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What Should You Expect in the Future of Commercial Real Estate?

There's no doubt that our world is changing irrevocably. Improvements in technology, innovations and digital transformation are changing the way that all industries are operating, including commercial real estate. With the outbreak of the COVID-19 pandemic and the variants that have arisen from the original virus, this trend has accelerated markedly. Though the pandemic has increased the pace of change, these are changes that were already in the works, changes which will have a significant impact on property owners, forcing them to adapt to these changes and consider carefully the ways in which they do business.

The Future of Commercial Real Estate

As of today, many people are continuing to work remotely nearly two years since the outbreak started, and many have not only adapted to these changes but have learned how to thrive in these conditions, enjoying a closer relationship with their family than they had in the past. This is causing a wide range of companies across the country and around the world to decide whether they should keep their existing office spaces under contract or if they should focus that funding to continue to support employees who choose to keep working from home.

Even as early as last year, many tech companies, including social media giants Facebook and Twitter, announced that employees would be allowed to work from home permanently once the pandemic has passed, providing a level of flexibility many millennials enjoy. Though this has been in line with trends that were already starting to see an increase of work-from-home professionals, this doesn't mean that we're at the end of the away-from-home workplace. Prior to the pandemic, it's estimated that 42% of companies were already offering hybrid work environments, a figure which rose to 61% as the pandemic descended.

Many employers have seen the potential cost savings of eliminating their office environment, but are choosing to maintain a workspace for team collaboration and meeting spaces with clients. Though many young adults like the flexibility of hybrid work environments, they also enjoy the social interaction that is difficult to achieve in a virtual workplace. There can also be decreases in overall efficiency when employees work from home, especially when children are also learning from home at the same time, which can underline the importance of retaining a physical space for working outside of the home.

Property owners who provide office space may consider renovating these spaces to improve the desirability to prospective commercial renters or buyers. Though many companies went to open-air spaces to reduce square footage per employee in the past, this layout is now problematic in an industry recovering from the pandemic long into the future. The push for more space, barriers between workspaces or similar accommodations make your property more enticing for businesses, both now as variants arise or well into the future as fear of future pandemics influence office design.

Beyond office space, retail real estate is seeing significant changes due to the pandemic. Though there was already a trend towards e-commerce, order pickup and similar options well

before COVID-19, the pandemic has drastically increased online shopping. This has caused numerous retail stores to fold, while others continue to struggle to pay the bills on a daily basis. Vacant spaces in what was once a busy shopping mall have become common.

Retail real estate owners have taken a new approach by repurposing these spaces into schools, housing, grocery stores or fitness centers. Warehousing to keep up with the rising demand for e-commerce is another popular option. Rising demand for cold storage for online grocery orders has also become a strong driver for commercial real estate in this sector. Given the popularity of online grocery shopping, this trend will almost certainly continue for long into the future.

As the commercial real estate market continues to evolve into the post-pandemic world, one thing is certain: there will always be demand for commercial realty property. However, just as importantly, property owners must pay attention to shifting trends and be creative in the many ways they can adapt their real estate assets so that they can continue operating successfully long into the future.

Staying on top of the changes in the market can be difficult no matter what industry you're in, but if you're in commercial real estate, you may be facing serious challenges in terms of retaining or selling your property, renovating or simply taking a loss on it. Our experienced professionals can help you find the right solutions for your property and your situation, making it easier to maximize your profitability from your business.

If you have any questions or would like more information on our commercial real estate services, please contact Frankzel Zacharia, LLC at 402.496.9100.