

Perspectives on technology

April 2014



The “buzz” that attracts the best employees may be different than you think

Big headlines make big news, so it's not surprising that much of the analysis about attracting and retaining the best technology employees is given to generalizations: “It’s all about the Millennials.” “Suburban locations are decidedly uncool.” “The 20-somethings that dominate this industry like to be packed into virtual working mosh pits to create an edgy, exciting environment.”

While there is some truth to these statements, they are not as universal as the media might have you believe. For tech companies, there are very few general rules that apply across the board in making strategic portfolio decisions.

In an arena where company leaders must weigh economic and socioeconomic factors equally, the only certainty is that the most successful organizations will employ flexible strategies that address a wide variety of ages, work habits and lifestyles, and enable quick changes of direction when necessary.



Drivers that will spell success or failure for tech firms over the next several years include the following:

Need for generational balance

There's no doubt Millennials are a force that must be reckoned with — and catered to. About 25% of the overall workforce is under 30 years old, and this is projected to rise to 50% by 2020. This Millennial prominence is undoubtedly even greater among tech firms. However, while the Mark Zuckerbergs of the industry capture the fancy of the image makers, there are plenty of Baby Boomers at tech firms as well, and they tend to occupy top positions within most companies. Across industries, 36% of CEOs are over 55. The Baby Boom Generation will continue to occupy the ranks of tech firms in significant numbers — particularly in high places — for another 5–10 years, especially when given the significant rise in retirement age. Gen X-ers just behind them are even more prominent, and will be around longer.

Generational balance is key.

Many over-30s remember — and even prefer — the “old days” when workers had more personal space, perhaps even a private office. In addition to personal preferences, it is not uncommon for aging workers to have vision, hearing or other physical limitations that must be addressed in office ergonomics. While the Millennials may dictate the standard for tech workplace design someday, right now the gap between worker ages is at a historic high, and facilities need maximum flexibility to include something for everyone.

“Community” is more important than city or suburb

As with Millennials hype, many tech pundits insist that to get and keep the most desired workers, tech firms have to operate in the urban epicenter of edgy cities such as San Francisco, New York, Seattle or Boston. Well... maybe. There is a tradeoff between price and location — these office spaces are among the priciest in the U.S. Plus, it is not a given that everyone wants to work downtown. Millennials will average 30 years of age by 2020, and in a recent survey, they preferred the suburbs as a long-term place to live by a 2-to-1 margin. In a pattern not that different from their parents and grandparents, many young professionals enjoy

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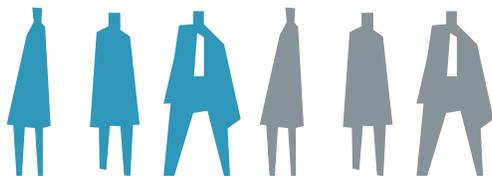


Millennials

1981 – 2000
14-33 years old



Currently 32% of the workforce



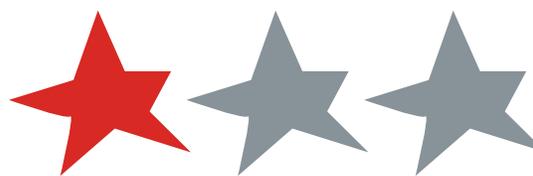
50% of the workforce by 2020

Baby boomers

1946 – 1964
50-68 years old



Currently 28% of the workforce



36% of CEOs in the U.S. are over 55 years old

the rush of city life in their 20s, but opt for suburban attractions such as affordable housing and good schools as they age and start families. Like their employers, they are also being priced out of the downtown market with exorbitant rents for tiny living quarters.

More important than city or suburban status is a sense of community, where tech workers can find an edgy identity, plenty of hip cultural, dining, shopping and entertainment prospects — and thousands of highly educated young professionals just like them. Realistically, the Silicon Valley could be considered a giant collection of suburbs. Valley towns like Palo Alto convey a major sense of cool, as does Cambridge as an alternative to downtown Boston, or Boulder to Denver. Many industry leaders such as Google, Facebook and Amazon cover all employee preferences by dividing their flagship facilities into urban core and desirable suburban locations.

Tech companies locating outside an urban core must compensate for the city's convenience of having all the personal necessities tech workers need close at hand. Professionals expected to work long hours want to spend minimum time running errands. Exemplified by the Googleplex in Mountain View, many suburban tech campuses have a wide variety of on-site services including elaborate cafeterias, exercise facilities, laundry and dry cleaning, hairdressers, gas and auto servicing centers and even physicians. The farther a facility is from a central business district, the more the company will have to spend to develop such facilities — but this cost is often a pittance compared to the cost savings of suburban real estate over a Class A building in a desirable downtown location... not to mention that not all downtowns are created equal.

Creating the best buzz among the best candidates

It's no secret that the labor demographics are critical in finding an abundance of top tech talent. Portland and Milwaukee may be roughly the same size, but the pool of skilled technology professionals is much

larger in the former than in the latter. While secondary tech markets are on the rise, the hubs of California, the Pacific Northwest, New York, Boston and Austin will remain the first-tier locations to find the best workers for a long time to come.

The clamor for attention is fierce in these technology bastions, and companies must work hard to “crack the code” that motivates the most desirable candidates to choose one firm over another. Though workers aren't underpaid in this red-hot field, it's not all about money. Many young techies will choose a firm that pays less but exudes the right vibe over a stodgier organization that pays more. A company's brand optics — what they represent in the minds of employees and other stakeholders — is of paramount importance. Employee engagement surveys show that tech workers place high importance on employers that:

Generate an edgy, trendy atmosphere as a coveted place to work, especially among one's peers.

Are seen as changing society, as Google and Facebook did in their early stages.

Become actively involved in the community, and with social and charitable causes that align with Millennials' interests.

Operate sustainably; many tech facilities have attained LEED certification or other environmental recognition.

These days, many corporate leaders place a greater emphasis on making a city's “Best Employer” list than its ranking of largest companies. Such recognition is good for business outside the organization as well; stakeholders such as customers and investors favor companies where employees are happy and productive.

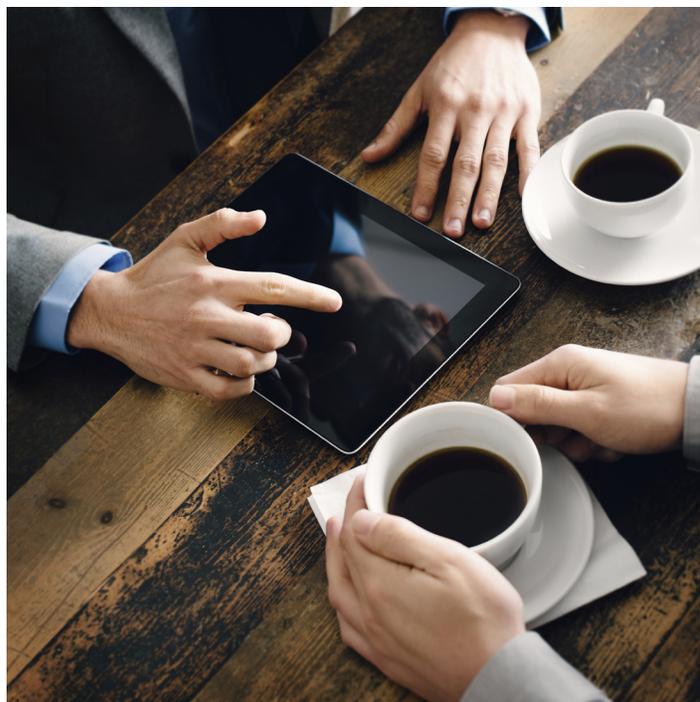
Tech firms — especially those facing hurdles in luring top talent — can use their buildings to amplify their buzz. Challenged by a lucrative but less-than-sexy business offering and location on the Midwestern tundra, Madison, Wisconsin-area medical software producer Epic Systems has created a virtual Disney World for its 7,000 employees that includes nine themed buildings that, floor to ceiling, represent everything from a farm, to a giant tree house, to a Wild West town, to a turreted Wizards Academy worthy of a Harry Potter movie.

Moving beyond shelter, beyond even walls

A generation or so ago offices were seen as work versions of shelter. They provided a roof overhead, four walls with a door that could be closed, electrical outlets — all the necessities, if not comforts, of home. Today the office often is home. The most coveted workers demand options to meet their lifestyles, and the firms that seek these leaders must be prepared to deliver.

While the earlier-mentioned large group workrooms will take precedence over smaller, private spaces in years to come, both must be included in workplace designs. One emerging trend is for mega-spaces that foster collaboration, with massive floorplates starting at 30,000 s.f., going up to more than 100,000 s.f. Not only does this keep all employees together in one space, this can be viewed as a reversal of previous exit plan strategies of just a few years ago, in which occupiers sought numerous small spaces in subdivided buildings that could be disposed of more easily if business fortunes changed.

Despite the move toward larger floor plates, the good news is that most tech firms will continue to be able to downsize their overall space, with the associated cost benefits. Concurrent with such densification is a focus on becoming not only smaller, but smarter. Newer workplace designs emphasize “free addressing,” which maximizes space usage flexibility through easily moveable partitions and work stations that can create virtually any configuration in just seconds.



Of course, the workplace has expanded to include home, Internet café, airport or any other place where an employee can get the job done most effectively. BYOD — Bring Your Own Device — is the acronym of today's tech worker; companies such as Cisco Systems have removed desk phones from their offices because nobody used them. The key is to not only provide necessary technology to mobile workers, but to let them choose it. If they have certain platform and hardware preferences — and virtually everyone does — they'll be happiest and most productive when they have the choice and control.

Get help, plan proactively

Since few tech company executives are experts in highly specialized, complex real estate disciplines, the best strategy is to engage a trusted advisor with deep experience in maximizing portfolios to support companies with rapidly changing dynamics. Engaging such expertise early in the portfolio planning process can improve the ability to:

Create market snapshots and forecast trends in availability and pricing of leased and owned space before it is needed.

Look beyond a building's current state to determine how it could meet specific needs, and the expense of such a conversion.

Avoid eleventh-hour surprises in cost, scheduling or other factors that affect the success of any initiative.

Have the right team!

The good news is that such efforts to focus on the socioeconomic as well as economic aspects of portfolios can reap great dividends in attracting top-flight professionals, the lifeblood of a successful tech company. A Gallup poll reports that 70% of Americans hate their jobs or couldn't care less about them. Given that dissatisfaction, it certainly behooves tech companies to create environments that attract the best talent and keep them motivated, productive and loyal.



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