

TEACHING YOUR BUILDINGS TO TALK: HARNESSING DATA TO UNDERSTAND TENANTS

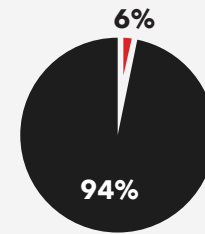


Before the events of 2020, flexible work arrangements had been discussed at many companies, but relatively few had actually put them into practice.

But the COVID-19 pandemic transformed employees' routines and turned managers' attitudes toward remote work upside down. Only 6% of U.S. employees worked from home before the pandemic, but by May of 2020, more than three-quarters of the employees whose jobs could be done remotely were working from home.

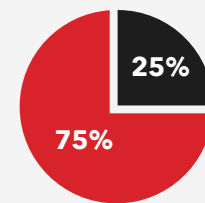
Remote work brought many benefits for employees, including greater productivity and improved work-life balance. People saved time they'd previously spent commuting and reinvested those hours into their families, friends, hobbies, and pets. 82% of employees reported that being able to work from home made them happier and more motivated in their jobs. However, many workers – and managers – found it more difficult to build highly engaged teams and strong interpersonal relationships between co-workers. And many employees believed they'd be less likely to be promoted – or experience the best-possible career growth – if they worked away from the office full-time.

Pre-COVID Working from Home Rates



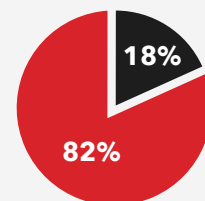
- Employees working from home
- Employees not working from home

Post-COVID Working from Home Rates



- Employees working from home
- Employees not working from home

Reported Job Happiness Working from Home



- Employees reporting happier working from home
- Employees not reporting happier working from home

Hybrid working models have emerged as a best-of-both-worlds approach that seeks to balance the many benefits of remote work with the advantages of in-office collaboration. They've quickly skyrocketed in popularity as companies search for ways of attracting and retaining top talent in what remains a historically tight labor market. When surveyed, as many as 83% of employees say that they prefer hybrid working models. And 87% report that if they were offered the opportunity to work flexibly, they'd take it.

For companies, hybrid work offers numerous benefits that go beyond the ability to make their employees more comfortable, efficient, and happy. Hybrid work has been linked with greater employee engagement, which in turn is associated with less absenteeism, lower turnover rates, higher productivity, and improved profitability for the company as a whole. It also has the potential to lower real estate costs and decrease spending on office supplies, equipment, utilities, and even IT services. Smart proptech, such as modern access management, video surveillance and visitor-management systems, can help you turn the building you have into the building prospective tenants need.



For commercial real estate owners, though, the adoption of hybrid work has created new stresses and uncertainties. Now that the standard nine-to-five workday seems to be a thing of the past, it's more difficult to predict occupancy levels and traffic patterns. It's also harder to understand what today's tenants are looking for in office space because they may want to use it in ways that are quite different from how people worked in the past. This can make it more complicated to attract and retain tenants, especially while keeping expenses low in order to optimize profitability.

To overcome these challenges, commercial real estate owners and managers will need to think differently about how they're monitoring their buildings. They'll need to adopt twenty-first-century technologies that empower them to take a data-driven approach to occupancy forecasting instead of relying on guesswork or yesterday's tools. And they'll need to lean into new strategies for optimizing operational efficiencies – all while meeting tenants' changing requirements. This requires understanding the latest trends in space usage and necessitates having current, accurate data on how buildings' occupancy rates are varying – seasonally, at different times of day, and across days of the week.

Let's take a closer look at how we can acquire this data.

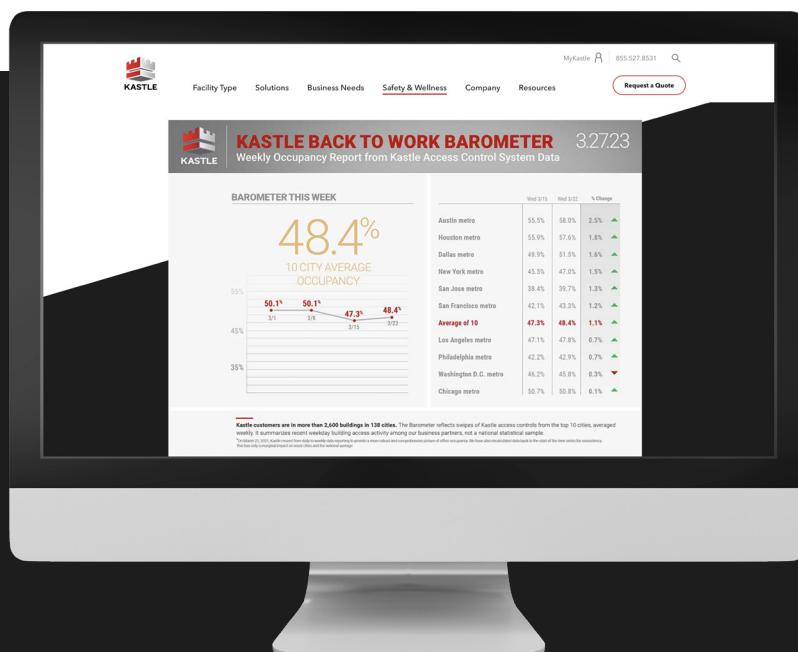


HOW THE PANDEMIC FORCED US TO **MONITOR TENANT OCCUPANCY**

When the acute crisis phase of the pandemic had passed and businesses began to reopen, companies, employees, and real estate owners and managers all struggled to understand what the “new normal” would look like for office space. As the stay-at-home orders and lockdowns receded and employees began venturing back into workplaces, it became clear that occupancy levels would vary enormously across industries, regions of the country and building types.

To help stakeholders make sense of these changes, Kastle Systems introduced the [Kastle Back to Work Barometer](#). By collecting and aggregating anonymized occupancy data from a representative sample of 300,000

Kastle users in ten U.S. cities, the Barometer provides a current, accurate overview of the state of the return-to-office (RTO). Designed and managed by data scientists with extensive experience working on large, sophisticated projects like the U.S. Census, the Barometer leverages a large sample size to ensure that its results are statistically robust. In fact, this dataset is larger than those used in some of the most trusted population studies in the world, including the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (based on interviews with 20,000 households), the government’s Current Populations Survey (based on data from 60,000 households) or the Nielsen ratings (with 15,000 participants).



Not only is the Barometer’s sample size enormous, but it’s broad and deep. For example, occupancy data for Manhattan is drawn from 200 buildings with 70,000 cardholders, representing the full range of New York City office users. The data set encompasses Class A commercial buildings, iconic properties and a wide array of other buildings that accurately reflect the city’s entire real estate market.

In addition, the Barometer’s dataset is not based on surveys that can be subject to reporting bias and other inaccuracies, but instead reflects actual keycard swipes

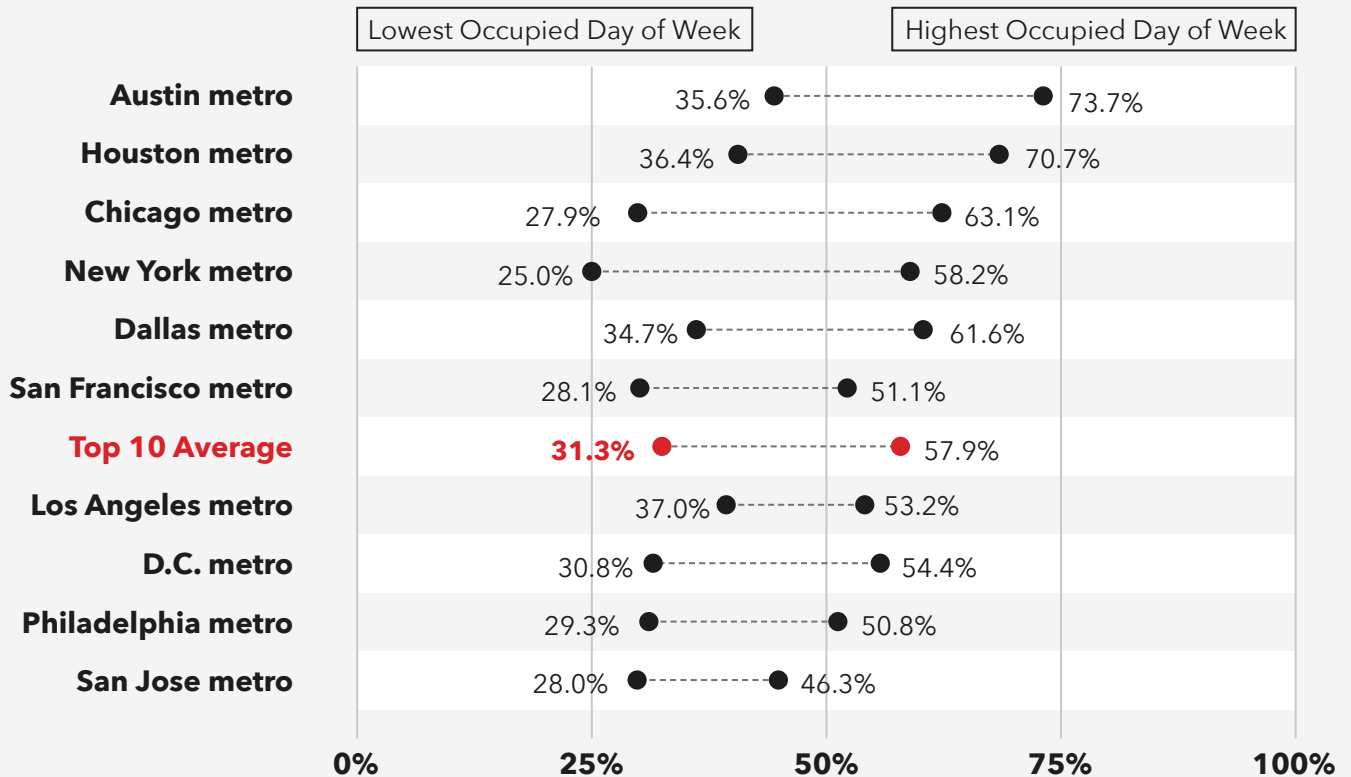
recorded when occupants enter buildings. From a statistical perspective, this is a much better technique for measuring real-world behavior than merely asking questions.

The Kastle Back to Work Barometer has been cited in thousands of news articles and used to inform decision-making by New York City mayor Eric Adams. Industry experts such as Stanford University’s Nick Bloom, co-author of the [Survey of Working Arrangements and Attitudes](#), have spoken publicly about their confidence in its accuracy and consistent alignment with other RTO indicators.

10-CITY DAILY ANALYSIS

Return to office rates vary significantly over the course of the week

March 16, 2023 - March 22, 2023



The popular interest and media attention that the Barometer has attracted demonstrate just how valuable its data on human behavior is for today's stakeholders. Everyone – from corporate leaders to marketers to transportation planners – is invested in figuring out what the pandemic's long-term impacts will be. For real estate owners, it's clear that occupancy patterns won't return to the pre-pandemic norm anytime soon.

Because hybrid work is here to stay, managing buildings efficiently requires more agility and flexibility than it had in the past. Data is the secret ingredient that makes it possible to achieve the right degrees of both. Because employees visit their offices with far less regularity, schedules for HVAC system operations, lighting and cleaning should flex to accommodate the new patterns. If very few employees come to work on Fridays, there's less of a need to clean that day. The scheduling of a receptionist and a concierge can also be shifted to meet occupants' current needs.

In fact, the most successful real estate investors and operators will likely use bespoke versions of tools like the Barometer, customized to measure their buildings' occupancy rates. Only by understanding how your space is being used can you optimize operations to maximize tenant satisfaction while minimizing future costs. With the right data in hand, you can ensure that the physical and psychological needs of the people who work in your buildings will continue to be met without wasting energy and money on operating services and systems when the space isn't occupied.



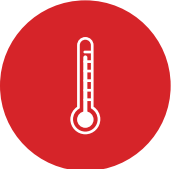
COMMERCIAL REAL ESTATE OWNERS AND OPERATORS CAN LEVERAGE OCCUPANCY DATA TO OPTIMIZE:



Security monitoring



Lease renewal planning



Building temperature and ventilation



Occupant comfort



Concierge services



Shared amenity use



Lighting



Wellness monitoring



Workspace reservation usage



Parking usage



Cleaning schedules



Cafeteria or third-party dining services

WHO KNEW? MONDAYS ARE THE NEW FRIDAYS, AND **FRIDAYS ARE EVEN WORSE**

The Kastle Back to Work Barometer has made brand new data – of unprecedented depth and breadth – available for analysis. This has created new opportunities for learning and research, giving property owners, tenants and community leaders invaluable insights into emerging back-to-work trends.

Data from the Barometer makes it clear that hybrid work remains the most prevalent model across all the cities and metropolitan areas where occupancy rates are tracked. There's a 20-plus percentage point difference between the average occupancy rate on the day of the week when offices are used most (Tuesday or Wednesday) and the average occupancy rate on the weekday when they're least used (Friday). The ten-city average currently (as of March 23, 2023) peaks at 57.9% mid-week and falls to 31.3% on Friday. In some geographical areas, there's nearly a 30 percentage-point difference in occupancy levels between midweek and Friday.

These are significant oscillations. Prior to the pandemic, space usage was much more consistent, so the changing patterns are causing many tenants to rethink their space needs. Not only are they asking whether they might be able to downsize to a smaller footprint, but they're also asking about how to reconfigure offices so that the spaces can better support the collaborative work that people travel to offices for instead of the focused individual work that they're now doing at home. This may mean more open spaces, couches, or inviting areas for teams to gather – and fewer assigned workspaces.

Another trend that's recently been observed is what's known as the flight to quality. Tenants may need less space, but they're not necessarily reducing their real estate budgets. Instead, many are looking to relocate to upscale properties offering more desirable amenities so that companies can entice workers into the office on the days when they need to connect with colleagues.

HOW ACCESS DATA HELPS YOU DEMONSTRATE THAT YOU **CARE ABOUT TENANTS' NEEDS**

With the widespread shift to hybrid work, the meaning of the office is changing. Physical workspaces are now places to build relationships, strengthen organizational cultures and encourage collaboration. As a result, amenities that were once seen as nice to have are now considered more important.

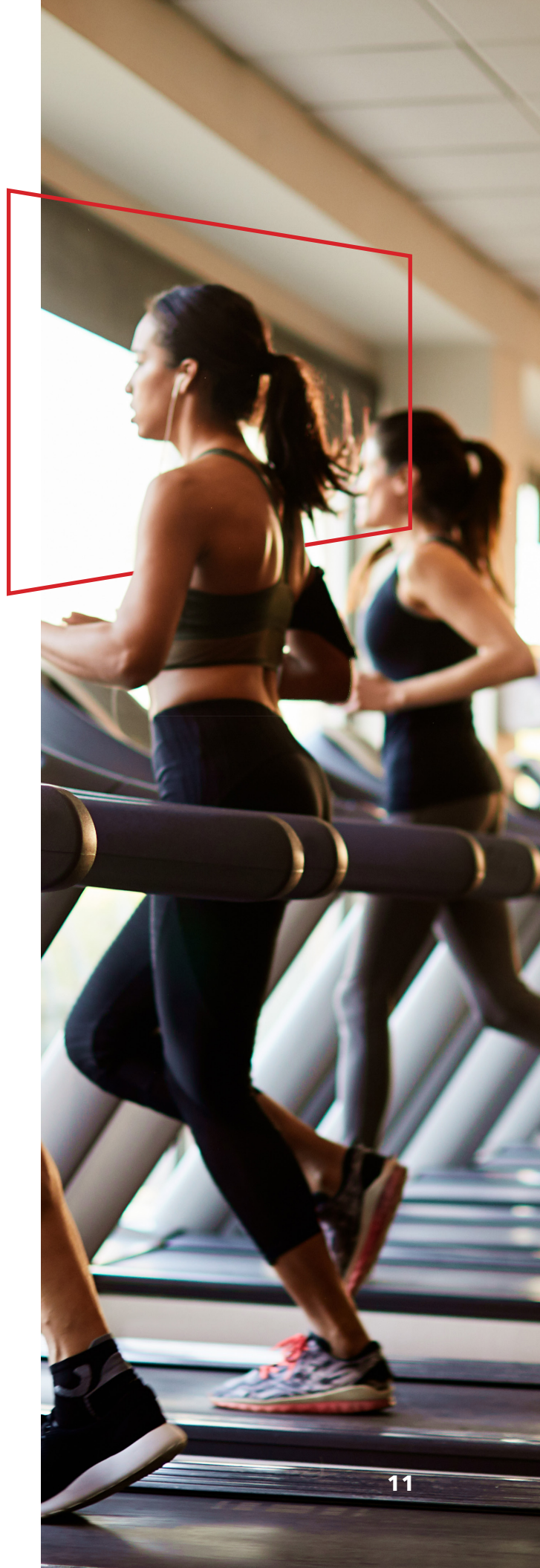
With major metropolitan areas across the U.S. seeing historically low occupancy rates, the competition for tenants has never been more intense. At the same time, inflation challenges investors to make sure that they're getting value from every dollar they spend on properties. In the face of these pressures, how can they be confident that they're putting money into the amenities that are most important to their tenants?



The answer is: by listening. Gathering data on their usage patterns can tell you whether shared amenities in buildings – like gyms, pool tables, game rooms, kitchens and social gathering spaces – are important to your tenants. Monitoring the occupancy of common areas in the building, such as shared meeting rooms, can alert you to a particular tenant’s need for more space. And building traffic patterns can tell you when a coffee stand or food truck might be most appreciated.

Individual tenants’ occupancy patterns can also help you better meet their needs when it’s time to negotiate their lease. Perhaps you’ve noticed that one tenant’s space is being used infrequently. It might be worthwhile to ask them why. Are there improvements you could make to better meet their needs? Would their company benefit from leasing a smaller space in the building (enabling you to keep them as a tenant)? Conversely, if you notice that a tenant’s office is seeing frequent and heavy use, you might proactively offer them extra flex space on their busiest days.

Attention to detail sets top-notch properties and managers apart.



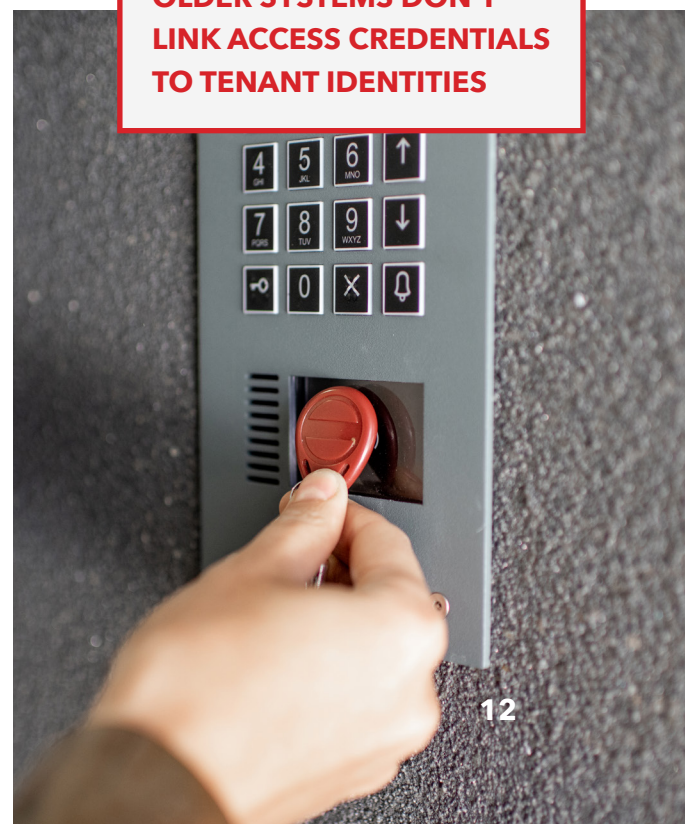
THE BARRIERS TO ROBUST WORKPLACE **ACCESS DATA** **REPORTING**

There's little doubt that knowing when and how often commercial spaces are being used is a boon to commercial real estate owners and operators. In the past, though, it's been difficult to gather the data that's needed to understand these occupancy patterns. The challenges are both technological and cultural: many third-party access providers simply don't have the tools needed to supply market-wide benchmarks or the expertise to interpret them.

At the heart of the problem is that many older in-building systems don't link access credentials to tenant identities. This makes it possible to determine how often spaces are being used but not who is using them. Data often exists in silos because each building in a real estate portfolio uses a different access system. This means it's difficult to extract the global insights that are needed to make the best possible overall decisions. And access providers don't typically make this data available for analysis.

These stumbling blocks are symptomatic of outdated ways of thinking. In the past, companies focused their data strategies on financials, not tenant engagement. And real estate owners made proptech choices on an ad hoc basis, building by building, rather than taking a consistent approach across their entire portfolio. Many commercial real estate operators have concentrated their efforts on minimizing costs, not optimizing usage. Unfortunately, these strategies are a poor match for our modern real estate market.

**OLDER SYSTEMS DON'T
LINK ACCESS CREDENTIALS
TO TENANT IDENTITIES**





In the past, access system vendors rarely had the capabilities needed to provide property owners and managers with access to occupancy data. Even today, most lack the necessary data infrastructure, the technical skills to manage and maintain the data, and a robust understanding of the importance of adopting a data-driven approach.

This creates major challenges for commercial real estate owners and operators. Most:

- need better insights into tenants' evolving space needs
- struggle to optimize best practices across buildings
- are unable to quantify their buildings' true value based on tenant usage
- don't know what to fix or how to get started
- cannot measure the performance of their most valuable assets

Fortunately, there's a better way. An access provider that takes a state-of-the-art, technology-driven, cloud-first approach can help you obtain the occupancy data you need to make the best possible decisions across your entire real estate portfolio.

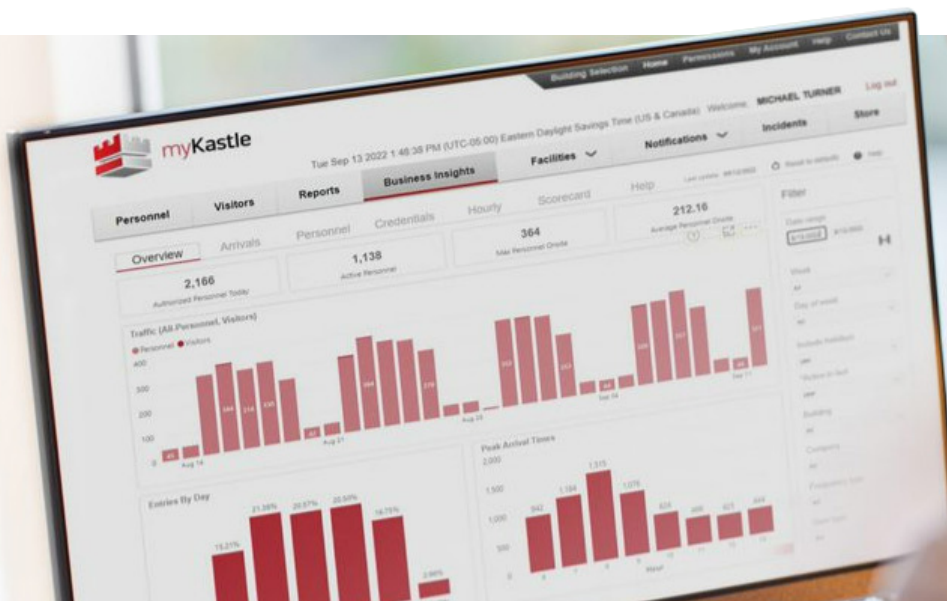
HOW TO EFFECTIVELY HARNESS BUILDING ACCESS DATA **TO MEET TODAY'S WORK TRENDS**

The key to building a data-driven operations and space management strategy is having access to the right data. To get this, you'll need an innovative access control service provider who has the right capabilities – as well as tech-savvy expertise – to empower you to leverage your buildings' data for analytic purposes.

First of all, your service provider needs to have tools and processes in place that enable them to gather large volumes of data and analyze it at scale. This means they'll need to have large-scale service coverage, so that they can collect enough data to use for comparative purposes. Look for a provider who covers numerous buildings in multiple markets, and who has already been gathering datasets over

an extensive time period. A market-validated dashboard like the Kastle Back to Work Barometer is strong evidence that a provider's datasets are of high quality and accuracy.

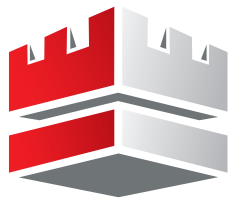
To support a modern access data strategy, an access provider also needs to be able to standardize data that's been collected across multiple buildings. From a technical perspective, this means integrating disparate legacy access systems as well as modern cloud-based and mobile access control systems. It also entails being able to aggregate these diverse datasets into a single centralized database. Here again, it's important to have evidence that the access provider has a solid history of gathering accurate, high-quality data.



Also important is having access to tools that make it easy to analyze the data in ways that unleash its full value. You should have the ability to assign unique user and location attributes to the data and should have access to each of these profiles through a centralized administrative portal. This makes it possible to conduct useful, granular analyses. A modern solution will allow for cloud-based remote administration so that you can view and analyze your data from anywhere. Plus, the dashboards should be intuitive, making it easy to examine and manipulate large data volumes for analysis. This way, stakeholders can quickly see the key metrics that are most important for your tenants, location or building type.

This information on the use of space, evolving work patterns and potential future trends is intended to help you better understand how occupancy data can empower you to make better business decisions. To discuss how you can put occupancy data to use, please contact Kastle at **855-527-8531** or **info@Kastle.com** to set up a free consultation.





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