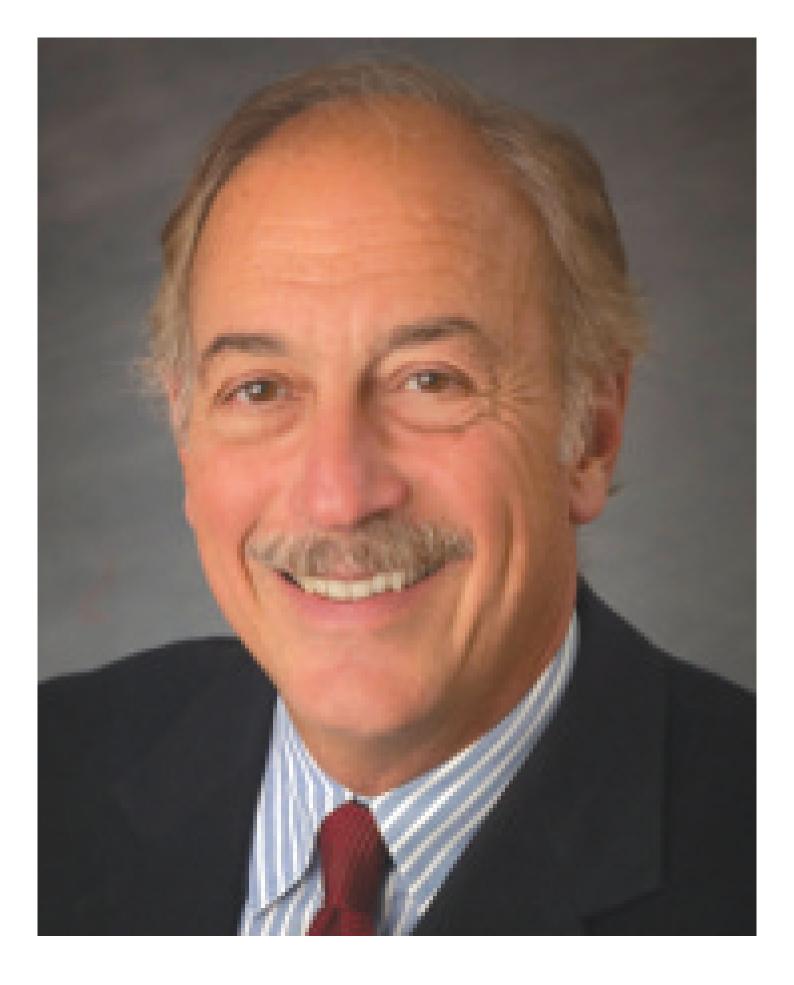


Back to the office?? Say it ain't so! - by Daniel Calano

October 11, 2024 - Appraisal & Consulting



Daniel Calano

It's been only about six months since I wrote an article on why remote work was here to stay, a way of life. The data showed that, at a minimum, working from home would be most of the time, with perhaps only a few visits to the office to catch up, meet up, and see what's new. At the most, some workers would "return" only on a hybrid basis. The obvious impact on real estate would be (was) vacancies, rent reductions, mortgage defaults and maybe, just maybe, foreclosures. Well, that has all changed, with a few recent very large companies requiring workers to come back. Amazon was the first with this requirement for returning. JP Morgan was the next large footfall. Starbucks soon followed suit, although the nature of its business already required boots on the ground.

How could this pivot happen so abruptly, after Millennials had become quite comfortable with life as a mixture of work, family life, getting to know kids better and sharing with the housework? They had tasted the honey, and did not want to give it up.

Some could see the pivot back coming, as companies laid off some workers signaling that work from home was, in their point of view, less productive. Some companies simply "right sized" their businesses. Some employees were getting slightly tired with life at home and more easily accepted return, often missing office comaraderie, teamwork, and mentor relations. Some simply want to keep their very prestigious and lucrative jobs. In any case, their employers started laying down the new law.

The increase in real estate occupancy has been modestly beneficial, with some vacancy, such as in Manhattan, shifting from around 25% in early 2024, downward currently to probably about 22%, although the exact number has not been verified. Some of the largest real estate publicly traded companies have seen their equity value increase slowly, but with some significance.

It is not yet clear as to how far this back-to-office movement goes. Some workers, for example those with "tech" jobs will not be required to return. Housing affordability will play into this shift as workers attempt to get closer to the office. Some simply cannot afford housing near their jobs, and cannot endure a tediously slow commute, in some cases two hours each way. Transportation cost and availability will impact how it unfolds. And, as we obviously hope this does not happen, but just as COVID sparked this journey, so could another pandemic repeat a similar process. In other words, as we will all learn, there is no certainty in this evolving future.

Daniel Calano, CRE, is managing partner and principal of Prospectus, LLC, Cambridge, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540