

They Want You Back at the Office

Commercial real estate brokers tend to be chest-thumping optimists. Post-pandemic corporate life is putting that to the test.



Commercial real estate brokers are trying to coax corporate America back to the office.
Credit...John Muggenborg for The New York Times

By Rebecca R. Ruiz

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When Alice Fair flaunted north-facing views from the 48th floor of a skyscraper in Lower Manhattan, her audience was quiet. Most were on mute.

Ms. Fair, a commercial real estate broker, was seeking subletters at 3 World Trade Center on behalf of Uber, offering up more than 80,000 square feet of office space — a speck of the 102 million square feet on the Manhattan market. She made it clear there was room to negotiate.

This year, Ms. Fair, who works at CB Richard Ellis and has also represented Pinterest, TikTok and Time Inc., has returned to left-behind offices, disposing of dead plants and

dead fish for clients, forwarding their mail and leading prospective subletters on virtual tours via Zoom.

“This morning was not a pretty one. It was: Do not open the fridge,” she said, referring to a visit in Midtown. “I can’t tell you how many times I’m like, ‘Is this part of my job?’”

The people who profit off corporate America’s use of offices are trying to coax corporate America back to the office.

Having refined their sales pitches to play up air filtration systems, flexible lease terms and swing space — “as you think about who’s going to be coming back in, or if you’ll need that large boardroom,” as Ms. Fair put it — brokers are back in their own workplaces in force, acknowledging that some things have changed while also seeking to prove to their clients, and themselves, that the office will soon return to something close to what it was.

With New York City set to reopen fully in July, and many companies expecting to summon workers back this summer and fall, those in commercial real estate are hoping that the rebirth they’ve tried to hasten may finally happen.

“We opened our offices as soon as we were allowed across the country,” said David Lipson, a vice chairman for Savills, a global brokerage firm. “If you’re in the office real-estate business, should you be comfortable getting too comfortable working from home?”

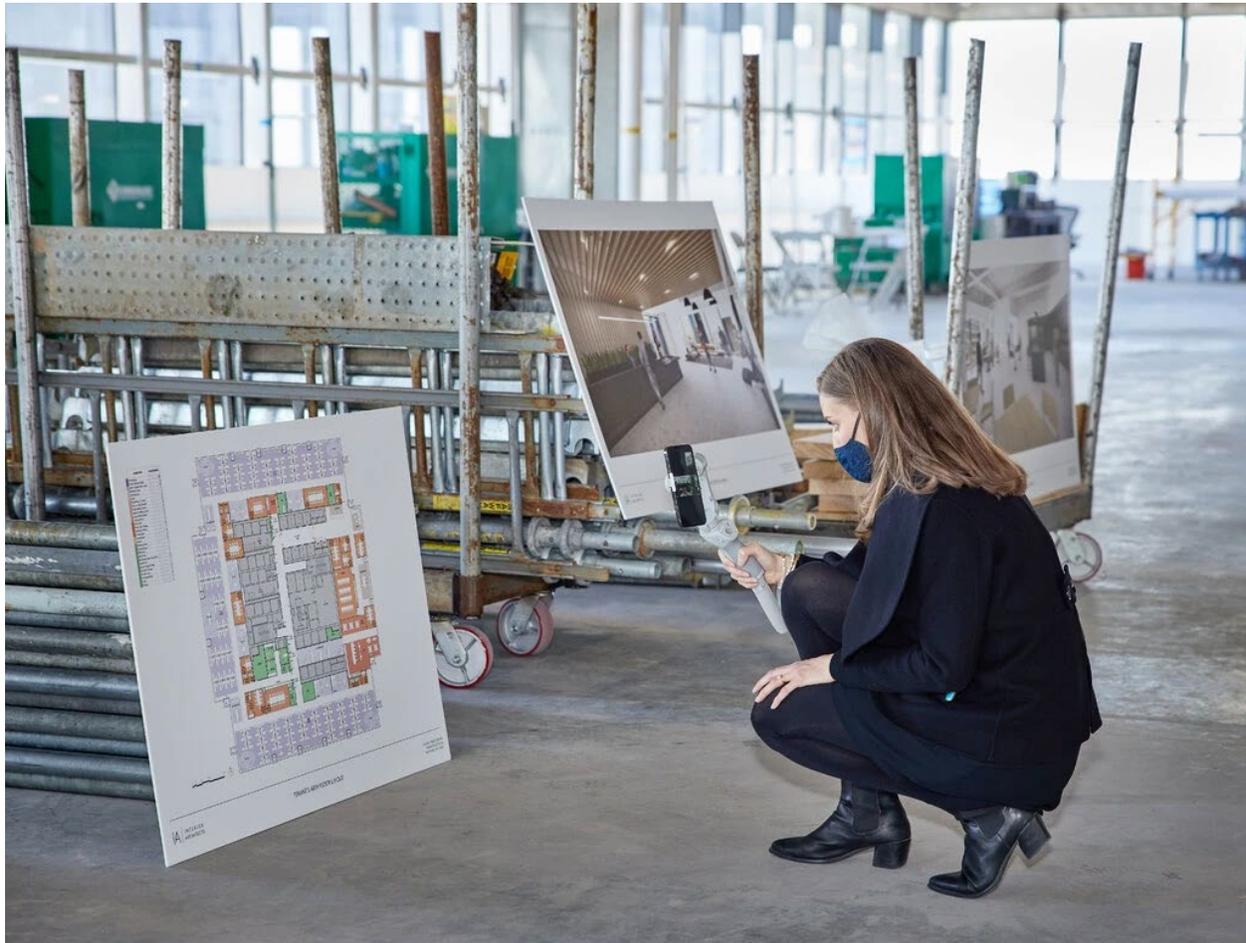
The industry, coming off a boom of continuous growth, has seen commissions fall off as vacancy rates have climbed to their highest levels in decades. Real estate executives, characteristically bullish on their prospects, are facing existential questions.

Offices have long been something of a tautology: Companies have needed offices because to be a company, you had to have an office. But more than a year of forced work-from-home for corporate America has upended that truism, leaving some C.F.O.s running the numbers on potential savings in rent and some employees loath to return to life as it was.

Commercial real estate is a business populated mostly by chest-thumping optimists. It is not geared toward the circumspect, the timid or the tepid. But with 1.3 billion square feet of office space available across America’s top markets — and more now on the market in Manhattan than exists in all of Nashville, Orlando or San Antonio, according to the research firm CoStar — strains in rosy projections are showing. “We’re all going through some level of uncertainty right now,” Ms. Fair told prospective tenants in early April.

For now, the brokers are doing all they can: taking showings to Zoom; sweetening deals and offering leases with more wiggle room; embracing the idea of a more flexible workplace while betting that won’t backfire; and marketing the office as a place to which people *want* to return — if not for a full business week.

“Are offices going to be essential? They seem to be essential,” said Bruce Mosler, chairman of global brokerage at Cushman & Wakefield. “I’m optimistic the office is going to be the hub of the universe but, let’s face it, we’ve learned technology is going to play a bigger role. People are going to work a little differently.”



Alice Fair holding a virtual meeting to show a potential client how a leasable space will look when interior construction is completed. Credit...John Muggenborg for The New York Times

Who Can Look 10 Years Ahead?

Commercial real estate has hit hard times in recent memory, and it has always bounced back. The attacks of Sept. 11, 2001, led to a steep drop in business. The Great Recession was an even bigger setback. But the pandemic has been deeper and broader, with much of the country working from home for more than a year.

While the average price per square foot nationally has not dropped sharply, as landlords play a game of chicken with one another, they have sought to sweeten deals more discreetly, with concessions like free rent. Historically, during recessions, according to

David Smith, global head of office research for Cushman and Wakefield, it takes a full year for commercial rents to start falling — and three more years for them to hit bottom.

Some companies have begun seizing opportunities to strike favorable deals. In March, the private equity firm Blackstone expanded its headquarters in New York, going against the grain and taking on 80,000 more square feet while also extending its existing leases.

“Have people moved out, have companies contracted, gone to Florida? Of course,” said William C. Rudin, chief executive of Rudin Management Company. “But there are signs that people are coming back, and it’s a tenant’s market.”

Most lease renewals over the last year were for shorter periods of time, according to data from Cushman & Wakefield, as businesses opted to defer big decisions.

Gone, at least for now, are leases that typically stretched to 10 and 15 years, according to Whitley Collins, global president for advisory and transaction services at CBRE. “What company today can look out two to three years,” he said, “let alone 10 to 15?”

The market has only grown more crowded, as the amount of space companies are seeking to shed keeps climbing. According to CoStar’s data, a record 24 million square feet of office space is available for sublease in Manhattan — a 56 percent rise from the start of 2020, and a figure far outstripping the 16 million square feet on offer at the height of the Great Recession. In some suburban markets like Dallas and Houston, too, that number has risen, according to CoStar.

The industry is holding out hope the trends might reverse. In a survey by Savills of 120 technology companies, the firm found that the proportion of those expecting to shrink their offices was 47 percent in March, down from 82 percent in October 2020.

But few companies have cemented long-term plans, contributing to the sense of suspended animation this spring. Real estate executives, accustomed to transacting with C.F.O.s and operations managers, said that for the first time chief executives and full human resources teams had joined those conversations.

“The clients are saying, ‘help me think through what I should be doing, and tell me what everybody else is doing,’” Mr. Collins said.

The Bullpen Days Are Over

When Ms. Fair, the broker working to find subletters for Uber at 3 World Trade Center, made her pitch, her voice was slightly muffled under a face mask. The pitch was also altered in its substance: She highlighted pandemic-minded design choices, like installing workstations at slightly bigger intervals. “Given the times we’re in,” she said, guiding her audience around with a professional-grade selfie-stick, “we didn’t think it’d be advantageous to do really dense plans.”

Only a few years ago brokers' pitches more often played up the opportunity to cluster people together like sardines in a tin, but the latest ones are likelier to highlight more breathing room and a variety of spaces to gather comfortably in small groups.



A record 24 million square feet of office space is currently available for sublease in Manhattan, with Uber offering up more than 80,000 of it. Credit...John Muggenborg for The New York Times

“More and more, the last 20 years, the spaces have been built more and more dense,” said Mr. Collins at CBRE. “That’s going to stop. The days of the bullpen, the trading floors — that’s over.”

Instead, the days of the workplace consultant have begun in earnest. As deals have dried up, brokers have begun folding such services into sales pitches as never before.

Workplace consulting practices, which many major real estate firms expanded over the past decade, offer to survey employees, analyze their attitudes, jobs and demographics, prospect office sites and strategize about floor plans.

Before, businesses had little interest in spending on such services, according to Rebecca Humphrey, an executive vice president at Savills and head of the Workplace Practice Group. “A client would say ‘I don’t want to pay for that, I just want this deal done,’” she said. “The pandemic has shifted that.”

Her Savills colleague, Mr. Lipson, said he saw possible changes for even some of the staunchest traditionalists, like white-shoe law firms in Washington. “Senior partners went home last March thinking ‘my paper, I can’t do without my paper, and I can’t do without my assistant right outside my office,’” he said. “Then they billed the same amount of hours the next week and thought, ‘huh, that went better than I thought?’”

With companies anticipating changes, and reactions to them, one new role the real estate firms may be playing is that of the scapegoat.

For businesses with employees reluctant to return to the office, the consultants’ stamp of approval can provide credibility — and a reason to make office workers come back.

“We’re very helpful to play the bad guy,” Ms. Humphrey said, noting a fair amount of business had related to auditing office plans and helping companies communicate changes or bring people back. “It helps in messaging to say ‘we brought the outside guys in.’”

What Is an Office For?

Sixteen floors up in a quiet Midtown Manhattan high-rise, Joseph J. Sitt leapt to his feet and pointed to a television headline that heartened him: Remote work would soon end for New York City government employees. He had been agitating for a signal like this. “If *he’s* not going to have workers back in the office,” he said, “who is?”

Mr. Sitt, chief executive of Thor Equities, reopened his own workplace last July, unveiling what he called a “Covid conference room,” with chairs spaced a shade more generously. (“I guess I should call it the socially distanced conference room,” he corrected himself.) He was counting on a “violent reopening.”

Even as workplaces around the country have begun to open back up, employees have not knocked down the doors, leaving executives like Mr. Sitt to yearn for the example of a big municipal work force like New York’s.

Mr. Sitt and his colleagues have remained unwavering in calling fully remote work an aberration necessitated by the pandemic. “Working from multiple places — from home, from an airport, from another office — that isn’t new,” said John Gates, a top executive at Jones Lang LaSalle. “Will people choose to do more of that? We think yes.” But physical offices, they argue, are critical to nurturing new employees, imbuing people with a sense of company culture — and keeping them productive.

“If people are going to work from home on Fridays and Mondays in the summertime, what do you think is going to happen?” Mr. Rudin said.

Amy Edmondson, a professor at Harvard Business School, called it too soon to assess how office life might have permanently changed. But she said it was clear that physical

workplaces were useful for far more than making sure people were actually working on a Friday in August.

“The office is good for those moments where ‘I just have a quick question I have to ask you, I’m just going to walk by your desk to see if you’re available,’” she said. “What the office is absolutely unnecessary for is totally solo work, individual tasks, writing a novel or doing your expense report.”

From a distance, Ms. Edmondson said, “you actually have to end up having to schedule the unscheduled meetings.”

With spontaneous encounters having disappeared over the last year, some have sought to romanticize office life as a sort of throwback.

“It’s almost like a retro movement, like when vinyl became cool again,” said David Goldstein, a top executive at Savills. “I think it will be cool to people to be back in the office.”

Even as they pave the way for more flexibility, some of America’s biggest companies appear to agree.

In May of last year, Facebook announced that it planned to let many employees work remotely on a permanent basis. But Facebook, it soon turned out, believes what the real estate brokers believe, too: People want a place to go during the day that isn’t their couch.

Last summer the company signed a lease for 730,000 square feet of new office space.

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