

Hoffman Strategy Group

## Vantage Point

Hundreds of thousands of air miles are traveled each year to work in cities and towns of all sizes. We have walked almost every regional shopping mall and lifestyle center, street in central business districts and major mixed-use project as well as having driven most major trade corridors, neighborhoods and suburban areas in the U.S. From the vantage point of our 10,000+ footsteps and thousands of miles of windshield time, we share these posts.

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## Pandemic Positive: The Decentralization of the Workforce

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Two years into the pandemic, it is infinitely clear how we live, work and play has been impacted with permanence. The ways those changes play out are both known and are likely unknowable for years to come. The impact of the pandemic on our daily

lives has diminished and people are beginning to resume normal lives, or some type of 'new normal.' One area that has been permanently impacted, however, is our work lives. Remote work became necessary and an accepted business practice during the pandemic with no hiccups in productivity. While many workers have or will go back to the office, remote work is here to stay.

An effect of more remote workers is the decentralization of the workforce away from traditional major metro hubs to secondary markets such as college and university towns, those with expanding major employers or ones that offer appealing amenities, destinations and attractions. This worker decentralization creates significant residential and commercial development opportunities in these now expanding markets, particularly for mixed-use projects.

The best example of the worker decentralization phenomenon is the tech industry. Tech job growth in the traditional tech hubs, like San Francisco, Los Angeles, and Boston, to name a few, has slowed. At the same time, tech job growth in secondary and university/college markets has surged. Examples of where this growth occurred are Ogden, Utah (+7%), Virginia Beach, Virginia (+9%), Durham, North Carolina (+5%) and Madison, Wisconsin (+6%). Driving factors often cited are the cost of living, lifestyle and proximity to a university.

To capitalize on these opportunities, it is important that all stakeholders from municipalities, universities and colleges to developers, etc. create and adopt market specific strategies that guide them on how best to move forward. Here are some recommended steps to develop an actionable real estate strategy for these types of markets.

## **Building Real Estate Strategies**

First, you need to understand who is living in the market today, consider the impact of remote workers and examine future projections. Demographics are one piece of the answer, but it is also key to know the lifestyle profiles of these residents, their spending habits, as well as their tastes and preferences for housing, dining, shopping, arts and culture experiences, travel, etc.

Second, you want to know who is working in the market. The profile of the daytime employees may differ from residents' profile, especially in industries that require higher degrees of specialization, such as math, science, engineering, and medicine.

Third, address whether there are other drivers of demand for real estate in the market. Visitors, for instance, drive demand for particular type of retail and food and beverage operators in destination markets like Ogden, Utah, favoring unique and local over national chains. In addition to visitors, students can drive demand in university towns that also create a unique footprint in residential, retail, food and beverage, and hospitality offerings.

Fourth, assess the current supply of residential and commercial real estate uses and identify where market voids may exist and, therefore, present specific niche development opportunities. For example, in markets where tech job growth has been strong, there may be a need for more modern and amenity-rich multifamily projects that incorporate collaborative workspace to incubate business startups.

After a strategy is developed, determining how best to execute on the strategy is critical.

## **Involving Multiple Real Estate Partners**

It may be in the best interest of all stakeholders to involve multiple real estate partners in the execution of the strategy. The goal is to engage partners that will each have their own area of expertise. That could encompass coworking space, retail, food and beverage, multifamily, hospitality, or other types.

Whenever there are multiple partners involved in a project, management, and coordination of the partners is important. That is accomplished in several different ways and will vary project by project. The mixed-use development is a primary beneficiary of the worker decentralization trend. Thus, involving appropriate partners and ensuring smooth coordination across the project team are keys parts of mixed-use projects.

## **Mixed-Use: The Wave of the Future**

Today, many people, including remote workers, want to live in communities that are walkable, provide non-traditional workplace solutions, and offer easy access to amenities, food and beverage, and services. This reality presents niche market opportunities for market growth due to worker decentralization.

University and college towns have already benefitted from worker decentralization and that shift is expected to continue long-term. These towns have demonstrated the potential of well planned and executed mixed-use projects. An example of that is Eddy Street Commons at Notre Dame University. Another is The Clifton Heights project, which is opening in phases at the University of Cincinnati. Both of these projects are great examples of mixed-use developments that include multiple uses, i.e. retail, food and beverage, student housing, market rate multi-family, hospitality, office, etc., in university settings.

Markets that may not have been on the radar screen for large companies prior to the pandemic are now on the radar screens of remote workers. Proactive thinking is essential by employers in the public and private sectors to attract and retain these workers.

Hoffman Strategy Group's principals have over 85 years of collective experience in successfully executing mixed-use real estate projects in cities and towns across the U.S. Combining expertise and knowledge from analytics to master planning, development strategy, and execution and management of that strategy means that we work across multi-disciplinary teams from the C-suite to the project management in on-site trailers.

Please feel free to email Jerry Hoffman, Dan Sheridan, or Jeff Green to discuss how your business, city, or university can create market opportunities from worker decentralization.