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# The State of Commercial Real Estate Building Operations for 2022



BuildingEngines

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# Introduction

Property teams have weathered a second year of the global Coronavirus pandemic in better shape than the first. Thanks to government fiscal support and the unprecedented speed of vaccine development and rollout, 2021 has clawed back some of the economic fallout from last year.

Nationally, 60 percent of eligible Americans were fully vaccinated by the end of November 2021, with 70 percent having had at least one shot. Combined with the \$1.9 trillion in fiscal support from the U.S. government’s American Rescue Plan, Americans have been able to conduct more economic activities, and property teams have enjoyed the results.

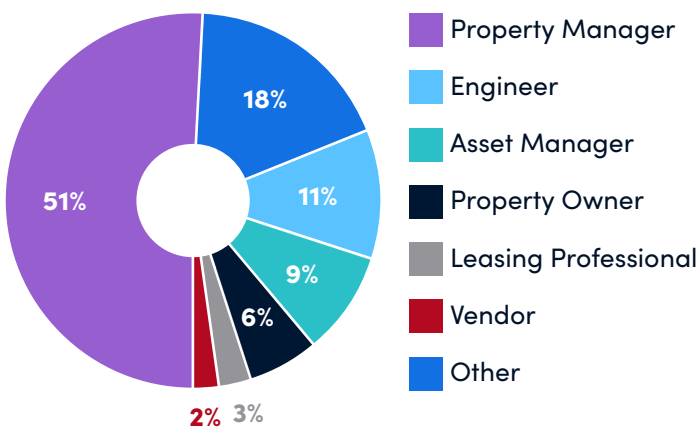
In Autumn 2021, Building Engines partnered with [BOMA](#) (Building Owners and Managers Association International) to survey commercial property professionals about the state of CRE (commercial real estate) today, and their intentions and expectations for 2022.

The vast majority of CRE professionals have seen their portfolio size either increase or remain consistent in 2021, and most expect their tenants to reoccupy their offices by summer 2022.

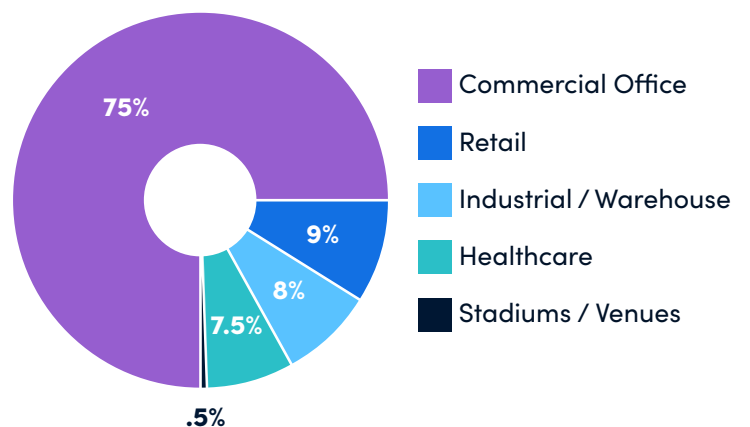
## WHO WE SPOKE TO

Building Engines surveyed over 500 property professionals about their current situation in the CRE market and expectations for 2022.

SURVEY RESPONDENT TITLES



WHERE THEY WORK



# Responsiveness, Safety Top of Mind for Commercial Tenants in 2022

Our research suggests most property managers and engineers aren't doing a great job at responding to tenants quickly. The most common tenant request was for faster responses to work orders/maintenance needs.

You might think with lower occupancy it should be easier to respond quickly. But property teams are likely stretched thin by new processes and requirements to support tenants and building operations. So this result is a reminder to stay focused on responding to active tenant needs.

In pre-pandemic times, this sort of irritation was probably not a deal breaker. But we are in an era where most office workers are still working from home and vacancies remain high. This means property teams would be wise to take a systematic approach to ensuring faster response

times to work orders/maintenance requests to reduce turnover and help entice tenants back.

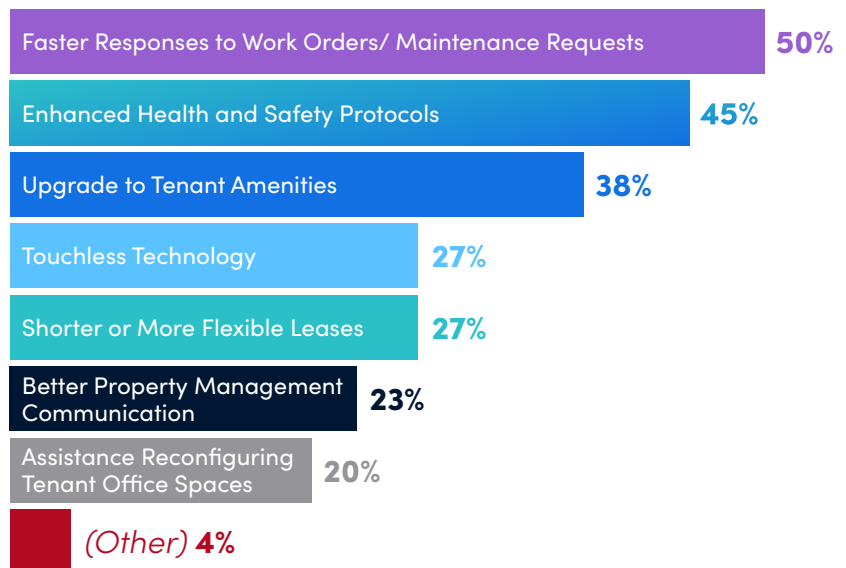
The pandemic has understandably raised the salience of office safety amongst tenants. Enhanced health and safety was the second most common tenant request, with 45% of respondents citing this as a request they hear often.

Upgrades to tenant amenities was another common request for 39 percent of respondents. This indicates that for tenants to return en masse, property teams would do well to focus on providing spaces that improve collaboration and overall on-site experience.

HVAC requests, mostly around temperature levels, were also common write-in example.

## THE MOST COMMON TENANT REQUESTS (UP TO 3 SELECTED)

Enhanced health and safety was the second most common tenant request, with **45%** of respondents citing this.



# Engineers Prioritize Sharing Know-How

The most valuable piece of equipment for building engineers may not be physical, but mental—ensuring the right people have the right knowledge. When asked what their biggest priority was when equipping engineers, the top response was transferring knowledge from seasoned engineers to new staff.

This suggests many property teams may benefit from better documentation of engineers' processes and protocols, and/or an effective way to share and use them.

The CRE industry is not famous for rapid change, but it's past time for engineers to ditch pen and paper. Empowering engineers with mobile, digital applications reduces administration time, because they don't need to go back to a desktop computer to re-enter data they just wrote down. Software also makes data more shareable and usable, and offers customizable templates to standardize processes.

Property teams are realizing this. Mobile/app technology came second in the priority list.

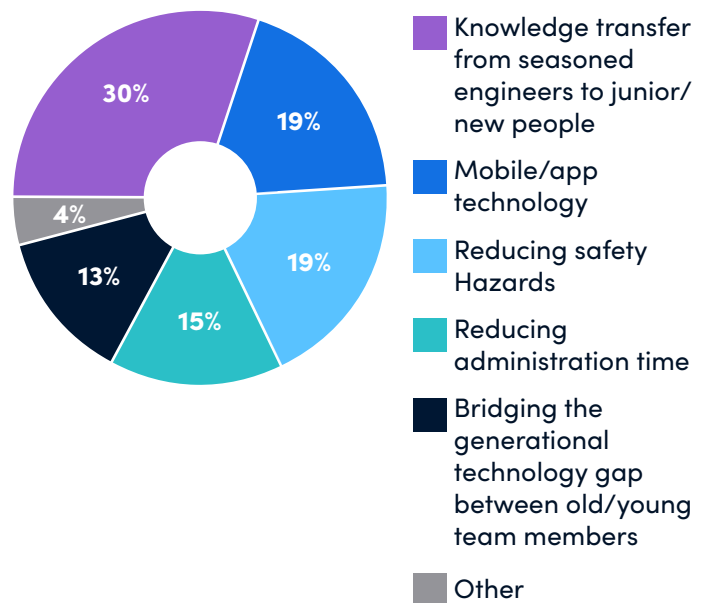
In equal second place, respondents ranked reducing safety hazards as their top priority. This is another area where CRE software can help. For instance, the best mobile apps ensure engineers have to document and tick off certain tasks in a given situation in order to proceed to

the next point in a process. This reduces human error and offers proof of work done for SLAs.

Third on the priority list was reducing administration time, while reducing the tech gap between young and old team members was not far behind.

One write-in priority of note was "Increased efficiency and productivity with a smaller staff." This indicates some property teams have downsized to manage expenses. For teams in this position, it's even more important to have the right technology tools in place to maintain service levels and asset maintenance.

BIGGEST PRIORITY WHEN EQUIPPING ENGINEERS, IN RANKED ORDER



# Tenant Experience Technology Rated Likely to Be Most Useful

Looking ahead to emerging CRE technologies, a large plurality of respondents (49 percent) expect tenant experience technology to be most useful to their business.

(However, this may reflect that given these are still maturing technologies, respondents haven't had much exposure to them and still don't know that much about them.)

'Smart' buildings are sexy in terms of the amount of media coverage they generate. But property teams seem unconvinced of their potential thus far. Only 17 percent of respondents thought smart buildings/IoT is or would be most useful to them in the future. Meanwhile, 15 percent of respondents rated predictive analytics/ analytics tools most useful.

Only 5 percent of respondents felt artificial intelligence (AI) tools are/would be most useful to them, perhaps indicating their low level of market penetration in the CRE industry. There is also a general lack of understanding of what AI really means for CRE and what the applications are. And a fair amount of concern along the lines of 'Will AI technology replace people...'

# 49%

expect tenant experience technology to be most useful to their business



# Maintenance Needs an Upgrade

Property professionals had clear thoughts about which areas of building operations are the most time-consuming and/or ripe for automation however.

**Certificate of insurance (COI) management topped the list as most time consuming and in need of automation.**

This was closely followed by inspections/preventive maintenance tasks as the next top priority, followed by vendor procurement. There are CRE software tools on the market that tackle these problems very effectively, suggesting Proptech vendors and these property teams need to do a better job of finding each other.

(Building operations platforms such as Building Engines' [Prism](#) manage and automate processes for building inspections/preventive maintenance, COI management, vendor procurement, tenant communications, compliance, and more.)

Compliance items came in fourth for most time consuming/ripe for automation, with tenant communications in fifth place.

Leasing was in sixth place, with energy management/carbon reduction/fault detection ranked next most time consuming and ripe for automation.

Visitor management and marketing were ranked the least ripe for automation, respectively.

WHICH AREAS OF YOUR BUILDING OPERATIONS ARE THE MOST TIME-CONSUMING AND/OR RIPE FOR AUTOMATION (RANK BY PRIORITY)

#1	Certificate of Insurance (COI) Management
#2	Inspections / Preventive Maintenance Tasks
#3	Vendor Procurement
#4	Compliance Items
#5	Tenant Communications
#6	Leasing
#7	Energy Management / Carbon Reduction / Fault Detection
#8	Visitor Management
#9	Marketing

# Tenant, Energy and Building Ops Top 2022 Software Investments

Over half of respondents said they expected their investment in CRE software to stay the same over the next 12 months—56 percent. 42 percent said they expected to increase their investment in CRE software. Only 1 percent of respondents expected to reduce their investment in software.

The increased investment in software likely reflects the fact that with 20 years of development under its belt, PropTech is more mature now. It's more bulletproof, and more clearly useful to property teams' needs.

## Respondents' Top Software Investment Priorities:

### #1 Tenant Experience

### #2 Energy Management / Sustainability

### #3 Building Operations

When it comes to how property teams will prioritize investing in technology this year, respondents were closely split between investing in tenant experience, energy management, building operations, and equipment maintenance.

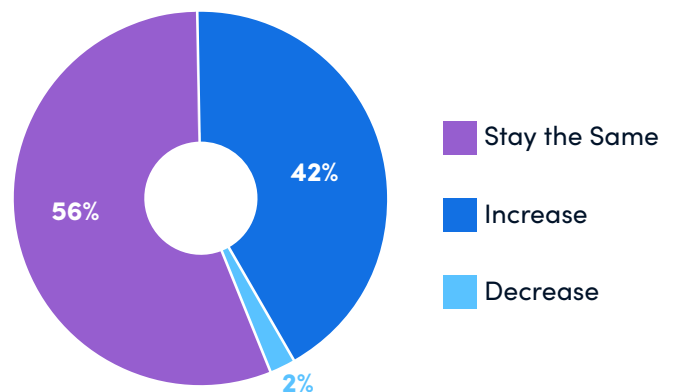
Property teams appear to be aware of the need to make office environments more attractive to lure office workers back from the comforts of

home. Tenant experience was respondents' top software investment priority.

And many respondents are clearly cognizant of commercial properties' large contribution to climate change. Energy management/sustainability was the second top software investment priority.

More CRE firms are making "Net Zero," or decarbonization commitments, fueled by investor and tenant demands for responsible energy use. Legislation to further drive change is also spreading, evident in a growing number of major metros—such as Local Law 97 in NYC. We expect this trend to continue to expand and technology will be increasingly important for compliance.

HOW WILL YOUR CRE SOFTWARE INVESTMENT CHANGE OVER THE NEXT 12 MONTHS?





# Tenant, Energy and Building Ops Top 2022 Software Investments *(cont.)*

Overall building operations came in third place as the top software investment priority. This is arguably unsurprising, given the advantages in efficiency and convenience building operations platforms offer property teams.

Equipment maintenance wasn't far behind as a software investment priority in fourth place. This signifies a long overdue change in attitude towards engineers' need to digitize and go mobile to reduce human error, admin time, and maintenance costs.

Visitor/building access and space management rounded out the bottom of respondents' software investment priorities.

## TOP PRIORITY FOR TECH STACK ENHANCEMENTS

#1

Tenant Experience

#2

Energy Management

#3

Overall Building Operations

#4

Equipment Maintenance

#5

Visitor / Building Access

#6

Space Management



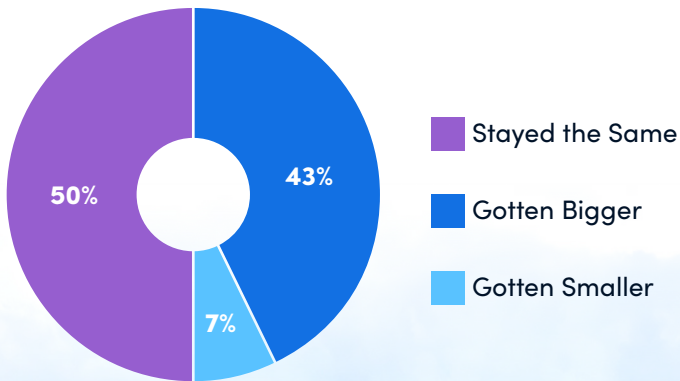
# CRE Portfolios are Staying the Same or Growing

About half of respondents said their portfolio size had stayed the same through year two of the pandemic. Meanwhile 43 percent said their portfolio had actually grown, and only 6 percent said theirs had gotten smaller.

Breaking it down by industry, coronavirus vaccine development appears to have been a driver of healthcare portfolio expansion. 50 percent of healthcare respondents said their portfolio size had grown, 47 percent that it had stayed the same, and only 3 percent said it shrank.

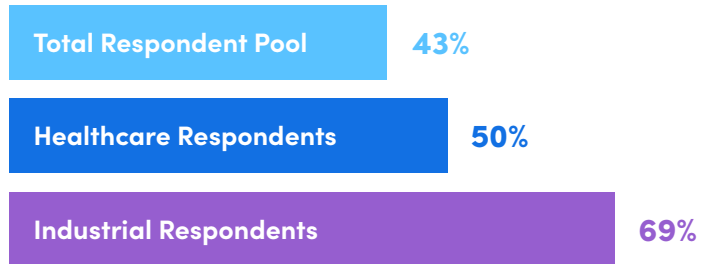
In commercial offices, 54 percent said their portfolio stayed the same, 38 percent said their portfolio had grown, and 7 percent said it shrank. This reflects the holding pattern many office

PORTFOLIO SIZE OVER THE PAST YEAR



workers have been in since the rise of the delta variant, after initial expectations of a vaccine-driven office return in the summer of 2021.

RESPONDENTS THAT REPORTED PORTFOLIO GROWTH



The continued growth of online shopping has created huge demand for warehouse distribution, particularly closer to population centers. Industrial showed the biggest property portfolio increase, with 69 percent saying their portfolio had grown. Five percent said their portfolio was smaller, and 26 percent said it stayed the same.

Given continued reopening (see “The Future of Reoccupancy” section below) and sustained economic growth, this bodes well for property teams’ investment plans in 2022.



# Energy Efficiency Tops Sustainability Priorities in 2022

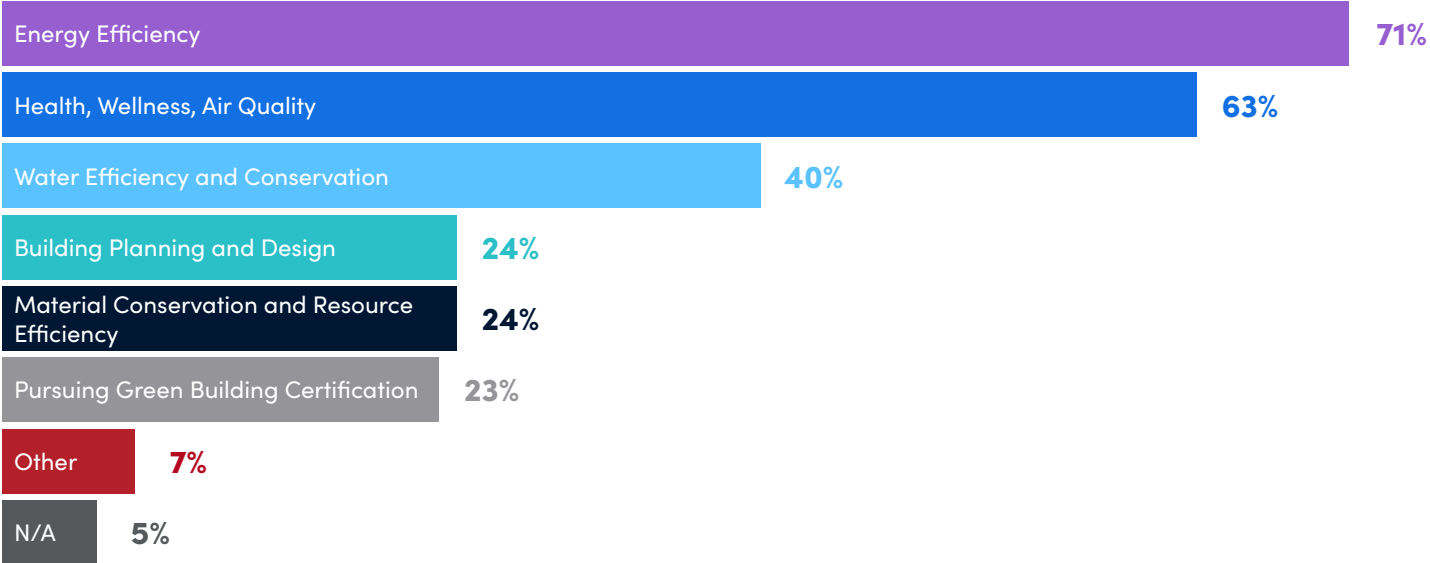
We asked respondents what their teams would prioritize in 2022 when it comes to sustainability. Energy efficiency was the clear top choice, with 71 percent saying it was a priority. This was consistent with survey respondents' answers about energy management/sustainability being their top software investment priority.

Health, wellness, and air quality was a priority for 63 percent of respondents, and water efficiency and conservation was a priority for 40 percent.

Other notable priorities included building planning and design for 24 percent of respondents, pursuing green building certification (23 percent), and write-in responses for indoor air quality (IAQ) technology.



## SUSTAINABILITY PRIORITIES FOR 2022 (CHECK ALL THAT APPLY)



# The Future of Reoccupancy

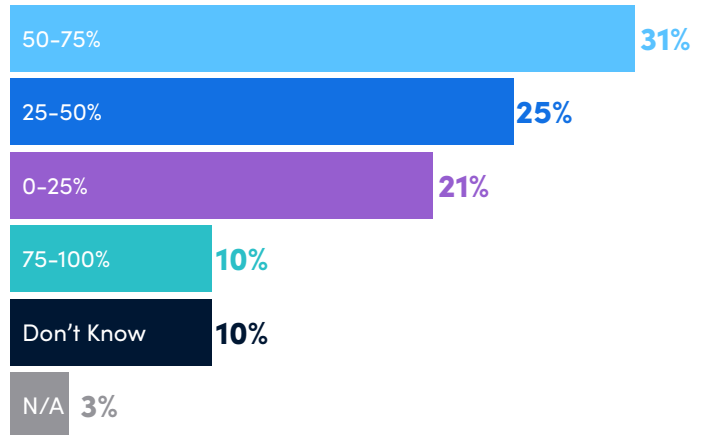
The current employment supply-demand curve clearly favors employees today. But should that pendulum swing the other way, it may accelerate a return to the office. Right now a majority of respondents—more than 67 percent—believe their tenants plan to use a hybrid work model once the pandemic finishes, splitting time between the office and working from home.

A majority of tenants using a hybrid work model post-pandemic is a dramatic change from pre-pandemic office mores. And it is likely to have profound effects on how buildings and tenants use office space with “hotelling” and dedicated collaboration space becoming common.

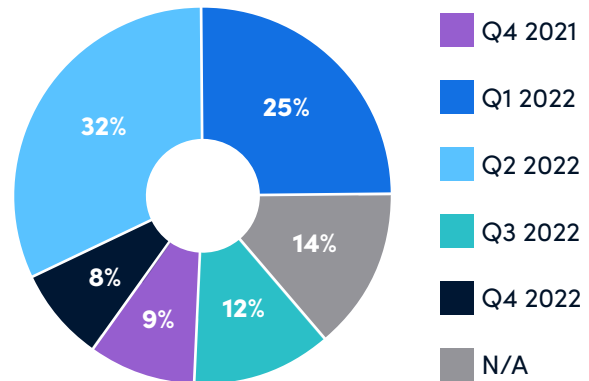
Most respondents—32 percent, expect their tenants to fully reoccupy their office space next summer in Q2 2022. However, this question was asked before the [Omicron](#) coronavirus variant was first detected, and it remains to be seen if this variant will impact reoccupancy plans.

25 percent of respondents expected their tenants to fully reoccupy earlier, in Q1 2022, while 12 percent thought full reoccupation wouldn't happen until the fall, in Q3 2022, and 8 percent thought it won't be until Q4 2022.

PERCENTAGE OF TENANTS EXPECTED TO USE A HYBRID WORK MODEL



WHEN DO YOU EXPECT TENANTS TO FULLY REOCCUPY THEIR OFFICE SPACE?



# Conclusion

These survey results suggest an optimistic outlook for the commercial real estate industry in the year ahead. 93 percent of the CRE professionals we surveyed said their property portfolio had stayed the same or gotten bigger in 2021. And 98 percent of them expected their investment in CRE software to stay the same or increase in 2022.

Property teams are increasingly aware of the carbon footprint of commercial buildings. They are taking action to address this, with 71 percent of survey respondents prioritizing energy efficiency for 2022. And they are conscious of a change in tenant expectations, with 63 percent of respondents looking to address health, wellness, and air quality in their buildings.

Nearly equal numbers of property professionals are looking to automate COI management and inspections/preventive maintenance tasks in 2022. And tenant experience technology was a clear number one choice for most useful tech for their business, compared with other emerging CRE technologies.

Given respondents rated tenant experience technology as their most useful software, it's no surprise respondents ranked it as their top software investment priority for 2022. The salience of climate change as an issue is driving energy management/sustainability as the next software investment priority. And overall building operations continues to be a software investment priority, with big advances in this software category in the last couple of years.

The biggest through-line in the responses to this survey is the increasing need for technology to optimize building operations. Whether a property team needs to do more with less, increase automation, or rise to the challenge of ever-increasing compliance requirements, it's clear that CRE professionals can no longer afford to be laggards in technology adoption.

For a deeper dive into the results of this survey, sign up for the Building Engines webinar [What's in Store for CRE Building Operations in 2022](#).



# About Building Engines

Building Engines, a JLL company, improves net operating income across the world's most successful commercial real estate (CRE) portfolios. Our customers increase revenue, deliver the best occupant experience, and reduce operating costs with Prism – the industry's most innovative and powerful building operations platform. Today, more than 1,000 customers—including Beacon Capital Partners, Brixmor, and SLGreen—rely on Building Engines to manage critical operational needs across more than three billion square feet and 35,000 properties worldwide.



# BuildingEngines

**Exceptional Building Operations. Extraordinary Business Outcomes.**

## ADDRESS

Building Engines HQ  
33 Arch Street, Suite 3200  
Boston, MA 02110