



# PORTFOLIO RESET: ALIGNING PORTFOLIO, LABOR & WORKPLACE STRATEGY

**As labor migrates to new markets, real estate market conditions evolve, and the workplace is reimagined, there is no better time to develop a unique strategy for your organization.**

The freedom to rethink the physical relationship between an employee and their workplace — whether a residence or an office — has created a dynamic that froze leasing and spurred talk about reinvigorated suburban office markets. As flexibility in work location becomes more prevalent, demands of the office are evolving to expect a place where employees feel inspired, innovative and connected to the unique culture of their companies. White collar professionals have continued to relocate during the pandemic, doubling down on the trend to exit dense cities and migrate to smaller metro areas in Southern and Mountain regions across the U.S. Similarly in Europe, houses in regional locations, for example in the North and Southwest in the UK, have experienced rise in demand in the last year. To that end, companies are reevaluating their return on investment of expensive office submarkets, some opting to shift operations to lower-cost locales.

Now in a position to chart out a new normal for post-pandemic office work, Cushman & Wakefield examines factors that influence the foundations of corporate location decision making. Every company's work requirements, culture, and existing real estate footprint is unique. Some will see substantial changes to their offices and portfolios, while others will gradually refill their current office footprint. However, maintaining the status quo means facing considerable risk, whether assuming their workforce will revert to the pre-pandemic work mode or maintain the aggressive Work from Home (WFH) models we are currently experiencing. Employees, their managers and their clients are well aware that business can be done successfully in a variety of locations.

While the cement is still wet, companies should take this small window of opportunity to holistically evaluate the core assessment areas of real estate—their office footprint or portfolio, labor strategy and the workplace experience. What better time to rethink the fundamentals of corporate real estate than a historic human event that has unequivocally affected office work? Regardless of your company's near or long-term return-to-office planning, now is the time for a portfolio reset assessment to ensure your real estate is truly supportive of how work should and will get done.

## **Portfolio Strategy Assessment**

If given a clean slate perspective, most corporate real estate executives would not refer to their current portfolios as optimal. In reality, they are facing oversized footprints often in the wrong locations, resulting in wasted dollars and organizational disconnect. These portfolios didn't get this way overnight; they evolved through multiple tenures of leadership, shifting business objectives and merger activities.

Historically, the principal driver for portfolio office locations was simply the presence of clients and employees. But with a growing openness for virtual meeting and remote working, the need for rooftops in distributed cities with low employee populations may no longer be required. Now, we are seeing a movement to prune a portfolio's limited value locations in favor of reinvesting in primary hubs where learning, innovation and collaboration activities will take place. This “fewer, better” rooftop model illustrates the purpose of place in core hubs defined by a large, skilled workforce and robust air access.



***In a recent Cushman & Wakefield-CoreNet survey of global companies, 39% of C-suite respondents expect that they will allow employees to live anywhere regardless of company office presence.<sup>1</sup>***

A fresh look at the departmental composition of each office should also be part of the portfolio reset. The relationship between the front and back of the house functions can open the door for exploring centralized support offices in lower-cost locations with an improved competitive environment. This is especially true for newer, fast-growth companies that now need to instill a talent acquisition structure into their entrepreneurial spirit. Moving customer support functions out of hyper-competitive markets allows the company to focus on its core talent while lowering costs and freeing up real estate.

#### **Portfolio Strategy Reset Questions:**

- Is the portfolio location strategy intentional? Is it tightly aligned with company objectives (e.g., cost efficiency, access to labor, growth, and alignment with future ways of working)?
- Is the composition of departments in each facility optimized for product development, customer service and business efficiency?
- Does your portfolio contain an abundance of small offices, redundant geographic overlap or a presence in regions with a declining customer base?
- Have changes to your employee work location policy influenced the need for physical offices by location or function?
- If you had a clean sheet of paper, would any elements evolve?

#### **Metro Area Labor Assessment**

The pandemic abruptly paused growth-driven office absorption and the rush to costly central business districts to be proximate to talent pools. As the standard five-day-a-week relationship with the office has evolved, so has the thought process on talent proximity within a metro area. Now, many companies are suggesting they will embrace some level of flexible work location policies, resulting in less time in the office over a typical week.

This model also creates the freedom to expand hiring strategy. Some organizations are now targeting top talent in remote markets without a physical presence as a way to gain an edge in recruitment for high-demand occupations. New hires can maintain their lifestyle without uprooting, while still being immersed in company culture via regular trips to the hub offices for learning and socialization with their teams. For companies that retain central business district offices, the purpose for these locations will potentially shift from a means to access to young talent toward the value of working in agglomeration economies where hubs of similar companies drive innovation by virtue of proximity.



***In the U.S., migration has yielded a 43% rise in net new suburban households in 2020 from the prior year, which helped swell the population of some counties surrounding cities such as Dallas, Indianapolis, Nashville and Charlotte.<sup>2</sup>***



***A survey in Europe found that some 41% of Londoners had moved out of the city at some point in the pandemic, compared to around 10% in Madrid, Milan and Berlin and 20% in Paris<sup>3</sup>***

Well-located suburban submarkets are positioned for growth brought by companies looking to reduce real estate expenses and potentially capture shifting populations, particularly young families seeking more space. The pandemic also shifted attitudes toward high-density living, which has resulted in extraordinarily tight, single-family housing markets in some suburban areas. Thus, suburban office assets have re-entered the strategy to be **where people will live and work after COVID-19.**

Additionally, the growing significance of the employee experience while working in the office—reframing it as a place where you want to work—fits with the city’s strength in walkable cultural and entertainment amenities that create the live/work/play environment of choice.

**Labor Strategy Reset Questions:**

- Are you aware of the migration patterns of your employees and for those potential employees with the desired skill sets?
- Are the real estate assets in the metro region well aligned with the labor skill and demographic needs of the business?
- With regard to shifting attitudes toward workplace flexibility and talent migration trends, is the real estate well situated to attract and retain talent?
- Will accelerating economic activity push cost and labor competitiveness beyond a reasonable threshold in the next few years?

**Workplace Strategy Assessment**

The future of work is not binary. The purpose of the workplace has evolved as the advantages and drawbacks of remote working come into focus. Even prior to COVID-19, we knew the most engaged employees could choose to work at home or the office, as their schedules demanded. The evolving demands of employees is spurring companies to lean into the office for unmatched innovation and collaboration, as in-office activities will be dominated by togetherness and idea sharing. Flexibility will be key as spaces will serve multiple purposes of focused work, meetings and social events seamlessly.



*The population of hybrid home-office employees will jump from 29% to 81%.<sup>4</sup>  
Employees coming in 2-4 days a week will expect the office to provide the space, services and amenities not available when working from home.<sup>5</sup>*

Most offices are not designed to support this emphasis as they are heavily allocated for workstations and offices accommodating individual, focused work. The exercise being undertaken aims to shift the components of the office toward these in-demand spaces, while minimizing capital spend. The workplace success metrics post-COVID-19 will be defined by overall space effectiveness, team and business performance, and employee engagement. All solutions will need to be supported by robust human resource policies and technologies that allow corporate real estate to monitor occupancy and use of space, gain insight and pivot as demand evolves.

**Workplace Strategy Reset Questions:**

- Does leadership have a position on the unique purpose of place?
- What are the current pain points for your employees as they work remotely or in a hybrid model? How can the office help to address these concerns?
- Does the workplace provide an atmosphere that fosters innovation, creativity, engagement and creates compelling employee experiences?
- Does the workplace support and further company culture and brand?
- Does the workplace help to break down silos and enhance improved collaboration?
- Does the workplace provide the right amenities that attract, engage and excite?
- What are your employee and manager expectations on work location policies post-COVID-19?

**“Never let a good crisis go to waste”**

With so many dramatic shifts in the business environment in the last year, the opportunity for office occupiers to right size and reposition their real estate strategy has never been greater. The workplace and office ecosystem will now rely upon the delivery of integrated labor, footprint and workplace strategies, services and initiatives. An objective assessment of these interrelated disciplines will expose outmoded thinking and gaps in your real estate strategy that impede business. Organizations must refresh this strategy to drive improved top-line growth and bottom-line efficiency, better position the portfolio for agility and promote an Active Recovery to build the best workplace experience.

From executive-level insights that leverage our conversations with the world's leading office occupiers, to on-the-ground development of their portfolio and workplace strategies, Cushman & Wakefield has an unprecedented view of the pandemic to advise and execute against these metrics of success. Our Total Workplace and Research teams continue to qualify and quantify the employee experience in the built environment and what it means to the future of office. To capitalize on this data-backed view, our Strategic Consulting experts become an extension of CRE teams to tackle the complexity of the interrelated factors across labor, location and workplace to design strategies as unique as the clients we serve.

Regardless of sector, region or leadership perspective on work location policy, a portfolio reset will benefit the C-suite, CRE, employees, customers and stakeholders alike.

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### Footnotes

- <sup>1</sup>Cushman & Wakefield - *CoreNet Global Workplace Ecosystems*.  
<sup>2</sup>Wall Street Journal - *The Pandemic Changed Where Americans Live*.  
<sup>3</sup>New York Times - *The Pandemic Emptied Europe's Cities. What Will Bring People Back?*  
<sup>4</sup>Cushman & Wakefield - *CoreNet Global Workplace Ecosystems*.  
<sup>5</sup>Cushman & Wakefield - *Talent on the Move: Were People Will Work & Live After COVID-19*.

### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

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