

Post pandemic report indicates how cities are adapting to new ways of working

2 years ago



Cities globally are at an inflection point, navigating structural changes to how people live and work due to the pandemic. JLL's (NYSE: JLL) new *The Future of the Central Business District* report explores how cities are adapting to these changes and how the public and private sector can collaborate to help central districts remain relevant for residents, visitors, businesses and investment.

Traditional central business districts (CBDs) have the opportunity to reinvent themselves in an environment of shifting demand for office space, more variable commuting and travel patterns, and a desire for “experience-based” spaces. While these have been global challenges, North America has faced the most intense adjustment, as return-to-office levels typically range between 45% and 65%, lower than the 65%-85% in Europe and 70%-100% in Asia-Pacific. Looking ahead, there is great capacity for value creation in these city centers, due to comparative advantages in infrastructure, accessibility, stock of underused real estate and the ability to scale growth, all of which underscore their resilience.

Traditional CBDs also face competition from new, vibrant mixed-use neighborhoods that are emerging across the world's largest cities and attracting a growing share of businesses, residents and investment. Forward-thinking cities can futureproof themselves by reimagining their city cores and replicating and building upon the framework that makes these new neighborhoods successful in attracting occupier and investor interest.

To take advantage of long-term real-estate opportunities, future CBDs can also leverage existing buildings to create a balanced mix of uses, improve amenities, and invest in the public realm and sustainable design. For example, refurbishing buildings comes at a lower environmental cost than new developments, as renovations can come with carbon impacts of less than 500kg of CO₂ per square meter, well below

what is seen in new development (as much as 1,500kg).

This will be significant in helping cities move toward carbon neutrality, especially given more than 1 billion square meters of office space will need to be retrofitted on a global level by 2050. Looking beyond sustainability goals, JLL estimates that converting only 10% of a city's older office product could yield thousands of needed residential units to tackle housing affordability challenges.

Collectively, these changes will help CBDs adjust to hybrid working patterns, an increasing focus on real estate decarbonization, competition from emerging neighborhoods and fluctuating real estate demand.

"After three years of dramatic shifts to how we live and work within CBDs, significant opportunity exists to reimagine how we use and interact with city centers," said director of global research Phil Ryan. "JLL is looking ahead to the 2030s and beyond to help identify solutions for real estate investors, developers, occupiers and city governments to keep these important economic, cultural, educational and innovation hubs energized and competitive in the post-pandemic world."

An ecosystem of partnerships will form between the private sector, governments and academic institutions and will be essential to maximizing growth opportunities and accelerating the transformation of CBDs:

- Investors can employ a strategic, long-term mindset toward repositioning and diversifying acquisition mix to best cater to shifting preferences and reduce exposure to external shocks.
- Developers should proactively consider locations based on potential for future growth and proximity to demand pools, the quality and age of buildings, and ability to meet regulatory requirements regarding energy efficiency and sustainability. They should embed ESG considerations to future-proof assets and focus on creating destinations that are resilient to the changes in how people live and work.
- Governments must anticipate demand changes and provide greater flexibility to developers and investors, including through expanding tax credits to offset the cost of conversion and streamlining the planning process to reduce the lead time for delivery of new product.

Also, critical to making CBDs attractive for living and leisure is improving the public realm and environment for pedestrians, complemented by broadening the options for a variety of retail and community businesses. Additions to green space and tree cover improve the street-level amenity while also helping to mitigate adverse effects of climate change, such as excess stormwater and heat stress. Expansions of on-street dining, closure of streets to cars and other measures to reduce traffic and improve public transit reliability will become more common moving forward.