



The 2022 VTS Global Landlord Report

NEW RESEARCH ON THE STRATEGIES LANDLORDS ARE USING TO
ADAPT AND WIN IN THE NEW ERA OF COMMERCIAL REAL ESTATE

About This Study

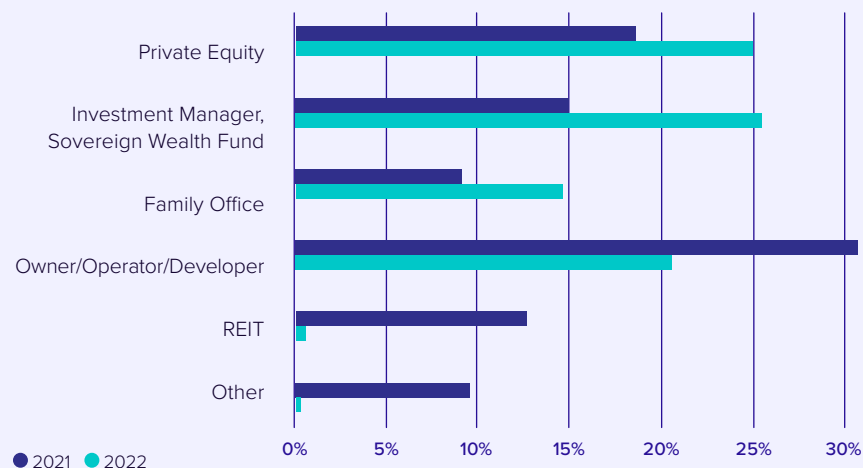
VTS commissioned an independent market research firm to survey commercial real estate landlords globally on their priorities and challenges going into 2022. The survey consists of eight sections, covering strategic business priorities, managing tenant relationships and the return to work, digital marketing, market data and insights — and new this year, insights into the future of office, retail, and industrial sectors.

The survey was taken by 580 verified office, retail, and industrial landlords. 66% of those surveyed are major landlords with portfolios of more than 11 million RSFF and nearly all were senior leaders across their organizations. 39% were Executive-level leaders and 92% had managerial responsibility. All respondents were budget decision-makers in commercial real estate leasing.

Survey respondents comprised a wide range of portfolio sizes and leasing specialties. 42% specialize in retail, 31% in office, and 26% focus on industrial real estate.

The study's margin of error is +/-4% at the 95% confidence level.

Which best describes your company?



What is the size of your company's entire real estate portfolio in SF?



Introduction

As we enter 2022, our industry continues to navigate the impacts of the COVID-19 pandemic and operate in a uniquely challenging market. Yet while there's uncertainty, here's what we know: technology, data, and insights that support every stage of the asset lifecycle have never been more important.

It's also never been more critical to share information and best practices for the greater good of the industry. That is why we're pleased to bring you the third annual **VTS Global Landlord Report**. Each year, our goal is to capture the most important strategies and perspectives from an ever-growing pool of commercial real estate (CRE) executives in order to create a resource for sharing these peer-to-peer insights with you. Our aim with the 2022 report is to highlight how landlords are continuing to adapt to the impacts of COVID-19 and how they are planning ahead for the upcoming "return to the office."

Some of the trends you'll see surfaced in this report may not surprise you, but they'll help validate what many of us may have experienced or heard anecdotally over the past year. What this report does make clear, however, is that there now needs to be a

profound focus on the tenant experience — not just on-site at your buildings, but throughout their entire marketing and leasing journey with you, their landlord.

We'll continue to do this research annually so we can benchmark changes over time and offer these key insights to help you understand how you compare to your peers. If you have questions about this year's report, or would like more information about how to apply the insights to your company, we're here to help. Thanks to the work we've done with over 750 landlords around the world, our team can offer best practices and practical advice on delivering upon these new tenant expectations, from marketing your availabilities and executing leases to offering a tech-enabled tenant experience across your portfolio.

Email us at info@vts.com and our team will be on hand to assist. I hope you find this research helpful as you continue to adapt to the pandemic and identify opportunities to win in the new era of CRE.



Nick Romito
Chief Executive Officer, VTS





Key Takeaways from the 2022 Global Landlord Report

- The top business priorities identified by landlords in 2022 are: maintaining and renewing tenants across their portfolios, leasing up vacant space in their buildings, and investing in new amenities and services to entice their tenants back to the office
- Nearly half of landlords say their portfolio has already recovered from the COVID-19 pandemic by at least 70%
- 1 in 5 landlords say they have at least 50% daily tenant occupancy today and about half expect occupancy to return to pre-pandemic levels by the end of 2022
- 94% of landlords say it's important to understand how tenants are using their facilities and amenities, but only 23% are sure they have good visibility into that
- 78% of landlords say digital marketing shortens deal cycle times by helping them reach more qualified tenants
- Nearly half of landlords are unsatisfied with the time it takes to do due diligence for investment decisions
- Only 14% of retail landlords and 6% of industrial landlords say they can quickly calculate their exposure to a specific tenant



2022 Strategic Business Priorities for Commercial Real Estate Executives

COVID-19 caused an abrupt change in the way we work and the way businesses operate. Last year, as landlords found themselves with a remote workforce and an inability to keep business running as usual, we saw technology go from a “nice to have” to a “need to have.” And as the industry continues to navigate the ongoing impacts of the pandemic, CRE executive’s business priorities are putting these new technologies to work as their focus shifts to tenant relationships and retention.

While many companies’ robust returns to the office may have been delayed, executives are driving forward key initiatives that will help entice occupiers back to work. This is seen in the top technology investments they expect to make this year: tenant experience software that will enable them to provide occupiers with a tech-enabled experience at their properties is at the top of the list. And one of their top priorities is investing in new building amenities and services to entice them back to work while enabling them to do it safely.

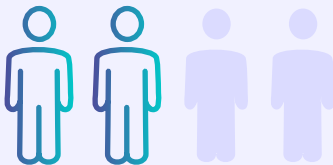
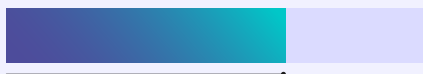
KEY INSIGHTS

When the industry was a standstill at the height of the pandemic, landlords were focused on tenant amenities and managing relationships

Top portfolio investments during the COVID-19 pandemic:

- 1  Implementing new tenant amenities
- 2  Managing tenant relationships
- 3  Asset redevelopment
- 4  Evaluating third-party partners and operators

As portfolios recover, landlords are looking to grow headcount

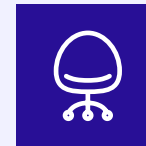


68% of landlords expect their headcount to grow by at least 10%. The top roles and skills they're hiring for are: property managers, leasing professionals, and marketing specialists

Nearly half of landlords say their portfolio has already recovered from COVID-19 by at least 70%

Tenants continue to be a top focus this year

The top priorities for landlords in 2022 are:



Maintaining/renewing their tenants across their assets



Leasing vacant space in their buildings



Investing in amenities/services to enable their tenants to work safely

The top technology investments for landlords this year are:

- Tenant experience software
- Marketing software
- Leasing management software
- Data & reporting software



State of Tenant Experience

The Experience Economy has come to commercial real estate, and it's brought a new emphasis on the tenant experience solutions that can help make the office a destination for occupiers and keep them engaged with their workspaces once they're back. These solutions also provide valuable, real-time insight into occupancy trends and amenity usage — making TenEx a revenue-generating vehicle for landlords not just a tool for allocating capital or cutting operational costs.

However, according to the results of our survey, managing tenant relationships and the return to work is easier said than done. Landlords overwhelmingly say tenant retention and insight into amenity usage are a top priority for 2022, yet very few respondents say they have full clarity into the state of those relationships or what tenants need from their office spaces in this new era.

As COVID-19 variants, fresh approaches to the workplace, and brand-new tenant expectations shake up the market, it's clear that the landlords who can provide the seamless experience while setting themselves up for access to rich tenant insights will be the ones to attract, retain, and delight tenants in this new era.



KEY INSIGHTS



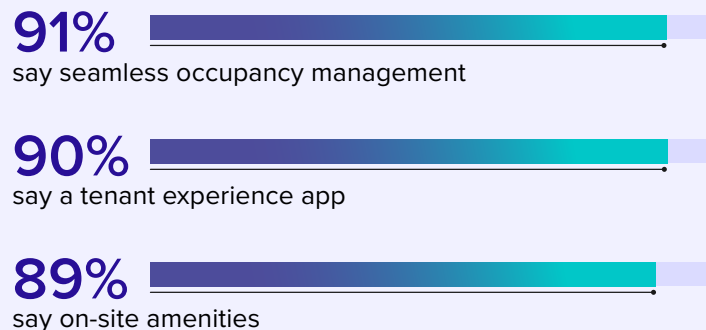
1 in 5 landlords say they have at least 50% daily tenant occupancy today
and about half expect occupancy to return to pre-pandemic levels by the end of 2022

Landlords aren't sure what tenants expect in this new era, but are still making massive capital investments to try to entice them back to the office

The top investments landlords are making to ensure their tenants can safely return to the office:

- Hi-tech cleaning and disinfection solutions
- Touchless building or elevator technology
- Updated HVAC or air filtration systems
- Tenant experience app

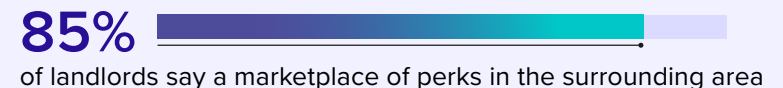
The top features and amenities landlords believe tenants value as they return to the office:



60% of landlords say that as tenants start returning to the office, communicating and engaging with them is a top priority, but only 21% say they're definitely do a good job today



Only 12% of landlords are sure they have adequate insight into what investments or features tenants require in order to safely return to work





State of Digital Marketing

Another impact of COVID-19 has been the incredible rise of digital marketing. This shift has been a long time coming for commercial real estate. Tenant expectations about the space search and leasing process have dramatically changed and consumer engagement with digital content, particularly video, has risen in prevalence and impact. When the pandemic first hit, virtual space tours and digital content were the only way to keep business moving forward as landlords, brokers, and tenants were told to stay home and socially distance.

Now that digital is here, there's no going back. Landlords will continue to use digital marketing technologies to surface availability to tenants, demonstrate value, and aid in conversations throughout the business. Digital marketing technologies and tactics will continue to be used to surface availabilities to tenants, demonstrate value, and aid in conversations throughout the business. In fact, landlords in this year's survey have said they're using virtual tours not only on their space listings, but also to keep tenant prospects warm across the leasing process, facilitate in-person tours, and help with tenant renewals. All this is ROI for landlords by simplifying the marketing and leasing process and creating a seamless experience — for both internal and external parties.

And in a separate VTS survey of tenants to highlight their perspective: 80% of respondents indicated they preferred to take a virtual tour of space to narrow down their search before touring in-person. However you look at it, it's clear that it's critical to offer a digital experience if you want your availabilities to beget seen.

KEY INSIGHTS

As digital marketing tactics help to shorten their deal cycles, landlords are making some big investments in marketing this year

The top marketing investments for 2022:

- Virtual space tours
- Digital advertising
- Individual building website(s)
- Content management solutions
- Corporate website

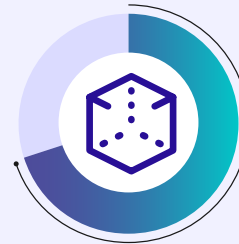


78% of landlords say digital marketing shortens deal cycle times by helping them reach more qualified tenants

Virtual tours are now a pre-requisite to in-person touring, but that's not the only way they're delivering value

70%

of landlords agree that virtual tours have become a necessity before tenants will commit to an in-person tour



The top ways landlords are using virtual tours:



— Keep tenant prospects warm through the leasing process

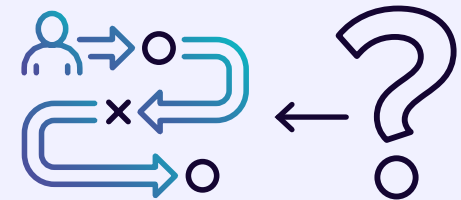


— Drive in-person tours



— Help with tenant renewals

New digital marketing platforms help centralize online listings and channel performance



Less than half

of landlords say they definitely have insight into which marketing channels are driving tenant interest and leasing activity



Only 1 in 3 landlords strongly agree that it's easy to keep online space listings up-to-date

State of Market Data & Insights

As the industry continues to operate in a market of uncertainty, real-time market data and insights are now a non-negotiable for commercial real estate landlords. Many sources landlords are using to market data today are often outdated, incomplete, and/or inaccurate. In fact, incomplete data is the #1 problem landlords have with their research tools.

When portfolios are digitized and brought online with many of the technologies described in this report, landlord organizations and their teams are also able to digitize and centralize many of those portfolio and market-level insights needed at every stage of the asset lifecycle. To adapt and win this new era of commercial real estate, landlords need to understand what's actually happening in the market today. A clear takeaway here is that landlords who invest in these technology and data solutions will be far better positioned to strike the best path forward.



KEY INSIGHTS

The top resources landlords are using to get market insights are:



Internal data



Paid 3rd-party research



CoStar

Landlords need access to up-to-date and accurate information to make the best investment and leasing decisions in an uncertain market

The top ways landlords decide their priorities for the day:



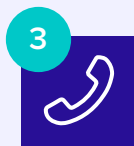
1

Check the news



2

Check VTS



3

Call brokers and their internal team



Incomplete data

is the #1 problem landlords have with the research tools and data sources they use today



Only 18%

of landlords say they definitely trust the data sources they use to get market insights today



40% of landlords are unsatisfied with the time it takes to do due diligence for investment decisions

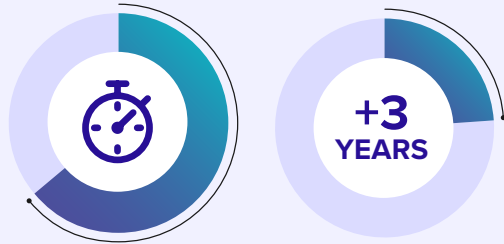


Future of the Office

As tenants across the globe continue to manage the impacts of COVID-19, they're facing the question: what does the future of their workspaces look like? And with the Omicron variant once again delaying many return-to-office plans, we won't have full insight into the long-term effects of those space decisions. What we do know is that landlords are proactively incorporating these new requirements into their leasing strategies while implementing tenant experience solutions to help entice tenants back to their properties.

While the future may feel uncertain, we strongly believe there will always be a place for the physical workspace. And it appears our sentiment may be shared: Over half of landlords are seeing lease lengths for new deals and renewals increase as their tenants recommit to some level of in-person work. Today's employers are evaluating a range of approaches when it comes to being in-person — some have gone fully remote, some are pushing for a full return as quickly as it is safe to do so, and others are finding the middle ground in a hybrid model. Going forward, it seems flexibility will remain at the forefront, and the landlords that can navigate the full spectrum will be the best positioned to capture returning demand.

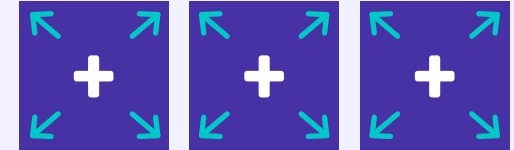
KEY INSIGHTS



64% of landlords say lease lengths for new deals have increased, with 24% saying they've increased by 3 years on average



54% of landlords say lease lengths for renewals have increased, with 12% saying they've increased by 4 years on average

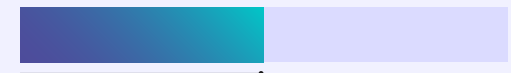


Nearly half of landlords say they've seen square foot per employee increase

by at least 10% while tenants' space requirements have remained about the same or slightly decreased

Flexibility in leasing options and physical space will be important in 2022 as tenants begin their return to the office

62% of landlords say that providing flexible leasing options will be an important part of their strategy post-COVID



Nearly half of landlords plan to dedicate 15-25% of their portfolios flex leasing in 2022, and they prefer to offer flex leasing through partnerships over self-building by 2 to 1

The Future of Retail

Even before COVID-19, retail was facing a reckoning with the so-called “retail apocalypse” taking out many long-standing retailers. So when the pandemic first hit, many believed it would be the end for shopping centers, restaurants, gyms, and more as they were cut off from in-person customers.

But what was once thought to be an “apocalypse” has turned out to be a “revolution.” Landlords and retailers have accelerated their adoption of e-commerce, omnichannel tactics, and new retail models to transform the sector. Those who have navigated these changes are now reaping the benefits by delivering on new consumer expectations and creating unique shopping experiences that are powered by data.

The key for retail landlords is selecting and signing the right brands, accelerating the time from prospect to rent-paying tenant, and then partnering to build a cohesive and innovative experience to attract new customers.



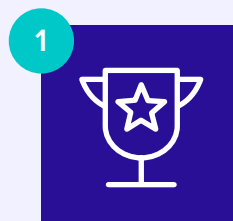
KEY INSIGHTS

Retail landlords are focused on creating unique and innovative shopping experiences



Online shopping and e-commerce is the #1 consumer trend that's top of mind for retail landlords

The top 3 approaches retail landlords are taking to attract shoppers back to their centers are:



Competitions, games, and prizes



Allowing retail tenants to make use of outdoor space (outdoor pop-ups, restaurant seating, food trucks, etc.)



Mall activations

Technology and the data it provides could help provide some clarity into tenant relationships and tenant coordination

62%
of retail landlords say their new stores rarely open time



Only 14% of retail landlords say they can always quickly measure their exposure when a retailer closes multiple locations



The Future of Industrial

On the flip side, the industrial sector was riding high before COVID-19 and saw even more unbelievable growth throughout the pandemic. Higher levels of e-commerce and online shopping require fulfillment centers, a recovering economy demands more manufactured goods, and to deliver it all, lines of full cargo ships at US ports are straining import supply chains. And all of this leads to ever-increasing demand for industrial spaces.

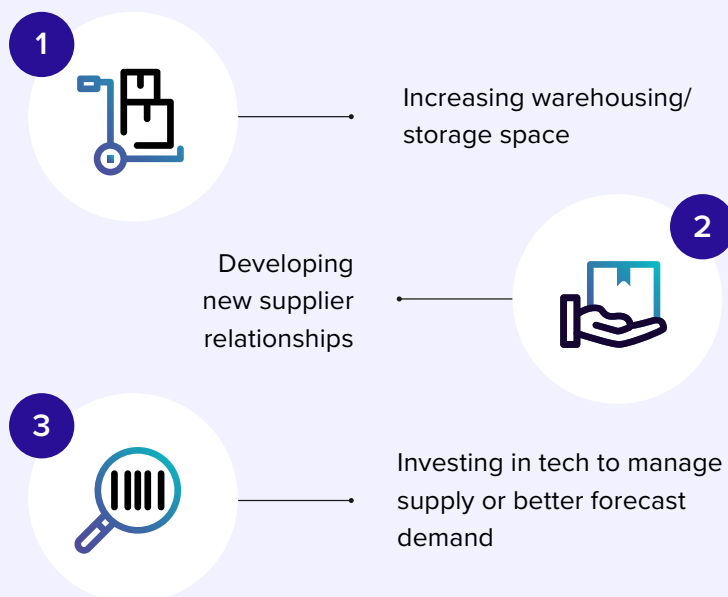
Through the last two years, industrial is one of the only sectors to emerge nearly unscathed from the recent trials and tribulations. Therefore, landlords need to position themselves to succeed in the fastest-moving sector of commercial real estate in order to keep up. Yet, our research shows that the majority of industrial landlords don't have the readily-available data or the technology infrastructure they need to successfully keep pace.

With technology, modern industrial landlords are able to lease space quickly, pivot their spaces to new tenant requirements in the e-commerce age, and leverage existing leases to expand high-quality tenants across different parts of the portfolio — keeping up with demand and keeping vacancy low.

KEY INSIGHTS

Top-of-mind for industrial landlords is keeping up with ongoing demand and navigating supply chain issues

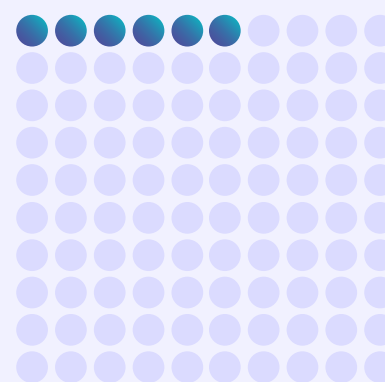
The top 3 approaches industrial landlords are seeing tenants take to navigate ongoing supply chain challenges are:



Technology and the data it provides could help provide some clarity into tenant relationships and management

50%

of industrial landlords say their industrial spaces open on time



Only 6%

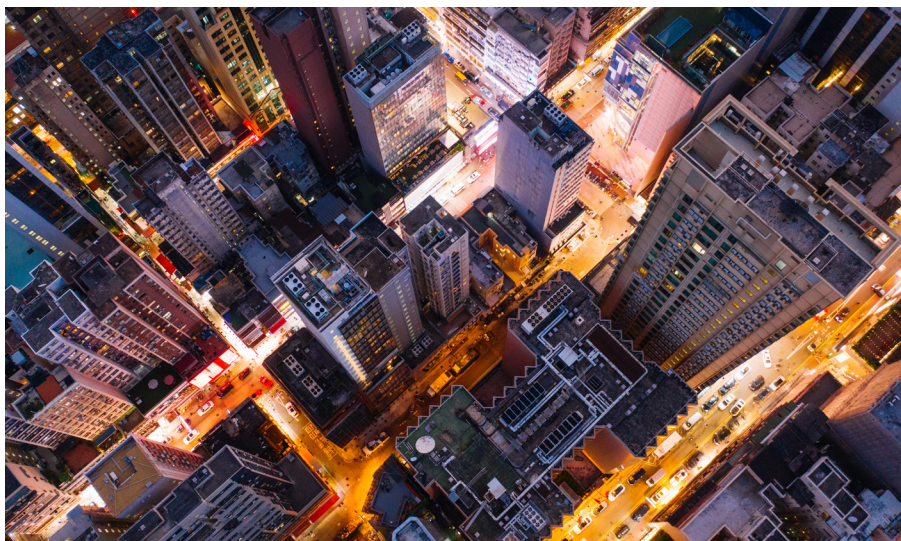
of industrial landlords say they can calculate exposure to a particular tenant in minutes

Conclusion

COVID-19 has driven enormous change into the commercial real estate industry in just a matter of months, and it isn't through yet. It has tested the resilience of landlords, tenants, brokers, and employees around the globe. The end-to-end impact of this crisis will be felt in commercial real estate for decades to come.

In the short-term, industry leaders will need to become comfortable with uncertainty. Balancing business recovery, identifying new opportunities, reinventing tenant relationships, recalibrating exposure to risk, and focusing on employee wellbeing all have added weight during this unprecedented time.

The landlords with the right technology, data, and marketing investments will be the ones best positioned to win during the pandemic and beyond.



About VTS

VTS is commercial real estate's leading leasing, marketing, and asset management platform where the industry comes to make deals happen and real-time data comes to life. The VTS Platform is made up of four offerings:

- **VTS Lease**, commercial real estate's system of record for managing spaces, leases, deals, and tenants, helping landlords and brokers automate the manual aspects of the leasing process and making it far more efficient to manage their portfolios.
- **VTS Market**, the industry's first integrated online marketing solution, gives landlords, brokers, and tenants unparalleled visibility into real-time market information and the direct connectivity to execute deals with greater speed and intelligence at every point in the asset lifecycle.
- **VTS Rise**, the industry's most comprehensive tenant experience solution, offering occupiers, building operators, and visitors an immersive, tech-enabled experience.
- **VTS Data**, commercial real estate's only forward-looking market data product and only pulse on what's happening in the market today, capturing active tenant demand and projecting future supply fluctuations.

More than 60% of Class A office space in the US and 12B+ square feet of office, retail, and industrial real estate globally is managed on the VTS platform. VTS' user base includes over 45,000 CRE professionals including respected industry leaders like Blackstone, Brookfield Properties, LaSalle Investment Management, Hines, Boston Properties, Oxford Properties, JLL, and CBRE. To learn more, visit www.vts.com.