

T H E

WeeklyTAKE

HOW THE OFFICE CONTINUES TO SUPPORT THE FUTURE OF WORK
W/ ANNE WALKER AND KAREN ELLZEY [02.16.2021]

Spencer Levy

I'm Spencer Levy and this is The Weekly Take. Whether you're working from home these days or have returned to a traditional place of business at some point, you probably asked the question we will address on this show, on this episode a pair of experienced corporate real estate leaders and one big idea: what's the future of the workplace?

Anne Walker

Great question. And certainly the last year has given us a lot to think about.

Spencer Levy

That's Anne Walker from New York. Anne runs the global real estate portfolio for Bank of America, along with a variety of other areas, including the bank's operational excellence initiative, all with an eye on how the bank is positioned for the future.

Karen Ellzey

So I think that COVID, again, is giving us some opportunities to rethink some things and even think about space we don't even own as a corporation, as potentially space that could help us in a in a pinch.

Spencer Levy

And that's Karen Ellzey, executive managing director of CBRE's Global Workplace Solutions, based in Chicago and working with corporate clients around the world and advises on office strategies with COVID and its impact front and center. We'll take a wide ranging view of the latest thinking around office real estate around the world, what's happening now in the midst of the pandemic, especially now that the vaccine rollout is underway and what we might expect over the next decade. We'll talk about coworking and flexible space, safety and wellness and the role of real estate in the building of corporate culture and more. Coming up, a conversation about changes, challenges and opportunities in the workplace of the future. That's right now.

Welcome to The Weekly Take. And this week, we're going to be talking about the future of work with two tremendous thought leaders and leaders in this sector. First, we're joined by Anne Walker, the global real estate and strategic initiatives head at Bank of America. Anne, thank you for joining us.

Anne Walker

Thank you, Spencer.

Spencer Levy

And then we are joined by Karen Ellzey, an executive managing director of CBRE Global Workplace Solutions and longtime friend and colleague of mine. Karen, thank you for joining us.

Karen Ellzey

Thanks for having me, Spencer.

Spencer Levy

T H E

WeeklyTAKE

So Anne let's start with the next 10 years. Clearly, the last year has changed a lot. Maybe it's changed everything in certain ways. And so I just want to start big picture. What is Bank of America trying to do from a real estate perspective to best position the bank and its real estate and its employees for the next 10 years?

Anne Walker

Certainly the last two years, given us a lot to think about. But for the last 10 years, if you step back and you think about what our company has been focused on, we have been focused on responsible growth. So our real estate strategy needs to support that. And that's what we've been looking to do. Our approach is I think of it as three fold. We identify the local markets with the businesses, of course, which position us to deliver for our clients and customers. We then look to bring our businesses together in co-locations, and that's really important. It serves two purposes from a strategic perspective. It's going to make us most effective because our teammates get to know each other and we can think about the clients and customers holistically. And then obviously it's more efficient. Right? If you think about trying to optimize occupancy utilization rates, if we can do that in in space together, that's going to be more efficient. And then lastly is being a great place to work for our teammates. And so that means we've got to think about where do we want to be to recruit the right diverse talent. It means we've got to think about what's the most effective design layout for collaboration, for productivity. So what does that mean in terms of that being our approach? It means that and it started about eight, 10 years ago where we started to consolidate, rightsize the portfolio and bring the teams together. We were in one hundred and thirty million square feet back in 2010, worth seventy six million square feet today. And we've got plans to keep optimizing. We're still in eighty six hundred buildings. That's in about 90 larger U.S. markets, plus many smaller ones given our retail branch footprint and thirty seven countries overseas. And what we do is we basically are always looking at opportunities based on lease and dates to think about that consolidation strategy and that even with COVID, that's not changing. Right. We still have more work to do. And what I would say is changing is that we can avail ourselves of more flexibility and the pace of implementing that strategy. So if before COVID, we were always thinking about needing space for every individual at every moment we've learned with COVID while it's not an ideal posture, we can work from home. And so on an interim basis, I think that is definitely giving us the flexibility to try to manage that consolidation more aggressively. So that's how we're thinking about it right now.

Spencer Levy

Karen, I'd like to get your perspective on that. How does what Anne suggested match with what some of our other large clients are suggesting?

Karen Ellzey

Well, I loved hearing Anne's comments. And Spencer, I'll say quite consistent overall, the right place to start the conversation as Anne did is really with the business. What's the strategy? What are you trying to accomplish? And then what does that tell you about the role that space needs to play to support that strategy? So I think this has been a remarkable time in having corporations step back and really rethink the relationship between business strategy and the workforce, their customers, how they reach them, and then how does real estate support all of that?

Spencer Levy

So Anne I want to talk about flexibility. You talked about not only the reduction in your overall space size, and I presume that's with respect to permanent long term lease space.

T H E

WeeklyTAKE

But you also talked about using more flex space, tell us a little bit more about that.

Anne Walker

On the coworking space with, you know, another occupier in the premises. Look, it's certainly an interesting can be an interesting part of a portfolio and something you certainly want to consider and have in the mix of opportunities or options. At the end of the day for the bank, it hasn't been a major part of our portfolio. We've used it just in a more limited fashion where we've really needed it as a transition to bridge a gap perhaps in between more permanent Bank of America only locations. But really, you know, when we do pick that, we want to be in a location, we're willing to sign up for a certain period of time. We know we're going to be there and we're very comfortable with it being our space, albeit these days you might want to have more flexibility with your leases just given the backdrop and some of the unknowns out there. I also think information security is a really important part of considering the coworking type options that are out there, of course, they can work very closely with one on getting themselves protected in the right place, but it's probably one of the most important areas of the bank. And we invest a very significant amount of money to make sure we've got the right talent and the right capabilities there. And I just think our having our locations be in our control the most is probably an important factor there. As for flex space and other types of considerations on that front, we certainly have moved to more sort of space modernization type layouts that provide more flexibility in terms of how you're using the space. And we're thinking about right now, how do we take that a step further? How can we build spaces that are more agile? And of course, you can always drop in a wall or do something like that. But I think as we're coming out of COVID and we know coming together in collaboration has been the big gap in COVID the ability to do it together physically, I think thinking about how your design can provide even more agility and being able to pivot from offices to trading desk type layouts to smaller conference room, bigger conference rooms, like anything that can avail you of being able to support teams in different formats and forums, I think is really important.

Spencer Levy

So, Karen, I would like to get your point of view on this specifically because our survey recently said that having more flex space in the building may be the number one amenity for occupiers. What's your point of view?

Karen Ellzey

I think of it as almost the transformable workplace where you have some degrees of flexibility and how you can figure it and you're not as bound by, you know, the more rigid, highly cellularized environments that are highly dedicated that you just don't give you that much latitude. So I think, Spencer, it's both in the space itself. And then I think also the policies you put in place around how that space is used is what affords the most flexibility for occupiers within their envelope. And then we do have a lot of clients looking at the third party flex spaces where their business strategy supports that and it makes sense for them. So for companies for whom the third party flex spaces do work, it's number one because it's very consistent with their overall business strategy. And so I think that COVID, again, is giving us some opportunities to rethink some things and even think about space we don't even own as a corporation as potentially space that could help us in a pinch. So I do see that playing out somewhat in a pretty interesting way.

Spencer Levy

Anne, I'm going to turn to you on the work from home angle. I would like to know how you address the work from home in light of culture, in light of security, in light of maybe even

T H E

WeeklyTAKE

insurance issues.

Anne Walker

First of all, I would just say we were able to pivot to a work from home posture in an amazing fashion, probably even more effectively than leaders expected. We currently have roughly one hundred eighty five thousand of our roughly two hundred twelve thousand employees working from home around the world. We frankly transitioned any role that could be virtual to virtual and in very short order. That meant we procured or delivered 90,000 laptops and chrome books. And this is another sort of fun fact. In India, we delivered to individuals over twenty one thousand small UPS or uninterruptible power supplies. I mean, you can imagine some of the challenges there, but it was critical we did it because the infrastructure there is completely different than the infrastructure in other parts of the world. We are working incredibly well in this posture and I would say have been doubling down in certain areas that we've needed to. But everyone's risen to the occasion. We have hundreds of virtual meetings every single day. The leadership team has doubled down on all of their routines, meaning quarterly town halls, go to monthly town halls, monthly meetings, go to weekly meetings, if not twice a week. So just across the board, raising the bar and the engagement and doing things that are just part of our culture. In a crisis, you're only as good as the strength of your culture. So all of that has led working from home be effective and be possible. But we are looking forward to getting people back into the office because, yes, on the margin, you have that much better, probably information security, you have that much better collaboration. You have that much better engagement, that much better supervision if you're together in the office place.

Karen Elzey

Spencer, this is one of my favorite topics. And my favorite quote on the topic of culture is that culture eats strategy for lunch. So if you don't get that piece right, you've got some really big problems indeed. Now, the problem with culture is that it's amorphous. So it's hard to define, but I think of it really simply it's your answer to the question of why should someone want to work for us? And so then you've got to think about a lot of things that go into that equation. And once again, it's probably the physical work environment may not be the first thing that pops into people's minds. What they're going to think about is the people, the connectivity, what can I learn? Can I advance my career? Last time I checked, no matter how brilliant the workplace was laid out, it didn't advance careers being around other people, being successful with clients advances careers. So I do think, again, the pandemic has given us this really kind of profound moment to rethink what it is we do at work and what it is that matters and makes our various organizations click. So it's just a reality that we probably won't go quite back to exactly what we had before. But I'm a big fan of not taking for granted the profound role that some of that in person plays. Again, not just from the workplace lens, but from the corporate performance, the human connectivity, the culture lens. I think that's a very, very important part of this question as we go forward.

Anne Walker

Yeah, I'd say just one last point is I think about the racial injustice events that unfolded in 2020 and many teammates, you could just tell, were craving to be in person. And we have had a great tradition at Bank of America of what we call courageous conversations or we call them let's get real and having the physical space to be together, to be, you know, walking around the office and seeing someone, you know, maybe shoulders slumped over and clearly feeling it. And you don't have that right in COVID. And so I think that the office place, I think, is expected to serve a part of helping people get through events like that.

T H E

WeeklyTAKE

Spencer Levy

So Karen I think that I want to follow up on the social angle, because I talk on the capital markets dialog about environmental, social and governance and how that is squarely on the rise on the capital markets side, the buying and selling of real estate. And it's clearly part of the Bank of America culture, clearly part of our culture. But my question for you, Karen, is when we speak to our large occupiers about these ESG issues, we talk a lot about the sustainability side, the E side. I want to talk about the S side, which am brought up. How much is that changing the thinking of our occupiers and where they locate configuration of space or otherwise?

Karen Ellzey

Well, I'm going to address this by sharing an anecdote Spencer that I thought was really, really interesting. I was on a call, was a very large technology company. And we were, you know, as we're doing with a lot of clients right now, just sort of, you know, opining on the future of the large urban presence and what that all means. And this particular company said, you know, for us, we are so focused on diverse talent that we will be in urban areas. We will stay in the city because that is where we're going to look for, develop, invest in that talent. And I thought that was just a very interesting perspective. Spencer, one that I had not heard where kind of the real estate and the location and the bet on the urban centers was made from that perspective. And it was just very heartening, right. To hear it being thought about in that way.

Spencer Levy

So Anne, I think Karen brought up a lot of great points and one about an angle actually I hadn't thought about, because I always think about the big cities as an environment to bring in all different types of talent, but being squarely on the diversity angle of being another reason why the big cities will always be perhaps most attractive to big organizations. Anne, what's your point of view on the future of big cities and how does Bank of America see the future and will act upon it?

Anne Walker

I think it's just too early to declare something. We will go back to, you know, where are we best positioned to deliver for the clients and customers? So the business strategy, as well as being a great place to work. And therefore, as I mentioned at the very beginning, you know, having access to, as Karen noted, you know, diverse talent. So I think the urban cities are still going to be very much a part of our equation. We really just have to meet the needs of the various functions. Well, it's really because fulfilling that diverse population is what's going to let you connect with your clients and customers the most. Right. Because, for example, we need Spanish speaking teammates because we have so many Spanish speaking clients. And so things naturally align so well between the reflection of your of your people, your employees, and the reflection of your clients and customers. So we're going to go where we need to be able to deliver on that front. And when I said earlier, you know, responsible growth and a part of that is sustainable growth, underlying sustainable growth for us is ESG. And that's been very consistent over the last 10 years and definitely informs our real estate strategy.

Spencer Levy

Karen, let me turn to you now and getting a little bit more granular at the property level because of the rise in the importance of wellness as a criteria for space, for safety and otherwise. Just walk us through some of the changes we're seeing or our clients are asking for from a technology standpoint, whether it's touchless technology or otherwise, to make

T H E

WeeklyTAKE

sure that that W becomes as important as the ESG, whichever it falls under.

Karen Elzey

Sure, Spencer, we have done some research and our clients do say expense management is, you know, time and again emerges as a top priority. But this year, vying for first place was safety, wellness, really putting a focus on the employee. So now the trick will be to strike that balance. Right. We are definitely seeing clients move toward activity based space, i.e. not fully assigned. Well, what you have is a new kind of a rigor and kind of a reservation approach, a little bit more of a hotel, kind of an approach to the work environment. So that can be managed. It's pretty granular. So you know who's where. And you don't assign Spencer and Karen to the same space on the same day just in case. Little things like that are having to be thought about. I'd say HVAC is having its moment right now also and people being a lot more aware of air quality and getting a lot more into detail with their own teams and landlords and owners. Tell me again about that HVAC system. What kind of filtration do we have? We have a much more literate employee population on all these things now going forward than we ever had before.

Spencer Levy

But Annie our recent report, The Real Estate Reset, we talk about changes to the design and experience of the workplace. I think Karen touched on a lot of those changes HVAC and otherwise. I'd love for you to just give us a few more examples of some of the things that Bank of America is thinking about from workplace design and other mechanisms to tackle wellness in the future.

Anne Walker

Yeah, so I think a couple of things. First, just to make sure it's clear up front, we're not going to bring people back in size until we're on the other side of this vaccine. Right. Or on the other side of COVID with the vaccine. So once it's safe to be back, I think to Karen's point, it is still going to be very important that we're giving all the teammates the confidence and the comfort in and coming into the workplace and that we're doing a couple of things there now, even with the teammates who are in. So, Karen, you mentioned an app, right? And we've got a health screening app, as do many other companies. And before you come in, you've got to answer a number of questions daily. But then in many locations at our larger administrative and operational sites, as well as financial centers, we've now got testing that is being done regularly. And so that was something that was brought in because one, of course, if I'm going into the office, that's a great resource for me to be able to test myself. But it also helps level set across teammates that you're on this level playing field of the person, you know, again, properly, socially distance to the right or properly socially distance across the room has also been tested. And so I think that that was something that we learned from listening that would really help as we as we did work through the early phases of bringing some people back in. In terms of the space, I think it's interesting on the space modernization, but there's a lot we're piloting. There's a lot we're constantly piloting, testing, and we have an entire process set up around that as we think about rolling out new technologies, whether it's the HVAC system in an admin center, whether it's our ATM machines, you know, we want to be making sure it's not just the teammates, but the clients or customers who are who are on our properties are having a safe experience. But I think that space modernization is interesting because there are some concerns about the openness when in actuality you can benefit from things like cleaning practices that can be done more effectively there then perhaps elsewhere. The other thing to bring up, I would say, is on that reserving we can to your point, we had used technologies primarily around the conference centers, et cetera, and we have now been looking at couldn't you know,

T H E

WeeklyTAKE

and running a pilot on, can we potentially extend that out to seat reserving? And I think that's something that will potentially play an important role and in people knowing, OK, I've got my seat, I know where I'm going, by the way, it has an added benefit of contact tracing if one was to need that. Again, we're hoping to be back when that's behind us. But there are these wellness benefits from these technologies that if we if we use them properly, I think there's some there's some real knock on benefits sort of across the board. But most of it's all about providing our teammates confidence and comfort that, you know, that we're thinking about them and making sure the health and safety standards are met.

Spencer Levy

I think there's another issue that geographic differences in our approaches to our employees, to our workplace. And from your point of view, Anne how much does your overall strategy change region by region locally, not just today, but moving forward in part because they're just dealing with the disease better without a vaccine?

Anne Walker

Look, the company is taking a global approach in terms of health and safety standards. Now, of course, we have to navigate country by country requirements and local health and safety standards. And in some cases, we have got teams have been in the office longer in certain areas. But what we've done is everywhere if you're back in the office, you have that six foot social distancing everywhere we've got, you know, certain types of cleaning products being used, the testing, the masks. It's a universal standard that is being applied if we have anyone in the office. And what I would also say is it's very agile, meaning we as a company had planned an initial set of phasing to bring people back. And when we think we're approaching phase two, suddenly we look at the data and it's very data driven. We have medical board advisors, but nothing is done without analysis. It's anything but strict in terms of having the ability to change direction. But it is also absolutely adhering to certain principles and an approach that you have to do globally and then we just be agile within it.

Spencer Levy

Well, Karen, let's go back to that comment of universality. What's your point of view on the universality of productivity versus efficiency care and how it may differ by market.

Karen Ellzey

Productivity is about, it's not about any one work environment or any one person. It's about how the system that you enable your teams and your employees to do their best work, to be the most successful on behalf of the company. It's really a matter of how that entire equation works. It's again, I think a little bit in our industry, we tend to overly focus on the workplace when it's really a much more complex and dynamic kind of system that is contributing at the end of the day to that productivity. So the trick of the real estate executive, I think, Anne has spoken to so eloquently, it's going to defy a simple answer around standardization. That's going to defy a simple answer about standardizing space or anything like it. It really is going to come down to a granular understanding of what makes your company tick and most importantly, what makes it successful, effective and competitive.

Anne Walker

Everything you're talking about, their Karen is really about what's the work that's taking place at the company and how is that done, you know, with the best level of productivity or the most effectively. And for us, you know, one of my other hats being operational excellence, that's what we're always looking to uncover what's the work that's going on. And so I think

T H E

WeeklyTAKE

with real estate, it's as much about the markets, but it's really looking at every function and how do we best support each function? You've got to unpack each function to figure out what's going to position them the best.

Spencer Levy

So, Karen, listening to Anne and the very big role she has, not just in real estate, but beyond Sekar and operational excellence, I think it speaks to one key point that we actually had in our 2030 report, The Age of Responsive Real Estate that we're now calling The Way Forward, which is the elevation of the real estate function, role and importance in the company that used to be reporting the subsidiary level to finance. Then maybe they are now almost to a C suite type of relationship. Do you see that as a trend in the industry? As an overall, Karen?

Karen Ellzey

There's always going to be an element that the real estate and facilities play where it's a factor of production. Right? Corporations are not in the business of real estate. They're in the business of being financial services companies and so forth. That said, I do think that real estate must be managed as a strategic asset. I think the expense of it, the inflexibility of it, the role that it plays in contributing to compare of advantage, attracting, retaining top talent, enabling the right kind of work to happen in the right way with the right kind of people facing the right kind of customers. I'd love to see the elevation of real estate for many reasons, the financial component, the strategic support, the convergence of all the cross-functional collaboration. I just think it's a real moment of opportunity. And the last thing I'll say that I find to be fascinating about this COVID moment is as corporations think about what it means to support a hybrid workforce. And Spencer, you touched on this a little bit already. What does that mean? Who owns it? Does it expand the role of what we thought of as the corporate real estate executive, or is it some kind of a new entity that is bridging the physical and the digital to create that cohesive experience? I think these are some unanswered questions, but, I'm thinking about it at that level, all inclusive of how you engage all of your stakeholders. That, to me is where it starts to ascend into that kind of a C-level altitude. And I think the way that Anne's talking about it and thinking about it probably comes as close to that as I've seen. And I think it's phenomenal for the bank to have Anne and I think it starts to set a potential template of how we could begin to think about things differently.

Anne Walker

Karen, to your point, I mean, it is we can't get to where we need to be as a company with you know, if I was thinking about real estate standalone without the partnerships that I need. Right. So I am on the phone with different human resource executives all the time because hand in hand with real estate are the people that you're filling up the buildings with. Right. I mean, that's what it's really about is to your point, like it's about how we deliver as a company and it's our people that ultimately deliver. And I'm just one part of that equation. Technology is another critical asset for the company, another critical resource. So it is definitely part of a partnership approach. And to that end, when COVID really got on everyone's radar, it was in a split second that daily 7:30 a.m. daily evening calls were set up, a sort of SWAT team with our chief administrative officer, which is who I report to, Andrea Smith and Sheri Bronstein, who's our head of H.R. and core people that sit underneath the two of them and all of us together driving our strategy and our approach, because you have to be tightly coordinated and it's been impressive and it's been never ending.

Karen Ellzey

And Spencer, I kind of hope that I'll be interested to see if that really successful and intense

T H E

WeeklyTAKE

cross-functional collaboration that organizations have experienced in COVID is maintained or sustained somehow, because I think it was a real 'aha' moment for a lot of folks. I mean, we worked the same way and we just realized how many dots there are to connect and no one of those groups owns it all.

Spencer Levy

Well, Anne we began today's conversation talking about how Bank of America looks at real estate for the next 10 years. We're getting to the end of our podcast now, but I would like to give you the opportunity for any final thoughts, anything you want to emphasize or any final message you'd like to give regarding real estate today and moving forward.

Anne Walker

Look, I think, as I said, I think we've got a lot still to learn. But there is no doubt our locations where we are and how we're there are a critical part of how we're going to deliver on responsible growth. Right now, we're working from home. We're doing that extremely effectively. But we are, as a company, looking forward to getting everyone back in the office and will be selective and we'll keep on our consolidation path and journey. So in some ways, you know, rest assured, nothing's changed. And on the other hand, obviously, a lot has changed. And we're going to keep monitoring and pivoting and accelerating and doing what we need to do to help the company.

Spencer Levy

Karen, final thoughts from you.

Karen Elzey

Well, we've talked a lot about work from home, and I heard it described more aptly as we're actually living at work right now. I heard something recently where people are working on average forty nine fifty minutes more per day. But people are also, I think, tired. It's kind of starting to get to people to like and I think we all need to get to that safe point where the vaccine is kicked in. But as that begins to happen, I really hope that we will see kind of a continuation of this really important conversation and this opportunity to reinvent some things, to think differently about things, and that we don't just revert to old muscle memory. We have this opportunity, I think, to change not only our companies, but the broader connected ecosystems that we're all a part of.

Anne Walker

If I can just jump in with one thing for me personally, you know, I really miss laughing with colleagues more. I was a quick one to get on WebEx because I love seeing people. I listen to a couple of podcasts that we're talking about. You can't overuse Zoom overuse Webex. It gets tiring for people, but for me, I love it because I like to see people's faces. But you've really got to be deliberate in everything in life now to try to bring out the soft side sometimes of people. When you're on these back-to-back calls and working forty nine, fifty minutes more a day Karen, as you mentioned and I don't think my kids think I'm as funny at home as maybe my colleagues do, or maybe they're forced to laugh. But I think just it's just going to be a very welcoming experience to be back in and be around people that you spend a ton of time with. And so it'll be nice. It'll be nice to get back in there.

Spencer Levy

Well, I think we all agree on that, Anne. And I will also end with a word that Karen used in her final thoughts, which was, notwithstanding the challenges of COVID, this is an opportunity. Opportunity, I think is a great word to think about as we're looking at the future. So on behalf

T H E

WeeklyTAKE

of the weekly take, I hope you enjoyed today's episode on The Future of Work. And we have two outstanding guests with Ann Walker, the head of Global Real Estate and strategic initiatives at Bank of America. Anne, thank you for joining us.

Anne Walker

Thank you, Spencer. Thank you, Karen.

Spencer Levy

And Karen, my good friend, longtime colleague, executive managing director at CBRE Global Workplace Solutions. Karen, thank you for joining us.

Karen Elzey

Thank you, Spencer and thank you, Anne.

Spencer Levy

For your latest insights on the future of work and to read any reports mentioned on this episode, including our latest Flex report, head over to [CBRE.com/TheWayForward](https://www.cbre.com/TheWayForward). And as always, for more on The Weekly Take, check out [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). Send us your feedback, too. We'd love to hear from you whether you found us on Apple podcasts, Spotify or another platform, please subscribe, rate and review us wherever you listen. Thanks for joining us. Until next time. I'm Spencer Levy Be smart. Be safe. Be well.