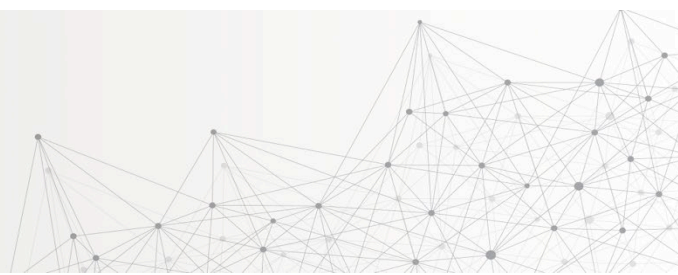


Back to the Future of the Office

From Where to How we Work



The pandemic allowed for the largest, *unprompted*, organizational behavior experiment in history to take place. Management teams across industries were given an opportunity to analyze **how their employees perform in a fully remote environment**. Due to existing technology prior to 2020, entirely dispersed workforces have been able to continue operations without missing a beat, and in many cases, **productivity and efficiency has increased**. While it is still unclear at the time of this publication when COVID-19 will be eradicated from our society, one can assume the events of this past year will have a **long-lasting impact on how and where employees will work moving forward**.

The Workforce Movement: After a Year of Separation

Returning Not to the Past, but to a More Flexible Future...

Facetime is not correlated to productivity

- Technology, tools, and data can track completed work from a distance.
- Output is a better measure of performance than time spent at the desk.
- The stigma of 'WFH' has been shattered.

Every organization is comprised of a group of individuals

- Renewed understanding that each employee has different needs, competing priorities and motivations – one size does not fit all.
- The flexible working model allows for personal circumstances to take precedent.
- Firms are sourcing talent in a refreshed way and hiring more diversely and inclusively.

Creativity and culture are challenging to maintain virtually

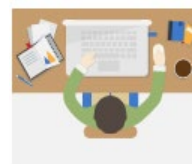
- Spontaneous, In-person interactions can result in the best relationships and ideas.
- Some face-to-face contact is required for the long-term health of companies, mental stability of their employees, and mentorship of juniors and new hires.
- From dress codes to working hours, companies must determine which cultural components of WFH will be brought into the office, and vice versa.

Meeting and calls can and should be customized to fit the need

- Not every meeting needs to be in-person.
- Not every call needs to be a Zoom.
- Not every introduction needs to be made at a conference.
- Not every due diligence process requires an on-site.

Work is a what, not a where

- Offices are meeting spaces – tools to foster collaboration and facilitate client interaction.
- Cities with outdoor spaces, cheaper costs of real estate, and lower living expenses are gaining market share.
- Dependent on the type of work employees are doing, their location can be beneficial their work product.



22 million...

the number of additional hours Americans worked in the remote environment in 2020¹

Reported Difficulties Communicating Remotely with Coworkers



■ Gen Z ■ Millennials
■ Gen X ■ Boomers

An outsized impact on Gen Z and Millennial generations – nearly 50% of each report issues, versus ~1/3 of Gen X and Boomers²

All the things we might have thought just had to be done in an office or in an office building – interviews, hiring, training, wellness seminars, fitness classes, pitches, annual shareholder meetings, investor days, board meetings, compensation communications, you name it – **we now know can be done in ways none of us thought possible and, frequently, in ways that are far more efficient and effective than they ever were.**

Rich Handler and Brian Friedman, CEO and President of Jefferies Financial Group

MAPPING OUT THE ROAD AHEAD

Been There, Done That...

...Way of the Future

	Back to Status Quo - 2019	Fully Remote - 2020-2021	Hybrid Model - 2021→
Productivity & Performance	The Importance of Facetime <ul style="list-style-type: none"> Physically connecting shows care and effort, mid and year-end reviews are used to share accomplishments 	Tracking Remotely <ul style="list-style-type: none"> Tools and technology allow for data output to show performance, with quicker and more frequent check-ins 	Optimized Costs and Enhanced Output <ul style="list-style-type: none"> Empowering workers in an efficient manner through time and money saved
Real Estate/ Location	Traditional Business Epicenters <ul style="list-style-type: none"> From New York and San Francisco to London and Hong Kong 	Dispersed Workforces <ul style="list-style-type: none"> Thousands of home offices scattered across countries 	Market Share Scramble <ul style="list-style-type: none"> Growing satellite offices, re-domiciled headquarters, and residential movements impact future work locations
Office Set-up	Trading Floors and Conference Rooms <ul style="list-style-type: none"> 100 seats / 100 employees 	COVID Compliance <ul style="list-style-type: none"> 200 sqft. / employee, face masks, and hand sanitizer 	What Does The 'Office' Mean? <ul style="list-style-type: none"> Workspaces retrofitted as more collaborative centers
Policies & Procedures	A Cultural Balancing Act <ul style="list-style-type: none"> Constant push and pull of desire for employee flexibility and equal treatment across teams 	Non-Stop Evolution <ul style="list-style-type: none"> Need to continuously communicate with employees on changing needs and global conditions 	Post-COVID Checklist <ul style="list-style-type: none"> Organized, actionable line items to consider before a return to the office
Recruiting	In-Person Interviews and Referrals to Ensure Culture Fit <ul style="list-style-type: none"> Sourced from traditional channels 	Diversity of Thought and Inclusion Emphasized <ul style="list-style-type: none"> Sourced from more diverse channels, increased reference checks 	A Transformational Era <ul style="list-style-type: none"> Crucial to carry forward recent hiring initiatives into the hybrid model workplace
Human Capital Initiatives	Traditional Benefits <ul style="list-style-type: none"> T&E, fitness classes and networking events, physical healthcare plans 	Drastic Decrease in Costs <ul style="list-style-type: none"> Emphasis on wholistic health/wellness and childcare needs 	Flexibility and Transparency <ul style="list-style-type: none"> Open dialogue with employees to ensure retention in the transition
Methods of Communication	Onsite Preferred <ul style="list-style-type: none"> Roundtable Meetings, Coffee Chats, Conference Calls, Networking Events 	Virtual Connections <ul style="list-style-type: none"> Zoom, Bloomberg Chats, FaceTime, etc. 	Customized Solutions <ul style="list-style-type: none"> Coordinating with colleagues and clients to communicate effectively
Technology	Compliment to Existing Processes <ul style="list-style-type: none"> Focus on onsite systems, remote connectivity rarely accessed. i.e. when traveling 	Business Mission Critical <ul style="list-style-type: none"> Data rooms, cloud storage, increased endpoints for WFH devices, necessity of CRMs 	Age of Innovation <ul style="list-style-type: none"> Introduction of new devices and tools to bridge any gaps between the virtual and physical workforces

We anticipate most groups will operate somewhere along this spectrum:



Back to pre-COVID protocols



Hybrid Model

The following pages explore key considerations for firms assuming a hybrid, remote/in-person industry model . . .

Entirely remote and dispersed workforce



RETHINKING OUTPUT: WHAT DOES “WORK” MEAN?

1. Productivity & Performance: Time and Cost Savings

Humans are creatures of habit, evidenced at the very least by the 5-day/week working model going uninterrupted over the past century. However, humans are also simultaneously wired to enhance their condition, which explains the genesis of the 5-day work week – implemented in the wake of the Great Depression to counteract unemployment.

Many firms have announced plans to allow remote working for employees even as they return to offices once pandemic restrictions ease. Industry consensus points to the hybrid in-person/virtual model as the work structure we will transition into post-Pandemic, yet history and psychology tells us this will result in a mixture of old habits and new learnings.

The data on employee productivity and efficiency that stemmed from remote work through 2020 makes a compelling case for managers to leverage this style at least 30% of the time to optimize their businesses. This would result in the 5-day in-person work week shifting to 3 days in the ‘office’, with the option for employees to work remotely twice a week.

What the ‘Commute to the Kitchen’ Does for Employee Efficiency...

		5-Day Work Week in the Office	Fully Remote Work Week	3-Day Hybrid Work Week in the Office
Number of Meetings	↑	~100 meetings/month	~140 meetings/month	~116 meetings/month
Costs of Meetings ³	↓	\$1,300 average T&E/month	\$0 in T&E	\$800 average T&E/month
Length of Meetings ⁴	↓	Assume 60 min to meet with a client	-20% Meeting Time	-8% Meeting Time
Efficiencies Gained (Annualized per Employee)				+200 Meetings Booked +\$6,000 Saved for the Firm +125 Working/Living Hours

Efficiencies Gained in a Hybrid Model:

Remote employees log **more meetings**, for a **lower cost**, with a greater **return on time**:

+13% More Meetings Per Person⁴ – Increased business opportunities and touchpoints on remote workdays.

THOUSANDS of dollars saved by meeting virtually – No client meals, entertainment, or meeting travel.

Meetings Completed 20% Quicker⁴ – More time to spend on personal or professional needs.

A 10-person firm which employs a flexible working style could add **2,000 meetings**, save over **\$60,000**, and work nearly **1,300 more hours** in a year versus the traditional 5-day in-person work week.

“We have the tools and technology to BETTER measure productivity based on work output versus time spent at the desk...”

RETHINKING OUTPUT: WHAT DOES “WORK” MEAN?

2. Productivity & Performance: The Virtual Room Where it Happens

There are a near endless number of variables in a remote environment, related to day-to-day workflows, that correlate to efficiencies gained. A lot of factors are related to benefits of the virtual world at the individual employee level, but ultimately affect an entire organization employing a dispersed workforce. A closer look at some of these key variables below:

Change Observed	Variables	Key Benefits
	# of Meeting Participants	<ul style="list-style-type: none"> Number of attendees per meeting rose by 13.5% while working remotely⁴ Senior-level workers are more accessible while WFH Junior-level workers are welcomed into meetings for educational purposes
	Commute/ Travel	<ul style="list-style-type: none"> Reduced domestic and international travel allows for more global and inclusive meetings, at a lower cost Commute time is saved not coming into the office on remote workdays, and in between meetings for those that are done over Zoom <ul style="list-style-type: none"> Average commute via public transit in the NY Tri-state area is around an hour each way... translating to <i>10 hours spent just commuting a week</i>⁵ Managers can be more involved in daily workflows without constantly traveling to-and-from various cities
	Multi-tasking Complications	<ul style="list-style-type: none"> Multitasking can take place without interrupting ongoing calls <ul style="list-style-type: none"> i.e. answering emails and scheduling other meetings
	Time Zone Arbitrage	<ul style="list-style-type: none"> There is an opportunity to work in geographic areas/time zones more beneficial to your work product Flexible working styles allow for a wider range of meeting time availability <ul style="list-style-type: none"> Professionals from North America, Europe, and Asia have more opportunities to meet at once

3. Productivity and Performance: Harder to Quantify, but Invaluable

Humans are also social creatures. The cultural argument for returning to the office, from networking to mentoring, makes the case to pursue some level of physical interaction for the industry:



SO WORK IS A “WHAT” NOT A WHERE... BUT WHERE DOES THAT LEAVE US?

4. Real Estate/Location

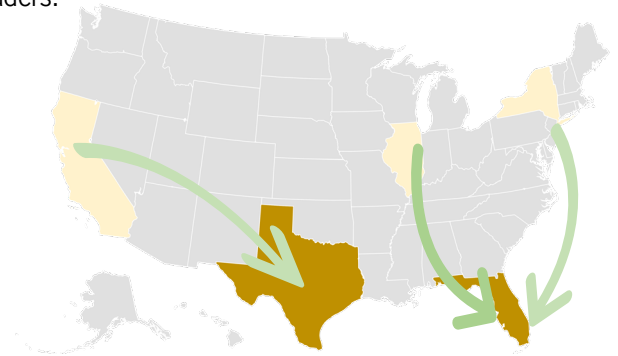
The industry-wide distribution of workforce in 2020 forced Investment Managers to rethink how and where we may work moving forward, and many firms evaluated the implications of completely re-domiciling their businesses, adding floors to existing headquarters, or exploring new satellite office location(s). While this due diligence was completed in the entirely remote environment, the findings and decisions made will impact where firms and their employees operate as we transition to a hybrid industry model.

Dispersed Business Epicenters

One theme that began to emerge across the industry, and across the globe, was the idea of a ‘Great Migration’ from larger financial hubs to smaller cities, such as moves from New York to Miami. This trend was top of mind for many business decision makers and translated into the headlines, with references to top market leaders.

Reasons for this explosive interest included:

- Tax-saving Implications
- Lower Real Estate costs for increased square footage
- Heightened need for outdoor space and warmer climates
- Smaller City-funded business Incentive programs
- Living expenses and lifestyle changes for employees
- Diversity of talent recruited from non-traditional metro centers

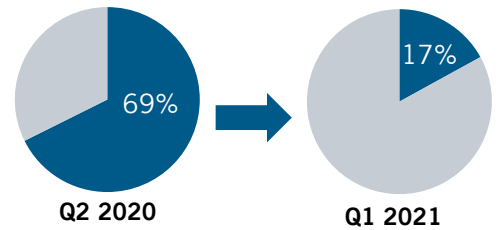


Smaller cities capitalized on the market opportunity at hand, as office vacancy rates in larger cities skyrocketed across the globe during the pandemic. In 2020, office vacancy in San Francisco reached 91%, similarly 45 percent in Edinburgh, 32 percent in London, and 27 percent in Berlin.⁶ Manhattan office vacancy climbed to a 26-year high in 2020.⁷ However, it's still too soon to determine whether COVID-19 serves as the catalyst to completely dismantle New York City, London, or Hong Kong, among others, as top financial hub(s).

While many individuals and groups fled major cities for newly created home offices, dispersed set-ups in their 2020 form will unlikely suffice as we transition to a hybrid industry. Just as major hedge fund managers who own sports teams don't reside in those cities full-time, smaller city satellite locations may fall short in serving as the collaborative meeting space for all employees in a hybrid in-person work week. Halfway through 2020, over 2/3 of CEOs across industries planned to reduce office space. As of Q1 2021, just 17% anticipate reducing their physical footprint after the pandemic.⁸

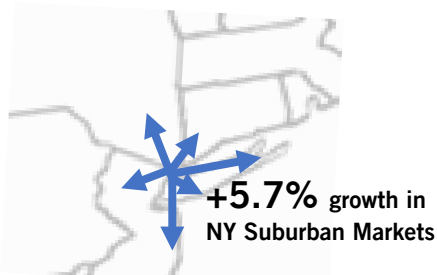
2021 CEO Outlook

Respondents who plan to downsize their company's physical footprint...



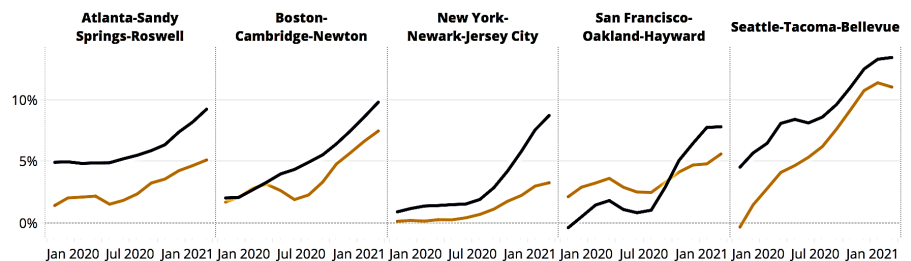
Strategic Suburban Movement

Industry players moved themselves and their families from the cities to the suburbs as all of our lifestyles were turned upside down during the pandemic. However, it's notable that this suburban trend revolved around strategic locations directly outside of traditional major business epicenters, such as the Tri-state Area. In New York specifically, YoY Rent Growth declined 7.8% as of December 2020 in Urban areas, versus a 5.7% YoY increase in suburban rentals.⁹ Across coastal business epicenters, observed growth in suburban markets also outpaced urban growth through 2021.⁹



Suburban home value growth has outpaced urban growth in a number of coastal markets

Metros where **suburban** ZHVI rising faster than **urban** ZHVI



Source: Zillow

SO WORK IS A “WHAT” NOT A WHERE... BUT WHERE DOES THAT LEAVE US?

5. The Future of the Office

The Opportunity: Rethinking What the Office Means to your Organization

Meeting health and safety standards is only one part of the equation for what the future of work will entail. This is a defining moment for organizations to completely re-underwrite how they operate. For many, this is most likely going to center around the “hub” model – where offices become centers for collaboration versus a place to “work”, which can be done in a home office. For Jefferies, the future of the office is ...meeting spaces. And being thoughtful and deliberate about how we spend our time there. Roles and responsibilities which directly benefit from collaborating will help determine who comes in the office and when. The rate of vaccinations has triggered firms to work through key considerations of allowing employees back in-person, including:



Policies for vaccinated employees



Allowing for Hands-free Movement Through Offices



Gathering Clients and Peers Return Timelines and Expectations



Adding or Removing Floors Based on Company Need



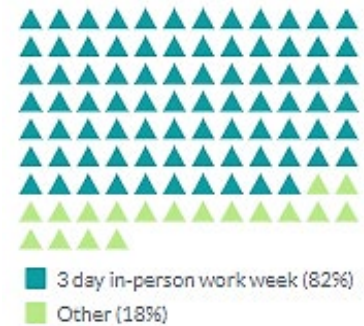
Creating Space for “Huddle Rooms”*

*Compliant with OSHA and CDC COVID Guidelines

The Hybrid Model in Practice

According to a recent survey published by PWC Consulting, 82% of the organizations surveyed plan to return to a 3 day in-person work week.¹⁰ What will this mean for businesses in practice?

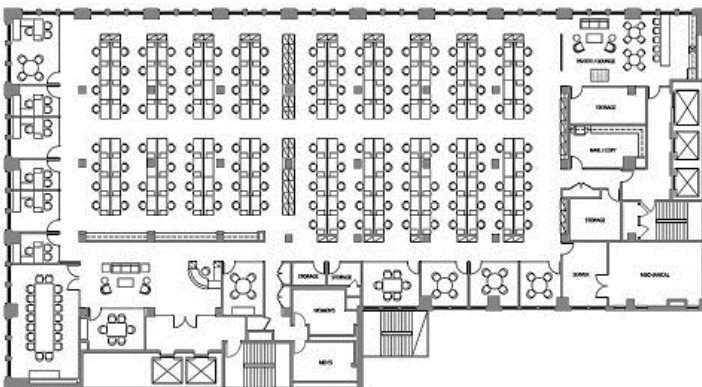
- **Conference Rooms are the New “Zoom” Rooms.** Firms will need to have technology solutions that allow for employees on-site to communicate with other employees and colleagues through video conference.
- **Refitting Office Space to Meet Needs.** To provide safe distance, as well as foster collaboration.
- **Proactive, progressive calendar management.** To account for where internal and external stakeholders will be located for meetings and ensure everyone is on the same page.
- **Adopting new methods of communication to bridge the gap between employees at home and in the office.** In addition to Zoom rooms, how can dispersed teams maintain fluid communication and create a consistent experience regardless of location?
- **Shift to shorter term real estate commitments going forward.** To give employers, and ultimately employees more flexibility.



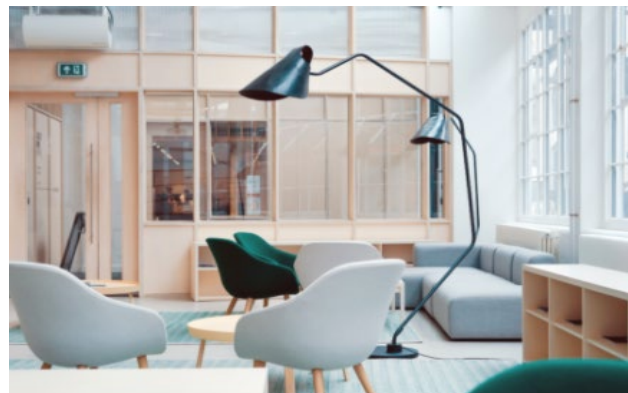
82%...

of the number of organizations planning on a **3 day in person work week**

The Past



The Future



HOW JEFFERIES CAN HELP

Only time will tell how the Coronavirus impacts timelines and set-ups for an industry-wide return to the office permanently. There are several moving parts and factors to consider from both the top down and bottoms up perspectives. Culture differences will influence return plans, and as an entirely Global Franchise, Jefferies has our fingers on the pulse across continents. The Capital Intelligence team assumes a hybrid workforce for our clients, as propriety Jefferies survey results indicate the work-from-home option will be increasingly utilized from pre- to post-pandemic, across the US, Europe, and Asia. For more information on Global office expectations, our **Global Equity Research REITs** team has done a considerable amount of work on the regional implications of returning to the office and would be happy to provide additional data and insights.

Jefferies will be sure to keep our clients apprised of continual updates and information on best practices in a hybrid working model as we all prepare together for the Future of Work. We welcome your questions and look forward to engaging with you.

GLOBAL

Lindsay Kronengold
Chief Administrative Officer
LKronengold@jefferies.com
+1 (212) 707-6391

Leor Shapiro
Head of Capital Intelligence
lshapiro@jefferies.com
+1 (212) 336-6267

UNITED STATES

Erin Shea
Business Consulting Services
eshea@jefferies.com
+1 (212) 323-3337

Annette Rubin
Strategic Content
arubin2@jefferies.com
+1 (212) 778-8361

EMEA

Tori Gilliland
Capital Intelligence
tgilliland@jefferies.com
+44 (0)20 7029 8261

ASIA

Ben Chandler
APAC Head of Equity Hedge Fund Distribution
bchandler@jefferies.com
+852 3743 8150

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FOOTNOTES:

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