The Future of Work

NCREIF Summer Conference Chicago

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JLL SEE A BRIGHTER WAY
Occupiers Want To Define The Future of Work
Questions we’re hearing

ATTENDANCE
- How do we increase office attendance (without a mandate)?
- What are the risks or consequences to an RTO mandate?

CONSISTENCY
- How does the office transformation vary by business function?
- Should leaders, teams or individuals decide when and why to come in?

EXPERIENCE
- What will the experience be when people come to the office?
- How does employee experience impact retention and connectivity to company culture?

EFFICIENCY/COST
- How do we prioritize / justify investment across our portfolio?
- How do we optimize our footprint during a period of extreme uncertainty?
The Future of the Central Business District

Office re-entry levels, May 2023 | 100% defined as typical weekday office entries 2019

84% Asia-Pacific
73% Europe
50% United States

88% of office space in major CBDs was built before 2015
2.3 is the average number of days people work remotely
27% below pre-pandemic levels - lagging leisure travel remains a concern

Source: JLL Research, May 2023
Return to Office: Realities of Implementation

Challenges continue to grow between expectations, investments / experiments, and actual behaviors

Current Challenges

- **Mandates / standards are not followed** at all levels
- Workplace **norms** and expectations **not demonstrated by Leadership**
- **Perceived productivity impacts** &/or perception that in-office presence = performance
- **Talent Attraction and Retention impacts**
- **Unfulfilled Workplace Value Proposition** (i.e., expectations or incentives not met)
- Lack of individual sense of belonging within the organization
- Lack of change management to manage new ways of working
- **Disconnect** to workplace culture

Corporate Examples

- In-office mandates
- Tracking individual in-office attendance
- Actively monitoring internal chat rooms
Pandemic has accelerated migration trends

Drivers of Migration

- Business Environment
- Taxes & Governance
- Entertainment / Quality of life
- Affordability
- Talent base

County change in prime working-age (25-54) population from 2020 to 2021

Source: Census Bureau
Driving and accelerating this movement are numerous high-profile tech, financial and services corporations.
Experience Strategy is Changing

People

Quality-of-life expectations are rising, and employees now expect their employers to support their aspirations to relocate.

Employees expect their employer to promote self-care and support a healthy work-life balance.

Spaces

Employees are demanding customer-grade workplace experiences.

Employers will optimize and disperse spaces to meet new and complex employees demand.

Technology

Employers need to consider greater human-machine partnership and AI co-pilots.

Hybrid work is inherently tech-enabled. Technology adoption is pivoting from reactive to forward-looking implementation.

Increase in people wanting to stay at a company that delivers positive experiences.

McKinsey
Footprints will change and can fund the transformation
The workplace evolves as a collaboration hub

Historical Office / Workplace Allocation

<table>
<thead>
<tr>
<th>Individual spaces</th>
<th>Collaboration spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-80% Individual</td>
<td>20-30% Collaborative &amp; Community</td>
</tr>
</tbody>
</table>

Largest allocation for individual spaces such as offices and workstations. Limited variety of space types.

Elasticity
Adaptation
Choice

Future Office / Workplace Allocation
The Work from Anywhere Ecosystem

<table>
<thead>
<tr>
<th>Collaboration spaces</th>
<th>Amenities/Wellness</th>
<th>Social/Community</th>
<th>Individual spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-70%* Collaborative &amp; Community</td>
<td>30-35% Individual</td>
<td></td>
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</tbody>
</table>

New Workplace Investments will be required in retrofitting and higher services, amenities and technologies and digital enablement and coworking spaces.

The Office is a Cultural & Community Hub and a place for Collaboration

*Details dependent by Future Workplace Strategy
Flight to quality creating bifurcation in office performance

**Structural shift in demand for highest quality assets**

- **New / Differentiated assets**
- **Commodity/ Undifferentiated assets**
- **Functional obsolescence**

**What’s differentiating?**

- Food & beverage
- Quality architecture
- Outdoor spaces
- Tenant lounges

"What we’ve got today is good old-fashioned oversupply. We have an enormous amount of obsolete office space.” – Sam Zell

Best-in-class office product is capturing outsized demand, which is widening the performance disparity between new/amenitized and second-generation/undifferentiated assets
Intense demand for quality space has led to nearly 87 m.s.f. of net occupancy growth in new supply.

- **2015-present**: 86,794,297
- **2010-2014**: -75,616
- **2000s**: -28,007,668
- **1990s**: -23,240,353
- **1980s**: -77,454,006
- **1970s**: -24,469,540
- **1960s**: -12,505,693
- **Pre-1950**: -80,788,619

**Net absorption since COVID-19 onset (s.f.)**

### Projects
- **Bay View Campus**: Silicon Valley, Google, 1,100,000 s.f.
- **RTC Next (Phase 2)**: Northern Virginia, Volkswagen, 418,000 s.f.
- **888 N Douglas Street**: Los Angeles, Beyond Meat, L'Oreal, 391,000 s.f.
- **Block 38**: Seattle, Google, 322,000 s.f.

**Source**: JLL Research
Thank you