



The future of the office

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The future of the office is not a binary equation – there are many factors influencing the future of office work

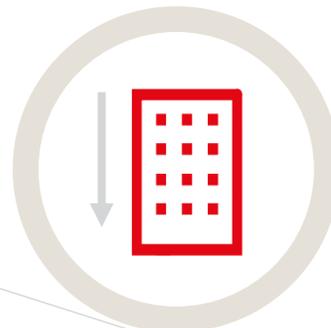


Current conversation is too simplistic...

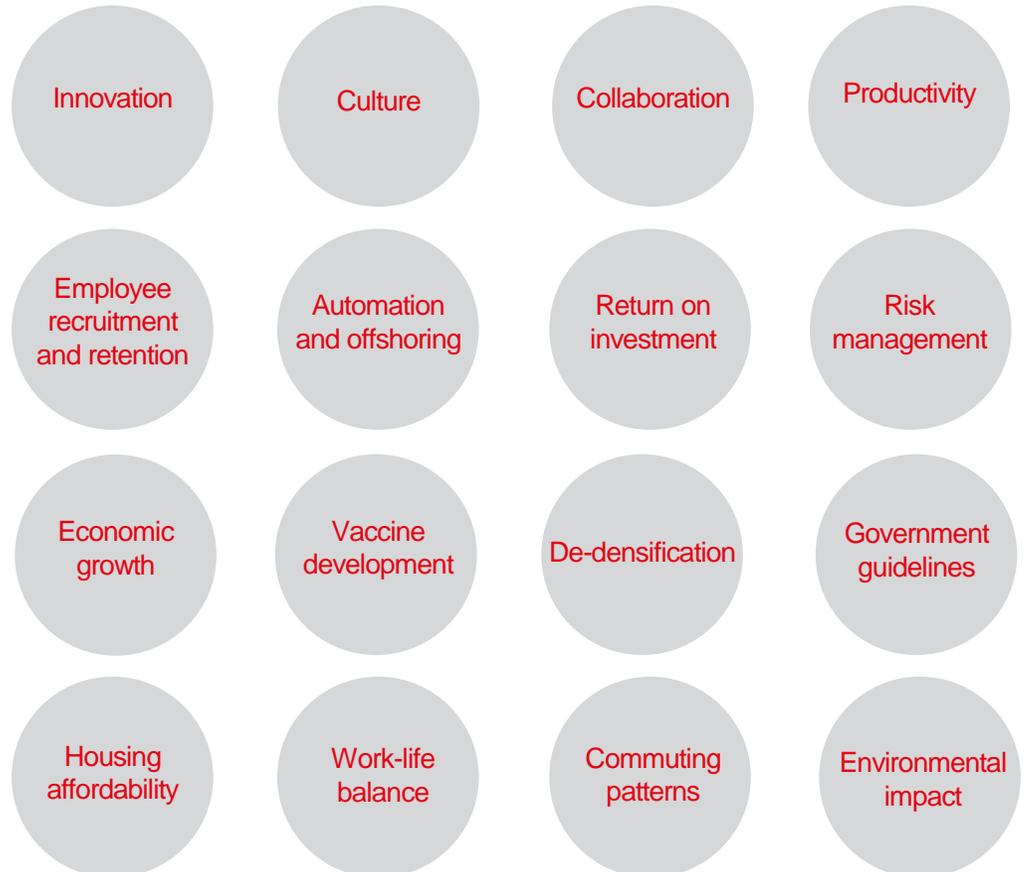
Increase in work-from-home



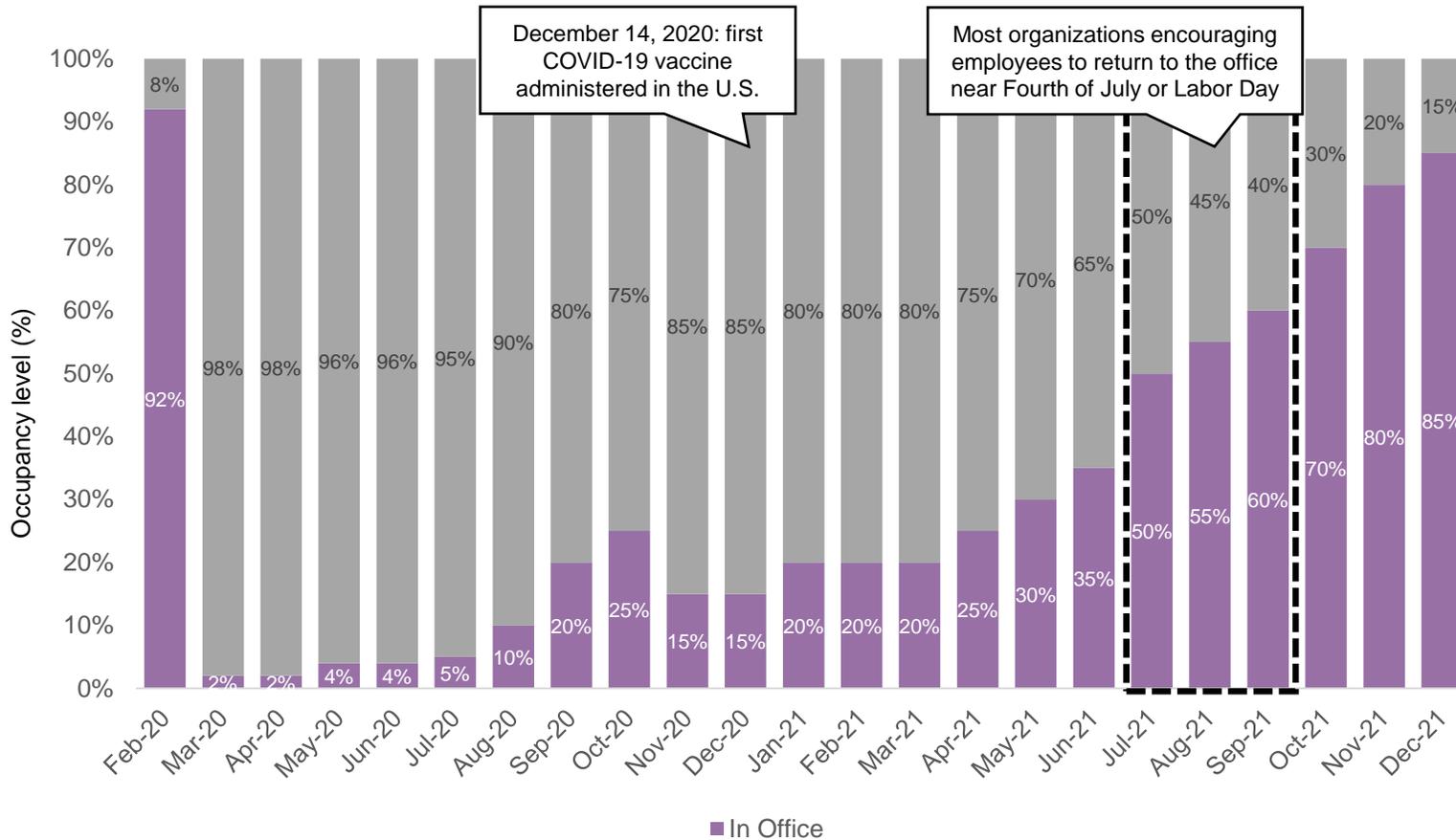
Decrease in demand for office space



Future demand impact more complex with a broad mix of factors at play...



Observed and projected U.S. office re-entry timeline



Metropolitan region	Share of pre-COVID occupancy
Austin	43.3%
Houston	42.9%
Dallas	43.3%
Philadelphia	27.2%
Los Angeles	24.4%
Washington, DC	23.6%
Chicago	23.3%
New York Tri-State	17.0%
San Francisco Bay Area	15.6%
U.S. average	27.8%

Note: includes non-desk-using employees, such as janitorial and mail room staff, which reported to the office throughout the pandemic.

Companies are generally targeting Q3 2021 for large-scale employee re-entry

JLL occupancy planning survey highlights



51%

of companies plan to expand work-from-home policies

94%

of employees want the option of returning to the office

#1

diminished culture is cited by employers as the #1 reason to return to the office



Remote work will provide greater optionality for employees but COVID's disruption of habits will gradually diminish

Corporate workplace strategies



Office-centric	Office-first hybrid (mainstream choice for most organizations)	“Work from anywhere”	Fully remote
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“Working from home is an aberration that we’re going to correct as soon as possible... it’s not a new normal”
– David Solomon, CEO



“Remote work isn’t sustainable – we need colleagues to be office-based”
– Jes Staley, CEO



“Coming together in person to collaborate and build community is core to Google’s culture”
– Sundar Pichai, CEO



“Our new way of working will empower employees to design their own working week. The pandemic has proven it’s not about where you work, but how you work”
– Jon Holt, CEO



“Dropbox is becoming a ‘Virtual First’ company... remote work will be the primary experience for all employees and the day-to-day default for individual work”
– Drew Houston, CEO



“We’re a fully distributed company – all of our employees work remotely and will continue to even after the pandemic”
– Steven Galanis, CEO



“I don’t see any positives to working from home”
– Reed Hastings, CEO



“We believe most of us benefit by being physically together”
– Charles Scharf, CEO



“I can’t wait for everybody to be back at the office – there’s no replacement for face-to-face collaboration”
– Tim Cook, CEO



“We believe there is value in employees being together in the workplace”
– Kathleen Hogan, Chief People Officer



“We’ve been investing in our technological capabilities for years to transition quickly to a work-from-home model”
– Kirt Walker, CEO



“Employees don’t have to choose between staying close to their families or pursuing a career they love”
– Barbie Brewer, Chief Culture Officer



“Real estate is where our heart is, and we are staunch advocates of the importance of the office”
– John Gates, Markets CEO



“Our plan is to return to an office-centric culture... we believe it enables us to invent, collaborate, and learn together most effectively”
– Andy Jassy, Incoming CEO



“I’m about to cancel all my Zoom meetings – I’m done with it.”
– Jamie Dimon, CEO



“The firm has been performing extremely well under remote working conditions – we expect that less space will be required in many of our offices”
– Michele Farquhar, Managing Partner



“We will provide alternatives, enabling our employees to work closer to clients and colleagues, as well as reducing commute time, travel costs and our carbon footprint”
– Andy Halford, CFO

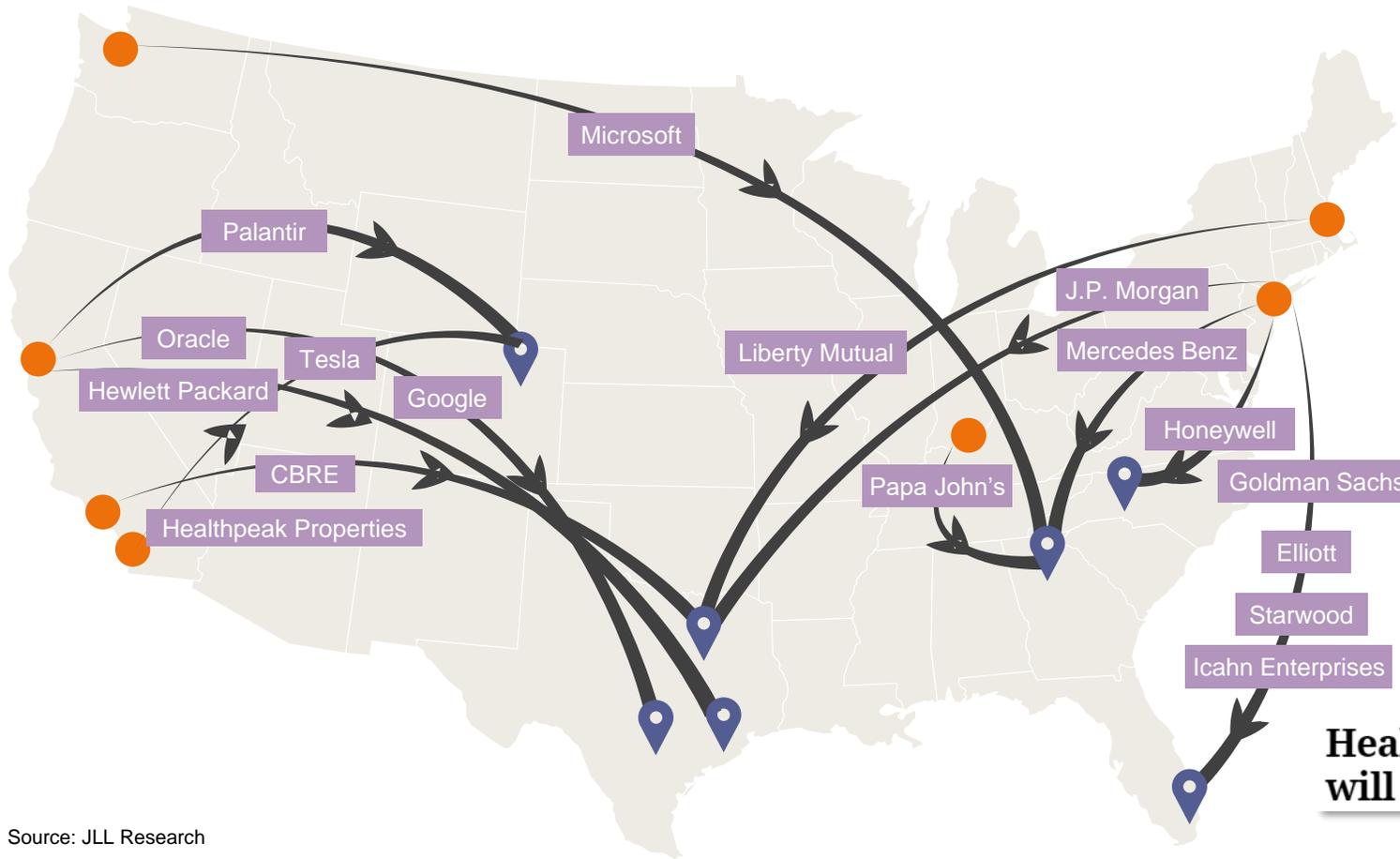


“We’ve committed to having no HQ, and it’s important to show our decentralized workforce that no one location is important than the another”
– Brian Armstrong, Coinbase, CEO

Executives are defining office culture and real estate requirements on a spectrum

The pandemic accelerated relocation and expansion decisions

Cost savings and greater talent acquisition are main motivators



Oracle moving from California to Texas, joins Tesla, Hewlett Packard

From Elon Musk to Oracle — the coronavirus accelerates California exodus

BUSINESS
Real estate brokerage CBRE moves headquarters from Los Angeles to Dallas

Hewlett Packard Enterprise is the latest tech company to leave Silicon Valley, and is moving to Houston

Healthpeak Properties confirms its headquarters will move from California to Denver

Source: JLL Research

Pro-business and low-cost-of-living markets have benefitted from corporate migration

Migration shifts are occurring throughout the U.S.

Corporate and talent movement to new markets is being driven by several factors



Affordability



Quality of life



Health & Safety



Business environment



Taxes & governance

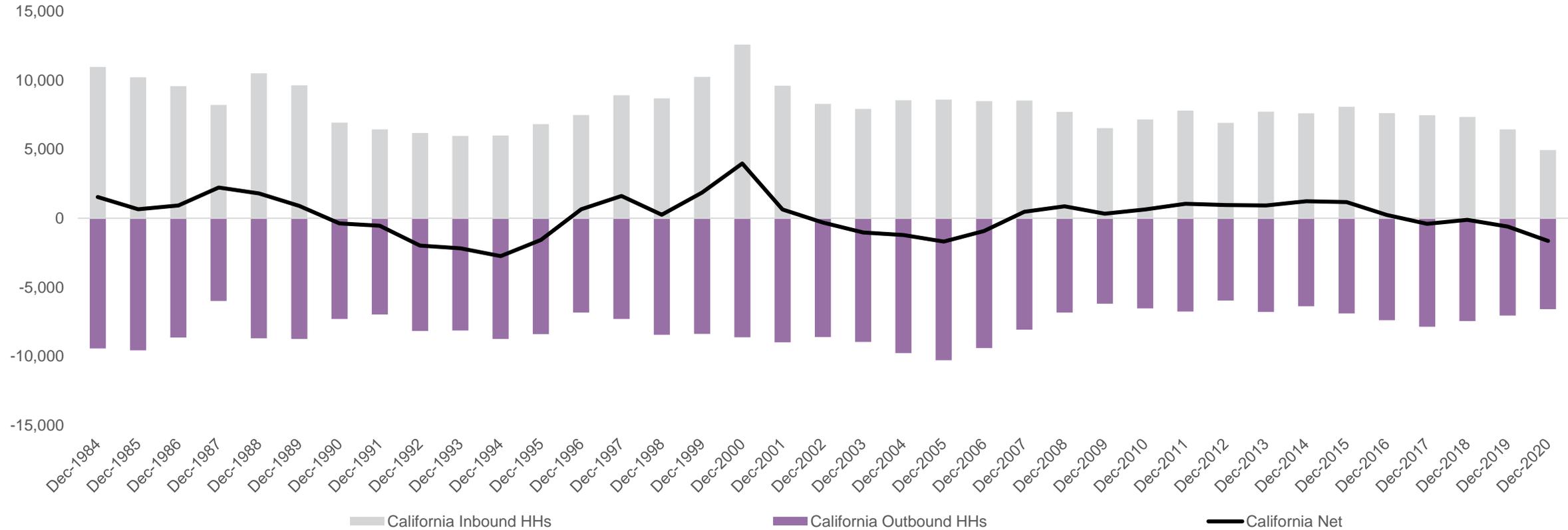


Culture & amenities

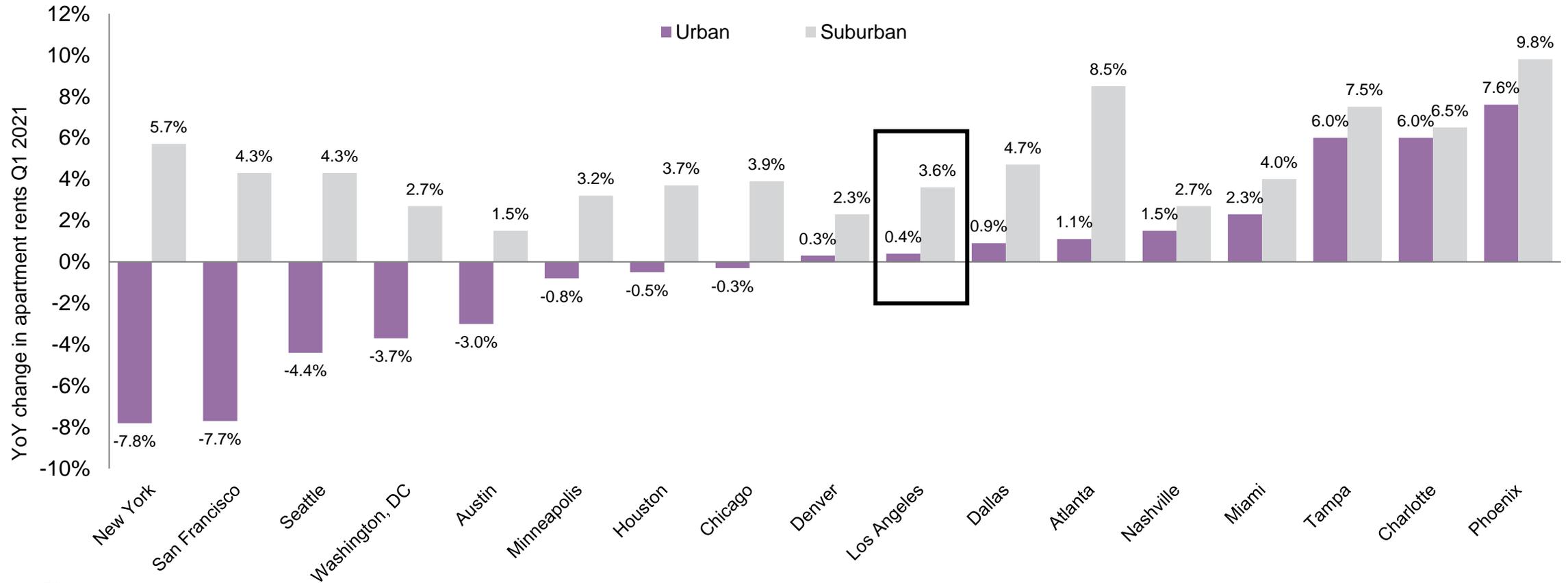
More households are moving out of California than moving in, but the trend isn't new



California Household Migration Trends



Apartment rents reflect shifting demand from high-cost urban markets to emerging markets and suburbs

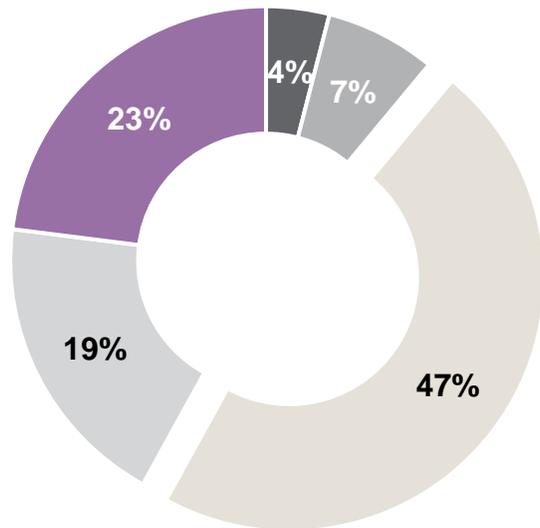


Source: Zillow

Remote work will expand, but won't decimate office demand



What do you expect will be your company's future office space needs?



- We will need a lot more space (an increase of more than 20%)
- We will need a little more space (an increase of 20% or less)
- **Our company will need the same amount of office space**
- We will need a little less space (a reduction of 20% or less)
- We will need a lot less space (a reduction of more than 20%)

47%

Expect to use about the same amount of space post-COVID

23%

Expect to *significantly reduce* the size of their office portfolio

11%

Expect to *expand* their office footprint to accommodate growth and provide greater distancing

Workplace strategy will vary by industry, company and job function, with back-office roles more suitable to long-term WFH

Source: JLL Research survey of 98 senior CRE corporate decision makers

The essential role of the office



Business and/or personal need	Key considerations
 Projecting brand image	<ul style="list-style-type: none">• Office space is essential for services-sector companies like law firms and banks to project a powerful image• Consumer brands often use office space to serve as a showcase for their products• Meeting spaces in offices are critical for generating and executing business.
 Innovation and culture	<ul style="list-style-type: none">• Studies show that innovation is driven by collaboration and unplanned encounters at the office (“collective brainstorming” and “creative collisions”)• Bureau of Labor Statistics data shows the number of employees working partly or primarily from home dropped by two percentage points year-over-year, driven in part by high-profile rollbacks of WFH programs by the likes of Aetna, Bank of America and IBM.
 Talent attraction and retention	<ul style="list-style-type: none">• Over 90% of employees want the option of working in a physical office space• Office space can help lure “engine room” talent, which may lack a suitable home office; according to studies, young employees are likely to move jobs up to 15 times in their career.
 Protecting intellectual capital	<ul style="list-style-type: none">• 84% of IT professionals say data loss is a significant concern given more people temporarily working from home• Lack of physical safeguards and reduced compliance in following IT procedures increase the risk of losing proprietary data.
 Culture and socialization	<ul style="list-style-type: none">• Social events and professional development programs facilitate team-building and career growth• Personal bonds help improve employee engagement, teamwork and comraderie.
 Productivity and boundaries	<ul style="list-style-type: none">• Distractions at home may divert attention from work tasks and inhibit productivity• Mental health professionals cite the lack of physical separation between the home and office as a source of stress.

The physical office serves a profound purpose in meeting personal and business needs

Aggregate office demand is expected to decline slightly, but with a wide performance spread across the market



Offsetting forces impacting demand



-10%

Expected shift from 10% to 25% WFH, with potential reversion given likely impairment to productivity and innovation



-10%

40-50% of employees could end up in hybrid work mode, spending some time in the office and some at home



+8%

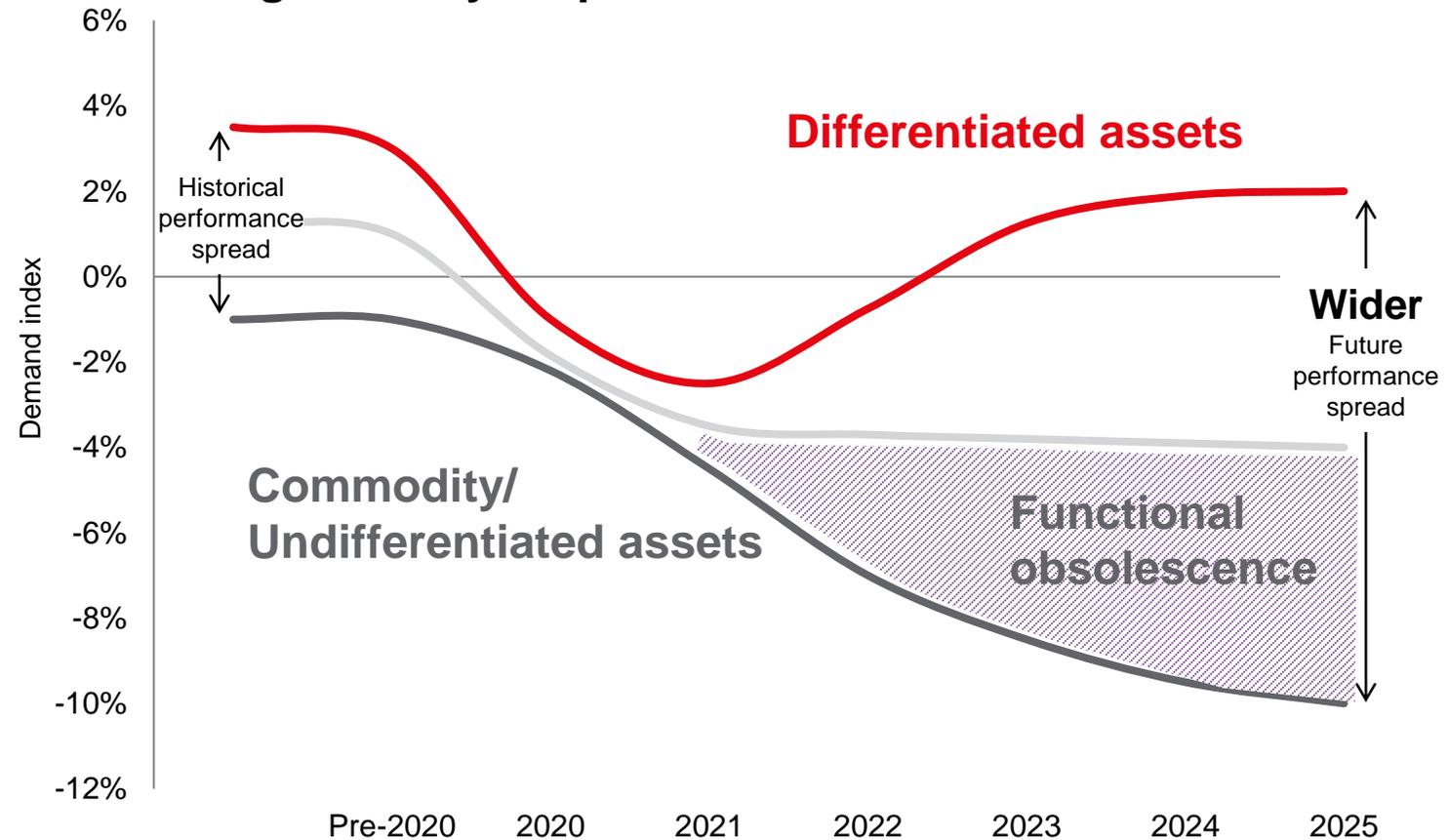
50% of tenants are planning permanent space redesign, with de-densification and more collaboration space



+7%

5-8% office employment growth from previous peak by 2025

Top quality well positioned assets expected to significantly outperform



Thank you

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