



Work Reimagined Employee Survey 2021

Real Estate Implications of Work Reimagined



How can your real estate help you win the “work from anywhere” war for talent in a post-COVID-19 world?

- ▶ How can companies enhance the employee experience with the real estate they need?
- ▶ Flexibility is now a key factor in talent strategies and needs to be used as a tool for enhancing the work employees do.
- ▶ The right balance of where and when to work is a shifting priority as workplace preferences become increasingly fractured both across and within generations. Companies need to understand employee preferences at a granular level and respond accordingly.
- ▶ Amenities at home, in the office and around flexibility are top of mind. On-site amenities need to focus on technology and environments that promote innovation and collaboration.

Businesses have shifted gear from safety to a focus on the longer-term changes to working practices as a result of the extended impact of COVID-19. As companies evaluate new strategies in more detail, the challenge being posed to corporate real estate (CRE) teams has evolved; early in the pandemic the question was primarily “do we need the real estate we currently have?” Today, the conversation is more “how do we enhance the employee experience with the real estate we need?”

Employers are evaluating new strategies to adapt to more flexible ways of working. They are re-thinking their approaches to hiring, policies on where and how work gets done, the workplace experience and technology.

Employees, meanwhile, are actioning change, choosing to work new schedules and in new locations, in anticipation of opportunities for greater flexibility.

A complex and evolving work environment poses a unique set of challenges to CRE teams. Alongside their many responsibilities, they are now being charged with helping businesses reimagine their physical space needs, optimize the workplace experience, facilitate a real estate digital transformation and action the required change in a way that manages cost.

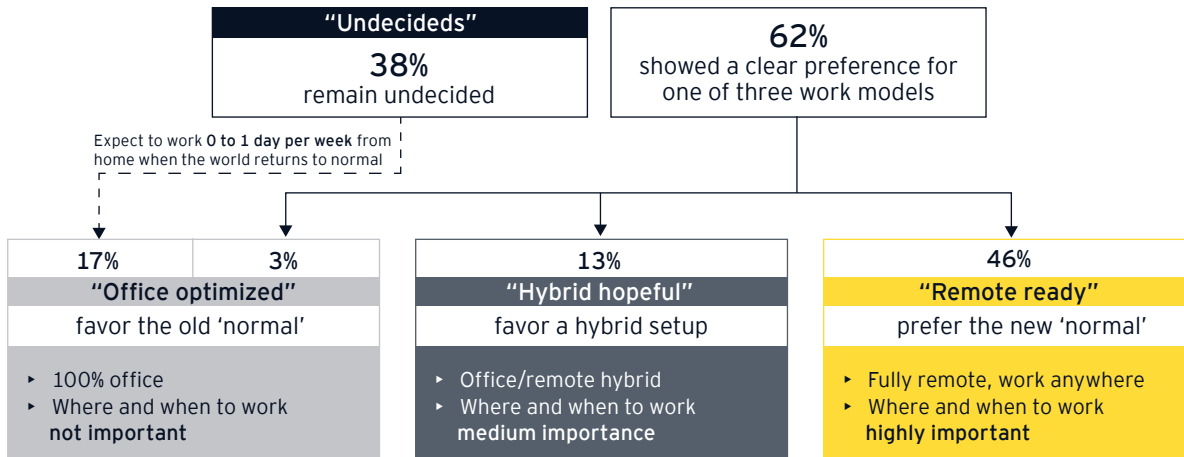
Understanding how to enhance the employee experience of the future is a critical step in the CRE planning journey. Surveying existing staff is an important activity, but attracting the best talent requires a broader understanding of the wider marketplace. A recent EY survey of 16,000 people across 16 countries (50% US) helps do exactly this. Our survey results demonstrate the ongoing importance of the workplace to organizations, and highlight three CRE-focused findings that will help address these challenges:

- ▶ Flexibility is about more than employee preference.
- ▶ The right balance of where and when to work is a shifting priority.
- ▶ Amenities will take on a new role in talent attraction/retention.

The survey results provide a valuable snapshot into work location preferences. Sixty-two percent of respondents have a clear preference for how they work in the future, while 38% remain undecided. Those with a clear preference favor a primarily work from anywhere model, i.e., “Remote Ready.” However, 45% of those that are undecided expect to work primarily in the office, i.e., “Office Optimized.” There will be a range of individual working preferences within every company and any notion of designing a company-wide work model around a single “average employee” is likely flawed.



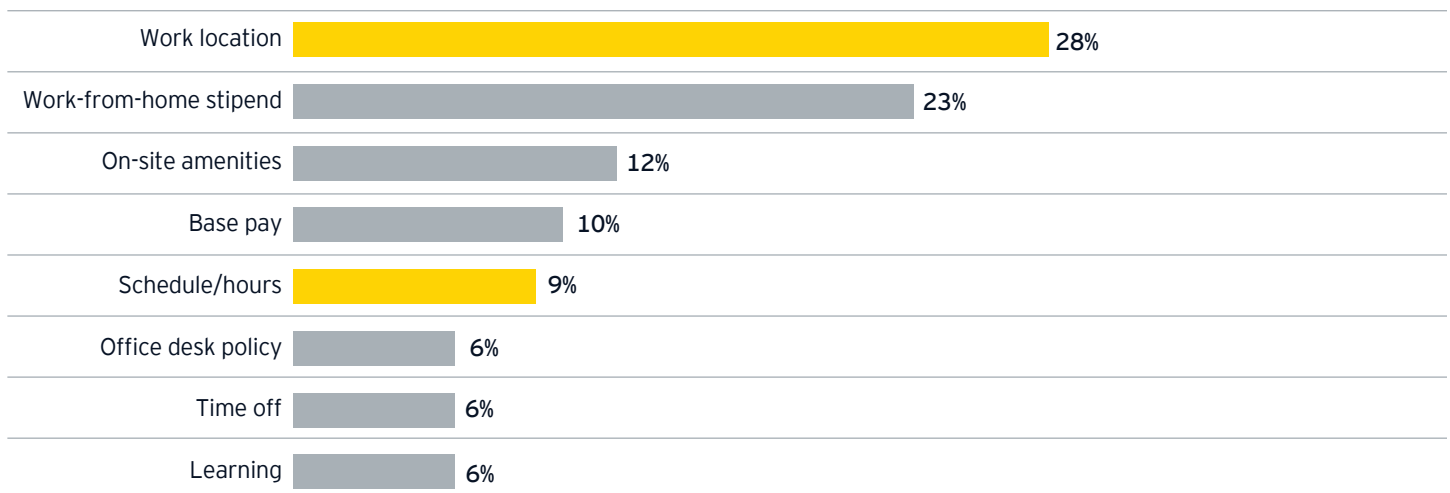
Figure 1: Profiles from the EY Employee Remote Work Preference Index

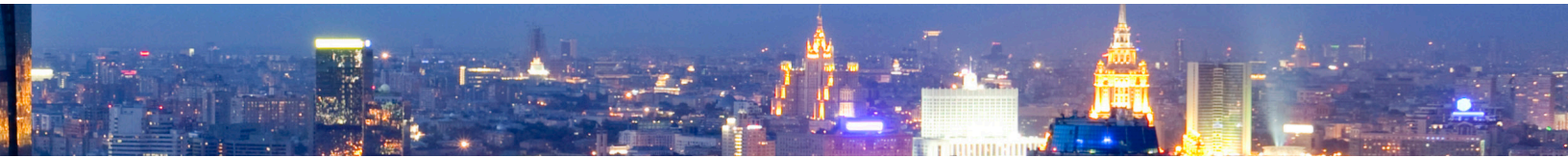


1. Flexibility is about more than employee preference

Employees clearly want flexibility; almost 9 in every 10 respondents find flexibility in both where and when they work important. When asked to choose between competing options, flexibility in where individuals work is more important than flexibility in when they work. But this was not the case consistently for all respondents.

Figure 2: Relative importance of work-related preferences





Flexibility is now a key factor in talent strategies due to heightened employee expectations. Our survey shows many employees expect to work remotely post-pandemic, and 54% say they will quit if not offered flexibility. Flexibility is not, however, just about the ability to work remotely. It is a tool for enhancing the work employees do.

Employee preference is sometimes at odds with business considerations, and certain functions, roles and capabilities will still be better supported in the office. While the pandemic

has showed that productivity can generally still be maintained or enhanced at home, that is not always the case depending on the work task or need. Sixty-five percent of respondents agreed that productivity and creativity are increased by a mix of on-site and remote work, however, 35% disagree regardless of their preference for flexibility in the future. Fifty-four percent of respondents also see the mix of on-site and remote work as a challenge to problem solving.

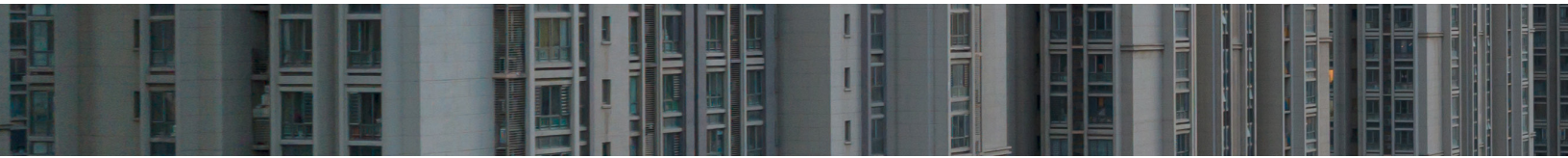
Figure 3: Productivity, creativity and problem solving



Providing employees with flexibility in where, when and how they work is challenging but something CRE teams must address. To be effective, companies can implement five actions to guide their response to this heightened demand for flexibility:

- ▶ Understand employee sentiment, work needs and expectations. Develop employee personas to segment the workforce and understand location differences.
- ▶ Align workspace allocation with expected work activities and employee needs. This may result in increasing collaboration and decreasing individual spaces.

- ▶ Pilot new approaches to spaces to test concepts and learn how to adapt to changing needs.
- ▶ Consider “healthy workplace” standards across all hybrid contexts, including offices, home and third-party locations for a more balanced overall experience.
- ▶ Implement real estate technology that reduces the complexity of hybrid work location/space choice, while providing insight back to the organization around use.



2. The right balance of where and when to work is a shifting priority

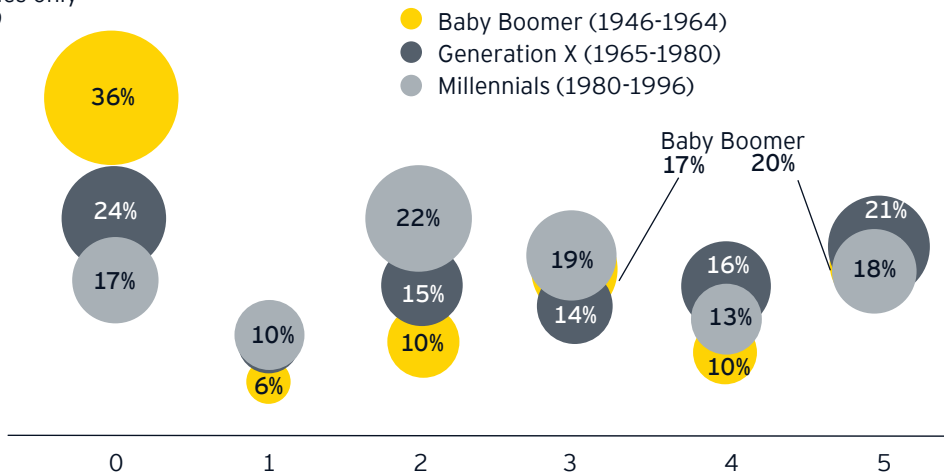
Different groups of employees will have varying needs and priorities that organizations will have to consider. Preferences will shift between location, generation and role, making the workplace a complex and evolving landscape.

When a work location is analyzed by generation, the fragmented nature of the workforce becomes increasingly

clear. In New York and Los Angeles 36% of baby boomers intend to return to five days a week in the office, but at the same time 20% would like to never return. Developing an effective corporate real estate strategy is increasingly complex as workplace preferences become highly fractured.

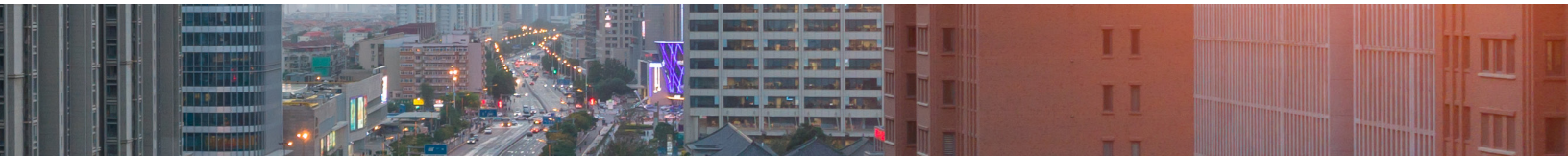
Figure 4: When the world returns to 'normal,' on average, how many days per week do you expect to work from home?

Data for New York and Los Angeles only
n = 1,549



Corporate real estate teams will need to understand how the balance of where, when and how to work shifts within their company. Armed with this information, they will be well placed to identify which locations are critical to their business, how many buildings or floors are free of mission-critical space or special uses and can be given up, and what new space requirements the existing portfolio does not provide (technology needs, collaborative space, etc.). Enhancing space for collaboration and innovation will be an important task, with 31% of employees keen to see their company spend money on this.

CRE teams will then be able to decide where to make a long-term lease commitment and where to either give up space or shift to a more flexible, on-demand model. Engaging with landlords to extend leases on critical space and access on-demand services in return for exiting surplus floors or entire buildings will be essential. As is addressing the accounting implications of restructuring existing leases, which may result in additional near-term cost before savings ultimately accrue.



Some of the key issues to consider include:

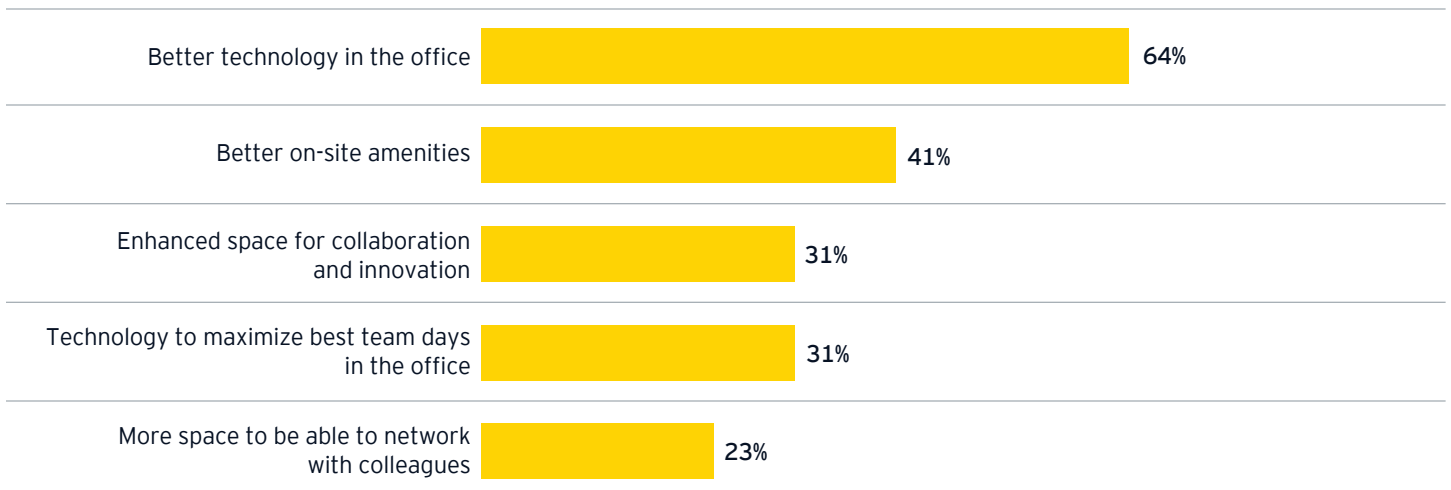
- ▶ Rethinking and redesigning spaces to support key activities that will still be performed on site, such as collaboration, social connection and new ways of working
- ▶ Considering employee home locations and commute times when reassessing office locations
- ▶ Transforming, restructuring and rightsizing real estate footprints, with greater focus and investment in core and strategic locations
- ▶ Determining which assets should be retained or divested, and how should leases be negotiated
- ▶ Considering on-demand space or more flexible lease terms, using analytics to continuously monitor how space is being used and adjusting space needs accordingly
- ▶ Planning for the operational impacts of varying work hours

3. Amenities will take on a new role in talent attraction/retention

When it comes to amenities, employees want it all:

- ▶ On-site amenities: 26% of respondents value top amenities such as food, fitness or an assigned office and 41% want their company to spend money on better on-site amenities.
- ▶ Work from home “amenities”: 45% of respondents asked for investments in remote working tools and home technology set-ups.
- ▶ Flexibility “amenities”: 68% of respondents desired to choose their start/stop time and 38% want a four-day work week.

Figure 5: What would you like to see your company spend money on to make you most productive when in the office? (top three choices)





Office amenities are top of mind with a focus on technology and environments that promote innovation and collaboration. Determining the most impactful amenities and experiences will be critical. This likely includes an evolved combination of technology enabled networking, collaboration and innovation space, breakout areas, wellness rooms, pantries and kitchens, fitness space, faith rooms, locker areas, patio/terraces/gardens, library or hybrid space for learning or training.

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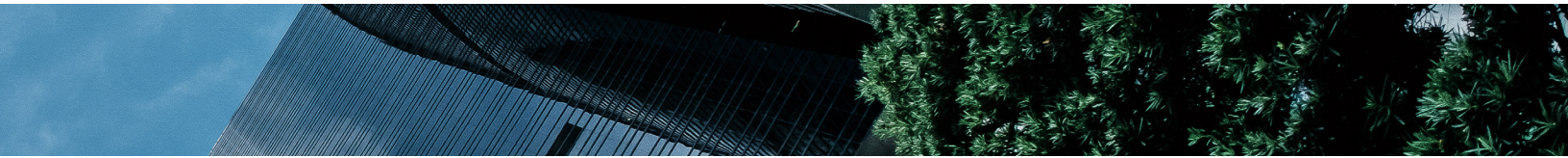
The office can no longer be seen as just a fixed asset, but instead it needs to become a participant in a company’s success by contributing to an overall ‘workplace experience’ that is not tied to a single physical location.

– Mark Grinis, Partner
Ernst & Young LLP
Global Real Estate, Hospitality & Construction Leader

As CRE teams begin to consider how to address the demand for better amenities, they will need to:

- ▶ Reconsider real estate as a critical enabler for the most valuable corporate asset – employees
- ▶ Determine the most impactful amenities and experiences to draw hybrid employees to the office
- ▶ Offset investments in increased amenities and benefits by reducing real estate spend through rightsizing the portfolio and aligning it to new ways of working, or by relocating to lower-cost areas (aligning to employee residences, reducing commutes)
- ▶ Align technology, stipends and policies around employee needs (likely not a one-size-fits-all solution)
- ▶ Design the workspace, technology and other policies to make the office welcoming and productive to all employees, regardless of how frequently they are in the office





Technology investment

The survey analysis also identified the significant role that technology plays in supporting real estate changes. Employee demand for investment in technology stands out as the top requirement in both the office and at home. Sixty-four percent of employees would like their employer to spend money on better technology in the office. Similarly, the top three options selected by over 45% of respondents in relation to work from home amenities are all technology and home technology set-up related.

Technology needs do not end there. Employees would like to see solutions deployed to solve scheduling problems, e.g., getting teams in the office on certain days. Forward looking tools that leverage leading real estate, human resources, health and safety, and data and analytics competencies with an integrated technology and data platform will be critical solutions to help optimize the use of physical and remote workplaces by employees across the organization.

Workplace management technologies will rapidly become another essential tool for CRE executives alongside technology solutions in areas such as building and energy operations, facilities, health and wellness and wider portfolio management.

Physical space still has an important role to play to help facilitate employee flexibility and productivity to drive business success. Existing real estate will, however, need to be redefined to meet the evolving needs of employees post-pandemic. To achieve this, companies will need to design their own unique response to these demands to create a workplace for the future that makes the most of the real estate they need.



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