



What the hybrid workplace means for government real estate

New ways of working require government leaders to rethink their real estate portfolios

State, local and federal governments are welcoming people back to the office as conditions allow, but not in the same numbers as before the pandemic. Over the last year, many government workers have proven they can perform at least some tasks effectively while working from home, causing government leaders to rethink the role of the workspace in serving communities.

As governments work to meet new cost pressures without compromising their missions, many will adopt a hybrid workplace model, with physical space dedicated to socialization, collaboration, in-person meetings and people management. Government leaders must prioritize how their space fits into a broader network of integrated services that support working from anywhere. When done correctly, organizations will see an increase in human performance, organizational resiliency and a more optimized real estate portfolio.

We expect the shift toward hybrid workplace to lead state, local and federal governments to reexamine the square footage they occupy. Some governments, such as [the State of Colorado](#), have already announced plans to trim their office space in favor of a more flexible footprint.

Despite shrinking portfolios, we believe overall real estate spending will stay relatively unchanged as governments update office spaces to accommodate new uses and attract and retain diverse and inclusive employees.

The pivot requires government financial executives and other administrative leaders to think differently about their real estate portfolios. It's not just about reducing space or assessing it based solely on cost per person or per square foot. Instead, they need to consider how the built environment adds taxpayer value and invest in the footprint that best supports how work will be done.

Governments are adopting a work from anywhere philosophy

Earlier in the pandemic, governments cut real estate costs by [prioritizing actions that helped balance the budget while maintaining constituent services](#), including analyzing portfolios to uncover hidden costs. Some renegotiated leases for better terms, terminated leases or wrote off obsolete assets as part of a restructuring.

As vaccines become more widespread, government and private sector leaders alike are focusing on what their space will look like in the future. [A JLL survey of 2,000 office](#)

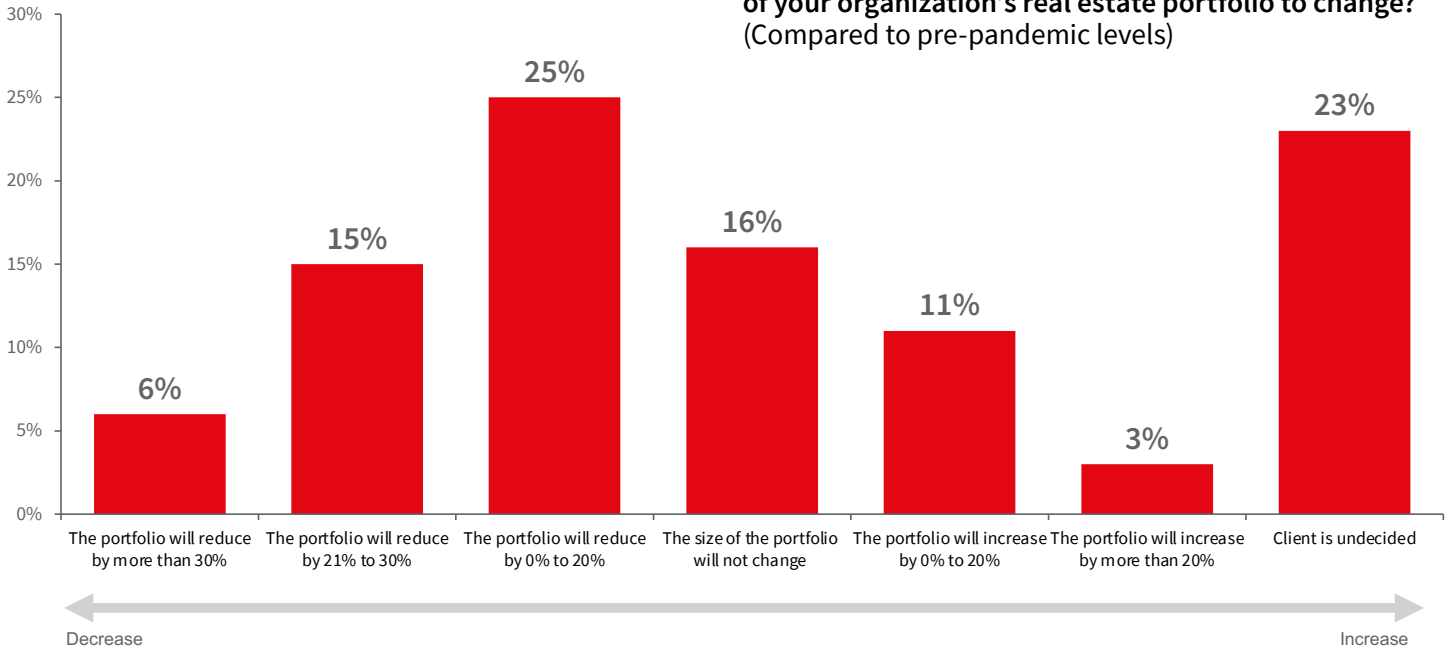
[workers](#) found that in a post-pandemic world, 72 percent want to work from home an average of two days per week—more than twice as many as before the crisis. In addition, two-thirds want to alternate between different places of work, and 40 percent would like to be able to work from a third-party location such as a coffee shop or coworking space.

In recognition of how people want to work, and how work will get done, we expect a substantial number of organizations to rethink their real estate portfolios.

Companies are still undecided about how their real estate portfolio will change

Exhibit 1

In the next 3 - 5 years, how do you expect the size of your organization's real estate portfolio to change? (Compared to pre-pandemic levels)



N=349 in February 2021

A separate survey of JLL clients revealed:

- 4 out of 10 expect to reduce their real estate portfolio by 30% or more over the next three to five years (see Exhibit 1)
- 16% anticipate making no changes
- 14% expect their real estate portfolios to increase
- 23% have yet to decide

What hybrid work means for government real estate

The pivot to hybrid work requires government leaders to think differently about their real estate portfolios. The actions they could take fall into the following broad categories:

Rethink the purpose of real estate. Government leaders can frame planning for a future work environment that puts people first and enhances the bottom line by considering the following questions:

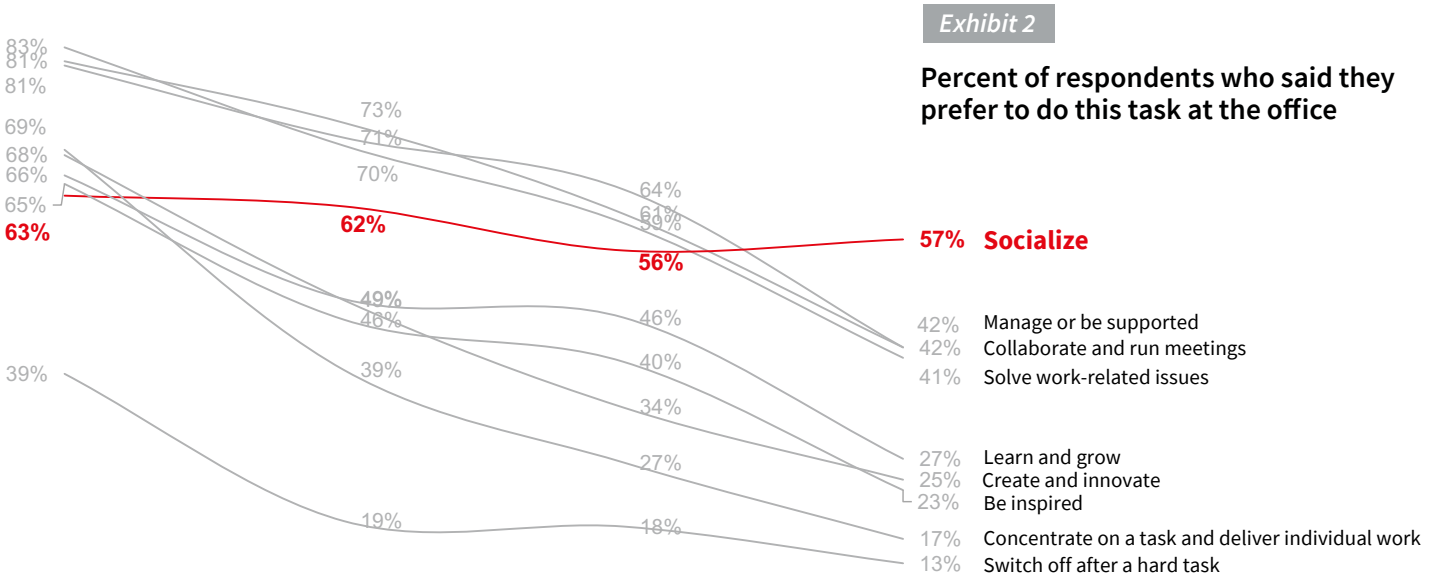
- What is the government's mission, and what are the incentives for reaching those goals?
- How can real estate objectives and incentives help enhance service to constituents while preserving taxpayer dollars?
- How does the existing portfolio meet those objectives?

The changes underway in financial institutions provide an interesting model for how leaders in government and other sectors can also reshape their real estate portfolios to meet broader organizational goals and objectives. Government leaders can also benefit from rethinking their portfolios. [The Commonwealth of Virginia](#), for instance, is looking at co-locating agencies with similar missions to drive down costs.

One leading consumer goods corporation wanted to redefine the purpose of the office with a focus on building their business, increasing productivity and strengthening culture in order to win in the near- and long-term. A hybrid workplace model would allow them to focus on the intersection of work, the worker and the workplace. A cross-functional global team was created to develop a hybrid framework and pilot program. Through research, employee sensing and reflection, the team deployed a successful program to support employees wherever they work. Looking ahead, there are plans to maximize on the positive impact from the hybrid workplace strategy and focus on future needs.

While real estate footprint optimization is a possible outcome of a hybrid approach, reshaping the real estate portfolio can help government organizations meet broader goals and objectives to set them up for success in the future of work.

Socialization at the office can't be replicated elsewhere



Expected Work From Home (WFH) frequency, post-COVID-19



Note: Respondents were asked: "After your recent home-working experience, where would you prefer to do the following tasks in the future? At home, in the office or in a third-party place?" N=2,033

Update office space for how government employees will use it in the future. Our research found that on those days when people work remotely, they prefer to do individual tasks that take concentration or inspiration, such as creating or innovating (see Exhibit 2). And on the days that they work from the office, they prefer to socialize, manage or support others, collaborate, solve work-related issues or participate in training and skill building.

Many governments will need to redo their space to support the types of activities that employees prefer to do in the office. At JLL's Chicago headquarters, for example, most of the space is dedicated to individual space or conference rooms. Collaborative work areas comprise about 20 percent of the space, but in the future, those proportions could be reversed, with most of the space reserved for collaboration, and only 20 percent set aside for individual workstations.

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Exactly how space is reconfigured depends on a government organization's culture and existing work processes. Some organizations use **job personas**, descriptions of distinct employee groups with similar work responsibilities or requirements, for space planning purposes.

Space and occupancy planners can use artificial intelligence-based tools to manage space and assign people to work zones. For example, **Dynamic Occupancy Planning** determines the best configuration to support in-office employees on a given day.

In hybrid office models, space allocation also needs to account for distributed workforces, as the **State of Tennessee** discovered when it launched its alternative workplace solutions model. The model allows employees to choose to work from home or elsewhere; adopt a flexible office schedule; or work at an unassigned desk in their assigned office building. The flexible model allowed the state to reduce its footprint by approximately 1 million square feet, while also improving talent recruitment.

Use savings from renegotiated leases to update spaces.

Government financial executives and real estate leaders can find pockets of opportunity to fund office upgrades by negotiating with landlords eager to sign longer leases. If governments want

to pivot their portfolio and know where they want to be in the future, they can take advantage of current market trends to find creative strategies to refresh office space, including creating more collaboration space. Or they could make investments to support employees when they're working remotely, such as providing ergonomic desks or upgrading Wi-Fi connections. By pursuing a more effective real estate footprint, governments can also invest in health and wellness for their workforce. Happy employees are good for the bottom line; every \$1 spent on treatment for common mental disorders (stress, anxiety and burnout) returns \$4 in improved health and productivity—especially meaningful when measured in tax dollars. In the private sector, one leading airline company doubled down on its commitment to employees' mental wellbeing and **developed resources and training to further support their people**. Retention is an additional benefit in any sector, including government—when employees feel supported at work, they're less likely to leave. A hybrid work model allows governments to expand where they recruit talent, resulting in potential savings for certain roles that could be redistributed to office upgrades or programs and otherwise improve overall tax-dollar performance.

Make it a multi-function process. Getting the most value from a real estate portfolio must be a collaboration between the government treasury, real estate, IT and human resources functions. Heads of individual agencies will also need to be consulted to feel engaged in the process and ensure workspaces

meet their needs. Updating space use may require investments around talent and technology, which can't be done in a vacuum. Having state, local and federal government leaders involved helps move the process from being purely transactional to a holistic business case where real estate is the driver.

An integrated approach to hybrid work styles and an optimized real estate portfolio is helping utilities companies boost productivity and retention of call-center staff. During the pandemic, one utility's real estate, HR and IT teams made the joint decision to close local call-center facilities for safety reasons and sent staff home to work remotely. The company found that remote work didn't affect productivity. In fact, call-center staff retention improved because people didn't have to commute to offices that were hard to reach using public transportation, a situation that in the past had led to high levels of attrition. Attrition at one call center dropped from 50 percent to 20 percent because of remote work.

Now some of the companies are contemplating making remote work permanent. They may close local offices and retain a few larger ones close to train and bus lines for meetings and training. They could ultimately pay more per square foot for the office space due to the larger space and technology need, but the overall value is greater. Government leaders, too, will need to assess similar tradeoffs as they evaluate the real estate impacts of remote working.

Getting started

When building a government real estate portfolio for how work will happen in the future, throw away the old rule book. Civic leaders need to start by deciding what they need to support a hybrid workplace model and translate that into objectives that frame their office space needs. They may not choose the space with the lowest rent or capitalization rates. But they'll have space that's the right fit because it allows the government to enhance productivity, attract a diverse and inclusive workforce and build

organizational resiliency—while enhancing constituency service and preserving taxpayer dollars.

Visit our website to define what a “hybrid workplace” means for your government to foster a top-notch employee experience, optimize your portfolio for the future and identify the technology to make it all happen.

