



*(DRAFT)*  
**WORK-FROM-HOME TRENDS  
AND IMPLICATIONS**

RESEARCH SUMMARY  
DOWNTOWN D.C.

Prepared for DowntownDC BID and Golden Triangle BID  
August 15, 2023

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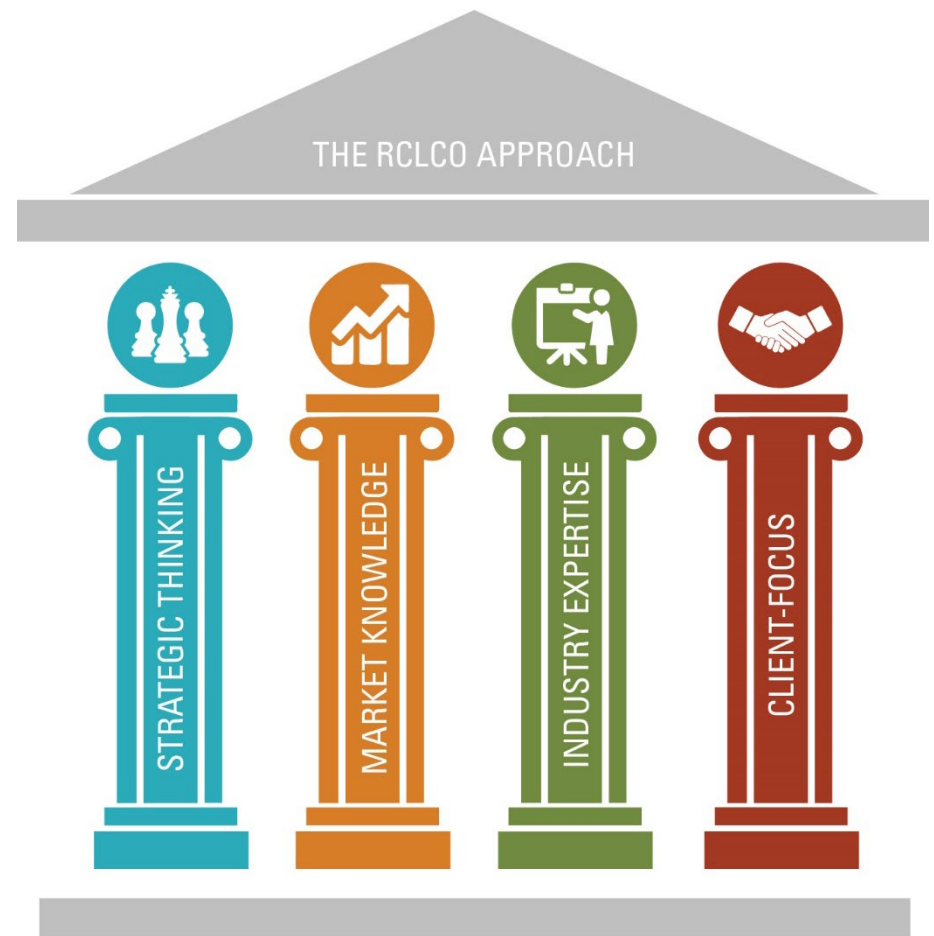
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<b>KEY TAKEAWAYS</b>	<b>4</b>
<b>RETURN TO OFFICE TRENDS</b>	<b>5</b>
▶ Return to Office by Region	6
▶ Return to Office by Submarket	7
▶ In-Person Work by Day of Week	8
<b>WORK-FROM-HOME SURVEY</b>	<b>9</b>
▶ Overview of Survey Questions	10
▶ Profile of Respondents	11
▶ Hybrid/Work-From-Home Policy	12
▶ In-Person Propensity by Day of Week	13
▶ In-Person Propensity by Seniority	14
▶ Impact on Office Space Needs	15
▶ Favored Improvements to Downtown	17
▶ Improvements to Downtown by Perceived Potential	18
<b>DISCLAIMERS</b>	<b>20</b>

- ▶ **The Washington, D.C., region is marginally lagging other major metropolitan areas in terms of its return-to-office trajectory.** However, closing this gap would only expand the daytime population of Downtown D.C. by a small amount, suggesting that doing so is unlikely to meaningfully change conditions in the submarket today. Furthermore, many businesses were already trending towards four days in the office prior to the COVID-19 pandemic, suggesting current patterns are a continuation of long-term trends, even if the pandemic may have accelerated them.
- ▶ **In Downtown D.C., most firms have adopted hybrid workplace policies that are not expected to change in the near term.** Prior to the COVID-19 pandemic, approximately 83% of office workers in Downtown D.C. held jobs that were fully in-person. According to RCLCO's work-from-home survey, that figure now sits at 34%, with a majority of office workers in Downtown D.C. now holding jobs with hybrid work schedules. While propensity to come into the office varies by seniority and day of the week, it seems that firms in Downtown D.C. have largely settled into this “new normal.”
- ▶ Accordingly, **Downtown D.C. firms reported that they are unlikely to make substantial changes to their office footprints or locations in the near term.** Even if these firms might not think their office space is perfect—it may be the case that their office space is far from where the bulk of their employees live, or that it is not particularly well-equipped to meet evolving technological needs—the typical firm with a hybrid workplace policy still needs the capacity to accommodate most of its employees on any given day, and relocating and/or downsizing may not be feasible for these tenants, or it may be more of a hassle than it is worth.
- ▶ Survey respondents indicate improvements to the Downtown D.C. environment could encourage employees to come in more frequently. **Respondents most commonly cited safety, but a higher proportion of those who favored changes to the Downtown D.C. built environment (e.g. improved housing opportunities, more things to do after work) felt strongly that these interventions could have a significant impact on employees' willingness to come into the office.** This dynamic suggests that while safety is indeed a top-of-mind concern, it is not the *only* important issue for policymakers and stakeholders in Downtown D.C. to address if they wish to lure more workers back to the office.

## RETURN TO OFFICE TRENDS

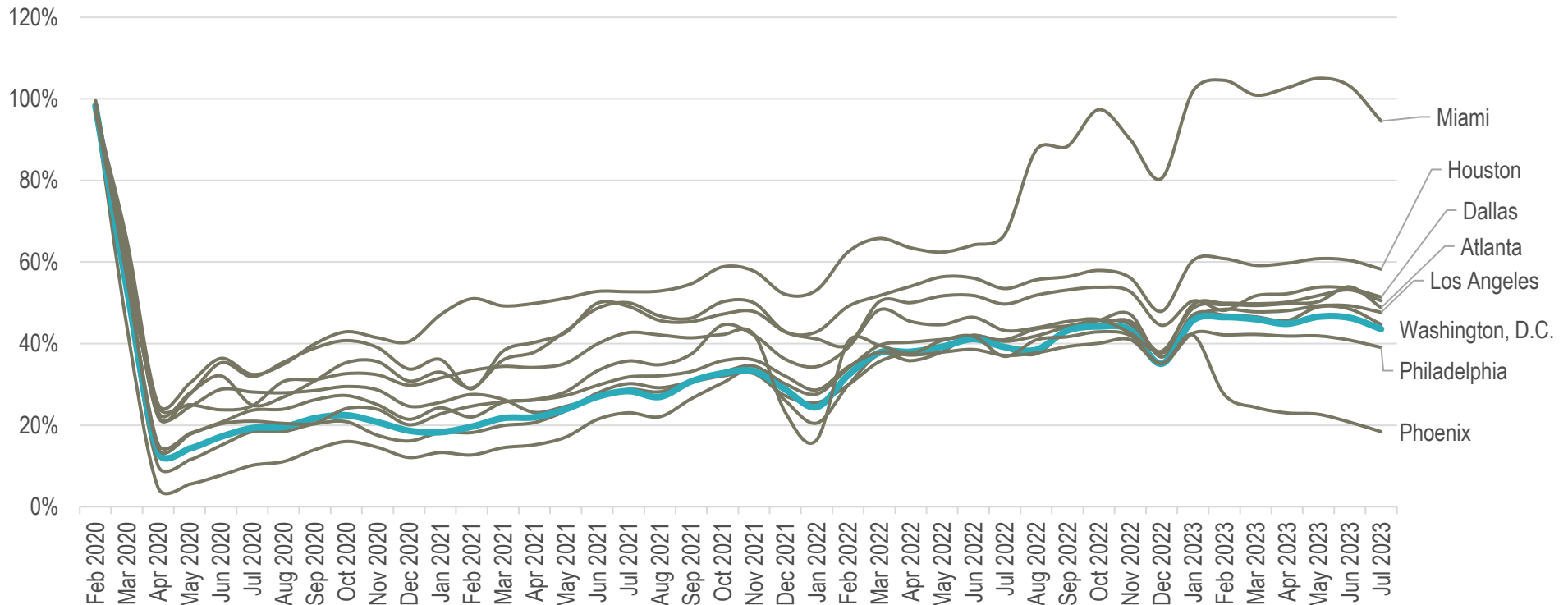
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# REGIONAL RETURN TO OFFICE

## WASHINGTON, D.C., LAGS OTHER MAJOR METROPOLITAN AREAS IN TERMS OF THE PROPORTION OF ITS OFFICE-USING WORKFORCE THAT HAS RETURNED TO THE OFFICE

- ▶ RCLCO used data from Kastle Systems to analyze in-person work trends among office-using employees in the Washington, D.C., MSA. Kastle cardholders represent approximately 11% of the total office-using employment base in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA.
- ▶ As of July 2023, in-person work propensity in the D.C. region is at 41% of February 2020 levels, compared to 48% for the average top 10 MSA. This difference is equivalent to 7,597 additional Washington, D.C., MSA Kastle cardholders working remotely on the margin, or 72,000 office-using employees across the MSA, assuming Kastle cardholders are a representative sample of the regional office-using workforce. Assuming Downtown D.C. would capture its fair share of these office-using employees, this figure suggests that—if in-person work propensity in the Washington, D.C., MSA were to reach the point where it were to mirror the average in-person work propensity across the other top 10 largest MSAs—Downtown D.C. would attract approximately 9,900 additional office-using employees on any given day, which would only grow the daytime population by 2.7%.

**Return to Office Trends by Region**  
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and Top 10 Metros

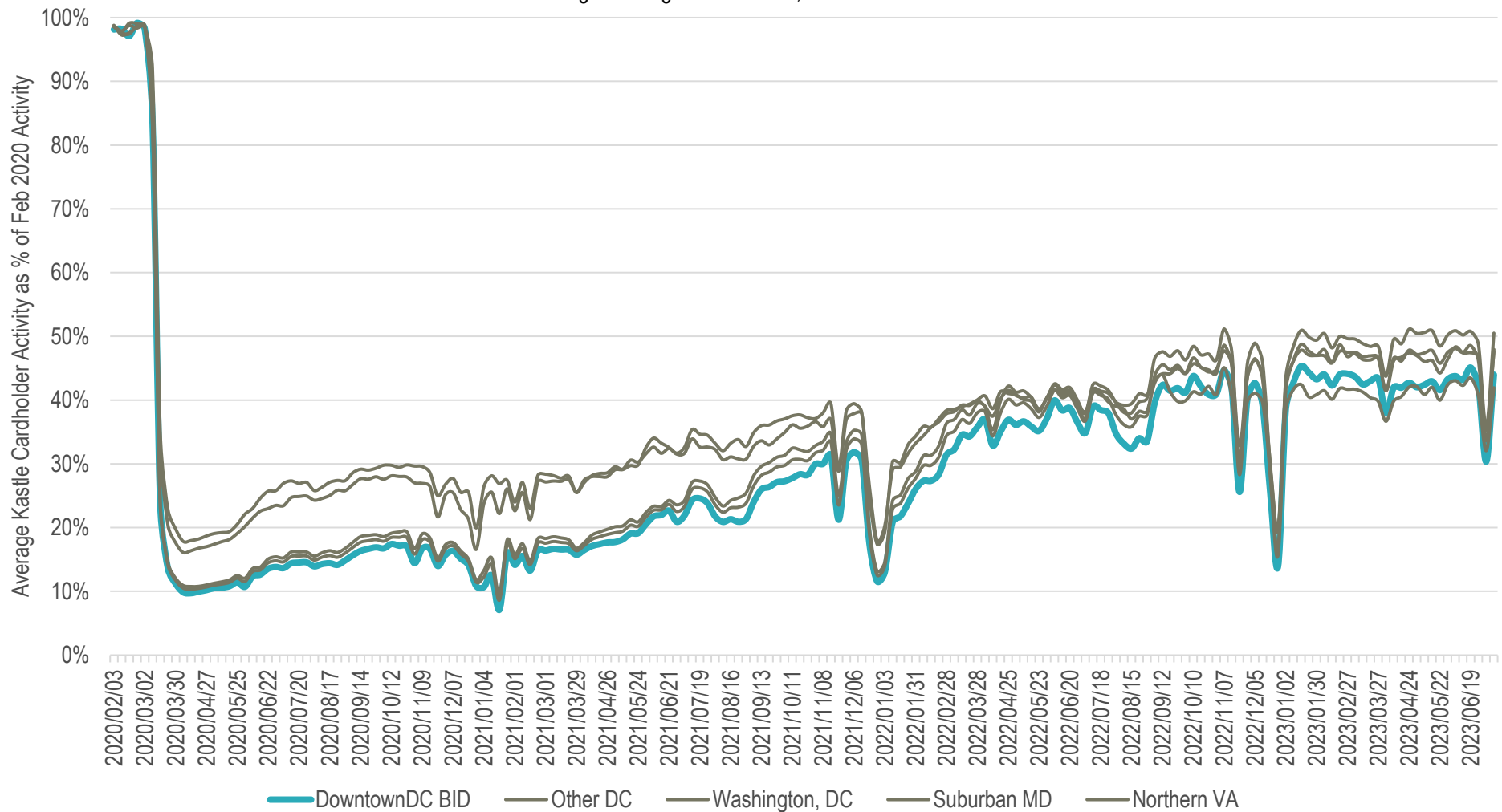


Source: Moody's Analytics; Kastle Systems; RCLCO

# RETURN TO OFFICE BY SUBMARKET

**IN-PERSON WORK PROPENSITY DOES NOT VARY SUBSTANTIALLY ACROSS THE WASHINGTON, D.C., REGION; OFFICE UTILIZATION IN THE DOWNTOWNDC BID LAGS ONLY marginally**

Return to Office Trends by D.C. Submarket  
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA

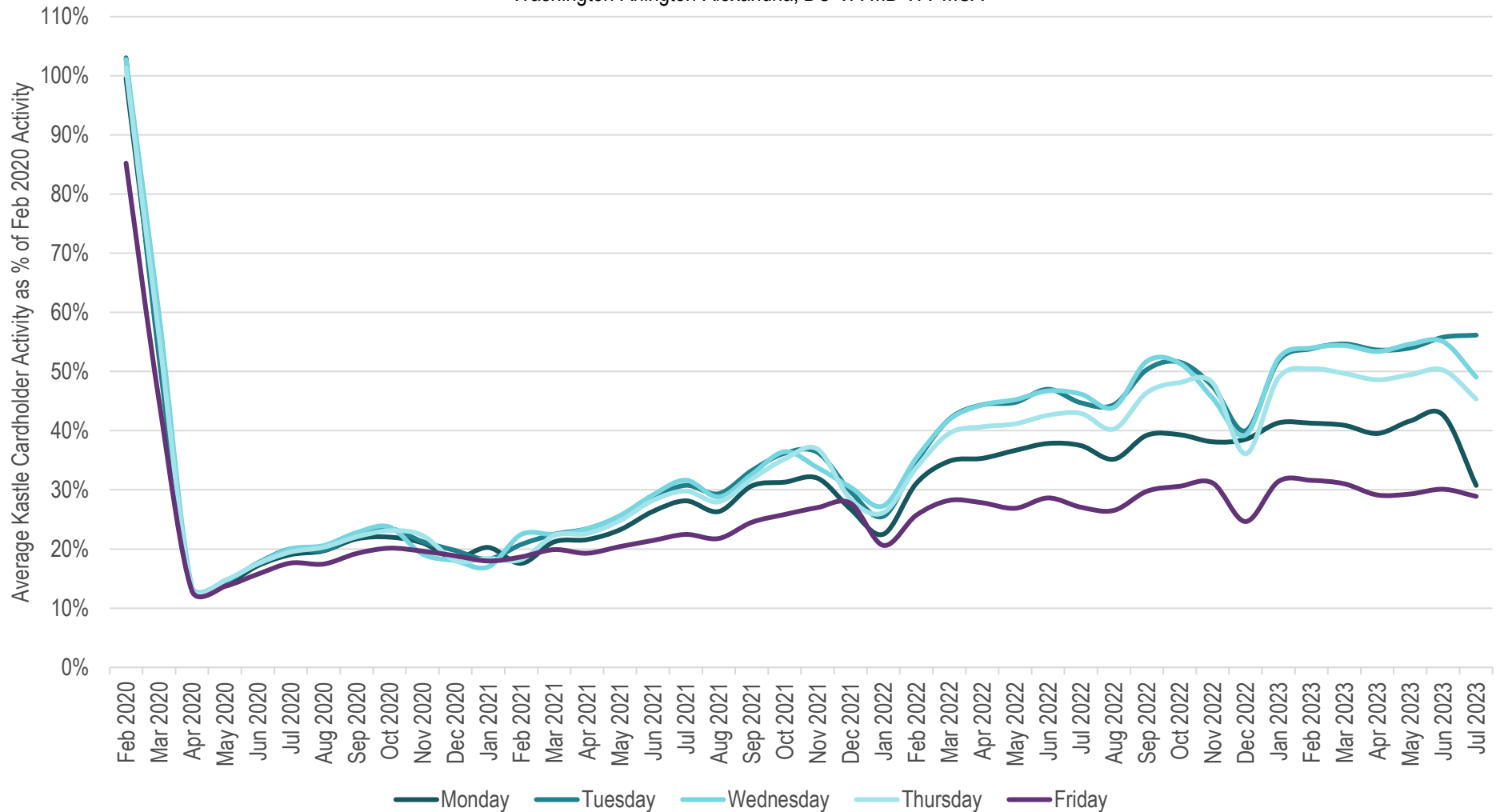


Source: Kastle Systems; RCLCO

# IN-PERSON WORK BY DAY OF WEEK

**AS HYBRID WORK HAS BECOME AN INCREASINGLY PERMANENT ARRANGEMENT FOR A LARGE PORTION OF THE WORKFORCE, IN-PERSON WORK PROPENSITY BY DAY OF THE WEEK HAS STEADILY DIVERGED**

**In-Person Work Propensity by Day of Week**  
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA



Source: Kastle Systems; RCLCO



## WORK-FROM-HOME SURVEY

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# OVERVIEW OF SURVEY QUESTIONS

## RCLCO CONDUCTED A SURVEY OF DOWNTOWN D.C. FIRMS TO MORE COMPREHENSIVELY UNDERSTAND CURRENT REMOTE WORK PATTERNS AND HOW THEY MIGHT CHANGE GOING FORWARD

### Work-From-Home Survey Questions Downtown D.C.; 2023

CATEGORY	QUESTION	NUMBER OF RESPONDENTS
FIRM PROFILE	<i>Which of the following best describes the principal industry of your organization?</i>	114
	<i>Approximately how many employees are based in your Downtown D.C. office?</i>	113
	<i>What is your best estimate of the amount of space (in square feet) that your organization occupies in Downtown D.C.?</i>	70
IN-PERSON PROPENSITY	<i>Prior to the COVID-19 pandemic, what is your best estimate of the percentage of your Downtown D.C. employees that were subject to each of the following workplace policies (in-person, hybrid, remote)?</i>	104
	<i>Right now, what is your best estimate of the percentage of your Downtown D.C. employees that are subject to each of the following workplace policies (in-person, hybrid, remote)?</i>	104
	<i>In one year, what is your best guess at what your organization's in-person work policy will look like?</i>	104
	<i>Right now, what percentage of your Downtown D.C. employees work in-person on each of the following days of the week?</i>	96
	<i>On days when your Downtown D.C. employees come into the office, what is the typical length of the workday that they spend in the office?</i>	96
	<i>In a typical work week, which Downtown D.C. employees do you see come into the office most frequently?</i>	96
IMPROVEMENTS TO DOWNTOWN ENVIRONMENT	<i>Based on your interactions with your Downtown D.C. employees, how much would a more pleasant and enjoyable downtown environment impact their willingness to come into and/or spend more time in the office?</i>	95
	<i>Based on your interactions with your Downtown D.C. employees, which of the following changes would most impact their willingness to come into and/or spend more time in the office?</i>	95
OFFICE SPACE NEEDS	<i>Has your organization made any changes to its office space in the District of Columbia due to the pandemic and your organization's work from home policies?</i>	90
	<i>Whether or not your organization has made any changes yet, is your organization planning to make any of the following changes to their office space in the next few years due to remote/hybrid work?</i>	92

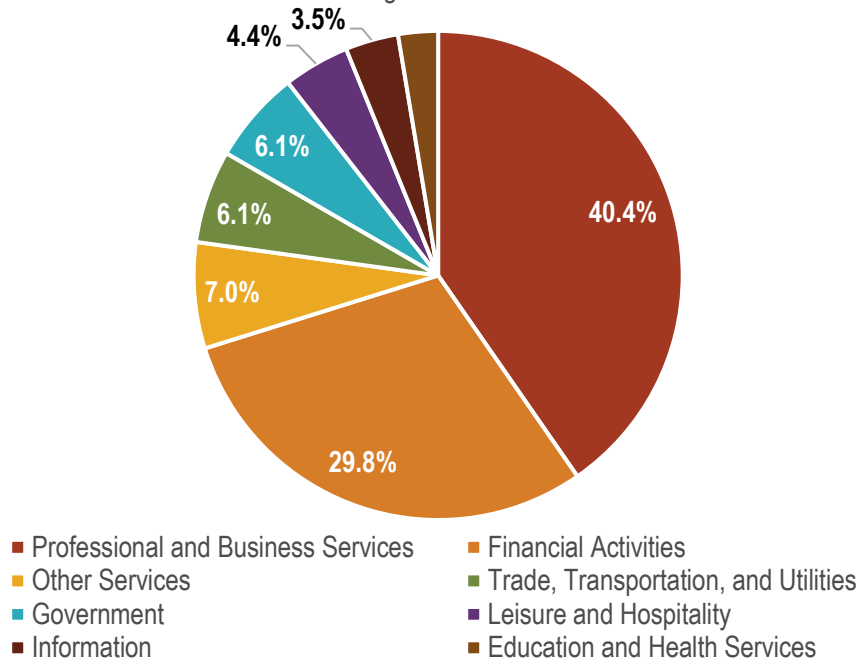
Source: RCLCO

# PROFILE OF RESPONDENTS

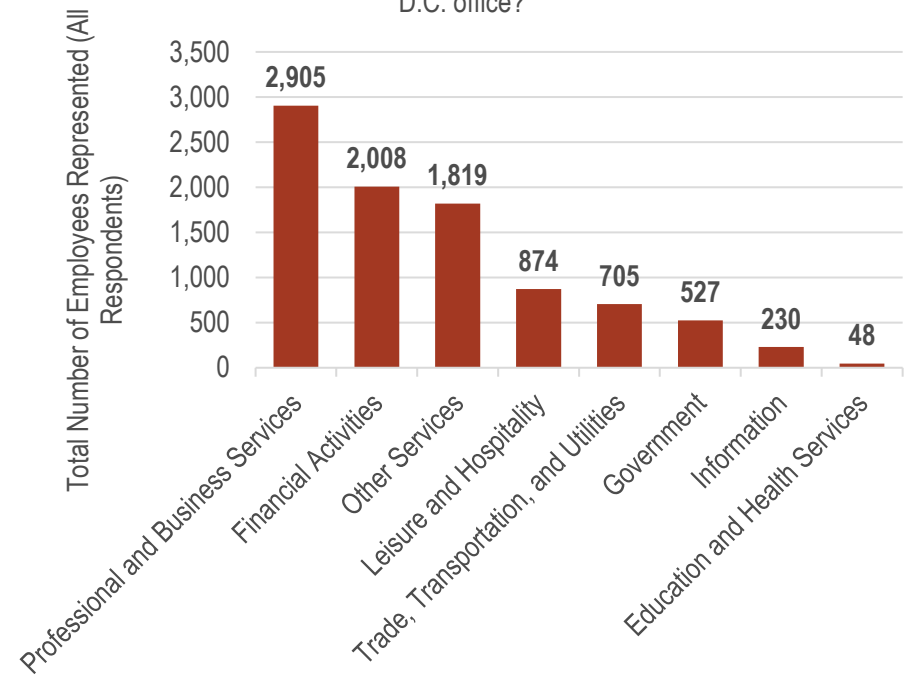
## MOST SURVEY RESPONDENTS WERE SMALL TO MID-SIZE FIRMS IN THE PROFESSIONAL & BUSINESS SERVICES SECTOR OR FINANCIAL ACTIVITIES SECTOR

Profile of Survey Respondents  
Downtown D.C.; 2023

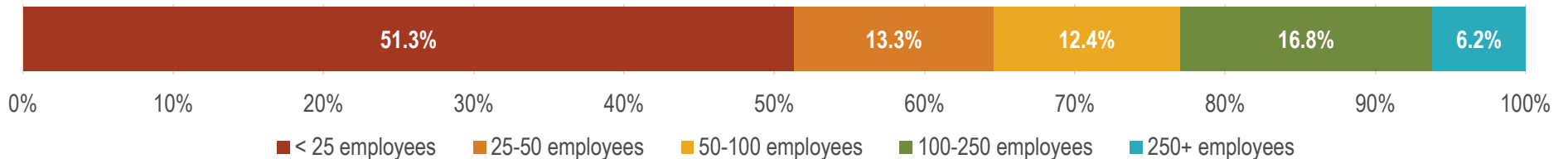
Which of the following best describes the specific industry of your organization?



Approximately how many employees are based in your Downtown D.C. office?



Approximately how many employees are based in your Downtown D.C. office?



Note: Number of responses = 113.

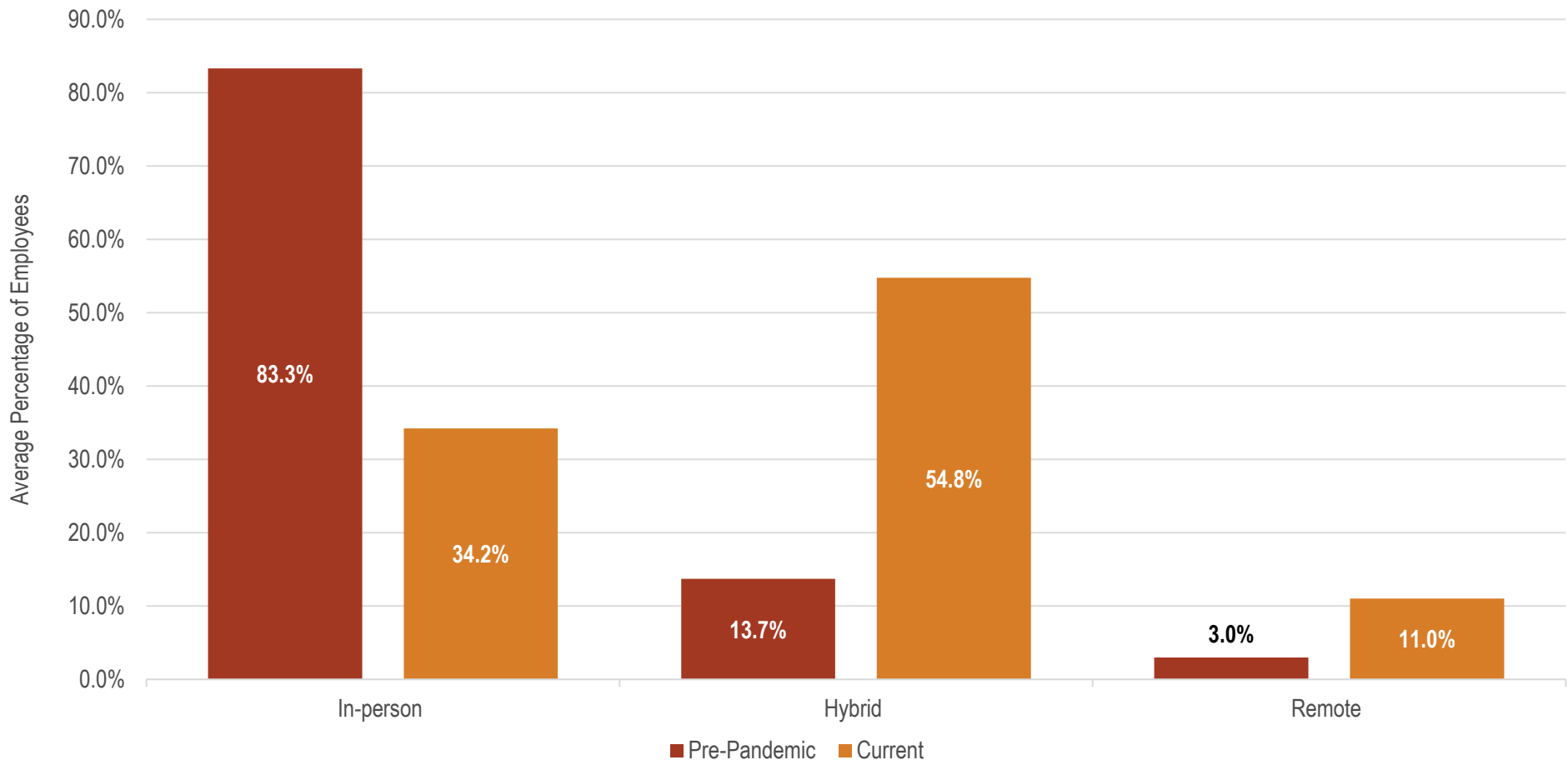
Source: RCLCO

# HYBRID/WORK-FROM-HOME POLICY

## RESPONDENTS REPORTED THAT MORE THAN HALF OF THEIR EMPLOYEES ARE CURRENTLY HYBRID, AND ONE IN TEN ARE FULLY REMOTE

**Average Share of Employees by Work Arrangement**  
Downtown D.C.; 2023

Prior to the COVID-19 pandemic and right now, what is your best estimate of the percentage of your Downtown D.C. employees that were/are subject to each of the following workplace policies?



Note: Number of responses = 104.

Source: RCLCO

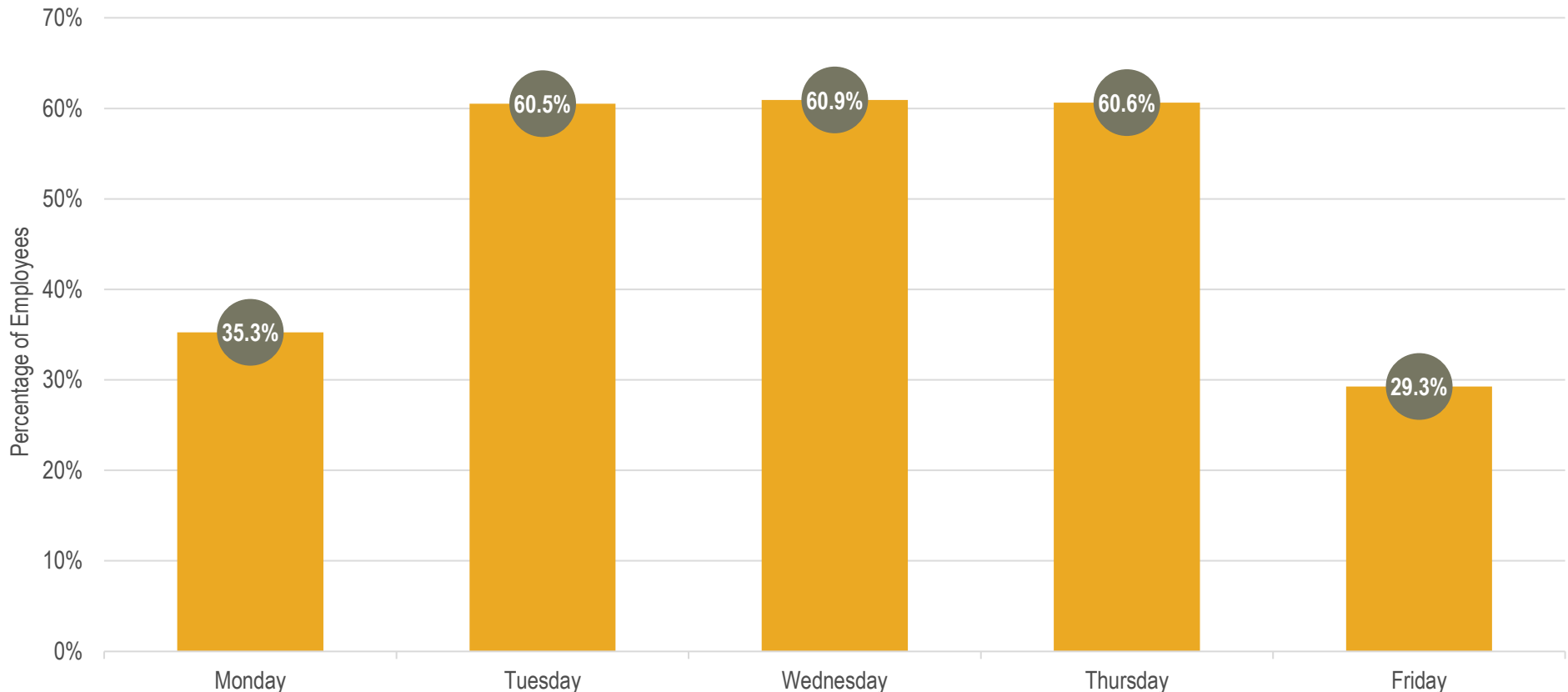
# IN-PERSON PROPENSITY BY DAY OF WEEK

## MIRRORING REGIONAL TRENDS, ONLY ONE IN THREE EMPLOYEES COME INTO THE OFFICE ON MONDAYS AND FRIDAYS

- ▶ While low office utilization on Mondays and Fridays certainly impacts the level of activity in Downtown D.C., relatively high utilization on Tuesday through Thursday means that dramatic shifts in firms' total office footprints are unlikely, as firms still need space to accommodate most of their workers on those days.
- ▶ If every worker in Downtown D.C. followed the pattern shown below, Downtown D.C. workers would be in the office 2.5 days per week on average, which aligns with the Kastle office utilization rates shown on Pages 6 and 7.

**Weighted Average Share of Employees In-Person by Day of Week**  
Downtown D.C.; 2023

Right now, what percentage of your Downtown D.C. employees are in-person on each day of the week?



Note: Number of responses = 96.

Source: RCLCO

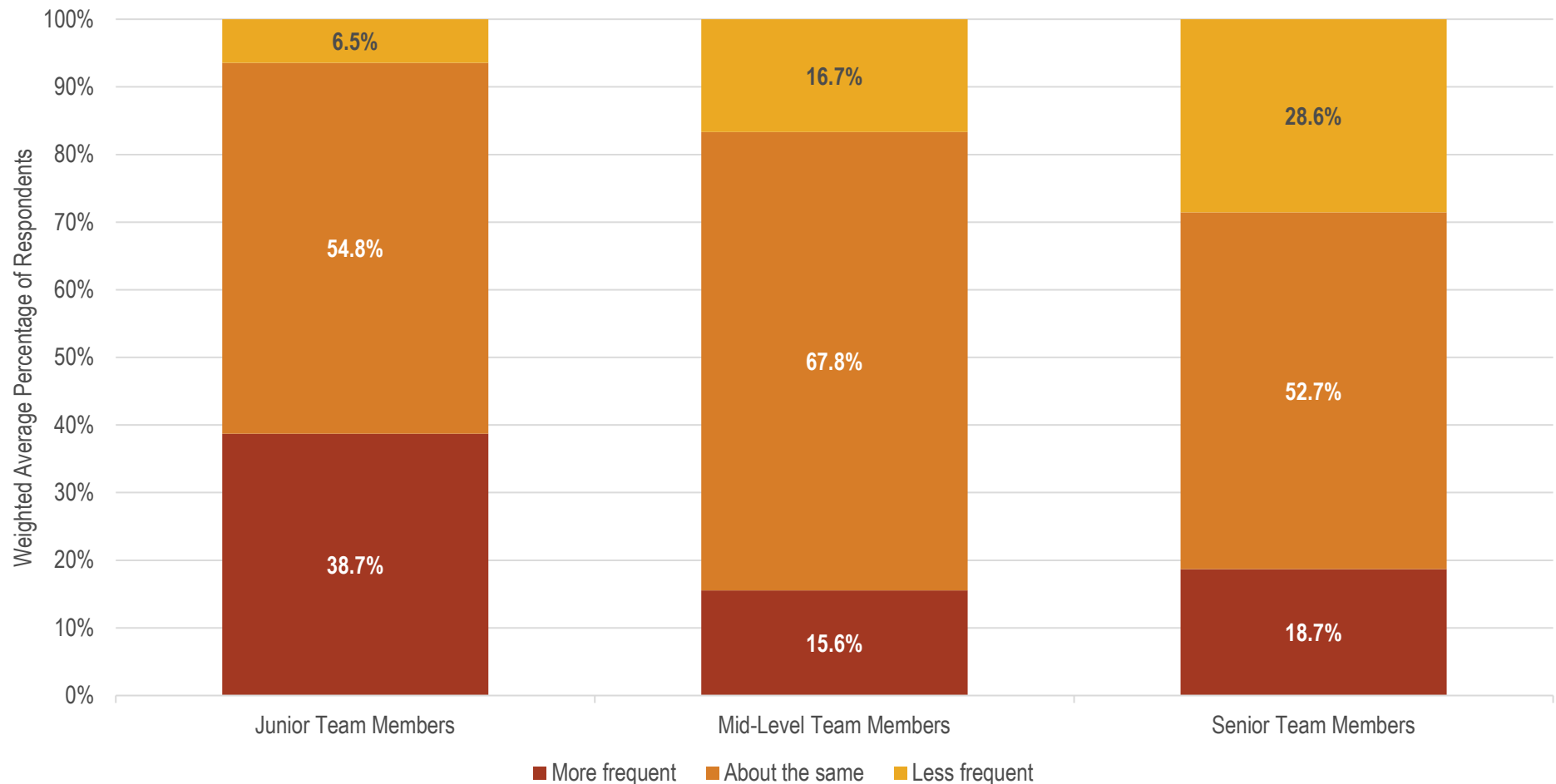
# IN-PERSON PROPENSITY BY SENIORITY

**FIRMS REPORTED THAT SENIOR TEAM MEMBERS DISPROPORTIONATELY COME INTO THE OFFICE LESS FREQUENTLY, CAUSING A CASCADING EFFECT ON IN-PERSON WORK PROPENSITY AMONG LESS SENIOR EMPLOYEES**

## Frequency of In-Person Work by Seniority

Downtown D.C.; 2023

In a typical work week, which Downtown D.C. employees do you see come into the office most frequently?



Note: Number of responses = 96.

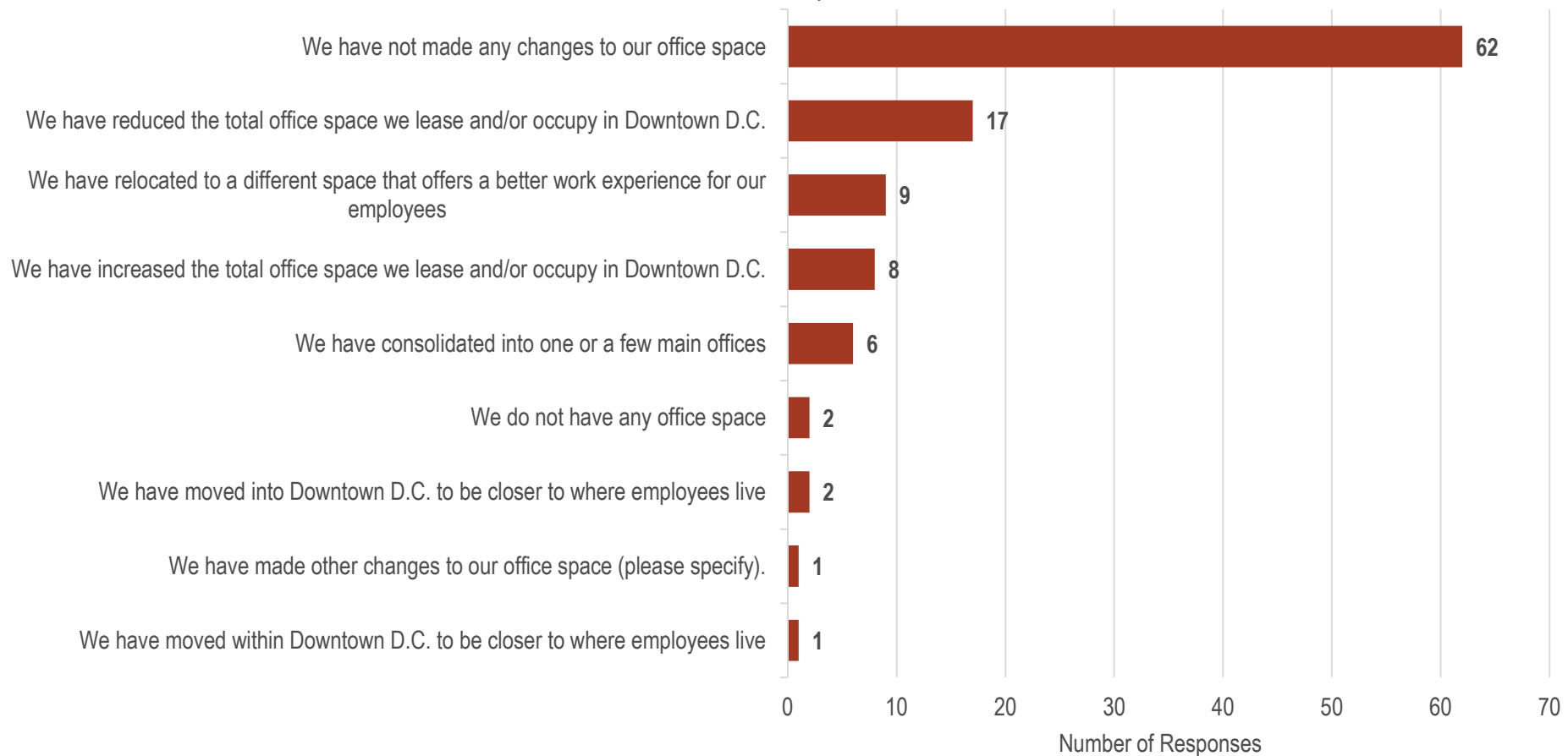
Source: RCLCO

# IMPACT ON OFFICE SPACE NEEDS

**WHILE WORK-FROM-HOME TRENDS HAVE UNDOUBTEDLY CHANGED THE LEVEL OF ACTIVITY IN DOWNTOWN D.C., MOST FIRMS REPORTED THAT THEY HAVE NOT MADE CHANGES TO THEIR CURRENT OFFICE FOOTPRINTS**

## Recent Changes to Office Space Downtown D.C.; 2023

Has your organization made any changes to its office space in the District of Columbia due to the pandemic and your organization's work from home policies?



Note: Number of responses = 90.

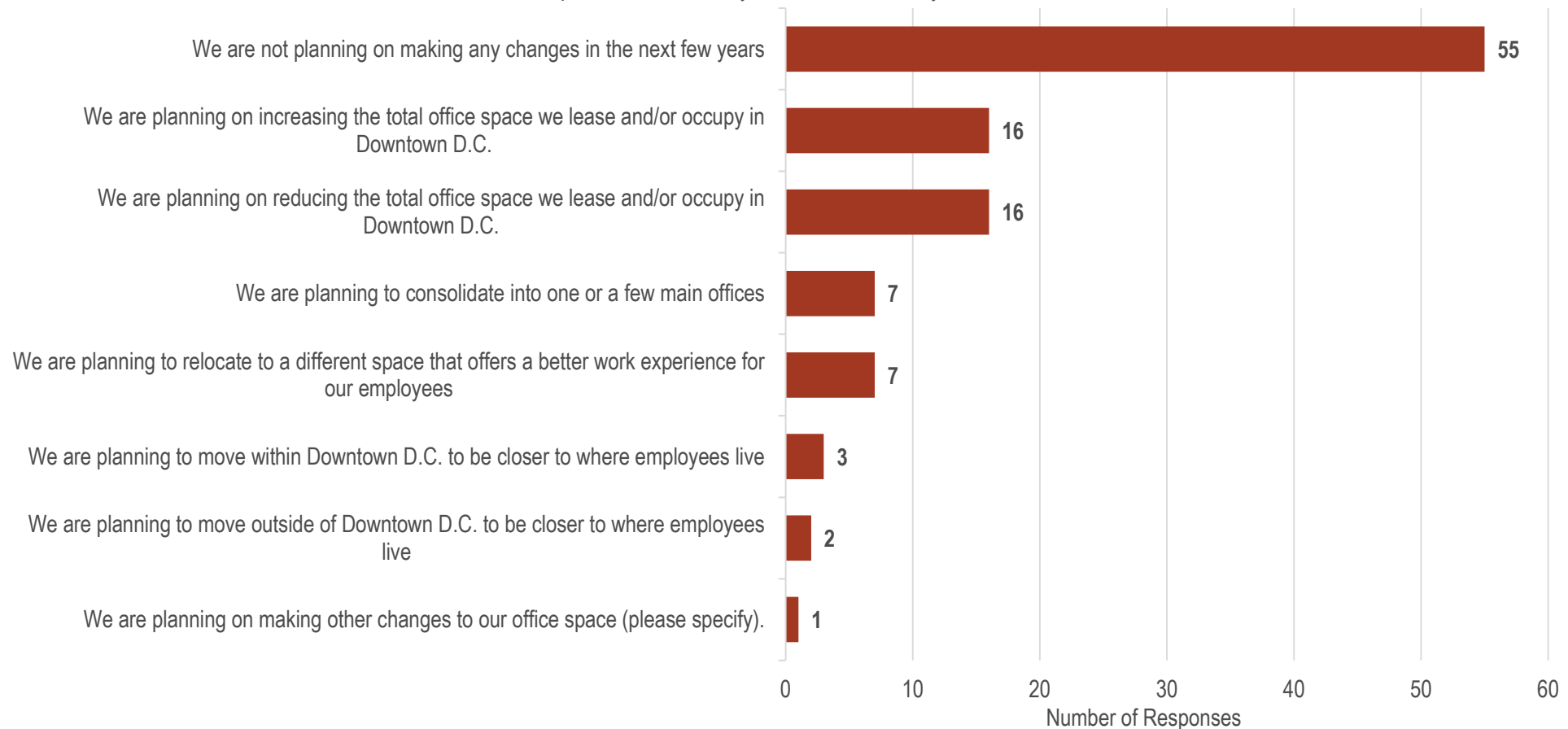
Source: RCLCO

# IMPACT ON OFFICE SPACE NEEDS

**MOST FIRMS ALSO INDICATED THAT THEY ARE UNLIKELY TO CHANGE THEIR OFFICE FOOTPRINTS IN THE NEAR TERM, AND VERY FEW RESPONDENTS ARE PLANNING ON LEAVING DOWNTOWN D.C. ALTOGETHER**

**Planned Changes to Office Space**  
Downtown D.C.; 2023

Whether or not your organization has made any changes yet, is your organization planning to make any of the following changes to their office space in the next few years due to remote/hybrid work?



Note: Number of responses = 92.

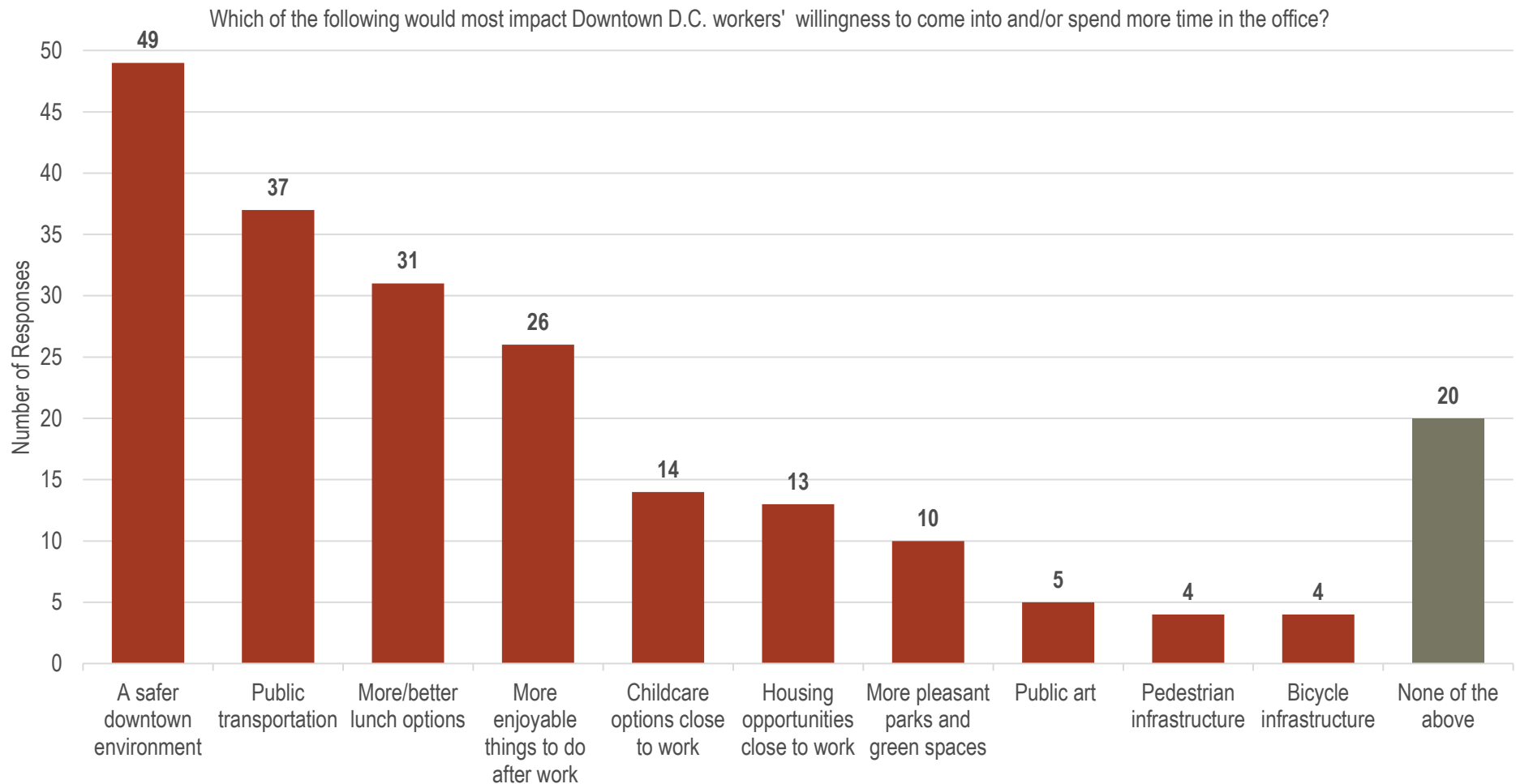
Source: RCLCO



# FAVORED IMPROVEMENTS TO DOWNTOWN

## RESPONDENTS MOST COMMONLY CITED IMPROVED SAFETY, PUBLIC TRANSPORTATION, AND DIVERSITY OF RETAIL/ENTERTAINMENT OPTIONS AS INTERVENTIONS THAT COULD ENCOURAGE MORE IN-PERSON WORK

**Favored Improvements to Encourage In-Person Work**  
Downtown D.C.; 2023



Note: Number of responses = 95.

Source: RCLCO

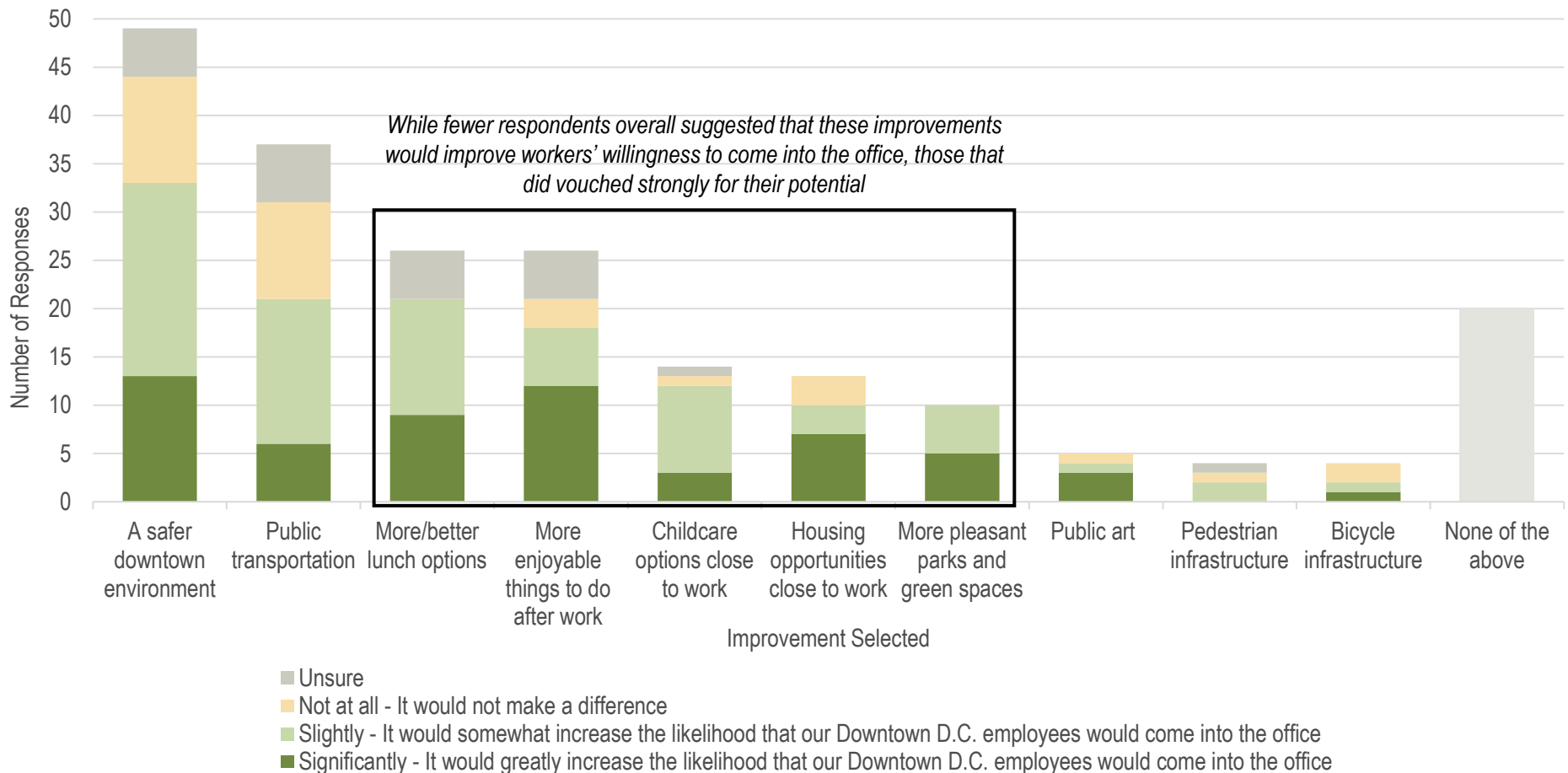
# IMPROVEMENTS TO DOWNTOWN BY PERCEIVED POTENTIAL

**HOWEVER, WHILE SAFETY WAS CITED MOST OFTEN, RESPONDENTS WHO CITED MORE NUANCED INTERVENTIONS REGARDING HOUSING OPTIONS AND AMENITIES GENERALLY FELT MORE STRONGLY ABOUT THE DIFFERENCE THESE IMPROVEMENTS COULD MAKE**

## Improvements to Encourage In-Person Work by Perceived Potential

Downtown D.C.; 2023

Based on your interactions with your Downtown D.C. employees, how much would a more pleasant and enjoyable downtown environment impact their willingness to come into and/or spend more time in the office?



Note: Number of responses = 95.

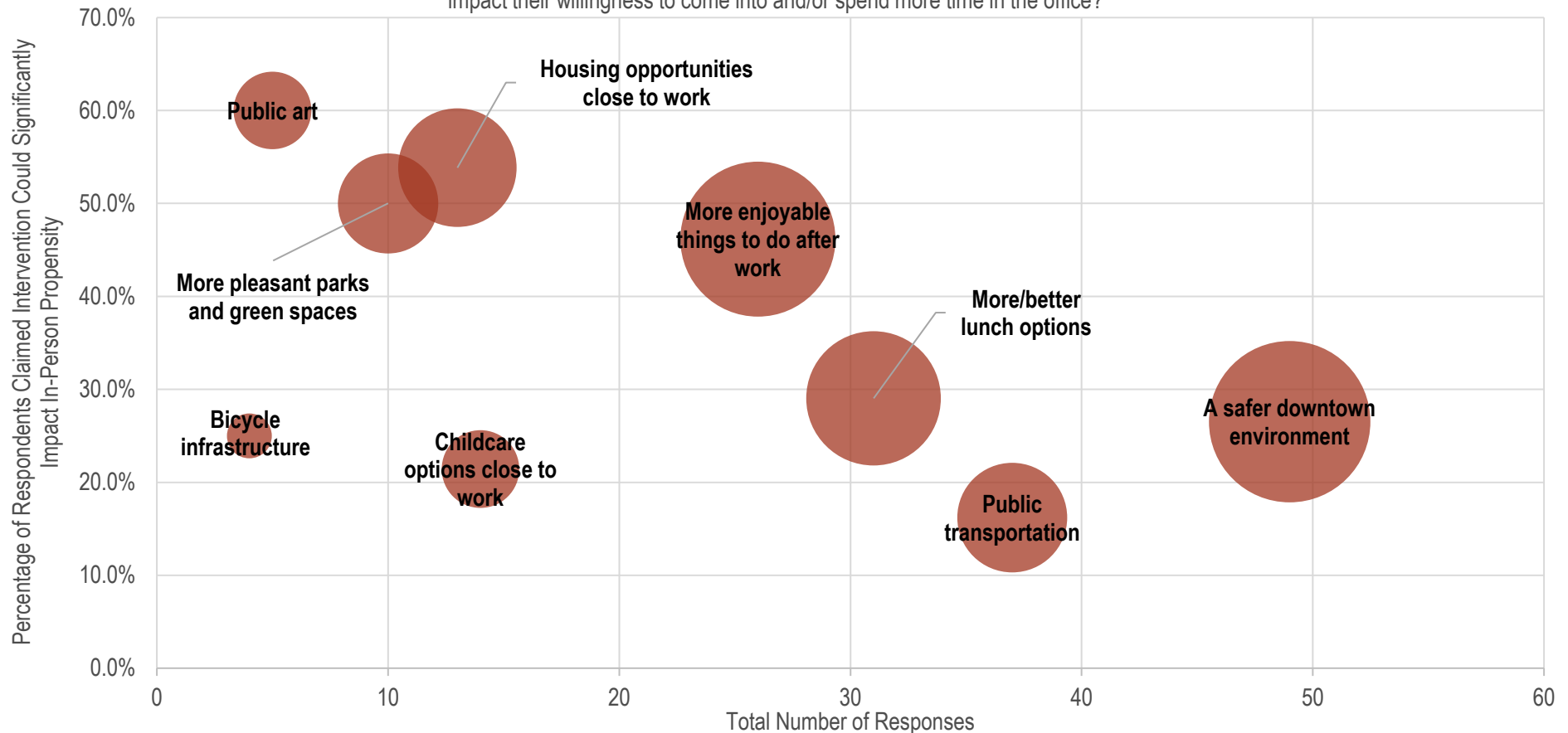
Source: RCLCO

# IMPROVEMENTS TO DOWNTOWN BY PERCEIVED POTENTIAL

THESE RESPONSES SUGGEST THAT WHILE DOMINANT NARRATIVES CONCERNING SAFETY CERTAINLY IMPACT SENTIMENT REGARDING IN-PERSON VS. REMOTE WORK, THE MOST POTENTIALLY IMPACTFUL INTERVENTIONS TEND TO CONCERN THE BUILT ENVIRONMENT OF DOWNTOWN D.C.

Improvements to Encourage In-Person Work by Perceived Potential  
Downtown D.C.; 2023

Based on your interactions with your Downtown D.C. employees, how much would a more pleasant and enjoyable downtown environment impact their willingness to come into and/or spend more time in the office?



Note: Bubbles sized by number of "significantly" responses (percentage shown on Y axis). Number of responses = 95.

Source: RCLCO

## DISCLAIMERS

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# CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will experience a period of slower growth in the next 12 to 24 months, and then return to a stable and moderate rate in 2025 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when inflection points in economic and real cycles will occur.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ Economic, employment, and household growth
- ▶ Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- ▶ The cost of development and construction
- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

# GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

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