



5 Insights for

Leadership in Corporate Real Estate

Perspectives & predictions from the June 2023
Commercial Real Estate (CRE) Leadership Forum

Boston, Massachusetts
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It's no secret that commercial and corporate real estate are in the midst of a generational transformation – that's one of the reasons why HqO was so excited to host this event. By bringing together leading innovators for an engaging day of discussion, we're proud to help the leaders of today build the offices of tomorrow. We look forward to expanding this dialogue at future events.

Chase Garbarino
HqO Co-founder and CEO

Significant opportunities to excel in today's challenging environment

Insights from the Commercial Real Estate (CRE) Leadership Forum

On June 20th, 2023, HqO hosted its proprietary CRE Leadership Forum at Divco's spacious 75 State St. property in Boston. The day-long event brought together an elite group of CRE and workplace experience leaders from Toast, Standard and Chartered Bank, Tishman Speyer, and other top organizations for a busy day of knowledge sharing, spirited discussion, and engaging thought leadership.

Participants and speakers thoughtfully examined the difficulties and prospects confronting employers and property teams in today's rapidly evolving market. While speakers were honest about the challenges faced by industry leaders, they also highlighted the significant opportunities available to

organizations who are able to excel in today's challenging environment. Change breeds uncertainty – but it also brings opportunity. The leaders who attended the Forum expressed their intent to capitalize on this uncertain period by proactively envisioning the workplaces of tomorrow.

This report highlights our top 5 takeaways from the June Leadership Forum, which represents input from 20+ leading corporate real estate executives, workplace consultants, and a select group of innovative landlords across Europe and North America. By reading, you'll get an exclusive glance at where the workplace has been, and where it's going in the future.

01

Executives are demanding data to show the ROI of real estate investments.

The post-Covid acceleration to hybrid work has put office investments, usage, and alternatives in focus for C-suite leaders. It's now critical for corporate and commercial real estate organizations to demonstrate how the office creates enterprise value and provides measurable ROI. But in spite of the demand for better data on office ROI, several Forum panelists reported that this data is currently hard to come by, which means that they're having a difficult time quantifying workplace investments to tenants and c-suite leaders.

In some ways, real estate data has never been easier to come by. An explosion in property technologies like access control and resource booking systems and the proliferation of internet-connected devices from lights to HVAC and window shades to occupancy sensors has inundated CRE leaders with data on the workplace. However, a cacophony of data doesn't magically gel into a clear ROI. As occupiers accelerate the reduction of their footprints, continue decentralizing their workforces, and make other changes to their workplace strategies, CRE and corporate real estate executives will be looking for the most impactful metrics

and the most **insightful data points to better communicate with executives the performance of their workplaces.**

There are many different ways that corporate and commercial real estate leaders can generate data on the ROI of the office. Among the insights Kirsty Angerer from Leesman shared with Forum participants were the "sentiment super drivers," those physical and service features of the workplace that most impact employee satisfaction based on Leesman's unique research and unrivaled database of more than 1 million respondents. Benchmarking against this database provides a clear way to identify and quantify ROI.

Another approach is to implement comprehensive data tracking systems that capture relevant metrics, such as employee productivity, engagement levels, and collaboration rates. These systems can include tools like employee monitoring software, surveys, and analytics platforms to collect and analyze data over time. In addition, leaders can also leverage employee feedback mechanisms (such as satisfaction surveys and focus groups) to gather qualitative insights on the impact

of office investments. Another avenue is to conduct controlled experiments or A/B testing, where different office configurations or design elements are implemented in separate groups to measure their effect on desired outcomes. By combining quantitative and qualitative data sources, leaders can gain a holistic understanding of the ROI of workplace investments and make data-driven decisions to optimize their workplace strategies.

As leaders search for more ways to gather better data, it's clear that proptech and workplace experience technology will play a major role.

Workplace experience technology is a useful tool for collecting and communicating data on ROI in part because it captures data on many different facets of the workplace experience. This can give CRE and corporate real estate professionals an overview of all activity at a particular building or group of buildings. This gives them the information they need to move proactively in order to bring a level of predictability to leasing agreements.



After the pivot to hybrid work, it's now critical for corporate and commercial real estate leaders to demonstrate how the office adds value and provides measurable ROI.



02

Employee engagement is critically low. Here's what that means and how it can hurt the bottom line.

According to Gallup, only 32% of US employees are engaged at their workplaces – that's down from 34% in 2021, and 36% in 2020. 18% of employees, meanwhile, are classified by Gallup as actively disengaged, while 50% of employees are classified as passively disengaged. Passively disengaged employees usually practice some form of “quiet quitting,” while actively disengaged employees may be seeking new employment and/or failing to perform essential job functions. **Both forms of disengagement present significant risk for employers..**

These numbers from Gallup – which were presented at the Forum – reveal the depth and worsening trajectory of the employee engagement crisis. After 3 years of consecutive

decline, engagement is critically low, contributing to lower productivity and higher costs for employers in all major industries

Forum panelists also agreed that it's important to remember and to remind others that employee engagement isn't an empty buzzword – lower engagement contributes to higher turnover and lower productivity, which directly impacts business results. That's why it's more important than ever to implement workplace technology and practices that keep employees engaged, productive, and satisfied over the long-term. **By keeping your employees engaged, you're improving the financial health of the entire company.**



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03

Executives recognize the role of the office in re-engaging employees, but are wrestling with data gaps to find the best models.

Deloitte finds that 87% of leading US executives believe that finding the right workplace model (e.g., hybrid, remote, or fully in-person) is a top priority for their companies – only 24%, however, believe that they've found the right model and are ready to implement it. This sharp disconnect shows that, even in 2023, the return to office story is far from settled. While employees in Europe have largely returned to the office, for example, many of their North American counterparts have not, and **these numbers from Deloitte show us that most companies are still struggling to implement the right model, even while they recognize the urgency and importance of doing so quickly.**

Regardless of what your company's preferred working model might be, it's important to understand the needs of your employees before, during, and after a switch to remote, hybrid, or full-time in-person work. Without up-to-date data on employee sentiment and space usage, you won't know how your employees are really feeling about their company and workplace, which means that you don't really know how your working model is working for everyone.

By collecting and analyzing workplace data, organizations can gain insights into employee preferences, behaviors, and needs, allowing them to design a strategy that aligns with the evolving demands of the workforce. Real estate data platforms provide

valuable information on employee sentiment, collaboration patterns, and productivity levels, helping decision-makers understand how to effectively structure office layouts, implement flexible work arrangements, and provide the necessary resources and support. **Data-driven insights enable organizations to address potential challenges and mitigate risks** associated with the return to the office, such as occupancy limits, social distancing requirements, and health and safety protocols. By leveraging workplace data, organizations can make informed decisions, tailor their strategies to meet employee expectations, and create a safe and productive work environment that fosters employee well-being and drives organizational success.



Without up-to-date data on employee sentiment and space usage, you won't know what works best for your organization.



04

As many facilities managers reach retirement age, leaders must prepare for a wave of change in the workplace.



A large number of facilities management professionals are approaching retirement age. Newcomers to the profession have radically different ideas about work and the workplace.

The average age of a facilities manager is between 50 and 55, which means that **many in the profession will retire relatively soon**. Today's facilities managers will be remembered for the thoughtful and innovative work that they did to improve the workplace for everyone, but, as they retire, it's important to recognize the professionals who replace them are to the job with radically new ideas about place, identity, and work. These ideas will transform the workplace in exciting ways.

While today's generation have more uniform ideas about the purpose of work and the workplace, the new generation has a much wider variety of experiences and opinions. Rather than seeing the office as a place to do quiet, individually focused work, the new generation sees it as a place to enhance connection and build community, while also driving business results. Most importantly, it's crucial to understand that the new generation of facilities managers

will be greatly influenced by the lessons of the Covid-19 pandemic and the rise of hybrid work. While today's generation lived most of their professional lives on a 5 day in-person schedule, tomorrow's will have different expectations, and **those expectations are already contributing to a radical shift in the way that workplaces are used, designed, and conceptualized at the highest level.**



05

Changing sustainability norms and regulations are reshaping real estate. Organizations must do more to prepare.

New sustainability regulations and corporate sustainability efforts are profoundly reshaping the future of corporate and commercial real estate. As organizations in many different sectors of the economy face greater financial pressure and become more conscious of their environmental impact, they're recognizing the need to adopt sustainable practices within their properties. While many companies are still in the initial stages of information-gathering to understand the implications of these changes, Forum speakers reported that an increasing number of businesses are preparing to undertake significant practical modifications in the near future. These changes will affect things like space usage, building architecture, and leasing agreements. One panelist predicted that **the switch toward more concrete action would escalate around 2025**, when corporate occupiers are scheduled to implement the sustainability plans that they're currently researching and exploring.

The impact of changing sustainability norms and regulations on CRE is wide-reaching. Developers, for example, are placing a growing emphasis on incorporating eco-friendly design and construction principles in new commercial developments, while other CRE organizations have started to employ eco-

friendly business practices like green leasing. New regulations (*like Local Law 97 in New York City*), financial constraints, and changing tenant expectations are also leading property owners to retrofit existing buildings with sustainable features like energy-efficient lighting systems, insulation, and water-saving fixtures. These measures not only align with environmental goals, but also contribute to reducing operating costs and enhancing the value of the properties.

That's why CRE companies are close to implementing these complex and (sometimes) rather costly changes. **By upgrading older buildings, landlords can improve their environmental impact while also enhancing their ability to attract and retain the best available tenants.** The shift towards more radical and practical changes in sustainability is, therefore, a response both to financial pressures and the increasing demand for sustainable solutions in real estate. Organizations are recognizing that sustainable practices not only benefit the environment, but also yield financial advantages. But the time to act is now, with a wave of concrete changes expected in the coming years. Failure to adapt could lead to lost revenue and lower overall business performance for CRE and non-CRE organizations alike.



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Connecting Real Estate to the People

As the future of the workplace continues to evolve, companies can insulate themselves from macroeconomic uncertainty by building stronger and better-connected workplaces. HqO equips employers, property teams, and commercial real estate companies with practical tools that improve the workplace experience, which leads to decreased turnover, and increased NOI over time. By delivering engaging events, exciting programming, and a wide array of practical tools to our customers, HqO helps make the workplace a more human and connected place. And, in 2023, that's exactly what employees need.



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your company succeed?

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