

Envisioning the New Normal:

Real Estate + Technology



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This article is the final piece in a multi-part series examining the impact of the COVID-19 pandemic on select real estate sectors and the considerations around how technologies will shape future operations and accelerate means to re-entry of physical space.

Part 8: Series Wrap-Up

The COVID-19 health crisis has impacted real estate operations in fundamental ways. Office spaces have been vacated, and warehouse and distribution centers have continued operations but supply chain issues and employee health concerns are prevalent. Many retailers have closed brick-and-mortar locations, and occupancy at hotels and resorts has hit record lows. Healthcare facilities have undergone a wave of changes aimed at addressing the severe stress on the healthcare system. These are but just a few of the significant shifts in the real estate industry. This series of articles has focused on the impact of the health crisis on key real estate sectors and has laid out some key forecast considerations:

Office: The quarantine experience will result in some permanent shift to remote working as employees have generally adapted well to working from home with efficiency. Employers may also realize some long-term cost savings through shorter-term lease renewals or renegotiations for less overall square footage and flexible terms and space arrangements, and the demand for less expensive office space in suburban markets may grow as companies seek to avoid concentrating their operations in high-density urban centers. Certain technologies that have both allowed operators and tenants to safely return employees to the office before a vaccine is widely available while boosting operational efficiencies – data-driven programs, occupancy analytics, predictive maintenance, touchless access and mobility and safety and wellness communications – should be adopted on a long-term basis.

Hotels: As hotels reopen, they will need to adapt to a COVID-19 world which will require creativity to preserve the guest experience while maintaining distancing guidelines and adhering to safety standards. Hotel spaces and food and beverage outlets will need to be reconfigured to minimize contact and ensure proper distancing. Hotels will begin to compete with each other on safety, in addition to location, price and more traditional factors. Hotels will also need to continue to compete against technology-based alternative lodging platforms, with COVID-19 altering the competitive landscape.

Life Sciences and Healthcare: There are unique challenges facing lab spaces and nursing/care homes in the U.S. and UK, and technology is playing a key role in mitigating health and safety concerns. A large number of lab spaces have remained open and have been of critical importance to the healthcare industry during the pandemic.

However, onsite collaboration between workers (often in close proximity), and a high degree of multi-touch lab apparatus, have created obstacles in the context of compliance with government safe working and social distancing guidelines. Nursing/care home operators have come under immense scrutiny, with high mortality rates amongst vulnerable residents resulting in many operators having to review and overhaul protocols to protect workers and patients under their care. These changes are based on adoption of non-traditional technologies.

Retail: COVID-19 has taken a significant overall toll on brick-and-mortar stores and restaurants, and as a result retailers have been forced to adapt both in their physical locations and on their digital platforms. In order to resume operations, in-store retailers have had to prioritize maintaining a clean and safe environment, implementing options for curbside pickup and contactless ordering and payment, as well as pivoting to an omnichannel model by utilizing technology to enhance an in-store and online experience. For many retailers that have not been able to adapt to a rapidly changing landscape, another option has been to review opportunities for the creative repurposing of retail spaces.

Student Housing: The COVID-19 pandemic has been uniquely challenging for owners and operators of student housing assets. Initially faced by an onslaught of occupancy and leasing questions as COVID-19 forced schools across the globe to close unexpectedly, managers of student housing are now faced with even more questions as the return-to-campus season is upon us. How can living and common spaces be modified to bring students back safely? What can owners of student housing assets do to efficiently and effectively manage large portfolios across geographies in the context of everchanging local and national

reopening protocols? COVID-19 has forced all operators of student housing facilities to navigate these complex considerations and many have used technology to find solutions.

Multifamily: COVID-19 has accelerated the implementation of many existing technologies at multifamily properties such as virtual tours, smart locks and tenant smartphone applications and web portals. The work-from-home model also has required landlords and managers to consider technological changes such as increased internet connectivity and security, as well as fundamental changes to design including larger public workspaces, and the re-imagining of unit layouts in new developments – all to address density considerations. Multifamily operators are recognizing that technological innovations and new tenant expectations are here to stay, and that these changes are forecasted to drive profitability.

Industrial: With momentum from the pre-pandemic boom in e-commerce and the race for next-day delivery, the growth of activity in the industrial sector has been further accelerated by the impacts of COVID-19. Government regulations, new consumer safety tendencies and the convenience of staying at home have amplified the shift from brick-and-mortar retail to online shopping. The robust demand for warehouse and distribution space across the U.S. and Europe presents a unique opportunity for industrial owners and operators, but one that also presents challenges. Advanced technology needs based in health and safety-based considerations require rapid adaptation and adoption of cutting-edge technologies in order to sustain supply-chain demands in industrial space.

Conclusions

COVID-19 has put unprecedented stress on real estate operations. Yet the industry is reinventing itself with strength for the future. Technological change and adoption has provided and will continue to provide resilience to the real estate industry. Though these shifts have been mandated by the technological demands brought to the surface by the health crisis, forward-looking real estate leaders are understanding that technology adoption will position their businesses for sustainable long-term growth well beyond recovery from the pandemic.

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