

## GROWTH STRATEGIES

# Impact of Emerging Trends in Work on WTC Redevelopment

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January 2002

The attacks on the WTC have had a profound impact on New York City. Approximately 20 properties and 30.2 million sq. ft. in the Downtown submarket were damaged or destroyed in the attack with about 13.2 million sq. ft. permanently removed from the competitive stock. This loss represents a 15.5 percent reduction of downtown's 85 million sq. ft. inventory, and a 3.6 percent reduction of the 368 million sq. ft. once comprising the Manhattan market as a whole. Demolished properties were 97.4 percent occupied at the time of destruction, so tenants occupying 12.9 million sq. ft. of leases have been displaced.<sup>1</sup>

While the short-term impact of the tragedy will likely tighten the New York office market, new construction as part of a redevelopment of the downtown area may add approximately 5 million sq. ft. of multi-tenant space over the next four years, easing the demand.<sup>2</sup>

Before new office space can be constructed, however, it is important to analyze and understand emerging trends in work issues so as to design and build office buildings that address today's priorities. This paper examines the impact of the slowing economy, technology, life/work balance, generational differences in the workforce, and the terrorist attacks, and their contribution to the emerging trends in work and the workplace.

## SLOWING ECONOMY

Slower anticipated economic and employment growth have impacted the way organizations and their employees work. Apart from short-term effects such as layoffs, cost cutting, etc. some of the long-term trends include:

### The Growing Contingent Workforce

The social contract that promised job security in exchange for employee loyalty has been broken. American companies continue to downsize, restructure and lay off thousands of workers. Work that is not considered be part of the core competency of the corporation is being outsourced or performed by temporary, part-time, or contract workers.

If this trend continues, many Americans—by some estimates as much as one-half of the workforce—will be contingent workers who will be employed in part-time, temporary, contract or other non-traditional jobs within the next five years.<sup>3</sup> With few core employees and the rest outsourced, organizations will require less space and many office buildings will move from being occupied by one or two large tenants to one with many small tenants.

### Telecommuting

Cutting down on real estate and occupancy costs, some companies are looking to telecommuting as a solution. The number of employees who are telecommuting, or working at non-traditional work sites such as satellite offices, has been growing at the rate of 20 percent or more per year throughout most of this decade.<sup>4</sup> Thanks to new technology and the changing nature of work itself, fully 60 percent of the workforce today performs jobs for which physical location is no longer critical.<sup>5</sup> The geographic same-time-same-place workplace is being replaced by anytime-anywhere-workspaces.

However, some benchmarking research has suggested that while telecommuting is increasing in popularity, it is not always reducing the amount of office space required nor becoming a full-time thing, as many people want to retain a separation of home and work and value the interaction with other staff that comes in an office. While telecommuting does not always reduce the amount of space required, the fact that it is seen as an option does mean that the locational drivers are lessening somewhat. So while people still want their space, it doesn't necessarily have to be in 'downtown' Manhattan. Further research is required to establish a more concrete link between occupancy costs and telecommuting.

### **Amenities**

One of the effects of the dot-com boom included the drive by organizations to out-do one another in terms of workplace perks and amenities in order to capture the imagination and the talent of the workers. The subsequent "dot-bust" and the slowing economy have shifted the landscape substantially. Due to the dual effects of hiring freezes and an increased scrutiny on spending, companies are no longer interested in investing money and expensive real estate on amenities.

## **INFORMATION TECHNOLOGY**

IT is the backbone of the economy. Advances in technology and its infrastructure requirements shape the way work is done, both at the global and the local scale. Issues and trends that impact work and the workplace include:

### **Networked Cities**

Despite the widespread use of telecommunications technology, some researchers<sup>6</sup> believe that handful of dominant financial services centers – so-called "global cities" – such as London, Tokyo and New York – have dominated international telecommunications networks. Others believe that while "past telecommunications networks did primarily converge in global financial centers, new telecommunications infrastructures such as the Internet are more dispersed, stitching together a network of network cities into a highly complex global urban economy."<sup>7</sup> These global cities, therefore, increasingly rely on indirect connectivity through other cities for international telecommunications. This emerging network of networked cities defies traditional geographic barriers on a global scale, greatly increasing the accessibility of each particular location's specialized labor force to global markets creating a dynamic network of products and services.

### **Infrastructure**

Increasingly, work is organized around teams that are linked via global networks like the Internet, with instantaneous and unrestricted flow of information within and between teams and team members. The slowing economy is also forcing U.S. companies to look at using conferencing technologies – teleconferencing, videoconferencing, Web conferencing, instant messaging, and online collaboration. The technology infrastructure required to support these activities will influence the way buildings are designed and constructed.

## **DIVERISTY IN THE WORKFORCE and LIFE/WORK BALANCE**

In light of the changing character of the workforce due to generational and gender differences, the Wall Street Journal predicts that workplace trends will evolve, and balancing work and life

responsibilities will become more important for workers and employers. Some trends that will shape the work force include:

#### **More personal time for family, personal and spiritual needs**

Women, who generally are characterized as family-oriented, are becoming a larger part of the work force, and statistics show men increasingly are ranking family as a priority. In addition, employees, particularly baby boomers, will be less likely to work overtime and will spend more time focusing on their families.

#### **Alternative work schedules will become commonplace**

Employees will insist on more flexible scheduling policies—part-time, telecommuting and other nontraditional work schedules will become norms.

#### **Internet workplace culture will pervade all workplaces**

Younger employees will not focus on long-term careers with individual companies. They will want short-term rewards to reflect their performances. Younger women will focus on small-business ventures and careers not large corporations. A survey by Arthur Andersen found only 50 percent of teen-age girls were interested in careers with large corporations; many cited independence as incentive to pursue their own businesses.

#### **Technology will continue to blur work and home lives**

Technological advances, such as laptop computers, cellular telephones and mobile pagers, will continue to change when and where people work. According to Hilton Hotels, half of leisure travelers bring work devices with them on vacation, and two-thirds work while they are at home. In addition, 60 percent of employees spend 25 percent of each workday on personal matters, such as doctor appointments.

#### **Commute to work**

Another trend affecting the viability of the WTC site is travel to work. Research suggests that people will move to ensure that they have what they consider a 'reasonable' journey to work time. The data for New York is remarkable - people move as travel times increase to ensure their commute is consistent. Travel-to-work times have averaged around 25-30 minutes for several decades.

### **THE 9-11 EFFECT**

The horrific events of September 11 have changed the physical as well as the psychological landscape of the city and country. Some of the impacts on the nature of work and the workplace include:

#### **Teleconferencing**

Nearly half of 1,609 companies surveyed after the attacks by market-research firm the Masie Center say they've increased use of digital collaboration tools such as audio, video, and Web-based conferencing. Qwest Communications International Inc. reports a 30% increase in usage of its Web-based and telecommunications services in the weeks since Sept. 11.

It's too soon to tell whether a fundamental change in the way business is conducted is taking place. Use of videoconferencing jumped after the 1988 crash of Pan Am Flight 103 and the outbreak of the Gulf War but then quickly fell business travel returned to previous levels.

But it may be different this time. Conferencing equipment and services have become less expensive and offer higher-quality sound and video than what was available a few years ago. Well-established videoconferencing standards also have reduced incompatibility problems that

used to plague the industry, although there are different standards for IP-based systems and those that use the public telephone network.

### **Skyscrapers and Ground Zero**

One issue many firms are facing is whether they should return to their old space – the scene of the attack. Some employees are finding it difficult to work in skyscrapers and some don't relish the idea of working in an area where so many people died<sup>8</sup>. Although most of these traumatic feelings may subside over time, the WTC area may continue to serve as a reminder of the attacks.

### **Building Security and Safety**

Safety and security concerns will increase the demand for guards, consultants, electronic access systems, surveillance cameras, architectural reinforcements, scanning technology and a host of other protective services in office buildings. Impact on design of the WTC re-development could demand not only new layers of security such as check points, "clean air systems" to allay fears of biological and chemical threats, etc. but also changes in structural design of buildings. Many structural engineers believe that the design of the World Trade Center saved thousands of lives by standing for well over an hour after the planes crashed into its twin towers. How will new stricter codes impact the design of new buildings?

## **EFFECT OF EMERGING TRENDS ON THE REDEVELOPMENT OF WTC**

After analyzing the emerging trends in work and the workplace, the following issues are relevant to the discussion of redevelopment of the World Trade Center.

### **• Multi use, multi-tenant buildings**

The trend towards outsourcing most corporate functions to either independent contractors or to satellite locations reduces the demand for large amounts of office space. Another trend that may depress the need for large floor-plates: if travel times in New York continue to increase i.e. congestion worsens for both private and public transportation systems, there may be demand from employees to move away from Manhattan. These trends would result in office buildings with multiple tenants rather than one or two large tenants. Building amenities and services would have to reflect this diversity. Common amenity spaces in buildings could offset the reduction in spending in individual organizations on such spaces and facilities.

### **• Evolving nature of work**

The trends towards outsourcing, teleconferencing and telecommuting have social consequences such as reduced face-to-face interaction and personal contact. However, as benchmarking research shows, telecommuting is not necessarily reducing the amount of office space as people value the importance of social interaction in the workplace. Furthermore, one of the aftermaths of the attacks has been a renewed sense of community among colleagues and co-workers. Redevelopment of office space has to strike a balance between the diverging demands of personal interaction in the workplace and the rising popularity of telecommuting.

### **• Residential/office relationships – mixed use development**

New trends in balancing work – life issues such as the increased blurring of boundaries between the home and workplace and the greater interest among employees in flexible schedules are reinventing the residential and office relationships. According to recent research, already one-third of American households have at least one person performing compensated work at home for at least one day per week. Diversity in the workforce and shifting priorities in the wake of the attacks have created a renewed interest in mixed-use, self-sufficient neighborhoods where people meet their lifestyle needs.

• **Networked cities**

Leveraging capabilities across geographic boundaries can help create dynamic networks that can benefit the local economy. Planning and re-development can utilize the inter-dependability of cities and especially their specialized workforces, such as the financial industry in New York, bio-technology in Southern California, cheap and highly skilled technical labor in Bangalore, India, etc. thus increasing New York's accessibility to global markets.

**Notes:**

<sup>1</sup> REIS, Inc. "Evaluating the Impact of the World Trade Center Disaster on the New York Office Leasing Market" Oct.,2001

<sup>2</sup> ibid

<sup>3</sup> Boyett, J. H. and Snyder, D. P. "Twenty-First Century Workplace Trends." *On the Horizon*, 1998, 6(2),1,4-9.

<sup>4</sup> Boyett, J. H. and Snyder, D. P. "Twenty-First Century Workplace Trends." *On the Horizon*, 1998, 6(2),1,4-9.

<sup>5</sup> ibid

<sup>6</sup> Friedmann, John and Wolff, Goetz. "World City Formation: An Agenda for Research and Action", *International Journal of Urban and Regional Research*, 6, pp. 309-344. 1982.

<sup>7</sup> Townsend, Anthony M "Network Cities and the Global Structure of the Internet" *American Behavioral Scientist*, February 2001 Special Issue on "Mapping the Global Web"

<sup>8</sup> Business Week, "*Dealing with the aftermath*" Oct 2 2001

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