

Profimex Market Research Update – June 3, 2020

There's Still a Struggle Ahead But Signs Emerge that the Economy is Reawakening



Amid the negative impact of the COVID-19 pandemic on the housing market, prices continue to hold firm. Anecdotal evidence shows that demand for housing may rise in certain markets, as households want to relocate. JLL says that despite the pressures in the housing market, there are good signs that the US economy is beginning to reawaken. "Yet those slight improvements, coupled with the continued shutdown of other components of the economy, suggest further struggles ahead," wrote contributor Ryan Severino in JLL's report.

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The New Office Is An Ecosystem of Workspaces and Experiences



Cushman & Wakefield recently published a survey of more than 40,000 people globally about their work experience during the pandemic to assess how employees are coping and what the new normal will look like. The findings show that employees are adjusting well to working from home and their productivity levels remain surprisingly high. The report further states that the future of workplace will no longer be limited to a single place. Additional key findings below:

Productivity can occur anywhere, not just at the office:

- Pre-COVID-19, remote workers were more engaged and had a better workplace experience than office workers
- During the pandemic, effective team collaboration has reached new heights through better leverage of remote collaborative technology

Employees want flexibility and remote work choices:

- 73% of the workforce say companies should allow working from home
- However, employees say they miss human connection and social bonding
- Younger generations are reporting more challenges working from home

The new normal – A Total Workplace Ecosystem:

- The workplace will no longer be a single location. It will be an ecosystem of a variety of locations and experiences that support convenience, functionality and wellbeing
- The new purposes of offices: strengthen cultural connection, learning, bonding with customers and colleagues, and support innovation
- Current footprint sizes will remain steady, but social distancing will affect space density

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Corporate Office Space to Shrink in the Long Run Due to Multiple Pressures



A recent survey by Gartner revealed that 74% of chief financial officers will move at least a portion of their previously on-site workforce to permanently remote positions. Many managers believe that this will have a positive impact on an employee's work-life balance. According to the survey, a work-from-home employee "is more productive, giving both workers and employers good reason". This trend will certainly have an impact on the office segment of commercial real estate. The physical office space will see permanent changes, such as employees sharing desks on a rotational basis and less density per square foot.

Apple CEO Tim Cook wrote “once the pandemic is over, offices will be more about interaction and community than pushing individual productivity.” A company’s intention will be to optimize the times that talent is together in the office. On the contrary, other sources believe that the social spaces may absorb the extra space vacated by remote employees. This may apply to larger corporations that can afford it; however, smaller, and mid-size firms will option for the cost-saving option.

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April construction spending falls 2.9% as virus upends work



The Covid-19 pandemic led to a construction spending decline of 2.9% in April. Spending on residential construction dropped 4.5% in April with single-family construction down 6.6% and the smaller apartment segment down 9.1%. Construction of non-residential projects fell 1.3% with office buildings, hotels and the sector that includes shopping centres all down. Spending on construction by the federal government and state and local governments was down 2.5% in April. However, there may be light at the end of the tunnel, as government stay-at-home order are now starting to be lifted and construction activity may rebound.

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