

RE/WORKING – PANDEMIC IMPACTS ON THE OFFICE MARKET: POLICY CONSIDERATIONS

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Viral Outbreak – Working Without Travelling

COVID-19 upended office development markets and business accommodation decisions. Starting in early 2020, many employees began working from home rather than at the office. While some employers never believed the ‘office is dead’ headlines when the pandemic started, many employees still enjoy the ability to work at home, at least some of the time.

Opinions about the impacts and implications of the pandemic range widely, from those who claim work can be effectively completed remotely, saving employees a daily commute, to others who retort it has reconfirmed the need for in-person interactions and team collaboration at the corporate office.

Stakeholders generally recognize the nuances of the matter, noting that different types of employees have different roles with different tasks, thus optimum work space designs and locations vary. There is widespread agreement that some level of increased flexibility will be a long-term result from the pandemic’s forced experiment.

Virtual Work – Augmented Lives

As the effects of the pandemic carry on, the full-scale return to the office has been much delayed.

Some businesses assert that in-person work is best for collaborative and creative activities, along with mentoring, training, and corporate culture. Others recognize that for some routine tasks, working at home may be just as effective and could reduce corporate accommodation costs. Although there are different ways to define and measure productivity, the benefits of proximity for working together – and urban agglomeration economies – are not expected to disappear.

While some employees say they could tele-work from anywhere thanks to online technology, employers note that such arrangements could allow them to hire anyone, including remote workers in lower wage jurisdictions. Pressures and tensions between companies wanting staff back at the bureau and employees wanting continued flexibility may adjust depending on evolving labour

market conditions. Additionally, the needs of the employer, role of the employee, push for accountability, cost management, home working arrangements, and employee commute times may all impact the propensity to return to the office.

It has taken three years to adjust and react to the COVID-19 pandemic. It may take just as long to ‘unwind,’ and fully understand the lasting implications on business accommodations and office developments.

Different Interests – Pushing and Pulling

Planners want to focus office development and associated activities in urban centres to grow employment within the community, reduce commute distances, complement local amenities, and support the economy.

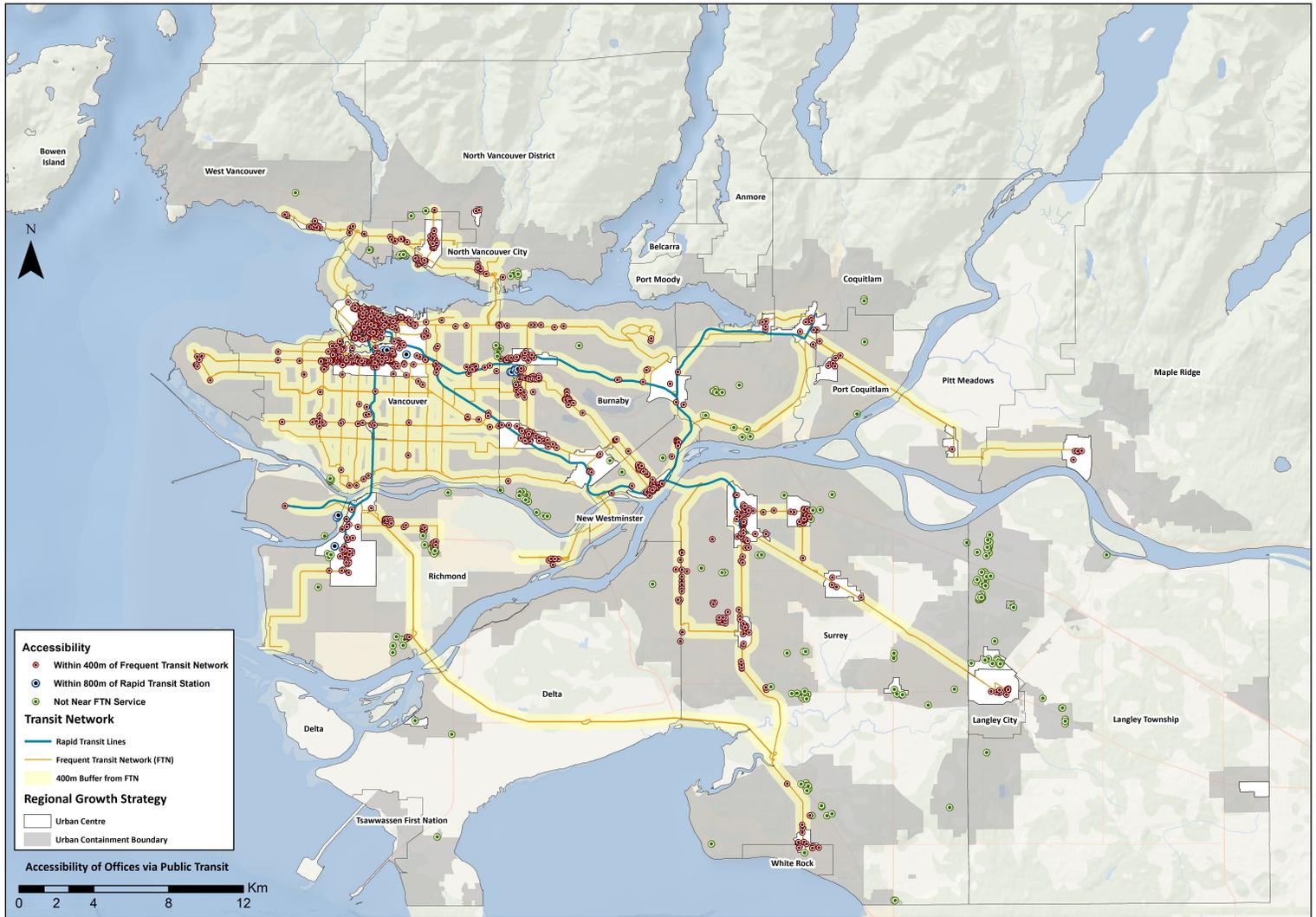
While some office tenants prioritize being in a downtown core, others need to be close to their labour force, serve their local community, or prefer a business campus-type environment. Increasingly, tenants desire accessibility to rapid transit and urban amenities and developers are responding accordingly. This has resulted in a shift from the more suburban ‘office park’ development patterns of earlier decades.

Developers want the ability to construct the types of office spaces that meet the needs of tenants, and to increase development densities to take advantage of ‘strong’ locations. Uncertainty is accentuated in a sector experiencing significant occupancy adjustments, with developments that have long lead times. Market demand, not municipal policies or regulations, is the primary driver of new office supply.

Reactions and Responses – Then and Now

Prior to the pandemic, there was a trend toward open concept office design to encourage collaboration and achieve space efficiencies. Due to COVID-19, the push for physical distancing, and the increase in remote working, space design requirements are changing.

Reflecting the need for small, in-person meetings and larger online sessions, boardrooms may be replaced with smaller team



**Inventory by
Transit Service Type**

meeting rooms, along with ‘quiet’ rooms for individuals to take calls. If a significant percentage of employees are not at the workplace on any given day, the number of workstations and amount of office space could be significantly reduced. Truly optimized space allocation would entail employees having unassigned workstations and using shared desks (e.g., ‘hoteling’ or ‘hot desking’), which is unpopular with most employees.

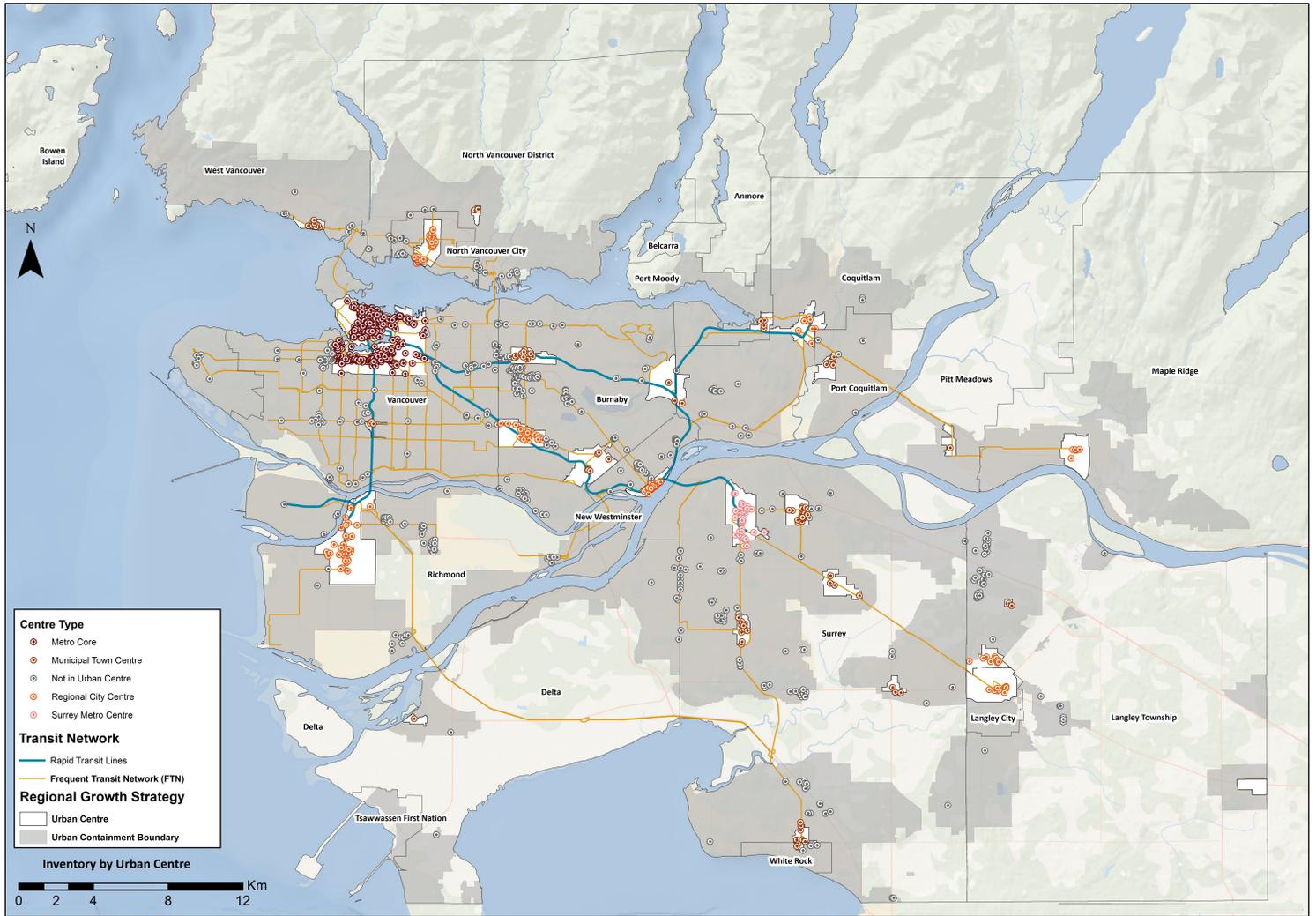
Leading landlords have upgraded building amenities with features such as rooftop patios, end-of-trip bike facilities, dog ‘barking lots’, and programming special events. Such incentives are described as a way to ‘earn the commute’ of employees, who may increasingly

come to the office when they feel it is needed and valued.

**Working Together – Planning
for Development**

Developers and tenants generally want to work with municipalities to build and occupy new projects. Both municipalities and developers appreciate clarity and certainty about municipal expectations and development requirements in terms of use, density, design, and costs.

That said, flexibility and responsiveness are also desired. Municipal plans can be seen by developers as complex, rigid, lengthy, and expensive. There needs to be an appropriate



Inventory by Urban Centre

balance between municipal goals and developer objectives.

While developers and brokers recognize municipal objectives for community building, they have concerns about policies requiring office space in places where there is little or no market demand. They also object to restrictions on the types of office uses allowed, which reduces tenancy leasing options.

Partial Alignment – Urbane Plans and Sophisticated Markets

Planning policy and market forces are partially aligned. While office tenants increasingly desire locations well-served by rapid transit and urban amenities, highway access and sub-urban sites are needed by other tenant types.

In places such as Vancouver’s core, plans and markets meet, especially for tech sector tenants seeking urbane locations. In other places, market interest has been limited or development has been at rail rapid transit stations that are not necessarily in urban centres.

Office development is a large investment decision, influenced by land values, construction costs, lease rates, and changing and challenging market conditions. A developer’s need for financial viability should be considered in municipal plans.

Recommendations – Act Now

To support office development in urban centres, municipalities can undertake the following actions:

- **Development Approval Process** – Streamline the development review/ approval process, reduce uncertainties, and manage fees.
- **Land Use Planning** – Encourage, but do not mandate, mixed-use projects with office components.
- **Zoning Definition** – Allow general office uses, rather than overly specific/limiting types of office business uses.

- **Tenant Permits** – Shorten and simplify the permitting process for basic interior improvements/renovations.
- **Municipal Incentives** – Explore financial or regulatory incentives to encourage office development and reduce barriers.
- **Research** – Explore integrating office space into mixed-use or multi-use projects and identify where office components may or may not be warranted.

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Further Reading: Office Development in Metro Vancouver – 2022 Inventory and Report

<https://metrovancover.org/services/regional-planning/urban-centres>

