

The Weekly Take

Get Back: The Next Normal of Office Work

07.12.2022

Spencer Levy

We're halfway through the year and it seems we're at a point of return. Yes, the year 2022 to date has seen the business world working to find the next normal. One that includes a return to office. It may not be the office you remember, though, and it's still evolving. On this episode, we take stock with office experts who are at the forefront of the trends, with curated wisdom from some of our most thought provoking guests. We return to the topic of the return to office. Coming up, key questions answered and the choices companies are considering. An array of insights to help inform your thinking about workplace strategy, all in one episode. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take. In May, we shared the findings of CBRE's 2022 Office Occupiers Sentiment Survey and sat down with its lead author Julie Whelan, CBRE's Global Head of Occupier Thought Leadership. The big finding; by the end of this year, 77% of companies will have implemented a return to office plan in some form. Julie told us about two popular ways that they are presently approaching that return, and what the broader time horizon for their policies looks like.

Julie Whelan

Most of our clients are telling us that over the next year they are really turning on plans for a return to office. Now you have some of them that are saying we are being very stringent about when we expect people to be back and the capacity at which we expect them to come back to. And by the way, most of those already say that people are back in the office and that they have resumed what they think is going to be steady state. You have another portion that are saying, we understand that employees are not going to be able to change their routines overnight. And so we're going to give them time to change their routines. And we know that that's going to create a slower return to the office that we think is probably going to take the better part of the rest of this year to really instill these new behaviors in our people. And so I don't think that we're going to be in a period where, even in summer, we're able to say we are now at our new normal of return to office. I think that we're going to be into 2023 before we can really determine what that new normal state is.

Spencer Levy

So what is the new normal state going to be? How and why should office based businesses go back? In fact, Julie told us such questions have been rattling around the brains of the business world for much of the last decade.

Julie Whelan

We have been studying this topic for a number of years now, since the pandemic started, really before the pandemic, because we knew that a shift was underway around what we

would call “work from anywhere”. That shift only accelerated throughout the pandemic, and primarily we have been really interested in understanding what that shift means for the future of real estate. And what we're seeing is that hybrid work, which means sometimes you might work in the office, sometimes you might work from home, sometimes you might work in a third place of your choice, has really picked up in terms of sentiment over the last couple of years. However, what we've also seen pick up in sentiment is the desire to actually have people together in the office. So I think that a lot of listeners sometimes want to have it be an either or discussion. Either you're going to be working from home or you're going to be working from the office, and one or the other is going to suffer as a result. But actually, we are more so studying how the two will work together in the future, because that's where the magic of satisfying employee desires, along with employer needs, for the correct type of culture, is really going to be a win-win situation.

Spencer Levy

Office is in an age of evolution as companies embrace the model Julie called “work from anywhere”. And some leaders recognize that the office now has to compete with the comforts of home. Leaders such as Linda Foggie, managing director and global head of real estate operations for City Realty Services, the global real estate arm for Citibank.

Linda Foggie

What are the activities that people are actually going to decide to make the trek into the office to do and accomplish? And how are we going to work better together as teams, kind of together and in person in the office? And then how does the real estate portfolio become designed in such a way that it supports those activities?

Spencer Levy

Linda has seen the world of office wrestling with these questions based on Citi's presence in 97 countries. When we visited her at the bank's recently renovated New York headquarters, she described two key areas of Citi's approach to bringing people back.

Linda Foggie

One is about the overall experience that people are going to have in the workplace. So hosted experiences, concierge level services. Really, the office now needs to compete with the comforts of home in some ways. And so how do we integrate those elements that people have been accustomed to having nearby and at their fingertips so that they're accessible for people, and really designing this end to end experience for them. And the second one is, a lot to do with real estate technology. How are we integrating technology into our offices and real estate in such a way that we're creating these experiences for people that are unique, that are highly functional, but that are also enjoyable for them. A lot of the work that we're doing now is around trying to figure out how do we create these equitable experiences for people. I just don't know that we'll ever go back to a place where people are always together five days a week. And so you're always going to have to manage these meetings that are hybrid. Some people will be there and some won't. And particularly at a bank that's as hyper global as Citi, there will always be the geographic disparities that exist as well. And so we're figuring out how to overlay technology with our real estate in such a way that we create this amazing experience for our people that are coming back into the office and that are still dialing in from wherever they may be working for the day.

Steven Davis

This is the big managerial challenge, and it's why it's going to take some time to work things out. One aspect of the challenge and what makes it difficult is, in the past, managers didn't really have to think about this.

Spencer Levy

That's Professor Steven Davis, a workplace expert and economist from the University of Chicago, who joined us alongside Julie to explore the latest research on the sector. He said that bringing people back to the office in innovative ways and with a new mindset is especially important because of the current realities of the labor market.

Steven Davis

Trying to bring workers on board with management to make this whole shift to different or flexible working arrangements work well. That's a key, when you basically make the workers feel empowered and having an influence in the organization.

Rachel Friedman

What we're definitely seeing coming out of this pandemic is that that hybrid workplace strategy is something that is here to stay.

Spencer Levy

Rachel Friedman is an office real estate strategist and the founder of Tenspace and Tenfold, Columbus, Ohio, firms devoted to design and strategic consulting. Lest you think that hybrid arrangements stand in contradiction to return to office, she said, think again.

Rachel Friedman

What we're saying is, it isn't an either or. That work from home is better than working in the office, or vice versa. But it's how do we capture the best of both worlds in a hybrid strategy, and recognizing that if you have work, heads down work, work where you require quiet or need to be isolated, if you want to be isolated, you're going to work from home. And so what is coming into the office need to be about?

Spencer Levy

For guests across the board, the answer to that rhetorical question came down to one word: Culture. Rachel raised the concept of what she calls a "craveable office", a place where people want to be. Here she is again, followed by Brian Taff, the CEO of Streetsense, a workplace experience consultancy who joined Rachel in that discussion.

Rachel Friedman

What is coming into the office need to be about, and that is really the opportunity to build and preserve company culture. And so if you have people for two, two and a half days a week, how do you ensure that when they're coming in, you are really filling their cup? You are enabling them to feel very connected to the vision and the mission of the organization, which is really important and other really important dimensions of healthy and productive company culture, which includes the learning and training, the coaching and mentoring, building authentic relationships, building trust, ideation and innovation. These are all critical things that have to happen, and they primarily happen through spontaneous and unplanned interactions in the workplace. And so by building a craveable workplace, you're creating an environment that will foster those types of behaviors and enable businesses to compete and to win. And so it isn't just about getting the talent or attracting the talent to come into the office. It's because the success of your firm is dependent upon it. And I think that we won't know the true impact to how some companies have been handling this was shutting all of their office space, until we're another 6 months, 12 months, 18 months into

this, where people look back and they say, oh my gosh, we lost one of our most valuable assets, which was the special sauce of our company culture.

Brian Taff

Employers are going to really have to focus on what is the employer experience? What is the employer brand? And culturally, you know, to Rachel's point, people want their employees to take pride in the place that they work and in the work that they do. That doesn't have to happen by being in a great office. But if you are going to have an office, I think today you have to have a reason for people to come. And that's the things that generally have to do with being with other people. So creating spaces for them to collaborate, creating opportunities for mentorship, creating opportunities to showcase, and some cases, even elements of surprise.

Wendy Mann

You know, there's that old saying that culture trumps strategy. And I say culture trumps everything now. Since the pandemic, culture trumps everything.

Spencer Levy

Wendy Mann, that last speaker is the CEO of CREW, which represents women in commercial real estate, the world's largest organization of its kind. Culture, she said, is not just a buzzword that management leaders use to entice talent to the office.

Wendy Mann

My personal feeling is, yes, those are the places that, in real time, you build real relationships. And so culture in that regard is really imperative.

Spencer Levy

Wendy shared her strong personal beliefs. She also gave us a sense of the importance of culture to the rank and file, and how to ensure it proliferates in a hybrid world.

Wendy Mann

You don't have to work full time in an office, but I think it's so important that you're having those interactions to get the culture of a place. And I think it will be even more incumbent upon leaders to ensure that that culture remains intact as we make these transitions, and that we're thoughtful about when we're onboarding people or when we're bringing them into new teams and groups that we're really paying attention to. Are they feeling like they're included and they belong, and do they have the right frame of reference if they're not here full time? And how can we make sure that we're creating that for them?

Spencer Levy

To CBRE's Chief Marketing Officer Benji Baer, that idea hit home. A relatable, personal and professional perspective she shared on the same show.

Benji Baer

I have three daughters, two of them in the workforce, I think would agree are critical to your growth, to your development and actually to your personal satisfaction. It's enjoyable. It's great to be with people. I was in the office last week and I'm like the happiest person. So if the question is, can we survive happily in a satisfied way by operating on Zoom or whatever platform you use? I think human connection, for so many reasons, for our soul and for our brain, continues on.

Spencer Levy

Of course, feeding the soul and the brain to foster a return to office also points to the trend towards wellness, which was probably an inevitable reaction to a global pandemic. But when it comes to wellness, health and safety, it seems that owners and occupiers still have something to prove. Take it from Rob Naso, Managing Director and Head of Asset Management of BentallGreenOak, a major global investor.

Rob Naso

I think what we're trying to do is make sure that the amenitizations that are happening in office buildings obviously are of critical importance. But then you go through health and wellness, fitness amenities, all of these things are coming front and center, and are really, really being done to prep and get ready for when this wave of returns is going to happen.

Spencer Levy

Julie Whelan said, the research suggests that occupiers must implement operational improvements to address safety concerns and to attract talent back to the office.

Julie Whelan

The number one thing in that is indoor air quality. Making sure that there is demonstrated indoor air quality that not only is present in the systems that are delivering it, but that also is visible through different technology displays that the employee is seeing as they're entering the building. Not only is that something that is a desire of employees and tenants, but it's also something that we know is going to help make them more productive in the building, because their cognitive reasoning is better when they're breathing in good, healthy air. Other things like sustainability principles of buildings.

Spencer Levy

But more than just making health and wellness improvements, Professor Steven Davis added, the changes need to be clear and obvious.

Steven Davis

So that even at a subconscious level, you walk into this building and you get the kind of reassurance that makes you want to come to the building, and that makes you comfortable while you're doing the work.

Spencer Levy

Comfort. Reassurance. Subconscious awareness. If it sounds like the return to office may depend on an emotional appeal more than bottom line work and productivity, survey says that does seem to be the state of play.

Julie Whelan

You know, I'm not a labor relations expert, nor am I an economist. But I do understand general laws of supply and demand, and it's certain that we are in a tight labor market, which is, of course, giving employees a little bit more leverage.

Spencer Levy

Once again, that's Julie Whelan, citing the Occupier Sentiment Survey.

Julie Whelan

But, I don't like to look at it necessarily in terms of a power struggle between employees and employers. I think that what has happened is that the voice of the employee has been amplified, which is a positive thing. And I think employers have an opportunity right now to stand up and listen to their employees. And what that will do is it will help build trust.

Spencer Levy

Trust. That seems to be an ever more important part of the workplace relationship. Take it from CBRE CEO Bob Sulentic, who says the safety of more than 100,000 workers worldwide has been the company's first priority since COVID struck back in 2020.

Bob Sulentic

So what did we do? We made sure that we educated them about what it took to keep themselves safe. We made sure they had the proper PPE to keep themselves safe. When you went a little bit into this thing, and by the way, with the benefit of hindsight, what a miracle it was that we got vaccinations so quickly. We gave them time off less than, what was it, six, eight months into this thing, nine months into this thing, we gave them time off to get vaccinated, to take their families to get vaccinated. We provided special bonuses for onsite, frontline workers. When that was taken care of, we also thought about this other half of our population and the need for it to be able to be effective. And we couldn't come into our offices because you can't be focused on the health and well-being of your people and having them come into the offices during the early days of the pandemic. And to the great credit of our digital and technology team, we moved masses of people home and got them up and running within 24 hours, with telephony, all the computer support they needed. It was a proud moment for CBRE at a scary time. Proud in terms of the way we dealt with the frontline workers, and proud in terms of the way we dealt with our office workers.

Spencer Levy

Let's shift gears now from the how and why to a question of where. Not in terms of markets or cities, per say, but in terms of neighborhoods, and even buildings themselves. The pandemic didn't kill urban centers as many once feared, but the comeback has shifted priorities for developers and investors that CBRE speaks to every day. And according to Mike Watts, CBRE's President of Investor Leasing in the Americas, that can't be explained as a mere flight to quality.

Mike Watts

Currently in the U.S., in the top 20 office markets, there is 460 million square feet of class-A office space in buildings that are 15 to 30 years old. These are the buildings and these are the owners that I talk to a lot. And they're asking me, you know, what kind of strategies should I have? If you think about it, not as a flight to quality, but a flight to experience, because that's really what it is. Yes, new construction affords a tenant and the developer a blank slate, but a flight to experience an existing building can compete.

Spencer Levy

And interestingly, as CBRE's Americas Head of Multifamily Research Matt Vance pointed out, new priorities have spilled over into other sectors. Whereas, at the start of the pandemic, the rise of remote work did influence people to flee urban centers for more spacious or distant places, the opposite appears to be true today.

Matt Vance

Somebody just asked me, right, is the return to office going to drive demand for downtown and urban multifamily? And I had to tell him it's the other way around. The demand for these urban locations is exceptional today, and it's that very fact that the office occupiers are going to rely on as they start to think about calling their people back to the office.

Spencer Levy

The Occupier Sentiment Survey agrees, Julie Whelan reported.

Julie Whelan

We are actually not seeing, to a great degree, that organizations are looking to decentralize locations, or looking to engage in hub and spoke models. As a matter of fact, most of our clients are telling us that they are actually looking to consolidate into locations, partly for efficiency reasons, but also because if people are going to be expected to come together when they're in the office, then coming all into the same office as much as possible is probably the best way forward down the line.

Spencer Levy

As we turn to final thoughts on return to office, CBRE's Bob Sulentic acknowledged the ongoing work to be done. Businesses must foster culture and creativity through experience and physical space, revolutionize the ways we measure productivity and efficiency, transform relationships with talent and more. Bob told us that he sees a new world of possibility.

Bob Sulentic

Everybody's trying to get there and nobody knows exactly how they're going to get there. But there's going to be a significant base of office building use out there, probably less than we had before. And there's going to be some great new ideas and some creative ideas on how to use that office space, and support the use of that office space with better and better technology.

Spencer Levy

Of course, the data on that uncertain future is still emerging, but data is something that all occupiers should focus on in their search for the next normal in office space. Here for her last word is Julie Whelan.

Julie Whelan

Five years from now, I think that we are finally actually going to have real data that tells us exactly what has been successful and what hasn't been successful. We're going to have real data in terms of office utilization because that's what many clients and occupiers are looking to do right now, is actually put in technology that allows them to measure their space usage in a very real way. Secondly, I think that we are going to have data around what has happened around employee turnover in organizations that are applying these new policies versus those that aren't. And I think that that is all going to give us a lot more data to be able to make decisions on, based on what has worked and what hasn't. And I also would venture to say that this whole discussion is going to become a lot more normalized. I still believe that the segregation of buckets is going to become a lot more blurred over the years, and this new way of work is going to be much more normalized in the future.

Spencer Levy

Now for the final, final word, we go back to a place where we could have begun this show, namely on the question of "if"? That is, if the numbers and analysis are accurate, and a return to office in a talent centered hybrid model is truly here to stay. This is the crystal ball question I always like to ask. So let's gaze into the future, and consider the fate of return to office with someone who looks into the future for a living. We leave you with the foresight of futurist Erika Orange.

Erika Orange

I was banging on the workplace to workspace drum for the better part of the last decade and a half, saying that if we change the metrics and it's all around measuring productivity in new ways, then it doesn't have to be tied to time and space in traditional ways. And a lot of people struggle to get their heads around that because we still viewed work as being tied to a physical place. And COVID upended a lot of that. But that's not to say that the office is going away. It's only to say that we need to reinvent and reimagine what the office space actually is going to look like, because it's not going to look the same. It's not, and again, it's not a one size fits all sort of thing. That's why it's not just about hybridized work, but distributed work. We're all going to pick and choose the ways in which we want to work, in an economy where we don't have to physically be in one place anymore. So a lot of people can be nervous when I say that, thinking that commercial real estate, and that physical office space is going away. And I'm here to say that is absolutely not true. The same was said about retail years ago when, you know, everything was moving to e-commerce and everything was becoming digitized. And I always say brick and mortar is not going away. It just needs to figure out its unique value proposition. And that is exactly what is happening to office space today, is it needs to figure out its own unique value proposition through the lens of redesign.

Spencer Levy

Thanks for joining us on this deep dive into the return to office with some of the wise voices who've informed our thinking. We hope you walk away with ideas and inspirations of your own, and if you do, please drop us a note and share your thoughts. You can do that through our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake), where you can look for the research reports we mentioned in this discussion as well. You can also share the show, and you can subscribe, rate and review us wherever you listen. We'll return next week with more voices of wisdom and experience and look forward to sharing lots more perspectives on the world of commercial real estate. I'm Spencer Levy. Be smart. Be safe. Be well.