

1Q 2018
NYC NEWTRENDS

WORKPLACE: STRATEGIES OF THE PAST AND INNOVATIONS FOR THE FUTURE



INTRODUCTION

Rooted in several decades of history and simplicity in its scope of work to program office space, modern workplace strategy now offers a holistic platform that is revolutionizing the way companies operate. Today, the practice is not only a catalyst for improving productivity and efficiency but also an important aspect of a company's strategy for attracting top talent. These changes have been spurred largely by technological and economic developments. With employment and GDP currently at historic highs, the practice has swelled in popularity and applicability.

Workplace Strategy Reaches a Watershed Moment

The Workplace Strategist of today typically has a richer skill set and offers a greater scope of services than in the past. In the 1980s and early 1990s, the commonly used methodology was programming, which entailed a company quantifying its need for a specific number of desks, offices and support spaces to fit a specific headcount. Typically, the only companies that were capable of spending capital on workplace strategy solutions were big banks and larger institutions occupying over 100,000 square feet.

As the 1990s progressed, technological and economic change began to transform the workplace. Working away from the desk became more commonplace. Large institutions including consulting firms offered employees the ability to work virtually.

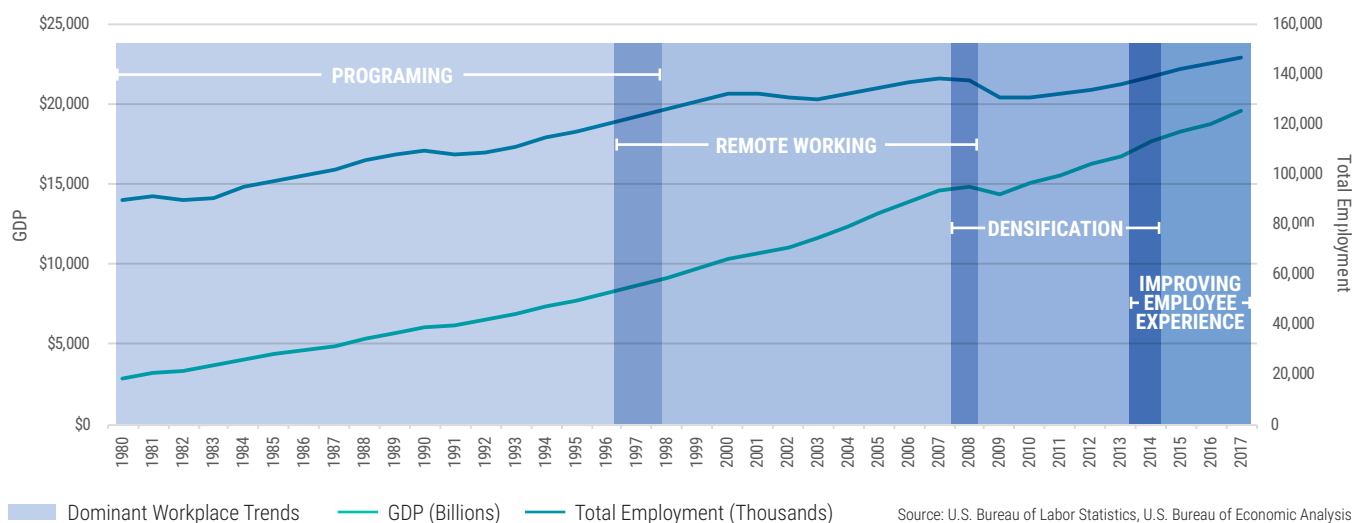
As tech and modern media companies consumed a larger share of the economy, new companies with different workplace strategy requirements set up shop across the country. The TBWA/Chiat/Day ad agency set a new standard with the configuration of its Los Angeles office, creating a workplace that encouraged mobility and flexibility where desks were unassigned.

In 2008, the Great Recession led to widespread workplace consolidation and densification. Many companies reduced headcount, and consulted workplace strategists to help develop space-shedding strategies to reduce the amount of space per employee in what remained.

Now with the economy well into expansion, creative workplace strategies have reemerged and the scope of work has broadened. Workplace strategy is now commonly defined as

NATIONAL GDP AND EMPLOYMENT

ECONOMIC CHANGES DRIVE TRENDS IN WORKPLACE STRATEGIES



MODERN WORKPLACE STRATEGIES, THEN AND NOW		
	Then (1980s)	Now (2018)
Size of typical tenant engaging in Workplace Strategies	100,000 SF	10,000 SF
Who engages	Head of Facilities and Operations	C-Suite Executives
Industries involved	Big banks and major institutions	All office-using industries with technology companies often driving new trends
Workplace Strategies Platform	1 key component: Space requirements program	5 key components: Portfolio, Planning, Work Mode, Design, Change Management
Workplace Composition	10% shared space, 90% space dedicated to individuals (i.e., desks and offices)	40% shared space, 60% space dedicated to individuals (i.e., desks and offices)
Workplace Performance Measure	Area per seat	Area per person in conjunction with employee engagement, satisfaction, productivity, recruitment, retention, absenteeism, etc.

the dynamic alignment of an organization's work patterns and business goals with its work environment to enable peak performance and potentially reduce costs. When this alignment is successful, and work environment changes are supplemented with the necessary technology and human resources strategies, organizations may realize business objectives beyond portfolio consolidation and reduced property costs, including: employee productivity enhancements, improved talent attraction and retention, improved employee wellness, cultural change and the "future proofing" of facilities.

The number of companies that consider workplace strategy has grown, as many companies leasing over 10,000 square feet of space commit time and money to the practice. As an indication of companies' increased investment in the process, workplace strategists that previously dealt with facilities managers at these companies are now dealing with C-suite executives. Those practitioners are now finding ways to turn the workplace, a company's second-largest cost after its employees, into a resource and competitive advantage.

Today, there are five main categories of workplace strategy. Portfolio involves occupying office locations across multiple buildings and/or markets and creating synergies between them. Planning includes deciding a floor plan layout and allocating individual and shared spaces effectively. Work mode has evolved with technology and involves catering to a dynamic workplace, exploring alternative ways of working, including virtual working, coworking and activity-based working. It also breaks employees from the habit of performing all office tasks in one place (i.e., at a desk or in an office), encouraging them to move around the workplace. Since 50% of workplace seats

are unoccupied at any given time on average, activity-based working can typically decrease space required by 30%. Design is the look and feel of the physical and virtual workplace, which can affect health and wellness and influence client engagement and branding. Change management is a communication strategy that helps with the transition to a new workplace model and may include staff training.

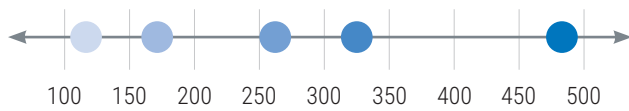
This variety of workplace strategy options did not exist 10 years ago. The attention that companies pay to the subject and their willingness to spend capital on it has increased dramatically.

Although area per person has steadily declined over time, the current trend is to reallocate more of the space to shared amenities rather than individual offices and workstations. There is a range of typical densities by workplace strategy; the diagram below represents averages for the New York City metro area.

Implications of Technology and where the Practice is Headed

By taking employees out of the office, virtual working has reduced the amount of space needed, generating saving on real estate costs. However, depending on the type of work being done, virtual working can also be a detriment to productivity. On highly collaborative projects where innovation is the goal, face-to-face interaction has proven more productive and efficient than virtual communication. Today's workplace strategies practices are in many ways a reaction to advances in the technology that has allowed for virtual working. Equipped with technological capabilities that allow many employees to work anywhere, firms are now tasked with creating experiential workplace environments

NEW YORK CITY DENSITY GUIDELINES (RSF/PERSON) AVERAGE OCCUPANCY PER EMPLOYEE BY INDUSTRY



- 120 RSF** Call center
- 160 RSF** Mobile workplace
- 260 RSF** Open collaborative plan
- 330 RSF** Mixed open & closed plan
- 490 RSF** Mostly enclosed plan

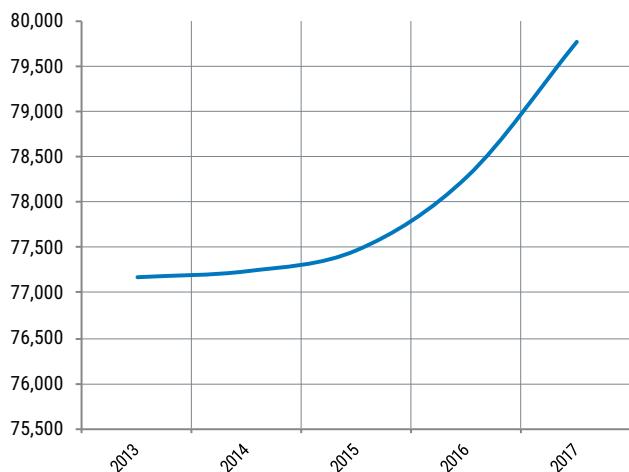
Source: workdesign.com/2017/01/brief-history-workplace-future, bea.gov/regional/downloadzip.cfm

to draw employees back to the workplace. The inclusion of hospitality-inspired design, wellness features and amenities can help lure employees into the workplace more frequently. The physical and design representations of these strategies vary by industry and include community rooms, pantries with healthy food options, social spaces like coffee bars, and creative design such as lounges designed with hotel lobby features.

As a practice, Workplace Strategies is on the cusp of its next phase of expansion, as it continues to grow and adapt with the times. Themes for the next generation of the practice have begun to emerge, and they revolve around data analytics and technology.

Big data can help practitioners and executives track and understand the use of space for informed decision-making about changes to workplace. Sensors can now track space usage and efficiency, helping to inform real estate decisions. They can provide data to show what types of spaces are being used, by how many people

NEW YORK CITY LAW FIRM EMPLOYMENT EMPLOYMENT ON THE RISE



and how often. Conversely, they can show what types of spaces are not being used. As more tenants track space utilization this way, it will become possible to aggregate the data to generate utilization trends. Certain landlords are getting ahead of the trend by providing this data to existing and potential tenants.

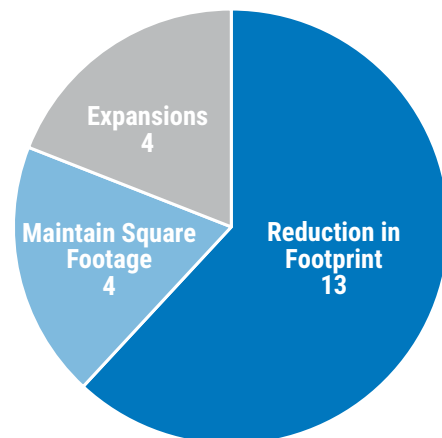
As technology continues to advance, robotics and automation will play a greater role in the workplace. Some law firms have already incorporated this technology into everyday use. Whereas it used to be common to have filing, record retention and proofreading departments of up to 50 people or more, today a single computer can often handle that work. Libraries are being removed as digital systems make them obsolete. This results in a lower headcount and a need for less space. In fact, of 21 law firm deals over 100,000 square feet signed since 2014 in New York, 13 have decreased occupancy, in part because of technology but also because of the macro trend to increase workplace efficiency; RSF per attorney has gone from 1000 RSF per attorney to 700 RSF per attorney on average and is often less than that. Meanwhile, employment in the industry overall has grown.

The emergence of robotics also has implications for space utilization, since robotics require different ambient conditions (such as temperature, lighting and air quality) and infrastructure from employees. Robotics are likely to replace several other job functions in the workplace, including facilities and operations. This will further reduce headcount and space requirements while shifting the actual infrastructure of the workplace to accommodate robotic functions. On the flip side, AI in the workplace is also expected to create new jobs to help facilitate robotic integration.

Advice for Tenants

As modern workplace strategies have grown and evolved, they have become more widely relevant. Whereas once Fortune 500

NYC LAW FIRM DEALS +100K SF SIGNED SINCE 2014 MANY REDUCE FOOTPRINT AS JOBS INCREASE



CASE STUDY: TECHNOLOGY COMPANIES

Technology companies are the innovators of Workplace Strategies. They trend about ten years ahead of other industries, asking questions and experimenting with solutions, many of which become mainstream. As such, technology companies serve as a beacon of what is to come.

- In the past, technology companies provided cutting edge amenities to keep employees in the office longer and blend work-life. Some elements like cafes, ping pong tables, and concierge services became commonplace among many different types of tenants.
- Presently, technology companies are designing individual and shared spaces for focused work to balance the open, collaborative areas. They still prefer open seating, but aim to provide individuals with tools at their desk to promote concentration or “quiet-together” spaces akin to libraries.
- Future, forward-thinking technology companies are beginning to experiment with applying principles of human evolution and cognitive psychology to create environments that maximize an individual's creativity and wellbeing. Many of these concepts are based on biophilia, our innate attraction to nature, and they involve concepts like designing indoor lighting to change throughout the day in a way that mimics natural outdoor light.



CASE STUDY: LAW FIRMS			
	Past	Present	Future Using Europe and Australia (which are more progressive in workplace strategy) as a gauge
RSF/Attorney	1,000	650	500, if mobility and work-remote options are instituted.
Perspective of Real Estate	Office space is an expense.	Office space is an investment.	Office space is a critical resource in creating a holistic workplace, which incorporates technology, virtual presence, culture, and HR policies.
Workplace and Culture of Hierarchy	Reflect hierarchy of individuals and the professional status of the firm.	Less hierarchical translation of status through design. Key design components include fewer and smaller offices, glass walls for transparency, and more collaborative spaces. Corner spaces are often used for conference rooms rather than the corner office.	Hierarchy is expected to become even more flat with a single size office for partners and associates, glass-fronted interior offices, and workstations on the perimeter to allow natural light and views for all.
Workplace Priorities	Match the physical workplace (including office sizes, amenities and support spaces) with top benchmarked peers and competitors.	Use the office as a distinguisher in recruitment and retention. Try to provide a better workplace experience as part of the package to keep existing talent and attract the next generation.	Use the workplace experience to balance work-remote options with working in the office. When attorneys have a complete set of the tools to work remotely, the design of the space should draw them back into the office for face-to-face interaction, creative brainstorming, and social connection with teammates.
Priorities of the Individual versus Collaboration	Promote individual, focused, heads-down work.	Promote individual work as well as team-based collaboration and mentoring with a greater emphasis on separating public and private zones.	Promote individual work, collaboration and informal interaction to maximize a sense of connection and encourage relationship building that is critical to the lifeblood of the firm.

tenants over 100,000 square feet were the likely consumers, now the practice is applicable to any tenant over 10,000 square feet. Firms where recruitment and retention are a priority often choose to engage workplace strategy services, as creating a healthy and inviting work environment is a boon to keeping employees and attracting new ones. Tenants in more expensive real estate markets also look to maximize the quality and efficiency of their space and can benefit from workplace strategy. Firms undergoing major transitions or organizational

changes can also use workplace strategy to assist with significant changes in space needs and rebranding.

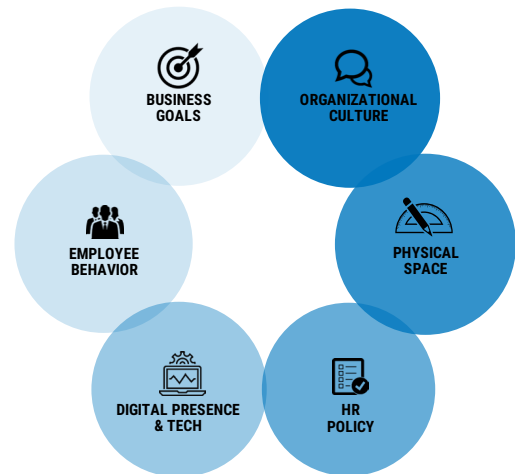
Although each tenant has its own needs, it is often beneficial to engage workplace strategy solutions in advance of a location decision, as early as possible. Findings from a successful workplace strategy engagement should help inform a client's ideal location of space, quantity of space/number of floors, type of space/architectural features, required special amenities,

floorplate size and shape, necessary building infrastructure, and lease terms/need for flexibility. For large tenants, this often means 18 to 24 months in advance of lease expiration. For small and mid-sized tenants, it may be much closer to lease expiration. Successful Workplace Strategies plans are designed and executed in collaboration between the tenant, brokerage team and architecture team.

When a company is envisioning its future workplace, it must think of the next generation of leadership and staff that will be occupying the space over the term of the lease. There is a lot of research on millennial and Generation Z's values and work styles, but the key is to design for universal values that appeal to a multi-generational workforce. Universal workplace priorities are comprised of a range of space settings, choice, ergonomics, technology and wellness. A best practice is to plan for variety and flexibility, so that employees have control over their workplace and feel empowered and engaged.

New generations of workers experience the world via a digital consumer mindset, necessitating that progressive designers consider the overall user experience of a workplace ecosystem, not just the furniture and interior architecture. The "Workplace Ecosystem" diagram illustrates that a successful workplace strategy must encompass the holistic workplace ecosystem with all of its experiential factors. For example, if a client wanted to focus on improving collaboration, a workplace strategist would especially focus on workplace strategies to influence employee behavior and technology. This approach suggests that in the future, workplace strategists will also have to brush up on their organizational behavior and technologist skill sets—a far cry from the more narrowly designed programming of decades past.

WORKPLACE ECOSYSTEM: Workplace Strategy Encompasses the Workplace Ecosystem with all of its Experiential Factors



Which Types of Companies should Engage in Workplace Strategies

- Tenants over 10,000 square feet
- Those for whom recruitment and retention are important
- Firms in more expensive markets
- Those in the midst of a major organizational transition or change like rebranding

Action Steps for Tenants

- Engage Workplace Strategy at the same time as a change in lease is considered, in advance of a lease expiration.
- Identify and implement workplace trends that are important to attract and retain a talented workforce.
- Consider ways in which relevant robotics and automation can make workplace more efficient.

CONCLUSION

Over the past several decades, workplace strategies have grown and evolved to fit the ever-changing needs of tenants. Modern companies want their work environment to reflect their mission and business goals, and the practice can help achieve this while often reducing real estate costs. More companies engage workplace strategies today than ever before, and the field is likely to continue its growth and scope of operations, as rapidly evolving technology continues to impact the workplace.

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