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COMMERCIAL REAL ESTATE

Better design, sound fundamentals contribute to upbeat forecast

Executives at RJE Business Interiors and Thompson Thrift talk about forces at play in the office and multi-family housing sectors that have them optimistic about the future.

Q: How are good design and sound management playing into the health of the various commercial real estate sectors today?

SHELLY LANGONA: As our partner Knoll says, we believe that good design is good business. Design matters in our world because it helps solve problems. Historically, why does space look different than it did 10, 20 years ago? Because the challenges have changed, therefore design solutions have evolved. We believe design can help solve problems in our everyday lives and in our corporate spaces.

JOSH PURVIS: Most multi-family properties being built right now are being designed to a very high standard because today's prospective resident has come to expect a higher standard. The days of just adding a pool, fitness room, and a couple of grilling stations are long gone. Today, rooftop amenities, pickleball courts, putting greens, karaoke rooms, social media rooms, work-from-anywhere space, beer taps, coffee bars, etc., are commonly offered in some of the suburban markets where we develop. At Thompson Thrift, we put a lot of emphasis on what we call the "three-legged stool" of quality

development: design, construction, and property management. In order to get the quality expected by us and our residents, all three of these disciplines must be very strong and complementary. In the current environment where there is so much new competition (and more coming), it is more important than ever that we continue to continuously improve on all of these fronts. On the management front, we spend a lot of time and effort to build community with our on-site teams and residents. Frequent community events, active social media pages, and great communication with the residents have been effective ways for us to build community and relationships among our residents and teams.

"The actual cost of losing employees is far larger than the savings that come from losing square footage ..."

SHELLY LANGONA

looking for single-family style homes with maintenance-free living and professional property management.

SHELLY LANGONA: Our customers are facing many decisions in the coming months about where and how their employees are going to work in the long run. We have seen employers doing more to accommodate remote working, but we also are seeing the trend of providing an updated "home base," meaning a company's physical office space. These office spaces

will not look like they did pre-pandemic. They will have more meeting spots—like cafes, lounge areas, and untraditional

meeting areas—for employees to connect in person. This allows for collaboration, innovation and productivity when employees do come together.

Also, the trend of building out unique, engaging, and inspiring spaces will continue. Employers want to inspire people to want to be in the space, and they need spaces that inspire people and motivate people to want to be in those spaces.

Q: Shelly, what mistakes are being made as companies try to improve their space?

SHELLY LANGONA: When looking at accommodating the desire for an integrated work and life, the challenge that I see is organizations and leaders not properly evaluating and analyzing the needs of their teams. It's important to listen to team members and understand what they need.

Q: The office sector has its own set of challenges. How do you expect workplaces to change over the next five years?

SHELLY LANGONA: We will see the continued growth of work-life integration. I use "integration" instead of work-life "balance" because we are seeing personal and professional lives merge rather than balance out.

In addition, I believe people will thrive on being together. They will thrive on that need to socialize and engage and in five years we will find—barring another pandemic—that



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our spaces will be different, but people will be together. In light of this, we will continue to see offices become more “resimmercial” (the combination of residential and commercial design), which provides a home-like space in the office. We think design will continue to trend toward this, bringing the element so many love from home—like lounge areas, multiple places to work and cozier fabrics and furniture—to emulate a home-like feel in the work place.

Q: Certain trends are dominating the news. In housing, it's evictions. In office, it's the return to work and virtual vs. in-person work environments. How do those trends figure into your business?

JOSH PURVIS: Evictions are in the news, but we are not seeing evictions as nearly as big of an issue as is being reported. Across our portfolio of units under management, we currently have less than 1% of our units as pending eviction. This number is only “elevated” to this level because we are not able to evict non-payers. Our on-site teams have done a tremendous job of communicating with our residents and working with them to keep collections up and evictions to a minimum considering the current situation.

SHELLY LANGONA: The approach companies are taking to return to work—whether that is in-person, remote work or a hybrid workplace model—figures directly into our business as workplace consultants. This

trend in particular is a big part of our business because our focus is on our customers and their success, and our job and our goal is to support the ways in which people work to help their teams and companies succeed. We want to be supportive of how organizations and their teams are approaching work, whether that be in-person, remote or hybrid. Their decision on this has an impact on us because we work

“Fundamentals for multi-family housing remain extremely strong in most markets across the country.”

JOSH PURVIS

in space planning and design, so we want to make sure we are holistically supporting their needs in their space and helping them find a long-term solution vs a short-term fix.

We recently worked with DORIS Research, a workplace research company, to conduct a study to figure out the remote and hybrid workplace model trends for now, in the future and what works best for teams. Each business has its own needs and business drivers. A major finding for us was that we should not be too prescriptive. Our approach and solution to in-person, remote or hybrid work should be tailored to our clients’ specific needs.

Q: What other important trends are you seeing?

SHELLY LANGONA: I think the lesser-talked-about trend is the impact on communities and company cultures of companies deciding to not come back into their physical office space. There will be a shift in both of these elements as a result of companies deciding to go fully remote. Cost savings accrued by cutting down on square footage will not compensate for the loss of

employees due to changes in culture, and lost connections and employee motivation caused by remote work. The actual cost of losing employees is far larger than the savings that come from losing square footage, so in some cases organizations are evaluating the wrong metric. They are looking at the hard facts but not looking at the bigger picture and what will be lost in the long run.

Another trend is labor issues. We know that there are issues with labor supply in all industries, including construction. Pre-manufactured solutions can address the evolution of workplaces without the hassle of completely new construction or large renovations. We partner with Falkbuilt to provide customers with interior construction solutions for their workspaces, whether that is helping create private, four-person meeting spaces or individual rooms.

JOSH PURVIS: Increasing construction costs. Lumber seems to be getting a lot of attention, and it should, but we are seeing impactful increases across the board right now. I don’t see as much coverage on inflation and the limitations of non-existent labor pools.

Q: What makes you optimistic about the future of your business?

JOSH PURVIS: Since I started in the business, the perception and expectation of multi-family living

has changed a lot ... in a good way. A lot more residents today choose to rent instead of renting out of necessity because they can get a quality home with great flexibility and no maintenance. The renter profile and negative stigma of renting has changed, and it has changed the trajectory of the multi-family industry for the foreseeable future. Also, I am still very bullish on the national housing market. We continue to see demand increase in every market where we are active, and we are seeing impressive absorption rates across the country.

SHELLY LANGONA: What makes me excited for the future of the business is change! Change often results in new ideas, new solutions, and new opportunities and that is what gives me encouragement. Change can have a negative connotation, but change always creates opportunity. It is going to make us better—it has made us better—and it has helped us think about things differently. It has helped us grow, it has helped us create new solutions, and it has helped us shape our business to support our customers.

We will continue to help our customers look at their business holistically and support their business goals. Businesses will continue to challenge us in new ways, which will motivate us to explore new options with our customers and our partners to drive business forward. ●



Shelly Langona is President of the Indiana market for RJE Business Interiors. With more than a decade of leadership experience in the workplace solutions industry, Langona uses her energy, passion and determined resolve to shape incredible experiences for her customers. She also spends time outside of RJE supporting the betterment of the community. She has served on boards and committees for the following organizations: United Way of Central Indiana, Indiana State University, Dress for Success, Marian University Byrum School of Business, Child Advocates, Indiana School of the Blind, Executive Women in Healthcare and Executive Women’s Group.



As Managing Partner of Watermark Residential, a business unit of Thompson Thrift, **Josh Purvis** oversees all facets of the multifamily division, including site selection, entitlements, contract negotiations, strategic planning, financing, and management. Since joining Thompson Thrift in 2008, Purvis has played an integral role in all aspects of its growth. Purvis has specialized in developing multifamily communities since beginning his career in 2003 and, to date, has been involved in over 50 development projects with a total value of over \$2 billion for Thompson Thrift.

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