rotation to your workplace model, now is the time to do it.

Moving to the 2 + 2 + 1 Hybrid Working Model and 2/5ths Workforce Rotation is an effective strategy for achieving significant savings in real estate. Going back to the pre-pandemic office model, doing nothing, lets a considerable opportunity slip away. Downsizing your real estate footprints with the 2 + 2 + 1 Hybrid Working Model and 2/5ths Workforce Rotation is the path to reduced business costs.

CONCLUSION

The global pandemic has presented businesses with an unprecedented opportunity to reimagine and redesign workspaces to support: organizational priorities, remote working strategies, physical distancing, collaboration centres, and cost savings. The compulsory work from home conditions of 2020 demonstrated that technology and the workforce are ready to function remotely and introduced a shift in the where and the how we do business.

With thoughtful strategies like the 2 + 2 + 1 Hybrid Working Model and 2/5ths Workforce Rotation, the new office model represents a positive step forward into a better post-pandemic era.

i “Canadian Workforce of the Future Survey.” PWC Canada, www.pwc.com/ca/en/today-s-issues/upskilling/canadian-pulse-survey.html. Accessed 5 Mar. 2021.

ii Boland, Brodie, Aaron De Smet, Rob Palter, and Aditya Sanghvi, “Reimagining the office and work life after COVID-19.” McKinsey & Company, 8 Jun. 2020, www.mckinsey.com/business-functions/organization/our-insights/reimagining-the-office-and-work-life-after-covid-19#. Accessed 28 Feb. 2021

iii “Nearly Half of Employees Now Working from Home Want to Stay Remote, Study Finds.” PR Newswire, 14 May 2020, www.prnewswire.com/news-releases/nearly-half-of-employees-now-working-from-home-want-to-stay-remote-study-finds-301059220.html. Accessed 28 Feb 2021

iv Marr, Garry, “Young Canadians Are Embracing Remote Work, Survey Finds.” CoStar, 28 Feb. 2021, CoStar News - Young Canadians Are Embracing Remote Work, Survey Finds. Accessed 7 Mar. 2021.

v Lund, Susan, Anu Madgavkar, James Manyika, and Sven Smit, “What’s next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries.” McKinsey & Company, 23 Nov. 2020, www.mckinsey.com/featured-insights/future-of-work/whats-next-for-remote-work-an-analysis-of-2000-tasks-800-jobs-and-nine-countries. Accessed 1 Mar 2021.

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Cooper Project Spaces is your voice in the commercial lease process, giving you a competitive advantage in the real estate market. Our extensive real estate negotiation experience gives us the knowledge to maximize the advantages of our clients and utilize the needs of landlords to secure the most cost-effective lease pricing and terms. With our proven process, we are on your side throughout your renewal, relocation, expansion, or contraction. We collaborate with your company's stakeholders, HR, IT, Logistics, Finance, and Real Estate, to identify utilization needs so from the very beginning you are searching for the right space.

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Tom brings 45 years of diverse experience practicing commercial, industrial, consulting, and residential services. Tom provides real estate transaction service management and strategic consulting for: tenant representation for office and industrial; asset acquisitions and dispositions; occupancy/workplace need analysis and strategies; and land services. Tom is an expert in the areas of leasing, purchasing and selling, sale-leaseback and design-build for office and industrial. He has experience in and provides valuable insights into the benefits, liabilities and responsibilities of financial investment.

Tom is a licensed real estate sales representative with Harvey Kalles Real Estate Ltd., Brokerage.



Anna Hallett

Anna has twenty years of experience in commercial real estate, working in tenant representation, corporate solutions, financial analysis, research, and marketing. She has experience in RFP response, tenant site location, employee demographic mapping, qualitative and quantitative analysis, and lease abstract and review. Anna researches and writes real estate market reports, gathering, evaluating, and reporting on economic, demographic, and market data.

Harvey Kalles Real Estate Ltd., Brokerage

Harvey Kalles is the premier Toronto real estate brokerage for those who value service. In 1957, Harvey Kalles began a business built on trust, integrity, service, and ingenuity. More than 60 years later, Harvey Kalles Real Estate Ltd. remains dedicated to offering the best professional services to all our customers. Synonymous with excellence in service, we uphold a standard in the industry that is unparalleled in the face of emerging technologies and increased competition. Real estate is a business of trust between an agent and their clients. No other brokerage offers a stronger reputation to uphold this essential commitment.

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