OFFICE SPOTLIGHT

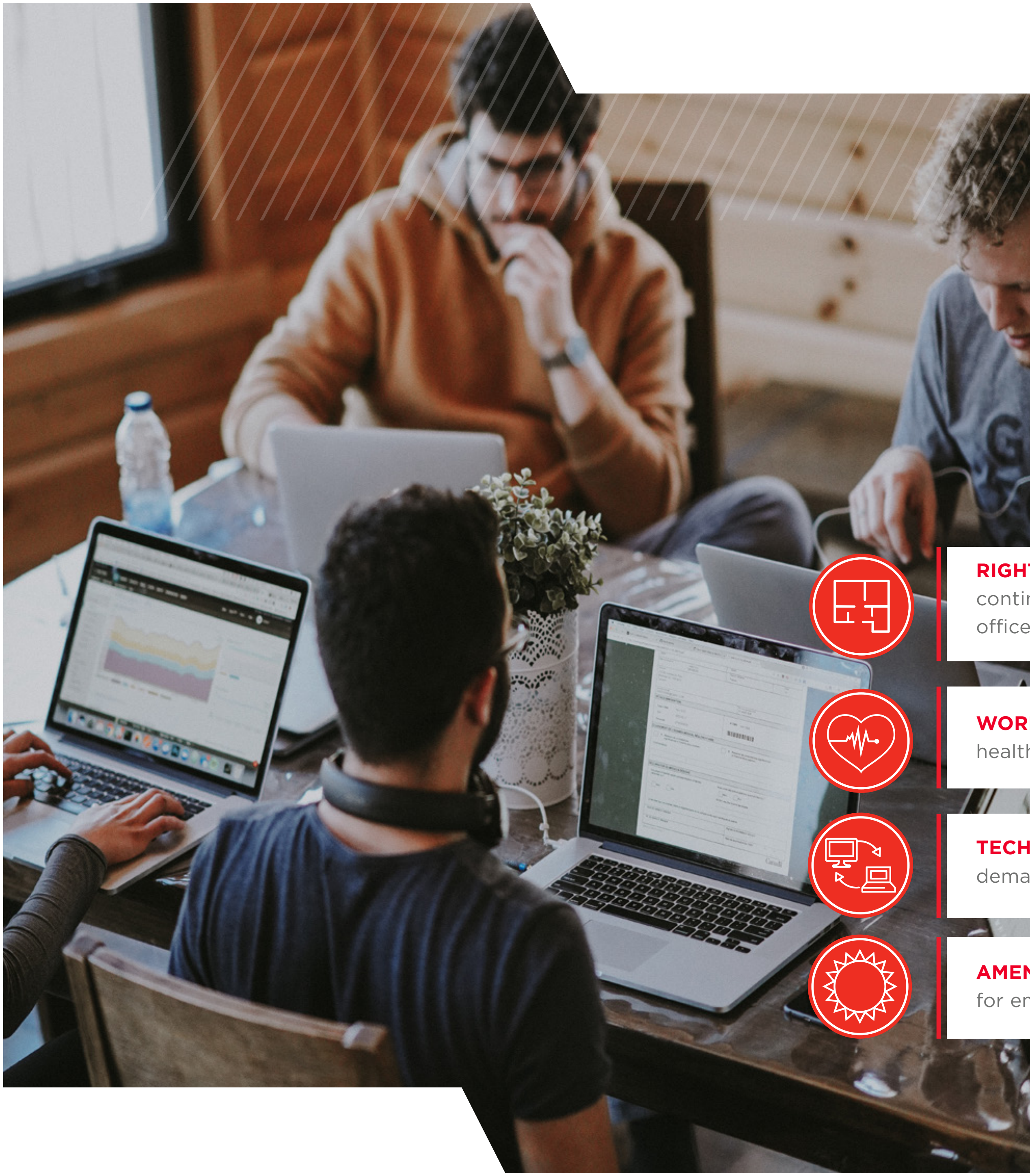
WORKPLACE TRENDS

Q1 2020

CUSHMAN & WAKEFIELD | THALHIMER

CONTENT

OCCUPIER TRENDS



OCCUPIER TRENDS

As the needs of companies and employees evolve, there are several implications for occupiers as they consider new space.

RIGHTSIZING: The average square footage per employee continues to decrease as more companies shift to open office or flexible work policies.

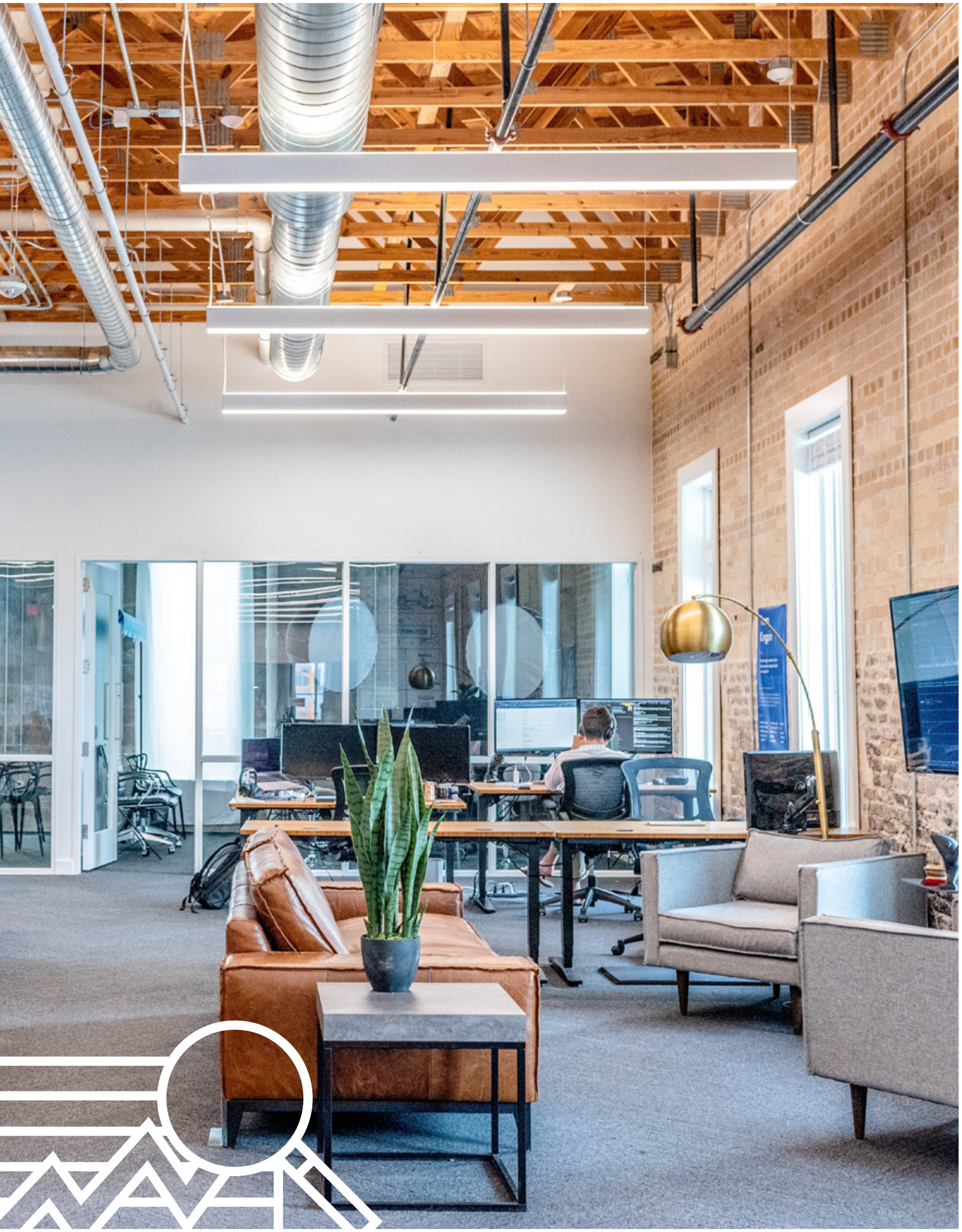
WORKPLACE WELLNESS places an emphasis on employee health to improve productivity.

TECHNOLOGY AND FLEXIBLE WORKSPACES cater to the demands of modern work.

AMENITIES can make the workplace a destination for employees.

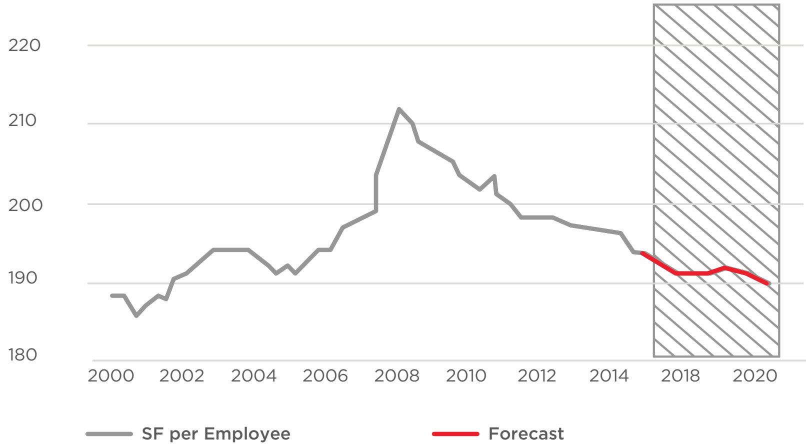
These trends are influencing markets around the country and present unique opportunities for companies in 2020 and beyond.

RIGHTSIZING



RIGHTSIZING OFFICE SPACE

DENSIFICATION OF THE OFFICE



Source: Cushman & Wakefield, Space Matter GOS Report

Rightsizing is one factor contributing to this gap in absorption. Since the Great Recession, companies are adapting their workspace to fit the needs of the changing workforce. Companies are allocating less square footage per employee as open offices, shifting commuter patterns, and more efficient design influence space planning. The densification of the office may explain why historic absorption has lagged employment growth in recent years.

As companies focus on using space more efficiently, smaller footprints per employees may explain a gap between estimated absorption and actual absorption in recent years. In Richmond, the MSA has averaged nearly 7,000 new jobs per year over the past 5 years. Office related sectors accounted for approximately 60% of total employment growth during that period. Using office related employment to estimate office absorption, Richmond's historic absorption would have been around 740,000 square feet (SF) per year. The actual average absorption during that period was 558,548 SF per year. Absorption accelerated in 2019, but the increase was largely attributable to Dominion Energy moving into their newly constructed downtown tower.

RICHMOND FAST FACTS	
HISTORIC AVERAGE EMPLOYMENT GROWTH	6,952
ESTIMATED HISTORIC ABSORPTION* (SF)	740,833
5-YEAR AVERAGE TOTAL ANNUAL ABSORPTION	558,548
2019 ANNUAL OFFICE ABSORPTION	763,747

*Estimate calculated based on 175 SF/employee

WORKPLACE WELLNESS AND SUSTAINABILITY

FOCUS ON PEOPLE, EXPERIENCE, AND WELLBEING

People are companies' most important asset yet as an industry, we have not actively managed the impact our workplaces have on our people. The current state presents us with a fundamental opportunity for improvement. Companies with engaged employees enjoy two times typical revenue growth. The potential for value-driven transformation through employee productivity and experience is compelling.

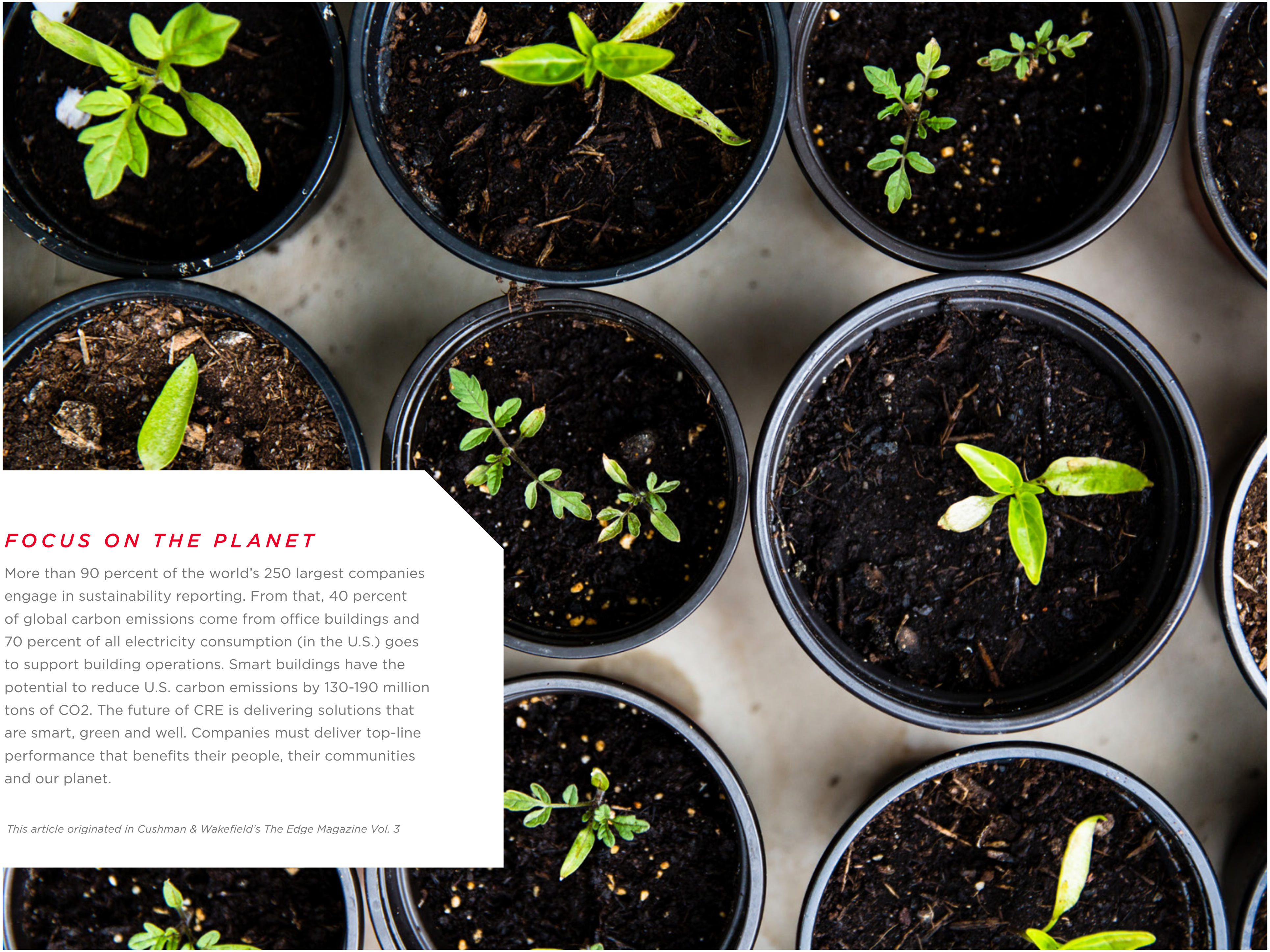
One-third of employees' sick leave can be attributed to poor indoor air quality. Improved environmental conditions – air quality, light and noise – can positively impact worker productivity between .5 percent and 5 percent, translating between $20 and $200 billion in revenue in the U.S. alone.

This article originated in Cushman & Wakefield's The Edge Magazine Vol. 3

$1.1 TRILLION
IS THE ESTMATED COST OF WORK-RELATED STRESS IN THE U.S.

47%
OF EMPLOYEES FEEL THAT THEIR WORKSPACE DOES NOT SUPPORT PRODUCTIVITY

70%
OF EMPLOYEES DO NOT FEEL ENGAGED IN THEIR JOBS



FOCUS ON THE PLANET

More than 90 percent of the world's 250 largest companies engage in sustainability reporting. From that, 40 percent of global carbon emissions come from office buildings and 70 percent of all electricity consumption (in the U.S.) goes to support building operations. Smart buildings have the potential to reduce U.S. carbon emissions by 130-190 million tons of CO2. The future of CRE is delivering solutions that are smart, green and well. Companies must deliver top-line performance that benefits their people, their communities and our planet.

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TECHNOLOGY AND FLEXIBLE WORKSPACES

FOCUS ON SPACE EFFICIENCY AND AGILITY

Millions of square feet of office building space is currently underutilized, many building management tasks are completed reactively and energy costs are largely opaque and expensive. However, this can be avoided by leveraging sensor technology, allowing occupiers and owners to gain actionable insights into space utilization, preventative maintenance and energy use/costs. Estimates predict smart buildings could save $20-$25 billion in annual energy costs.

It's important for companies to diversify workplace portfolios to a mix of fixed, flexible and on-demand spaces to support business agility. The growth in the flexible-space market, including coworking, has been nothing short of remarkable. Coworking has evolved from a trend to mainstream, with many service providers offering a variety of space options from the individual entrepreneur to enterprise solutions for blue-chip corporates. The provision of third spaces by institutional landlords within prime-grade offices is increasingly common as is the development of their own coworking brands. As the lines between the facilities and services offered by fixed, flexible and on-demand spaces become increasingly blurred, it gives occupiers greater scope to actively manage their portfolio for optimum efficiency and productivity.

This article originated in Cushman & Wakefield's The Edge Magazine Vol. 3

AMENITIES

LEVERAGING THE WORKPLACE TO ATTRACT AND ENGAGE TALENT

With many markets experiencing historically low unemployment rates, amenities can help make the workplace a destination in order to compete for talent. Occupiers are focusing on high-quality buildings in more urban locations with more amenities and locations near entertainment districts. Street level retail presents one amenity that can serve multiple purposes. Experiential retail concepts, driven primarily by fitness and food, can become meeting spaces for tenants in the building above or a convenient location for a company happy hour.

Amenities can also extend to workplace policies, such as allowing dogs around the office. Researchers at the Virginia Commonwealth University Center for Human-Animal Interaction found that having dogs around the office produced a wide array of benefits for both pet owners and their pet-less coworkers. Pet-friendly companies claim that dogs are a great conversation starter during tense meetings and also encourage more friendly socializing in the office.*

**Excerpts originated in Cushman & Wakefield's The Edge Magazine Vol. 3*

RETAIL AND ENTERTAINMENT AS AN AMENITY

SCOTT'S ADDITION OFFICE OCCUPIER MAP

The desire to be near restaurants and entertainment options has propelled Scott's Addition in Richmond to become a hotbed for development. With restaurants, breweries, and entertainment options available, occupiers are paying premium rents to be located near these neighborhood amenities in the historic industrial area.

HISTORIC PRESERVATION AS AN AMENITY

In Greenville, SC, ongoing investments have revitalized historic structures and brought new life to the area surrounding the Reedy River downtown. Landlords of older buildings are investing in high-quality amenities and building improvements in order to attract new tenants and retain existing tenants.

Public/Private partnerships are continuing to bring new projects to an already well-established downtown area. The proposed downtown conference center was gifted seven acres of land, valued at approximately $25 million, to help jumpstart the project. The South Carolina Art and Cultural Center would provide 65,000 square feet of conference space and two art museums along the banks of the Reedy River.

Valued At Approximately

$25 M

The South Carolina Art and Cultural Center Would Provide

65,000 SF

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