

# Real Estate Strategies

The Stevens Group | ITRA Boston

## Can Corporate Real Estate Meet the Challenge of the New Work Place?

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**T**HE CORNER OFFICE HASN'T QUITE GIVEN WAY TO THE CORNER I-POD YET, BUT THE FUTURE OF WORK, AS MOST OF US KNOW IT IS ABOUT TO CHANGE.

Based on a study of its own workforce, Capital One found some interesting changes in the needs of workers when segmented by generation.

Baby boomers, who now dominate the work force, will be the last generation to work in a traditional office environment. Companies already are creating 21<sup>st</sup> century work environments that mean less commercial real estate space per worker and arrangements, which address advances in information and technology.

We envision that the future of work will adapt to the needs and values of the X and Y Generations of workers, which we found breaks with tradition in many areas.

For instance, the current baby boom generation dominated workforce puts a high value on such material signs of achievement as a dedicated office, close parking space and administrative support. Boomers want health care and support in the "second (post-retirement) life."



But as boomers exit the workforce, their replacements from Generation X, who are starting to work their way up the executive ranks, will seek early badges of personal success such as status conferencing services and amenities. Their priorities include childcare and elder care.

Gen X places a priority on having such tools of information and technology in the workplace as high-speed Internet and fast computers with the latest software apps and strong peripheral support. To many from this group, cutting edge technology may trump the corner office or more personal space when making career decisions.

Even less concerned about the old material issues of space and private offices is Generation Y, a group that will enter the workforce en masse in the next decade.

Anyone who has observed a college class will not be surprised by Y group's need for warp speed technology. Forget emails. It is hard to tell if a single soul is actually listening to the professor as a roomful of tomorrow's executives is tapping into notebooks – arranging social dates, commenting on the professor's hair, or playing high speed games using wireless connections or the university's intranet, if they are not text

messaging with cell phones. This Y generation multi-tasks from the cradle, and has quickly evolving tastes, a strong sense of community and individual expression.

The conclusions of this research leave little doubt that the company office will be undergoing the most historic changes since the PC was introduced 25 years ago.

We also found some interesting trends in how individuals use their offices to perform work. For example, some people may spend almost as much time sitting in rush hour traffic getting to the office in some cities as they actually spending sitting at their own desks.

Driven by the forces of technology, which are mobilizing the nature of knowledge work, the competitive need to increase productivity and raise commercial real estate utilization, Capital One has developed a Future of Work Strategy (FOW) to better understand and leverage the changing realities of the new workplace.

The centerpiece of this FOW strategy is the concept of distributed work; meaning that work is more tied to information, which like the Internet is not tied to the specific physical location. Thus flexible arrangements such as telecommuting, which do not tie a worker to an office, will redefine the traditional workplace while greatly increasing productivity.

Here are some facts about the US working population in 2005:

- 68.5% of the population is Internet users.
- 36% have high speed Internet access.
- 87% of Federal workers are interested in telework.
- Average time spent in traffic queues commuting per week:

Los Angeles – 11.25 hours  
Washington – 7.25 hours  
Minneapolis – 6.6 hours

The Capital One study results, based on a two-week observation period, show that more than 40% of all office seats were vacant every day, while an additional 30% of all seats were unoccupied during the day. Thus 7.4% of our workers practiced work mobility before we put any workspace initiatives.

The greatest demands of family, longer working hours combined with increasingly longer times spent going to work are putting new pressures on the average knowledge worker who is finding that they have dramatically less time for themselves. For example, the length of the workweek rose from 42 to 47 hours between 1977 and 2002.

With the demand for more knowledge workers to enter the workforce expected to be at a premium for the next 15 years, the forces of societal pressures, high-speed technology and information processing and corporate cost structures are coming together to create a 21<sup>st</sup> century office prototype. We will be seeing an office that will be a central nexus for telecommuters, almost as much as it is a central corporate center.

Capital One projects that in the future, 40% of knowledge workers will telecommute.

Already a growing group of companies are carrying out economies by moving to the distributed work model. Sun, BP, Blue Cross-Blue Shield Association, Boeing and Cisco Systems implemented huge productivity increases ranging from 9% to 54%. AT&T reported \$135 million in productivity savings by supporting distributed work.

Distributed work meets the needs of knowledge workers, who are happier with the new found connectivity offered by technology and the flexibility that allows them greater control and greater time over their personal lives.

Consider that we face a looming talent shortage:

- 15% of 25 – 44 age workforce existing in the next 15 years
- 10 million workers needed by 2008
- 2 workers exiting workforce for every one entering: demand for skilled talent expected to grow annually through 2020

By understanding and leveraging the changing needs of different generations in the workforce, companies can adapt, making it easier to attract and keep talent, while creating a cutting-edge work environment that meets the needs of the X and Y Generation workers.