



# TRISTAR

REAL ESTATE INVESTMENT

[www.tristarinvest.com](http://www.tristarinvest.com)

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## IS OFFICE SPACE NO LONGER NEEDED?

The horrible COVID -19 pandemic has quarantined people all around the world to their homes to either work remotely or not work at all. For those who worked remotely pre-COVID, we found there's nothing new. However, many industries who never considered a remote-workforce, have now embraced the model. So why is there need for office space?

### **Corporate Perspective**

"Tech Companies" and the younger generation embraced working online many years ago. Let's face it, if you are a software engineer or a coding expert, social interaction with many people in a high-rise building is a distraction. The basement of any structure with minimal light is where these mushroom geniuses grow and thrive. You've seen the announcement that Facebook and Twitter are allowing employees to stay at home permanently. What's behind this? Much of it is cultural but Facebook, as an example, just launched an online business platform with Shopify that can have anyone with a business doing transaction on Facebook or Instagram for free (more customers for Facebook, for more ad revenue). This is a game changer, and Facebook needs to mirror the venture it has launched by leading the way.

**Culture-** is the reason Fortune 500 companies would like to have offices in order to bring employees together. It's hard to build culture remotely via Zoom. How do you nurture growing talent in a manner where they can learn firsthand about running a company, managing employees, etc. unless it's face to face?

**Productivity** has been another answer as to why we need offices to bring people together - to be managed. There is software technology that has existed for some time that will allow "Big Brother IT" to watch your actions online. Management can tell when you are working at home or goofing off. This is kind of scary but can provide a manner to oversee worker behavior and productivity without seeing them live.

**Liability -** What scares corporations is the litigious attorney who wants to bring down the organization because they didn't do everything in their power to take care of their employees. What if someone comes to work and gets sick? Is it the responsibility of the individual, the owner of the building or the corporation in the building? Sorry, my legal friends, I am pointing fingers to a small sector of our world that is hellbent on creating disruption/litigation for their livelihood.

**Balance Sheet/Cost** - Behind employees' salaries is the second largest cost on the books: the cost of housing employees - the office rent. If you can transfer this off your

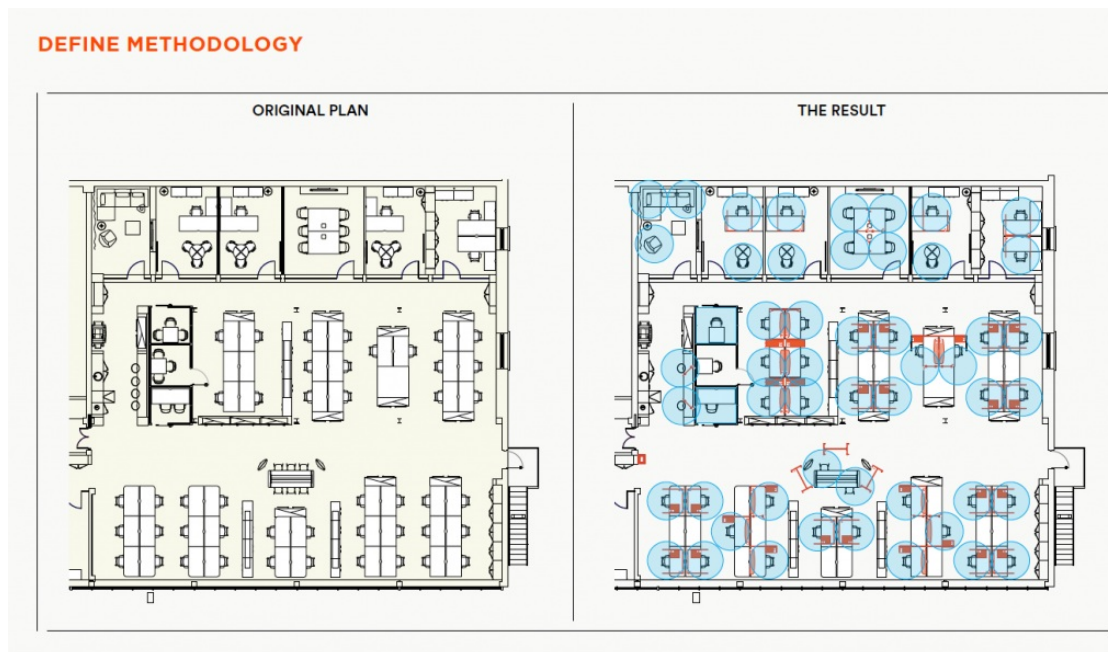
books and into your employee's house effectively, why wouldn't you?

**Employee Perspective-** A casual observation is people hate being quarantined except for my introverted friends who have found their heyday. Humans are social creatures who desire interaction...whether at work, at a restaurant or in a park. While it feels great to be at home to work, and one enjoys the freedom, I believe there is a need to work "together" in a live setting. The downside of working at home, from 9-5 is: overeating, kids playing in the background, the dog who wants to go out/play, the laundry you forgot to take out of the dryer, the spouse who wants to come chat as the conference call is about to start...in the real world, people operate best in allocated areas and at certain times...a work place (office), a play place (golf course), an exercise place (the gym) a sleep place...you get my drift. After September 11, 2001, the global prediction was that no one would work in high rise office buildings anymore due to the dangers seen by a terrorist attack. This didn't last long, but at the time, it felt likely.

**My point:** the multi trillion-dollar office real estate world is not going to shut down and go home.

### **Possible Outcomes**

**1. Office Design** - expect more social distancing and less density than before. Enclosed offices, more spacing...people will be spread out in what used to be a very tight footprint.



**2. Decline of the Co-working** environment as we know it today...at least for the foreseeable future. I am not sure the model was destined for success at the outset.

**3. More Satellite Offices** closer to workers' homes. A de-urbanization? Some offices will open up somewhere between the executive living in Connecticut and her previous downtown New York office. Why? Cheaper suburban rent in the throws of the recession, implementation of new work teams and design elements to support home working.

**4. Flexible/Rotating Work Schedules** - more stay at home work but also employee groups that work certain days a week. One half of the office comes in on Monday, Wednesday and Friday and the balance on Tuesday, Thursday and Saturday.

**5. "Healthy Buildings"** - as the new replacement for LEED certification equivalent

We would like to hear what you are seeing.

**Please Review the Investment of the Month**

Deal Profile of the Month:



During the recent pandemic, no business is being done. Deals that we were looking at are on hold because lenders are not working, attorneys aren't at the office, and the gap between seller expectations on price and buyers underwriting is far apart for now. Will deal transactions thrive in the remote environment? We think normalcy will return at the end of the year, and there will even be some distressed assets to buy.

Stay Tuned!!!

Are You an Investor?

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us. Call us today to learn more at 404-698-3535 or [dgibbs@tristarinvest.com](mailto:dgibbs@tristarinvest.com).

Sincerely,

TriStar Real Estate Investment

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