

Office Market Update

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What's the key to being successful in CRE? Relationships!

Face-to-face interactions:

That's how to foster relationships, enhance company culture and learn leadership skills on the job, says Citadel Partners Managing Partner Scott Morse. He said this and more on the Office Market Update panel at a recent REDNews DFW Office Market event.

Here are a few of Scott's takeaways:

- Don't forget the personal aspect of this business. We have all adapted to getting on Zoom or Teams meetings and Tweeting our thoughts, but to share the real story and the why of a transaction goes far beyond that. Too many people are sending emails instead of picking up the phone or meeting for coffee. I was talking to a young advisor and encouraged him to talk to someone, and he texted the source. But the real estate business – despite our global connections – is ultimately a local business and always will be, and it is about relationships. So, get out from behind the computer and say hi and let them know the real story.
- When it comes to flex days or working remotely, it is hard to dive into a company's culture efficiently without personal interaction. We have old and young people, and that generational divide is alive and well. As an owner, you have to be attentive to the needs and desires of all of those generations. Company culture is getting lost because it is a fluffy topic; it's not finance or operations. But it drives everything. That may be a tough thing to hear for the younger generation that loves working from home. But the reality and truth are that younger people need to think about doing their laundry on the weekends and focus more on their long-term career development, which is best done in the office. We sit with CEOs and CFOs and directors of operations, how will they get the development they need for leaders to trust them to run a division within our organization without that experience face-to-face with decision-makers?

- The flight to quality is real, but with a caveat: it all relates to the workforce and hiring and retaining that workforce. Before the C-suite needs to start looking at the amenities available, and what lease rates are, look at the business drivers influencing the way you operate. We advise our clients to look at the strategic, financial, cultural and brand, operational and generational drivers of their business. Understanding these drivers will dictate what a corporate user should do with their facility decisions. By way of example, if you look back 15 years ago, buildings needed 6 or 8/1,000 parking, but that's not the case today. There is a cost to the "flight to quality" mantra. By looking at the business drivers and then a property's attributes, we believe you can better determine the cost/benefit relationship for your particular business.
- Every major bank is reevaluating its portfolio of commercial real estate properties. Based on appraisals, many of those portfolios have seen a 35% decrease in value. With the reserve requirements today, these lenders are in an almost no-win situation. For building owners, in some cases, their equity has been destroyed, and they can no longer afford to invest capital into rooftop amenities or dog parks or pay down equity to refinance a loan. While there will be difficulties in the office market, those difficulties will create tremendous opportunities for the investor with "dry powder" ready to deploy.

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