



LEGAL BRIEFING – Real Estate

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The Real Estate industry and the effects of the pandemic

Since the end of March 2020, most of the countries around the world have been hit, to a lesser or a greater extent, from the COVID 19 pandemic. Facing lockdowns and closed borders, everyone soon realized that this pandemic would seriously affect all the businesses sectors. One sector that has confronted a great number of difficulties and challenges is the real estate industry. Various industry experts have carried out surveys in order to investigate specifically the impact on the demand for office spaces and the consequences on the operation and financial situation of the hotel units across the world.

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Regarding the impact on the demand for office spaces, the following findings, from Savills Office FiT Survey are very indicative of the situation: In terms of demand, a very large percentage of people (89%) still believe that the office will remain a necessity for corporate organizations. The preference though, towards a degree of home working could potentially result in up to a 10% reduction of office desk space in the future.

However, the decrease in demand for traditional office spaces would most likely be balanced by key emergent growth sectors, such as the sector of life sciences. More space will be needed in order for companies to house, for example, health specialists, psychologists and life coaching experts.

Concerning the range of needs for employees, a new trend shines through, which is a hybrid of both home and office working. Organizations may find that they need to invest in employees' home working environments on the one hand, while at the same time there will be a necessity to reconfigure the office by extending premises, creating therefore a place where employees would feel safe to work in. The role of business parks may change and become more attractive to occupiers, as they offer open space, natural light and air quality. Moreover, a desire for more non-core office locations could possibly lead to a 'hub and spoke' approach with corporate businesses wishing to apply a localized multi-office strategy, which could lead to an increased demand of working spaces in the suburbs of big cities.

The impact of the COVID-19 pandemic on the hospitality sector is another much discussed topic. Among others, the international firm "HVS" organized various webinars to discuss the updates regarding hospitality industry from across the globe. With the hotels reopened now, specialists propose appropriate measures aiming to contribute to the recovery of the sector. Regarding Greece, experts believe that DMOs (Destination Management Organizations) can play a crucial role. Independent and organized entities between different beneficiaries around Greece, will enable the country to improve the competitiveness and performance of a place by developing local "brands" based on the unique characteristics of each destination. Greece will be able to increase the quality and diversity of tourism, boost the average spending of visitors, ensure higher profitability margins for stakeholders and provide investors with the relative comfort of a mechanism in place for alternative approaches to be taken in difficult times, such as the current one. Above all, the value of a specific destination will rise and, consequently, the asset values will rise too.

Furthermore, a development of a corporate mindset, will help hotels navigate with higher resilience through such unprecedented times. A shift in the attitude is necessary, as both investors and creditors are increasingly looking for businesses with entrenched corporate governance, in order to minimize risk. As a result, Greek hotel businesses will be able to ensure better financial terms and improve their attractiveness to all kinds of investors. However, for the abovementioned to be feasible, state Governments should primarily give a focus to the recovery process by providing soft loans and tax reliefs and also by adopting some labor measures and initiatives such as VAT deferring.

It is obvious that the above mentioned only constitute forecasts of industry experts. It remains to be seen in practice whether all these will be confirmed, how and to what extent they will affect the real estate market across the world.

