“Workers crave flexibility”: New CBRE report looks at Great Resignation impacts on office sector

BY BRANDI SMITH

“Workers crave flexibility with where and when they work. Positions that could more easily work remotely were the ones that had a lower share of quits.”


Jessica Morin

It’s the one-two punch no one in commercial real estate is celebrating – and for good reason. The COVID-19 pandemic and shutdowns combined with the so-called “Great Resignation” that followed have generated a number of challenges for almost all CRE sectors.

“More U.S. workers are leaving their jobs than ever before, and job openings exceed willing workers,” CBRE points out in its recent report entitled The Great Resignation’s Impact on Office Users.

REDnews talked to Jessica Morin, one of the report’s authors and CBRE’s Head of U.S. Office Research, about her team’s findings.

REDnews: In putting the report together, did you learn anything that surprised you?

Morin: While overall levels of quits increased since the pandemic, the share of office-using positions slightly decreased from 24% on average in 2018-2019 to 21% of quits at the time of the report (January 2022).

REDnews: What was the biggest takeaway for you?

Morin: The great resignation was much more impactful on the retail and hospitality sectors. Still, office-using employers, particularly those with entry-level back-office and shared service positions, also felt the impact. Those office-using sectors also saw the highest wage growth over the last three years. Quits were less prevalent in higher-paying positions, like technology and financial services jobs, which are more likely to support remote working.

REDnews: Did your research change how you view working in a traditional office setting vs. working from home?

Morin: The research cemented the view that workers crave flexibility with where and when they work. Positions that could more easily work remotely were the ones that had a lower share of quits.

REDnews: It feels like the office sector got hit by a 1-2 punch of COVID + the Great Resignation. Can you predict whether it will ever rebound to pre-pandemic levels?

Morin: With the increasing possibility of a mild recession in 2023, we expect demand for office space will weaken, further delaying the U.S.

office recovery. Companies will look to further reduce expenses. We expect those reductions, coupled with the wide adoption of remote work, will translate to continued rightsizing in the near-term. However, future construction will moderate along with the decrease in demand, which will help to stabilize vacancies and support rent growth.

REDnews: Texas was well-represented in markets for labor force growth. What do you think is driving that?

Morin: Relative affordability has fueled population growth, which has attracted employers and mega office projects to Austin and Dallas over the past several years. Most recently, Meta Platforms and TikTok have expanded in Downtown Austin. Tesla established new headquarters in Southeast Austin, and Apple opened a new campus in Northwest Austin. In Dallas, Charles Schwab, Caterpillar, Keurig, and PGA of America are just some of the largest tenants to have recently committed to new office space.

Texas markets are leading the office recovery, supported by job growth. COVID restrictions were eased earlier in Texas than most of the country, contributing to a faster rebound in the office market. Austin and Dallas have led the nation in office occupancy rates throughout the pandemic, consistently among Kastle Systems' top 10 markets for that metric. Asking rents in both markets are more than 15% above the pre-pandemic Q1 2020 rate, and vacancies have started to contract.

Read the full report The Great Resignation's Impact on Office Users on CBRE.com/insights.