

5 Trends in Office Space Utilization

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At the [Allen Matkins 14th Annual View From the Top](#) real estate summit, one of the panels discussed landlord and tenant space utilization trends and issues in the wake of the COVID-19 pandemic. The conversation, moderated by partner [Elizabeth Wilgenburg](#), encompassed a range of topics, including when people will return to work in the office, how much and what kinds of space tenants will need, and how they are transforming these areas. Panelists included Ellen Albert, Executive Vice President, Viacom CBS; Robert Paratte, Executive Vice President, Leasing and Business Development, Kilroy Realty Corporation; Gregg Walker, Senior Managing Director, Head of Business Development, DivcoWest; and Julie Whelan, Global Head of Occupier Thought Leadership, CBRE.

The following are five takeaways from our panelists.

1. THE OFFICE IS STILL REALLY IMPORTANT TO BUSINESSES

The shift to remote and hybrid work models has raised questions about the viability of the corporate office. Specifically, landlords and developers want to know whether tenants are looking for more or less space than what they sought before the pandemic. Although technology makes it possible for employees to work from a variety of spaces, it does not eliminate the need for office space. In fact, for small businesses, getting employees back into the office is often a greater priority than it is for larger companies. For now, the decision to return to the office remains fluid, with many companies planning to resume office-based work anywhere from the fourth quarter of 2021 to the first quarter of 2022.

2. SAFETY AND NORMALCY ARE PRIORITIES FOR BUSINESS OWNERS

At the core of the decision to return to the office is the need to give people a sense of safety and normalcy. The challenge is not just to follow local public health guidance. They also need to re-establish the culture for returning employees as they reacquaint themselves with their co-workers and the process of working away from home. As they prepare for the influx of people in their buildings, landlords and tenants are determining how to make it happen and are crafting policies to reflect these efforts. This may include distancing guidelines and updates to ventilation systems in the building.

3. TENANTS ARE LOOKING FOR QUALITY

There has been a noticeable change in work quality as tenants turn to new buildings with newer systems that tend to be viewed as cleaner or safer. Not only are these buildings seen as safer, but they also provide an incentive to employees returning to the office. This may create an opportunity for redevelopment in older buildings that may be viewed as obsolete in a post-COVID-19 environment, but it may take some time before developers are willing to make the investment in those buildings. Another interesting change is the rise of concierge services as a way to help workers balance work and life needs. Working from home gave employees flexible schedules that made it easier to take care of tasks like dropping off laundry or picking up groceries.

4. TENANTS ARE NOT NECESSARILY LOOKING FOR SMALLER SPACES

The rise in hybrid work models has raised questions about how much space companies need for their operations if they rarely expect to have all of their employees in the office at the same time. Panelists agreed that the answer is complex, as different tenants have unique needs. However, one surprising note is that many tenants are leasing more space than they did before the pandemic, even if a percentage of their workforce is at home. They have to accommodate everyone who could be present in the building at any given time and must consider peak occupancy instead of average occupancy.

5. SPACE TRANSFORMATION

For tenants, the question isn't how much space they need to lease, but how they will use the space they are leasing. Many of them are being asked to make these decisions without a complete picture of what it will look like when everyone returns, especially if the majority of their workers are still working from home. To accommodate the need for flexibility, tenants are looking for open, efficient spaces with tall ceilings and large windows that provide an indoor-outdoor atmosphere. They need the room to adjust the space as needed to accommodate the people who are present, and they anticipate this to change as they shift back to the office.

Panelists agreed that the return to work is inevitable, and hybrid models are here to stay. Yet, they remain optimistic about the future of commercial spaces for both landlords and tenants. Rents and demand will eventually return to pre-COVID-19 levels, as the pandemic wanes and companies figure out how to navigate the new office landscape with different working models. In fact, many companies have already returned to the office, renting premium spaces for the same price or even above the pre-COVID-19 rates.

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