Special Report **Post-pandemic Cities**

Coronavirus economic impact

Developers rethink the office after coronavirus

What will the new work culture mean for the New York workplace — and the city?

The view from the Rockefeller Center as many office buildings stand empty in New York City © Spencer Platt/Getty Images

Joshua Chaffin JUNE 27 2021

Scott Rechler, chief executive of RXR Realty, had just finalised a white paper for one of New York's largest office developers when the coronavirus pandemic shut down the city. The paper had been intended to guide RXR's decisions for the year ahead. Rechler binned the document. "It became irrelevant," he explains.

Months later, he and his team produced a new version. But this one did not feature the usual strong convictions. Instead, it was a collection of questions about the future of the office, the future of work, and the future of New York City — the same uncertainties now puzzling property developers, politicians, and chief executives across America's largest metropolis.

Rechler still believes New York City has a bright future — and so, too, the office towers that sustain it. However, he knows they will have to change.

“The genie is out of the bottle . . . remote work is going to change the nature of the workforce,” he says. “And so what is going to come back is clearly going to be different from what existed before. We are all going to have to adapt.”

You’re not going to go to the office unless it’s energising, it’s engaging, an experience

Scott Rechler, chief executive of RXR Realty

For developers, the biggest challenge will be to transform humdrum offices into dynamic spaces that promote collaboration, and which workers would choose to visit at least a few days a week — even if they were not obliged to do so. Otherwise, as the past year has shown, many will skip the daily commute and work from home.

Rechler likens the challenge to that which ecommerce has posed to bricks-and-mortar retailers, with customers increasingly opting to buy goods online unless it was convenient and enjoyable to visit a shop. “It’s going to be the same thing with the office,” he says. “You’re not going to go to the office or the city unless it’s energising, it’s engaging, it’s an experience.”

So far, most New Yorkers are staying away. On any given day, offices are about 20 per cent full, according to data from Kastle Systems, the security company. Rents are falling as tenants dump millions of square feet of unwanted space on to the sublet market.

They’re in a state of shock. Their entire livelihood and state of being has been called into question

Ruth Colp-Haber, Wharton Property Advisors

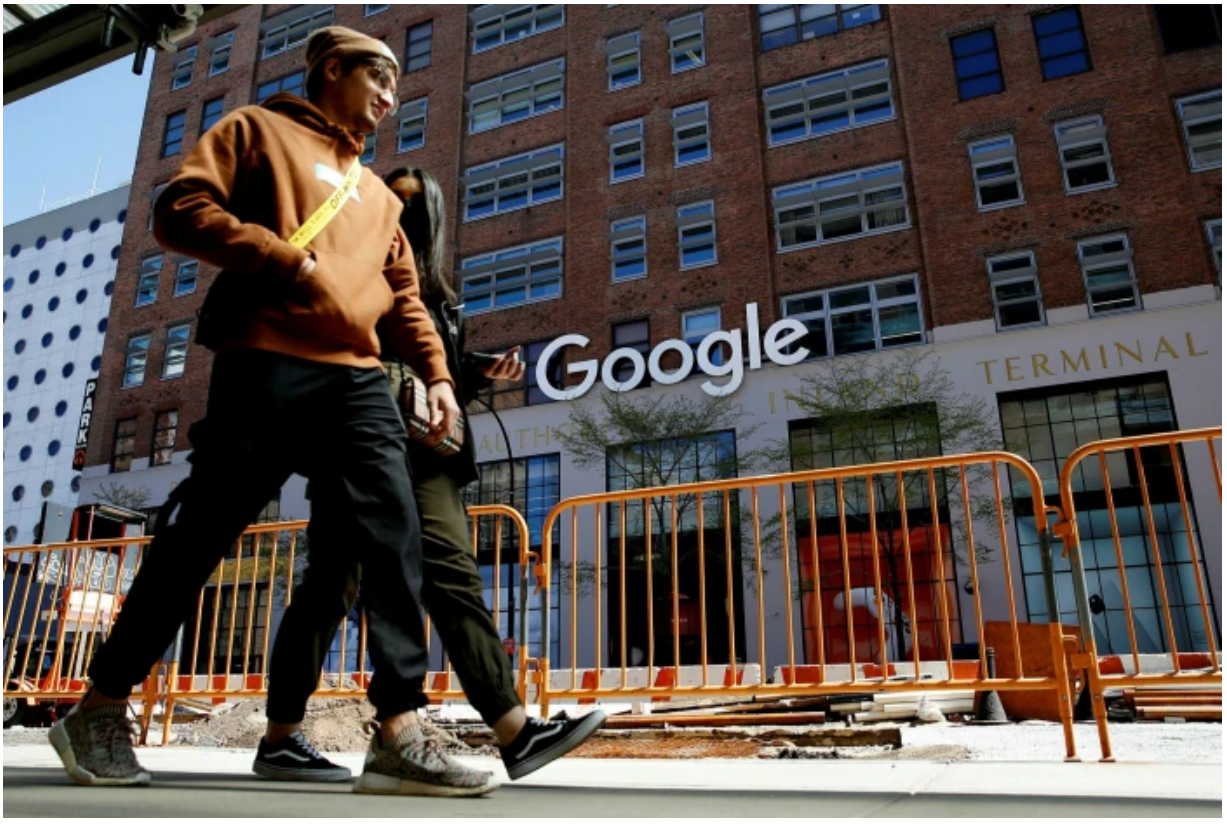
In an effort to boost attendance, some developers, such as the Related Companies, have not only required their staff to return to the office but are also leaning on their vendors to do likewise.

“They’re in a state of shock,” says Ruth Colp-Haber, chief executive of Wharton Property Advisors, a consultant, of landlords and developers. “Their entire livelihood and state of being has been called into question.”

New Yorkers will insist their city always bounces back — from the fiscal ruin of the 1970s, the September 11 terror attacks in 2001 or the 2008 global financial crisis. What has propelled the city over the past two decades, in particular, is a narrative about talent.

The rationale has been that if New York City could attract the best and the brightest from around the world, with a unique blend of arts and culture, restaurants and more, then leading companies would flock to the city to hire them. That, in turn, would attract even more talent.

On that basis, Google, Facebook, Disney, Pfizer and JPMorgan, among others, have made large real estate investments in Manhattan in recent years. Even during the pandemic, the big tech groups continued to spend.



Google was among big names to invest in Manhattan property in recent years and tech groups continued to spend in the pandemic
© John Smith/Corbis via Getty Images

A surge in apartment rentals in recent months — albeit at reduced rents — suggests that young workers still want to be in New York City, even after the pandemic. In May, for example, there were more than 9,400 leases signed, the highest number since 2008.

Business leaders are betting the return to the office will gather pace from September, especially now that more than 70 per cent of the city's population has been vaccinated and most Covid restrictions have been lifted. A year of settling back in is expected to follow.

A recent survey by CBRE, the commercial broker, found 85 per cent of companies expect employees to spend at least half the week in the office, with smaller groups in the office full time or working entirely remotely.

It may sound hopeful but it chimes with what Rob Speyer — chief executive of Tishman Speyer, the New York developer that owns Rockefeller Center and is now building the 65-storey Spiral on the west side of Manhattan — has been hearing from chief executives.

The 65-storey Spiral office building (centre), seen from New Jersey © Getty Images

"Companies will experiment with a hybrid approach," Speyer says. "But most CEOs, in candid conversations, acknowledge and emphasise the importance that the workplace has to the future of their business because of the importance it has to the future of their culture."

In future, that office will have to be more than four walls and a roof, he explains. "You need great hospitality, you need flexibility, you need things that are going to help you build community among your people."

The office used to be a place that you went to work and now it's going to be a place that you go to work together

Michael Phillips, president, Jamestown

Michael Phillips, president of Jamestown, one of the owners of Industry City, among other trendy redevelopments, puts it this way: "The office used to be a place that you went to work and now it's going to be a place that you go to work together."

What does that mean in practice? "More collaboration space, more conference rooms, more food and beverages, more IT support in a way that people can get their needs met, and there's a real stickiness to being in that environment," he says.

Like others, Phillips expects the fashion for ever-more densely packed offices to reverse as people demand more space and cleaner air.

For RXR, it means something closer to the comfort of home. It is trying to design conference rooms that feel more like living rooms and engineer open spaces that encourage people to gather, as if they were in a kitchen.

More stories from this report

- Leavers' return vital to city's revival
- 'Anchor' department stores are cut adrift
- A difficult journey back for viable public transport
- Forum: a moment to imagine what cities could be
- Hospitality overhauls menu to cater for an era of uncertainty
- Green power push 'the only positive from Covid'
- Sporting comeback boosted by technology's growing role

Companies, Rechler believes, will no longer rethink their office every 10 years when they sign a new lease. Rather, designs and amenities will be in constant flux. RXR is building modular walls and furniture that can be changed over a weekend. Like other developers, it is also looking to the hospitality industry to imbue its buildings with the feel of a boutique hotel or private club.

"Pre-Covid, it was a nice thing to have, post-Covid it's a need to have," he says of such amenities. "That's the difference."

This all costs money. RXR is spending about $50m to spruce up one building, 5 Times Square, after its anchor tenant's lease expired last year. That may be cheaper than the alternative.

“There will be some buildings . . . that are not going to be able to make it post-Covid,” Rechler says. “They’re going to be too commodity-like, and they’re going to be competitively obsolete.”

This article has been amended to reflect that Jamestown has sold its interest in Chelsea Market.
