

Breaking New Ground

Shifting Views on Traditional Workplace Locations

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If the past two years have proven anything, it's that technology will change not just how people work but, more importantly, *where* they work and live.

Technology is steadily automating much of the work that previously required onsite labor, pushing more of the workforce into the digital age. It is inevitable more work will become digital in nature and carried out anywhere an adequate web connection is available. As the Internet moves to Web 3.0, remote connectivity will continue to increase.

Despite the significant adoption of remote work technology during the pandemic, many corporate leaders remain committed to restoring the previous status quo. A return to the prior work structure, which favors employees concentrated in large, traditional office spaces, will keep people in and around urban nodes. This will increase the demand for relatively nearby housing, necessitating more local housing stock and inflating existing home prices.

Large urban cores and their surrounding suburbs have provided not just a stable income for residential real

Takeaway

Companies hoping to attract and retain talented workers are having to consider less traditional business models, such as office condos and a move from major downtown districts to more rural locales. Workers will decide whether this is an attractive model.

estate licensees but often an outsized one. This “urban premium” is based on a business model where office facilities depend on large numbers of employees willing to commute to workplaces in and around these cores, a business model that is facing headwinds.

Changing Worker Preferences

A company's most valuable high-impact talent focuses on work that addresses the firm's most difficult problems. When workers aren't allowed the freedom to exercise their own judgement and autonomy, the office can become a stifling environment that curbs their sense of

purpose (for more on this, download “Flight to Quality: Retaining Talent in the Great Resignation” using QR code). Given the value businesses place on high-impact talent, it is in an employer’s best interest to attract and retain those workers.



To do this, a company must begin with where those workers want to live, not where the company wants them to work. Thomas Heatherwick, founder of UK architectural firm Heatherwick Studio, maintains the pandemic has effectively “released people from imprisonment.” He contends that “the stupid construct of the office is gone.”

While those statements may seem like a stretch, convincing an entire workforce to return to the office full time since the pandemic has been a challenge. According to a Gallup poll, 91 percent of U.S. employees working remotely at least some of the time are hoping remote work will continue as an option. Some type of hybrid work schedule was preferred by 54 percent of the polled employees. Thirty-seven percent prefer to work from home exclusively.

Surveyed employees were asked to name the top three reasons for their work location preferences. Those selecting hybrid or exclusively remote work as ideal cited the absence of a commute, improvements in their personal well-being, and the flexibility to balance work and personal obligations.

Dissatisfaction with the traditional office environment is not limited to the average office employee. Results from a Deloitte poll published by Axios in June found many C-level executives holding senior leadership positions within a company are equally unhappy with their work-life balance.

Deloitte pollsters discovered 70 percent of C-level executives were seriously considering leaving their current jobs for ones that better supported their well-being. Eighty-one percent of those polled said improving their own equilibrium was more important than advancing their career right now. Thirty-five percent reported sending notes coaxing employees to take time off and disconnect, while 29 percent reported trying to set an example by doing so themselves.

Axios said the Deloitte findings were confirmed by executive recruiters.

“What we see is that people are resigning to try to find a better place, a better work-life balance, a better culture,”

said Shawn Cole, founder of Cowen Partners. “That’s the ‘great reshuffle,’ as we see it. They need to set boundaries for themselves to stay happy and focused.”

Office Condos One Alternative

Office condos are an increasingly popular alternative to large urban and suburban office facilities. They are especially compelling if they can be developed at a price point where a purchase is more affordable than renting traditional office space.

“We found that, for a small business owner or any company looking for a satellite office, purchasing an office condo provides a number of advantages over leasing traditional office space,” said Harry Gibbs, broker for Keller Williams Realty Georgetown. Gibbs, along with his partner Christopher Aldridge, formed Polar Place Development to build 32 office condos in Cedar Park, Texas.

After brokering more than 100 office condos in the area, Gibbs and his partner developed their units on a commercial site adjacent to a higher-end residential subdivision. Average annual household income in Cedar Park is about twice the state average. The units were all built and sold between 2017 and 2020, and each unit was 850 square feet.

“Targeting owner-occupants as opposed to holding and leasing the units was less risky for us and our investors,” said Gibbs. “We looked at a number of potential clients, including CPAs, attorneys, and tech-related folks. Small business owners ended up being our most frequent buyer.”

“Along with the advantage of shorter commutes, condos offer purchasers the chance to own an asset that has value instead of just paying rent as a tenant,” said Gibbs. Office condos also offer increased flexibility for a business owner when the time comes to sell out.

“If a CPA, for example, is ready to retire and wants to sell the business, he can either sell the building or retain it and lease it to the new buyer,” Gibbs said. “Owner-financing the sale could also provide the seller with a long-term income source.”

Gibbs believes the most attractive locations for office condos are fairly affluent areas two hours or less away from one of the state’s five major metros.

“We haven’t tried it yet, but we may look for buildings in the future that could be redeveloped or renovated in smaller towns where new construction numbers don’t

pencil out,” said Gibbs. “Smaller, more remote towns in an attractive rural area might have buyers that are willing to pay for nicer, upgraded office space.”

Localism and Remote Work

The pandemic successfully proved that worker productivity is rarely decreased by remote or hybrid work. If C-level executives actually begin to value well-being and disconnection above being bound to a traditional office environment, the office condo model could further evolve into something akin to remotely located single-office campuses. A trend toward “localism” could emerge where popular rural towns frequented by the executive class, like those in Texas’ Hill Country or Trans-Pecos regions, support hybrid or totally remote work modes.

Localism fell out of favor in the U.S. as technology allowed companies to embrace globalism, outsource manual labor, and centralize most of their office workforce in and around urban cores. Technological changes can now reverse this trend, offering office workers increased access to more rural locations.

Although tech firms such as Twitter and Reddit were some of the first to embrace the remote work trend, companies like manufacturing giant 3M now offer a trust-based system that allows workers to choose their approach to work. As a result, hiring remote or hybrid workers has provided greater access to talent farther from company headquarters.

Adopting localism to recruit new talent to these more remote locations offers workers the opportunity to move to more affordable and livable areas of the state. This could provide companies with a hiring advantage while increasing the area’s population and housing demand. It could also provide enhanced mentoring opportunities for new hires, affording actual facetime with leadership.

Zoho, an international software company, has taken hybrid and remote work a step further with their approach to growth through localism. The firm has structured their office around a “hub-and-spoke” model, locating the hub office in Austin with spokes in New Braunfels and McAllen. Zoho’s leadership is betting remote offices in smaller towns will improve workers’ quality of life and incentivize them to build a local company culture.

“This reverse-globalization goes hand-in-hand with the sudden rise in the demand for local goods and services. Soon, delivering local solutions for local problems will become essential,” said Andrew Bourne, regional manager with Zoho.

Single Office Campus Concept

The university campus concept for office facilities is not new. Companies as diverse as Google and Ford Motor Company have built offices with this concept in mind. Google’s Googleplex headquarters was specifically designed to resemble a university campus. Rather than giving employees only the basics of an office like a desk, lunchroom, and conference space, the Googleplex was created with 13 different possible settings. The aim was to help reduce distraction for workers while also providing the opportunity for spontaneous interactions.

By providing enclosed work environments for focused work and specific areas for meeting and interacting, workers can find an environment for quiet concentration along with spaces for large gatherings, meetings, and small group discussion. Google has deployed this concept with great success. However, each of their offices is in or around urban cores. The locations were not designed to accommodate the hybrid or remote worker.

A single office campus concept may provide a solution to this problem. Offices that offer all the dynamism of an office-university hybrid campus in a smaller footprint can satisfy the flexibility and environmental, social, and governance requirements that many hybrid and remote workers now desire.

A potential design concept could be a facility that can accommodate 20 to 40 workers within a 3,000-square-foot space. The office would have four primary design concepts: small individual offices for focused work, meeting rooms, larger communal gathering spaces, and an overall design that facilitates spontaneous interactions.

Small individual offices might be no bigger than 75 square feet. The small footprint is intended to prohibit these offices from being used by more than one or two workers simultaneously. Such enclosed and private space would be for the express purpose of eliminating interactions and facilitating focus.

Meeting rooms should be limited in size but flexible in their design perimeters. These rooms will provide space enough for ten to 15 workers at a time. For offices that require more flexible communal space, some walls could be retractable, providing a more dynamic atmosphere within the space while using a smaller footprint.

Communal gathering spaces could accommodate the full workforce, possibly outfitted with a kitchen and whiteboards to facilitate discussion, community, and spontaneous interaction.

The general flow of the office should provide privacy for those in individual offices and meeting rooms and comfort for those occupying the shared community spaces. The office design should reflect both the workers' requirements and the firm's local office culture. Companies can easily adopt variations on this concept.

Remote Is the Future

As Gibbs noted, the most attractive locations for office condos today tend to be fairly affluent areas no more than two hours away from one of the state's five major metros. However, potentially smaller and more remote towns in an attractive rural area may become increasingly compelling for small and large firms looking to attract and retain talent.

If Deloitte's survey findings regarding corporate leadership's interest in working remotely become mainstream, this should accelerate the movement toward localism, greater employee satisfaction, and the single office campus concept. Such a movement could bring the same advantages and resources that state-of-the-art headquarters now provide at a fraction of the cost. 📌

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