

# Future of Workspaces: Real Estate Investments in Flexible and Remote Work Environments

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**Abstract.** The contemporary transformation of workspaces, propelled by technological innovation and accelerated by the COVID-19 pandemic, has irrevocably altered the concept of conventional work environments. This upheaval has necessitated a strategic pivot within the real estate sector towards flexible and remote work solutions. The paper identifies a burgeoning trend towards remote work, conduct a case study using remote work data from Europe and China before and after the pandemic, and uses this to discuss the new challenges and developments faced by the real estate markets in Asia and Europe in the post-pandemic era. Results indicate that investments in adaptable workspaces can yield substantial benefits, mitigating initial market perturbations and offering long-term profitability. Furthermore, the study highlights the critical role of innovative workplace designs in enhancing productivity and work-life balance, positing that the future of real estate will be increasingly intertwined with the provision of versatile and employee-centric work environments. The implications of these findings extend to policymakers and business leaders, who must navigate the complexities of a rapidly evolving labor market, ensuring that investments align with the emerging paradigms of work.

**Keywords:** Real-estate, Remote workspace, post-pandemic era.

## 1. Introduction

The very essence of workspaces has been in flux, undergoing a metamorphosis that challenges long-held notions of where and how people work. Historically, these spaces have been constant, with towering office buildings and bustling commercial districts defining urban landscapes. Even before the COVID-19 pandemic shook the foundation of traditional work environments, there was a subtle undercurrent of change, propelled by technological advancements and evolving societal values [1]. This situation compelled companies and organizations worldwide to urgently seek alternative solutions to sustain their operations, thereby accelerating the adoption of remote work on a global scale.

The advent of COVID-19 was less a cause and more a catalyst, bringing these simmering changes, such as the growing popularity of remote work and flexible workspaces to a full boil. Suddenly, the traditional work environment, with its emphasis on physical presence, was thrown into disarray. The very definition of a "workspace" has evolved, transitioning from the traditional brick-and-mortar office buildings in bustling city centers to diverse spaces that range from co-working hubs to the comfort of our homes. It wasn't just a shift; it was a revolution in how people perceive the integration of work into daily lives.

For the real estate sector, these alterations represent both a challenge and an opportunity. A market that once found stability in long-term leases of urban office spaces now confronts a landscape where flexibility and adaptability are paramount. As large city-based headquarters lose their previous allure, there's an emerging demand for diverse spaces: homes that double as offices, co-working hubs that offer both community and independence and offices nestled in suburban neighborhoods, bringing work closer to where people live. Therefore, online working reduces commuting time and improves quality of life. But this evolution isn't without its hurdles. The real estate market, traditionally a beacon of consistency and predictability, now grapples with unprecedented volatility. How can developers anticipate the needs of a workforce that values both connection and autonomy, for instance,

by adapting flexible work schedules or providing technological support to facilitate remote collaboration?

This dissertation delves into the profound shifts in workspaces across various regions, examining the challenges and opportunities that have arisen for the real estate market. Through meticulous research, detailed analysis, and a forward-looking perspective, this study aims to unravel the complexities of this transformation, offering insights into the future trajectories of workspaces and the evolving dynamics of real estate investments in the context of these changes.

## **2. From Office to Home: The Global Transition to Remote Work Amidst COVID-19**

Since the dawn of the 21st century, remote work has been gaining traction among various organizations and enterprises, propelled by significant technological advancements and the far-reaching effects of globalization. While this trend had found acceptance in certain sectors and regions, it wasn't until the advent of the COVID-19 pandemic towards the end of 2019 and early 2020 that remote work truly became a global imperative.

Due to the varying lockdown policies across different countries in response to the pandemic, remote work has emerged as a beacon of hope for businesses, ensuring their continued operations and presenting many employees with a fresh and innovative way of working. As the pandemic persisted, numerous companies are coming to realize the inherent benefits of remote work, ranging from cost-efficiency and heightened productivity to the opportunity of expanding talent acquisition on a global scale. A recent study (Brynjolfsson et al.) about the US data has shown that in the group of individuals employed before the outbreak of COVID-19, it has been observed that roughly half of them is now engaged in remote work from their homes. Notably, 35.2% of respondents mentioned that they have recently shifted from commuting to their workplace to working remotely during 2020 [2].

Nevertheless, the adoption of remote work is not solely driven by companies weighing the pros and cons of short-term emergencies but also serves as a driving force for progress. With various countries and cities lifting lockdown measures and abandoning the practice of recording the latest COVID-19 infection data through nucleic acid testing, city life is gradually getting back on track. A growing number of businesses are reassessing their long-term operational strategies for remote work, contemplating the integration of remote work as a fundamental aspect of their business model. The transformation of this work style is not only bringing about new implications for the management and operations of companies, but it is also triggering a shift in the office environment needs of the city's white-collar workers. The prolonged trend of remote online work has prompted individuals to shift their focus towards home offices and the quest for versatile work environments, consequently generating new demands in the real estate sector.

## **3. Trends in Flexible and Remote Work Environments**

### **3.1. Regional Differences**

It is important to recognize that the prevalence and adoption of remote work practices can vary greatly across different countries and regions. One of the key factors influencing these variations is the diverse cultural and economic backgrounds that exist worldwide. Cultural values, norms, and attitudes towards work differ significantly from one country to another, which in turn shapes the remote work trends observed.

It is important to recognize that the prevalence and adoption of remote work practices can vary greatly across different countries and regions due to diverse cultural and economic backgrounds worldwide. Cultural values, norms, and attitudes towards work differ significantly, shaping remote work trends. In many areas, traditional industries such as farmland farming and heavy industrial equipment production require on-site presence due to technical requirements and a lack of relevant

talent. Additionally, limited infrastructure and inadequate network coverage hinder stable remote work implementation.

### **3.2. Differences in National Conditions: Case Analysis**

#### **3.2.1. Europe**

Because Europe is home to most developed countries, Europe has experienced a unique trajectory when it comes to remote working. Europe's post-pandemic remote working model is also deeply influenced by its social welfare system and employee rights protection. According to Eurostat, 12% of employed people aged 20-64 in the EU usually work from home, an increase of 7% on average over the past decade. The regions with the largest number of people working from home are mostly in Northern Europe. In Finland, 37% of working-age people will work from home in 2022 [3]. Employees can still be protected by unions and conduct mass strikes and other activities while working online, and at the same time receive the same benefits. Therefore, European employees are also the fastest group to adapt to remote working, because these structural frameworks give European employees greater work flexibility and flexibility. In addition, the work culture of many Western companies, not just European ones, emphasizes work-life balance. Working time regulations usually include specific hours of work each day, as well as the total number of hours worked each week. These regulations are designed to ensure employee productivity and quality of work. In addition, the company offers generous vacation policies so employees can have ample time to rest and relax. These leaves can be annual leave, sick leave, paid leave, etc. The company recognizes the importance of employees' physical and mental health at work and is willing to provide employees with adequate vacation time. Not only does this help with employees' personal life balance, but it also increases employee job satisfaction and loyalty.

Culturally, Europeans tend to emphasize individual rights, personal space, and a balanced lifestyle. Remote work allows employees the freedom to design work environments and schedules that resonate with these cultural values. This is further underlined by the growth of coworking spaces in emerging tech city cities such as Berlin and Stockholm, offering hybrid solutions that combine the benefits of remote working with the collaborative spirit of an office environment. This structured work environment has naturally facilitated the adoption of remote work, as it seamlessly aligns with the values of flexibility and employee well-being [4].

#### **3.2.2. Asia, with a focus on China**

In stark contrast to Europe, Asia's remote work dynamics, especially in China, are informed by a different set of cultural and socioeconomic factors. As countries strive for progress and development, the demand for an efficient labor force has intensified. Consequently, individuals find themselves dedicating extensive hours to their work to meet the ever-increasing productivity targets and market demands. In the past two decades, a "996" working model has been popular among emerging companies in China, that is, working hours are from 9 am to 9 pm every day for six days a week. With the emergence of the COVID-19 pandemic and subsequent sweeping lockdowns, China, like the rest of the world, was forced to adapt to remote working. Before this, the remote working model was not mainstream in Chinese corporate culture. The sophistication of China's digital infrastructure has greatly aided remote work. Internet technology in China is developing rapidly, with platforms such as WeChat and Ding Talk becoming integrated solutions for remote working. These platforms not only provide instant messaging tools but also remote conferencing, collaborative working, and other functions, making remote work more efficient and convenient. In addition, China's digital payment system also facilitates remote work, allowing remote workers to easily make online payments and settlements. This shift not only improves work efficiency but also provides people with more flexible ways of working and promotes work-life balance [5].

Affected by China's anti-epidemic policy, Chinese people have worked from home during the epidemic period. The cumulative effect of such circumstances has resulted in an overwhelming sense of intolerance towards prolonged periods of home confinement. In the post-epidemic era, Chinese

individuals exhibit a heightened willingness to resume their pre-epidemic routines, encompassing work, school, and even indulging in what is referred to as "revenge travel." This newfound eagerness is evident in their desire to relinquish remote work arrangements and instead engage in face-to-face interactions with colleagues, thereby fostering effective communication and facilitating a more dynamic working environment.

## **4. Challenges Faced by the Real Estate Sector**

During the pandemic, offices around the world were closed and became vacant to avoid gatherings of people. More and more companies and institutions are encouraging employees to work from home and use the Internet and various online tools to keep work running [6]. Telecommuting can not only effectively reduce the flow of personnel and reduce the risk of epidemic spread, but also save employees' commuting time and transportation costs. However, the challenges that come with the urban real estate market cannot be ignored. The epidemic has affected recent real estate market trends and the characteristics of ideal homes, and consumer demand for real estate has also undergone structural changes [7].

### **4.1. Remote Home Office Style Residence**

For many people, especially the younger generation, the structure of the dream house is changing. Due to the large-scale remote working from home due to the epidemic, the ideal residence for many workers prefers a structure where the house doubles as an office. In today's business environment, many businesses, especially small entrepreneurial companies, have less need for traditional commercial office buildings. The reasons for this trend can be attributed to several factors. First of all, with the development of the Internet and the popularization of smart technology, many companies can complete their work through remote working or virtual offices without renting large office spaces. Secondly, small entrepreneurial companies usually have fewer employees and resources, so they are more likely to choose flexible office models. However, despite reduced demand for commercial offices, there is another rising trend in demand in the real estate market: residential homes with dedicated workspaces. This can be a separate room, a converted nook, or even an outdoor space that can be used as an office. But for these white-collar workers, such a workspace is already indispensable. As more people choose to work from home or remotely, the demand for homes that can provide a dedicated work area increase. Urban planners may face a new dilemma regarding the shrinking CBD area and the proliferation of residential areas [6]. As the need for daily commuting decreases, people may begin to prefer living in smaller cities with high air quality and beautiful scenery to achieve a higher quality of life. Demand for housing in some towns or villages may surge as more people choose to leave cities in the post-epidemic era. In these areas, residents not only enjoy purer air, reducing the risk of respiratory disease and other health problems, but they also enjoy greater access to nature, which is critical for improving mental health and life satisfaction. In addition to health factors, small cities often offer a slower pace of life and closer-knit communities, which can help reduce psychological stress and feelings of loneliness. In small cities, people have more opportunities for community participation, and this sense of participation and belonging is very important for personal happiness [7].

### **4.2. Shared Office Spaces**

The emergence and subsequent surge in remote work have undeniably sparked a significant increase in the need for shared office spaces or co-working environments. As more professionals opt for flexible work arrangements, the demand for physical workspaces that offer a collaborative and productive atmosphere has grown exponentially. Co-working spaces provide individuals and businesses with a variety of amenities, including fully equipped workstations, high-speed internet connectivity, meeting rooms, and communal areas, fostering an environment conducive to innovation and networking. These spaces, popularized by companies like WeWork, offer freelancers, remote

workers, and even established companies' flexible workspace solutions without the overheads of traditional office rentals. To effectively meet the diverse needs of freelancers and teams, shared office spaces must have a modular design. This requires the ability to seamlessly change layouts and facilities to suit the needs of individual freelancers and facilitate collaborative team workshops the next day. The dynamic nature of the modern work environment requires coworking spaces to be flexible and adaptable. By incorporating modular features such as movable partitions, flexible furniture arrangements and versatile technology infrastructure, these spaces can easily transition between individual workstations and collaborative areas [8].

### 4.3. Recalibrating Commercial Real Estate

Drawing from our extensive conversations on the European and Chinese work models, it is evident that if companies choose to embrace a hybrid work model that combines remote work with periodic visits to the office, they will inevitably require smaller office spaces. Consequently, this shift will result in a decreased demand for large-scale commercial properties. Realtors will consider the possible need to repurpose commercial space. Large office buildings can be transformed into coworking spaces, innovation hubs, or even residential units. As the business environment changes and market demand changes, real estate developers have begun to consider the possibility of reusing commercial space [9]. The reuse of commercial space can not only increase the profits of real estate developers but also meet the market's demand for diversified commercial services. A common way to reuse commercial space is to transform traditional commercial venues into cultural and art centers or creative industry parks to meet people's needs for cultural entertainment and creative industries. In addition, real estate developers can also consider converting commercial spaces into shared office spaces to meet the needs of entrepreneurs and freelancers in different industries. By repurposing commercial space, real estate developers can not only improve space utilization but also bring more vitality and innovation to urban development.

## 5. Conclusion

This investigation probed the transformative nexus between the future of workspaces and the resultant impact on real estate investments, particularly emphasizing the seismic shifts instigated by the COVID-19 pandemic. Throughout the pandemic, remote work transitioned from a nascent trend to a dominant work model. The enforced distancing measures highlighted the viability of remote operations, with numerous businesses witnessing comparable, if not enhanced, productivity levels. This newfound acceptance of remote work has significantly influenced real estate preferences and strategies.

The findings revealed that the urban-centric approach to office spaces, a hallmark of pre-pandemic times, is gradually giving way to more decentralized work environments. As employees embraced the remote work culture, there arose a pronounced demand for properties in suburban and rural areas, which not only offer a conducive work environment but also a better quality of life. Additionally, the value of flexibility in workspaces has skyrocketed, with hybrid models combining the best of both in-office and remote work becoming the norm. Real estate investments now increasingly favor properties that can adapt to these hybrid models, underscoring a shift from sprawling corporate complexes to smaller, tech-enabled spaces that cater to intermittent physical presence.

This surge in remote work during the pandemic, and its subsequent influence on real estate strategies, offers a telling glimpse into the evolving nature of professional environments. Significant trends and patterns have been unearthed in this workspace revolution; however, the long-term ramifications of this phenomenon remain a fertile ground for exploration. The insights garnered from this research not only spotlight the current trajectory of real estate investments but also emphasize the critical need for further studies, especially as businesses and societies worldwide continue to adapt and redefine the concept of 'workspace' in the post-pandemic era. As technology further develops and the global economy continues to change, remote working and flexible workspaces are likely to

continue to evolve and adapt. In addition, given the growing importance of the environment and sustainability, green and sustainable buildings may also become a new focus in real estate investment. This study not only highlights the current trajectory of real estate investment but also points towards potential future developments in the field. Further research is crucial to comprehensively understand these evolving trends and their implications on real estate investments in the post-pandemic era.

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