

Flex Forward

Episode 7: Managing your office space in the hybrid world

Featuring Jeff Doughman & Michael Berretta, IWG



Transcript

Will Burchfield

Alright, welcome to Flex Forward Podcast Season two I'm will Burchfield, I'm our flex consulting practice lead here in the Americas at Colliers. I'm really excited today for what we have in store for our listeners, I've got two heavy hitter guests on the platform from IWG, which is probably the most well revered brand in the industry from an historical perspective today. I have with me Michael Berretta, who is Vice President of Network development for the Americas and alongside him, Jeff Doughman, who is the president of North America. I'm really excited to have you two both here today.

It is an ever-changing landscape in flex, I feel like every time I hop on one of these podcasts and there is a myriad of topics to discuss. With that, I would like to open up the floor for quick introductions, Michael and Jeff, you have been in the business for a long time and are incredibly well versed not only in flex but in in the general real estate scope.

Michael I'll start with you, could you give us a quick background; how long you've been in the weeds here in flex and what's your take on what's happening around the world right now?

Michael Berretta

Thanks, Will, I appreciate it and thank you for having us on the show today. I have been in this industry for over 30 years and with IWG and majority of my career starting in 2000. I've had a variety of positions in the business that range from opening up single centers early in my career to running the real estate platform that we've got in place today, which covers over about 22 million square feet, 1100, 1200 locations and a very vibrant growth program.

I think it's interesting to note that Jeff and I have spent time in the trenches together since day one and the partnership that he and I have in growing this business and watching it evolve over the years has been incredible. From a very entrepreneurial approach in our early days to now creating an industrialized growth machine and sales machine that is unparalleled today. But I'll hand it over to Jeff and let him kind of give a little more of his background.

Jeff Doughman

Thanks, Michael. I haven't been here quite as long as Michael, but I'm starting my 20th year with IWG next month. Michael and I, we're here at the very beginning in, in the early 2000s, launching this thing when we had just a handful of centers and have seen tremendous growth to 1100 plus locations in North America in the last 20 years.

Throughout my career, I've been in the multi-unit side, so I've led every part geographically of North America as a vice president, helping drive the local sales and operations. I did have a stint for three years where when we merged with HQ, I helped set up our global corporate account program, so really merge the two programs together back in 2003 and 2004. And then helped build our first really, truly global corporate accounts team, so I've seen not only you the business from the operation side and the sales side, but I've truly seen it on a global side, and I've worked with our largest corporations, for the better part of the last 15 to 20 years.

Will Burchfield

It's wonderful, it's funny I'm sitting here listening to you both, and I feel like there's no better duo with that level experience to hash out what I want to talk about today. I am really excited about where we go. I think it might be beneficial to start from a very high-level point of view here, a 30,000-foot view on the industry today. What do you think the pandemic has ultimately taught us? And us not only as people who work in this industry, but tenants and real people who are voting with their feet.

Jeff Doughman

I'll take that one. I think obviously COVID has fundamentally changed everyone's attitudes about work, how and where they work most, particularly not just corporations, but obviously all the employees that are out there. There was technology out there that allowed us to work remotely, but it has taken off in in the last two years. You see that wholesale, people moving away from corporate headquarters during the pandemic and now being entrenched and working remotely and productivity has not lost if anything in in many respects is gained.

I think that now everyone is questioning the traditional ways which we work, and it doesn't really seem that logical getting in your car every morning and driving. We are taking a train into an urban CBD hub and all that time wasted and all the environmental recourse on that. The longer that this thing has gone on, employers now have a little bit more leverage as we all can see with living through the great resignation right now.

I think we've been quick to react to that and we've been quick to offer multiple different solutions, not just to the companies and the corporate real estate and professionals, but to that small fast growing entrepreneurial type of company. We just see the visits to the corporation, the headquarters going down and we see just see more alternatives being offered and we just want to be part of those alternatives moving forward.

Will Burchfield

I think your brand and the range of solutions you can provide under the IWG umbrella; it really is bar none and the most widely cast net in the industry. Do you have any plans or thoughts, with the pandemic ultimately becoming what it has and having this lasting impact not only on work but on people, do you feel your network is going to be expanding over the horizon, do you feel like this industry is sort of just still in early innings?

Michael Berretta

If we step back and look at IWG's growth over the past 15 years in our ability to weather situations like the pandemic. If you look at global economies, you look at a roller coaster ride of different types of business climates and just a sea of changes. I think that one thing that has remained extremely important in our business, has been the fact that we've got an unparalleled global network coverage. We found that diversification and that offering has been a game changer across the our customer base, whether it's global corporates or even regional companies.

Our strategy for the last 10-15 years has been to create networks within that global network, because it's important to take a city level approach and look at secondary and tertiary trade areas within each city. Then expanding that range outside, so that eventually we've been able to build a network of locations that are centered around where people actually live, and being able to be on the forefront of that, I think was key to our survival during the pandemic.

It's interesting as people began to migrate more towards working close to home and getting out of the commute and all the things around carbon neutrality, we happen to be in the perfect position for that. I think that we are going to continue to exploit that network growth and go further into densification in those secondary and tertiary trade areas.

Will Burchfield

I think that I think that makes sense and you are seeing it from your competitors and others in this space and landlords. To my point, earlier we are just in early innings here and I think that the suite of solutions that will fall underneath this sort of flex umbrella and this flex bucket are going to get incredibly exciting in the next year or two. You are seeing consolidation in the space, you are seeing new tech come to market, you're seeing brands reshuffle their footprint in order to adhere to this hybrid notion of work, which ultimately as we all know is here to stay.

Hybrid work is something that everybody has a different view on, be it a traveling salesperson, be it a finance executive who works downtown five days a week and manages the team. Men and women who are dispersed around how they are now achieving their best productivity and their best working modes. What are your thoughts on hybrid work? What is it? What does it look like? How is it best served? Is there a best practice around what the structure of hybrid work really is?

Jeff Doughman

The best practices are evolving every single day, and unfortunately some of these variants have caused people to put new wrinkles into it. There is the employee and then there is the corporation and I think what hybrid has really done, is made working a win-win situation for both the employee and the corporation. From the employee side it's all about work life balance and everyone, even before the

pandemic was always striving for better work life balance, but I think as a result of COVID, we all stopped commuting, a hard stop in March of 2020. To a varying degree, the longer that this has gone on for, the more that employees no longer want that and corporations have realized that it's hurting their productivity and causing them to not recruit the best talent. They do have to make their carbon offset plans so it can all come together.

75% of employees want to work closer to home, in a survey that we ran said if I can't work closer to home, I'm not going to go work for that company. If you look at the millennials, 50% of them who are the burgeoning part of the of the workforce are saying listen work life balance and being able to work where I want to work is more important to me than what they're paying me, so I want to work close to home and I want to work where I want to work.

When you think of hybrid, all those solutions are covered because of the network, and because of different brands that we offer and different solutions. Not just having it in office, but our virtual office products and our membership products.

Going back to the corporation, there's a lot of savings when people aren't having to commute into the office and huge productivity gains. If you think about it, productivity gains were falling prior to COVID, and now it's really hard to measure it with people. Everyone can say hand over heart that productivity is probably gone up the fastest it has from a white-collar worker standpoint in the last 20 years. But then again, I go back to the whole piece of, we have businesses not only trying to recruit the best talent and offering the best solutions, but also trying to make sure that they have their ESG policy, and the hybrid helps them solve all those problems. To recruit better people and allow them to work when they want to, and reduce their commute, which helps their carbon offset goals that they're trying to set. It is truly a win-win for both the industry, the employers and for the for the workers out there.

Will Burchfield

I think it's funny, as I sit here in my home in my spare bedroom, which is now my quasi office, you start to think about the benefits of this hybrid structure. I have a young daughter at home, and there is a lot of people who would want to spend more time with their kids, pre-pandemic and didn't have the opportunity to. Being able to be part of these milestones because of the flexibility that our employers are providing us. I think the stress relief of hopping on a train or getting in your car and being able to structure your day as you see fit for you to do your best work, is the future. I work out of my house a few days a week, I go to some flex office solutions a few days a week, and I go to our corporate headquarters in New York City a few days a week. I've found this structure that works best for me, and I think the more that employees can continue to figure out what works best for them, flex becomes even more important. But when you start thinking about a footprint for a corporate real estate occupier, if you don't have flex in your footprint or you're not considering having flex in your footprint, your labor pool and your labor talent and retention strategy is going to continue to fail. We're seeing that across the board and it's becoming almost commonplace these days and I think.

I want to bring this back into the personalization of this podcast, given our relationship with Colliers and IWG very briefly. We have a newly formed strategic partnership, and I want to turn it over to you guys, since you are the masterminds behind this strategic partnership with Colliers. What is the partnership, what does it mean for how we at Colliers and IWG work together moving forward?

Michael Berretta

I think it's a massive point for us to cover, the relationship that we have with Colliers goes back many years. Our business, especially in Canada, was built alongside the Colliers team, with the help of Tobin Davis in Toronto. We had extremely strong support in Vancouver from Colin Scarlett, I could list ten different names where the Colliers team, from senior management, all the way up the chain to the executive level, embraced our business in Canada. Colliers became embedded in our team to the point where our own salespeople and the sales professionals within Colliers we're almost interchangeable, and that relationship remains true today. I think it's the gold standard in the industry, from a standpoint of partnership and the support that we've gotten in that part of the world is just unparalleled. I've personally used it as a benchmark for other relationships we've got in other parts of our global platform.

We had an interesting situation occur this last year, where a team that we had been working with for upwards of 15 years in the United States joined Colliers. It was the perfect opportunity to build the relationship overall for the Americas, leverage that relationship internally and build the Colliers relationship overall, which was an amazing circumstance for us, and it was a seamless transition which we found to be extremely helpful these days.

I manage a portfolio of over 1100 leases and it's a very active portfolio, over the last two years we have sat down and picked apart over 800 agreements. We've got 100 or so deals that we work on in the Colliers patch a year, and that's just maintaining our existing portfolio. It's absolutely necessary for the team that I have in place, my outsourced real estate team with Colliers, to act as if they're employees or shareholders within our organization and they've done exactly that. They interact perfectly with Jeff's sales team, we pitched deals together, it's interchangeable whether it's a real estate situation or an actual sales situation with an enterprise client. The focus now, over the last 90 to 120 days, is do exactly what you touched on and that's how do we leverage the Colliers team. Leverage the Colliers team in the US to help us grow the business and I'm happy to say that our goal overall is to grow the business by 1000 locations a year.

Will Burchfield

Speaking of addition, and with my eyes popping into my head, 1000 locations a year from a growth trajectory perspective. Let us pivot to the landlord side, which I think is of a good segue here, so how are you envisioning partnering with landlords and owners in this sort of go forward momentum that IWG is feeling right now and is this flex offering or any sort of flex offering, something that every landlord needs to have?

Michael Berretta

Partnering with landlords is not a new concept for us, franchising is not a new concept for us, managing operations is not a new concept, we've been doing it since our inception. That that alone sets us apart from the level of experience and scope and breadth. The fact that we operate so many different brands allow us to partner with every type of landlord on the planet, whether it's a large institutional offering where we're putting our five star brand in place or if it's a rural location or a smaller city, a tertiary market standalone owner of a building that simply wants to bring the brand. The concept doesn't have any experience but knows that it's a business that they want to get involved with. We can literally open

design, implement and begin selling immediately, by leveraging a global network of sales professionals and operators under Jeff's team that have so much experience. I mean in comparison to our competition we have people that have been in these markets.

We've opened 10-15 new locations in the last six months that were assimilation of previous operations for building owners and we've picked those up and immediately created revenue production for them. And most importantly, to circle back to the beginning of your of your question, this isn't new, landlords recognize that they needed to set themselves apart from a competitive standpoint by ordering or implementing a hybrid or flex solution in their portfolio, because their customers were demanding it and they wanted those customers. The natural progression that has happened over the last couple of years is that we've set ourselves apart.

Will Burchfield

Sitting in New York City every landlord has their own idea for what flex is supposed to look like within their greater network of assets and our occupier tenants and clients are demanding best in class from Flex right now. It doesn't always have to be a landlord product, it could be a traditional historical Flex brand able to offer something holistically from a global perspective, that actually speaks more truer to what needs to be achieved from the business unit perspective. If you're a landlord without flexing your building right now, I feel like you're struggling to land those types of clients that are maybe choosing different centers or locations based on the amenity structure within an asset and or a larger global portfolio. I can understand and appreciate trying to grow by 1000 locations a year, the structure that IWG has been placed her to achieve those numbers.

Selfishly being out here in the suburbs, I guess the office demand compared to CBD and that quasi sipper, I'll just like finger air quotes "this suburban nature of work" and these tertiary inner suburban areas around these major metropolises. You have a fairly strong presence, compared to some of your largest competitors in these suburban markets. How have those locations performed from this office demand perspective compared to that downtown core CBD environment?

Jeff Doughman

Some of our suburbs especially in the Midwestern cities, the Sunbelt cities, the South, they really were hardly impacted at all by COVID and what was interesting is when people first went out back in March of 2020, it was amazing how many people went out and said I'm going to get my own office for the next 90 days until my corporations decides to sort out what I'm going to do because I just can't work at home. I have a kid at home, and the kids are home from school I can't be here when all this is going on. In greater parts of suburbia, I spend most of time in the Chicago land area, it was amazing how nothing ever changed. When you look at when the takeoff happened last, everyone gaining confidence before the variant hit, we have a huge amount of our suburban portfolio that is about cities.

Like I said, as you know, in the Midwest, the southwest of Sunbelt just fully occupied the tougher the cities were in terms of their mandates, the worst the CBD experience was and the more it drove people out to the suburbs. Now we are seeing that change because almost every city of the United States has lifted their mandates, now we're starting to see the CD's come back as well.

Will Burchfield

Michael, Jeff, this has been incredibly exciting, I appreciate both of your time and your expertise in this space is clearly unparalleled. We love the IWG brand, we are all friends in this industry and we're all trying to grow the network and this greater aura of flex across our occupier platform. Thank you very much for your time, all the best and continued success and I'm sure we will be seeing some big news in the future.

Michael Berretta

Thanks very much. We appreciate it as well.

Jeff Doughman

Thank you very much. Thanks for having us.