

FACING THE MILLENNIAL WAVE

A Cushman & Wakefield Global Business Consulting Publication





THE WAR FOR MILLENNIAL TALENT

Business leaders across all industries are asking C&W Global Business Consulting the same question with increasing frequency: “How do we win the war for Millennial talent?” Considering Millennials already make up almost 40% of the workforce and are on pace to hit 75% by 2025, this question is not only important but immediate.

Despite the criticality of Millennials to every company’s labor strategy, evidence indicates most still don’t know what it takes to attract and engage this generation. Of Millennials with the highest levels of education and professional focus, half say they will be looking for a new job within the current year and over 90% expect to leave their current employer within 3 years.¹

The risks associated with this are significant: lost productivity, lost knowledge, and lost leadership potential. There are financial implications as well in the form of additional recruitment, training and onboarding costs.

The struggle to attract and retain Millennial talent is not surprising given the proliferation of readily available yet contradictory information on what it takes to engage this generation.

A quick Google search on Millennials in the workforce turns up literally hundreds of thousands of articles and studies that often contain conflicting advice and guidance.

If companies are to succeed as a Millennial employer of choice, they need to cut through all the noise and base their employee value proposition on a few fundamental Millennial truths.

Millennials already make up almost 40% of the workforce and are on pace to hit 75% by 2025.

¹ Job Hopping is the New Normal for Millennials, Forbes 2012

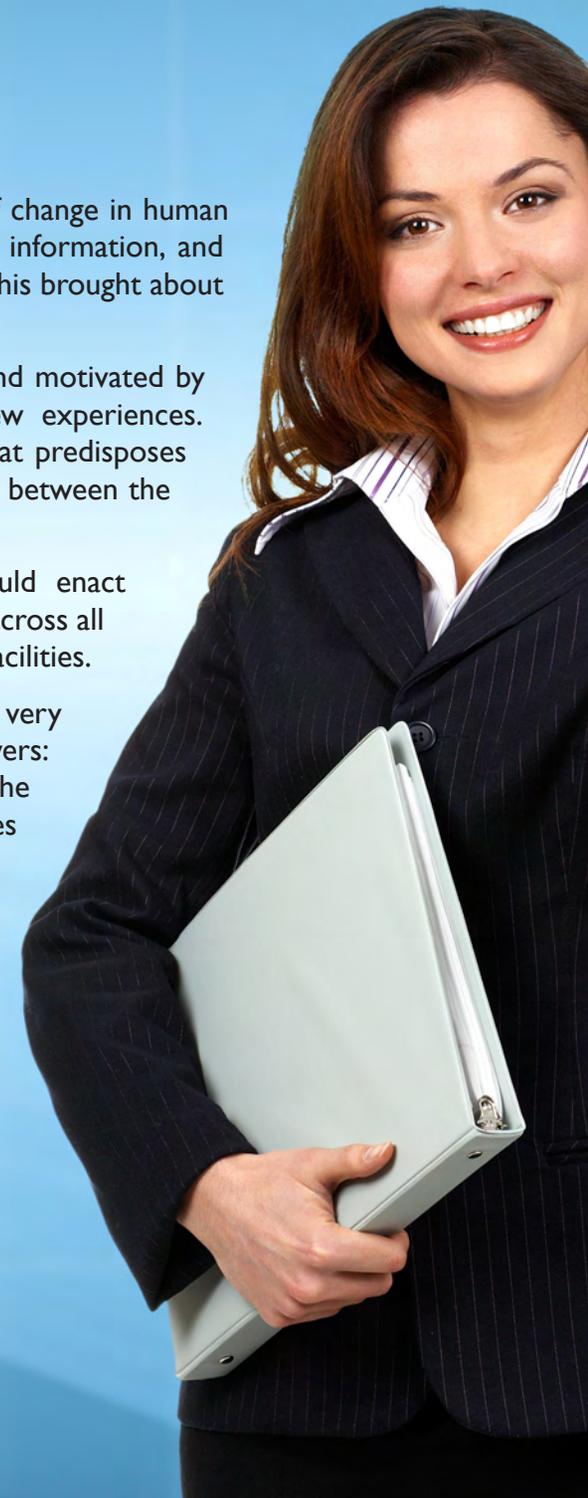
Real estate and facility professionals have influence over two very powerful employee value proposition and engagement drivers: the workplace environment and location.

Millennials grew up during one the most dynamic periods of change in human history, with unprecedented levels of education, access to information, and expectations to become independent thinkers and leaders. This brought about a highly collaborative, ambitious and confident generation.

As employees, Millennials thrive on being both challenged and motivated by their peers and crave development opportunities and new experiences. Millennials also possess a consumer-oriented perspective that predisposes them to evaluate companies based on the level of alignment between the company and their personal values and ambitions.

To attract, engage, and retain Millennials, employers should enact programs and benefits that respond to these characteristics across all aspects of the employee experience, including real estate and facilities.

Real estate and facility professionals have influence over two very powerful employee value proposition and engagement drivers: the workplace environment and location. As such, today the best organizations craft workplace and location strategies designed to appeal to the Millennial generation.



Workplace strategy is the combined art and science of embedding a company's values, culture, and brand into a physical environment to drive individual and team productivity, financial efficiency, creativity, insight, and innovation.

Organizations have gone through a number of workplace strategy evolutions since the invention of the cubicle in the late 1960s. Recent years have seen a tremendous push towards smaller workspaces and open environments out of a desire to drive collaboration, interaction, and cost savings.

More recently, we have seen a backlash against excessively open environments due to concerns about noise, distraction, and lack of privacy. As the nature of how teams and individuals work has become better understood, business leaders have started to realize even extroverts who thrive in open, collaborative environments need access to quiet, private areas to complete their work activities.

Today, progressive real estate and facility professionals design work environments that balance privacy and collaboration and provide choice for employees to work in different ways depending on personality and the needs of a given task.

As their numbers surge, Millennials are now a major influencer in the ongoing workplace transformation. There are three core traits associated with this generation that have the most importance for workplace strategy:

- ▶ Millennials Thrive on Competition, Not Just Collaboration
- ▶ Millennials are Experience Hoppers, Not Job Hoppers
- ▶ Millennials are Consumers of Space, Not Users of Space

MILLENNIALS THRIVE ON COMPETITION, NOT JUST COLLABORATION

Competition is not often the first word that comes to mind when thinking of Millennials. The common stereotype is this generation is highly collaborative, not competitive. While Millennials do thrive on collaboration, they are also the most competitive of all generations in the workforce.²

It's important to understand how this generation perceives competition. For Millennials, competition does not mean outperforming co-workers. It means benchmarking personal performance and motivating each other to achieve the best possible outcomes. Millennials have a much stronger belief than other generations that competition among peers is a critical driver of individual and organizational success.³

Real estate and facility leaders can help foster healthy competition among employees through an open, transparent workplace. This type of environment provides employees with visibility into their colleagues' activities, their level of performance, and their overall contribution to the organization.

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^{2,3}The Disruptive Mindset of Millennials Around the Globe, Motivation International 2014

MILLENNIALS ARE EXPERIENCE HOPPERS, NOT JOB HOPPERS

One of the most common perceptions of Millennials is they change companies with greater frequency than either Generation X or Baby Boomers. This has earned Millennials a reputation for being “job hoppers.”

Most organizations believe the Millennial affinity for job hopping is something employers have to accept and plan for. However, an exploration of the underlying motivation behind Millennial job hopping reveals an opportunity to obtain competitive advantage in the war for talent.

Millennials don't generally leave because they want to work at a new company. They leave because they desire new experiences and the opportunity for continuous learning and development. In fact, Millennials are just as likely as other generations to look within their current company for new roles.

Progressive real estate and facility professionals can support this objective by creating a transparent and open environment where employees have choice and freedom to work in different areas within the workplace. This provides exposure to different jobs, different people and teams, future leadership opportunities, and what it takes to advance and succeed in new roles.

The following data points provide further insight into the types of development opportunities and experiences that help retain Millennial talent.

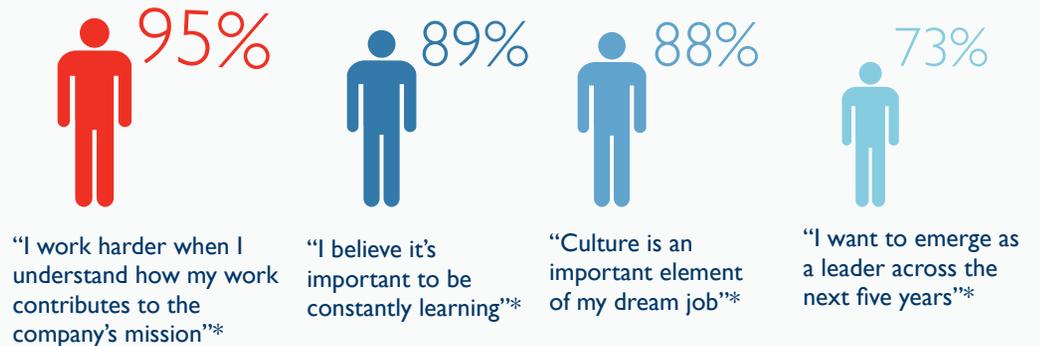
Companies can capture competitive advantage in the war to engage and retain talent by taking steps to ensure Millennials understand the depth of rich, diverse, and exciting opportunities available in their current organization.

PERCENTAGE OF EMPLOYEES AGREEING INTERNAL JOB OPPORTUNITIES ARE DESIRABLE, BY GENERATION



CEB: 2014

PERCENTAGE OF MILLENNIALS WHO AGREE WITH THE FOLLOWING STATEMENTS



Millennials don't generally leave because they want to work at a new company. They leave because they desire new experiences and the opportunity for continuous learning and development.

*Turning on the No Collar Worker, Media Post.Com, 2012

**What Workers Want in 2012, Net Impact

Millennials: Tomorrow's Leaders today, Lindsey Pollack, The Hartford, 2014

MILLENNIALS ARE CONSUMERS OF SPACE, NOT USERS OF SPACE

Millennials are highly consumer-oriented and brand-aware. Over half of all Millennials report “brands say something about who I am, my values, and where I fit in,” 70% say they always come back to brands they love⁴ and 95% want brands to court them actively.⁵

Many organizations struggle to grasp the implications of this brand-awareness for their employee value propositions. An often overlooked concept is that Millennials evaluate all of their opportunities as consumers, including job opportunities. They look at a company and ask “Is this an organization that aligns with who I am and that will help me achieve my personal goals and objectives?”

Indeed, business leaders across industries report that Millennials “flip the script” during the hiring process, interviewing the company as much as the company is interviewing them. They demand to know details about the company’s commitment to social causes, professional growth and development, and work-life balance.

This has workplace strategy implications for both the hiring process and retention.

When hiring, the workplace is one of the most visible and immediate indicators of what a company stands for and how it operates. No matter what the company website may say or how well the interviewer pitches the positive attributes of the company brand, a workplace out of alignment with that message will be a red flag to Millennials that the organization may not practice what it preaches.

When it comes to retention, Baby Boomers and Generation X members have a tendency to view the workplace with somewhat of a utilitarian perspective. They may like certain aspects of the workplace and dislike others, but for the most part they accept the workplace they are given.

Millennials have a different view. They expect the workplace to align with their personal vision for what the company stands for and what they feel they need to be productive and engaged at work. While older generations adapt to the workplace, Millennials expect the workplace to be adapted to them.

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This creates an imperative for companies to carefully evaluate and take action based on the message the workplace sends to both prospective and current employees. Does it capture the values of the company? Does it enable employees to interact and engage in a productive, successful way? Is the workplace brand positive?

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⁴ <http://adage.com/article/digitalnext/millennials-party-brand-terms/236444/>

⁵ *Who are the Millennial Shoppers and What do they Really Want*, Accenture 2013

IMPLICATIONS FOR WORKPLACE STRATEGY

Winning the war for Millennial talent from a workplace perspective ultimately comes down to thinking about workplace strategy as a brand or product manager rather than a real estate and facility professional.

The war for Millennial talent has had a transformative impact on workplace strategy. Real estate and facility leaders must now think of the workplace as a product designed to provide internal customers with a value proposition aligned to their goals, values, and desires.

Millennials are driven by competition, constant learning, and brand identification. This generation requires a workplace that provides continuous exposure to different parts of the organization, visibility into how their peers are performing, and reflective of their personal values.

These requirements translate into an environment based on transparency and choice of where and how to work. From a brand perspective, a transparent, choice-based work environment communicates to employees, recruits, and customers that the company is innovative, interactive, and places a high value on collaboration.

“Focus on making an excellent product. If you do so, then all of your marketing will be true and most of the marketing will be done by us. We are all looking for great products and brands to share with our friends.”

29 year old Millennial | Quoted in Forbes.com

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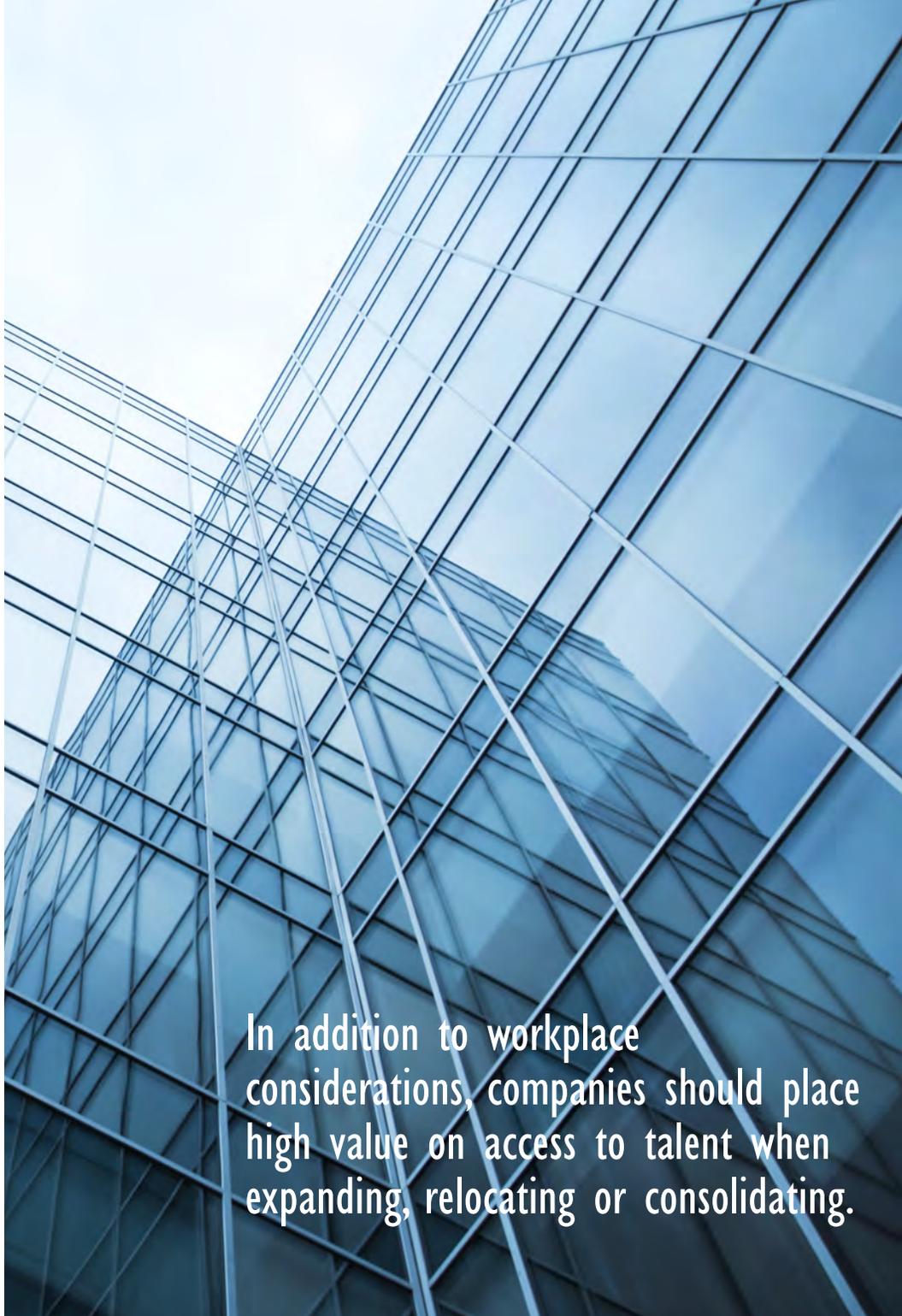
LOCATION STRATEGY

In addition to workplace considerations, companies should place high value on access to talent when expanding, relocating or consolidating. Since talent is typically the primary criteria when selecting a location in which to operate, closer attention to understanding the residential location preferences of Millennials and how that differs from other generations is imperative to a successful and sustainable operation. This focus on young talent is playing out at both the national and city level, causing companies to augment or completely rethink their location strategies.

MILLENNIALS HAVE CHOSEN TO LIVE IN URBAN AREAS IN LARGER NUMBERS

Today's urban environments, specifically urban core areas, are enjoying a renaissance. Cities have leveraged their significant cultural endowments to become some of the fastest growing residential markets in the country. U.S. Census data from 2010 found that downtowns in the nation's largest cities (more than 5 million) grew by 13.3% over the previous decade.⁶ While no Census data exists, few would argue that this trend hasn't accelerated between 2010 and 2014. Some of this renaissance can be attributed to the residential choices of highly-educated Millennials, a demographic group that is prized for their tech-savvy skills and an understanding of consumer trends. As a result, some companies have shifted away from a suburban campus model in favor of locating downtown areas for improved access to this labor pool.

⁶ *Patterns of Metropolitan and Micropolitan Population Change: 2000 to 2010, U.S. Census Bureau*



In addition to workplace considerations, companies should place high value on access to talent when expanding, relocating or consolidating.

The city doesn't offer an ideal living environment for all family types, which is reinforced by continued high population growth in suburban areas across the country. While suburban areas may contain a larger number of Millennials in the aggregate, certain neighborhoods within cities have emerged as centers populated by the young, professional class. Residents of these areas are synonymous with creativity, innovation and the exciting potential of the Next Big Thing. The urban environment's allure to the Millennial population is demonstrated by the following:

- ▶ 62% of Millennials prefer to live in the type of mixed-use communities found in urban centers where they can live in close proximity to a mix of shopping, restaurants and offices.⁷
- ▶ 2/3 of Millennials are renters which better aligns with an urban housing stock.⁸
- ▶ Young people aged 16 to 34 drove 23% fewer miles in 2009 than they did in 2001 – a greater decline in driving than any other age group. Moreover, people aged 16 to 24 who have a driver's license fell to 67% in 2011, its lowest level in a half-century.⁹

It is important to note that a suburban residence will likely be in the future for much of this population. The characteristics that brought previous generations to the suburbs including a safe environment, larger homes and good schools, are timeless and will continue to attract many in the Millennial population over time. However, major life decisions including marriage and having children are now being made later in life, thus making cities the preferred living environment for a longer period of time than previous generations.

This residential shift has begun to affect the location choices of business, particularly in the post-recession years. While the suburban corporate campus gained favor as generations of talent relocated to suburbs, central cities have now emerged as the favored environments for businesses to invest and grow. Downtown locations are now viewed as the optimal and most dynamic option for many businesses – especially those in technology and creative industries.

CASE STUDY

A Chicago-based information technology company faced an upcoming lease renewal for its office space in a suburban submarket proximate to multiple highways and upper income residential communities. After seeing peer companies relocate to the downtown area, they considered following suit. The company understood that the majority of their existing software developers and a growing percentage of their remaining staff were Millennials. A demographic analysis focused on educated Millennials was performed, primarily to maximize access to entry-level and lower-experienced positions. The study proved that the majority of young, educated individuals with technology skills were found in the highest concentrations in Chicago's north and northwest side neighborhoods along Lake Michigan and multiple transportation modes including elevated trains. A downtown location maximized access to both the Millennial talent pool and existing employees (including the suburban-based upper management labor pool) via the region's commuter rail system. Despite an increase in rental rates of over 30%, the company chose a downtown location to better position the company for growth in the highly competitive sector.

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⁷ *Breaking the Myths*, Nielsen 2014

⁸ *Millennials – Breaking the Myths*, Nielsen 2014

⁹ *A New Direction*, US PIRG Education Fund & Frontier Group 2013

High profile examples of companies moving to more urban environments include Motorola Mobility, United Continental Holdings and Hillshire Brands in Chicago, Pinterest in San Francisco, Accenture in Arlington, VA., and Quicken Loans in Detroit. Even those that have not embarked on a full scale move have adopted a strategy to open marketing and/or tech offices in central cities to attract talent and leverage excitement in the area. Examples of these satellite offices include Kraft, Walgreens and Discover Financial in Chicago, PepsiCo and Heineken USA in New York City, Yahoo in San Francisco and Coca-Cola in Atlanta.

The renewed emphasis on central business districts does not mean that suburban submarkets are dead. The merits of each submarket and its access to the professional Millennial population will play a part in their future demand and relevance. The presence of city-like amenities such as public transportation, a mix of uses (retail, residential, etc.) and a walkable environment will continue to positively impact submarkets. Moreover, some central business districts will miss out on the resurgence of demand, particularly those lacking strong public transportation systems, an intact and/or engaging urban fabric and a mix of uses including retail, entertainment and residential development (new or rehabilitated).

For more information on downtown growth and transportation, read:

C&W Research's Urban Development

Faster, Greener Commutes Key to Sustained City Growth

Certain metropolitan areas such as Washington, D.C., San Francisco, CA, Brooklyn, NY, Portland, OR, attract a larger share of highly educated Millennials.

MILLENNIALS ARE ATTRACTED TO CITIES WITH SPECIFIC ATTRIBUTES

As Millennial populations make different location choices within regions, this group is also choosing to locate in metropolitan areas that offer an appealing quality of life. A common belief is that this generation chooses a place to live based on quality of life factors first and job availability second. While this is probably overstated, hard data and casual observation have made it clear that certain metropolitan areas attract a larger share of highly educated Millennials. These meccas include Washington, D.C., San Francisco, CA, Brooklyn, NY, Portland, OR, and countless other urban centers that thrive on proximity to cultural attractions and employment.

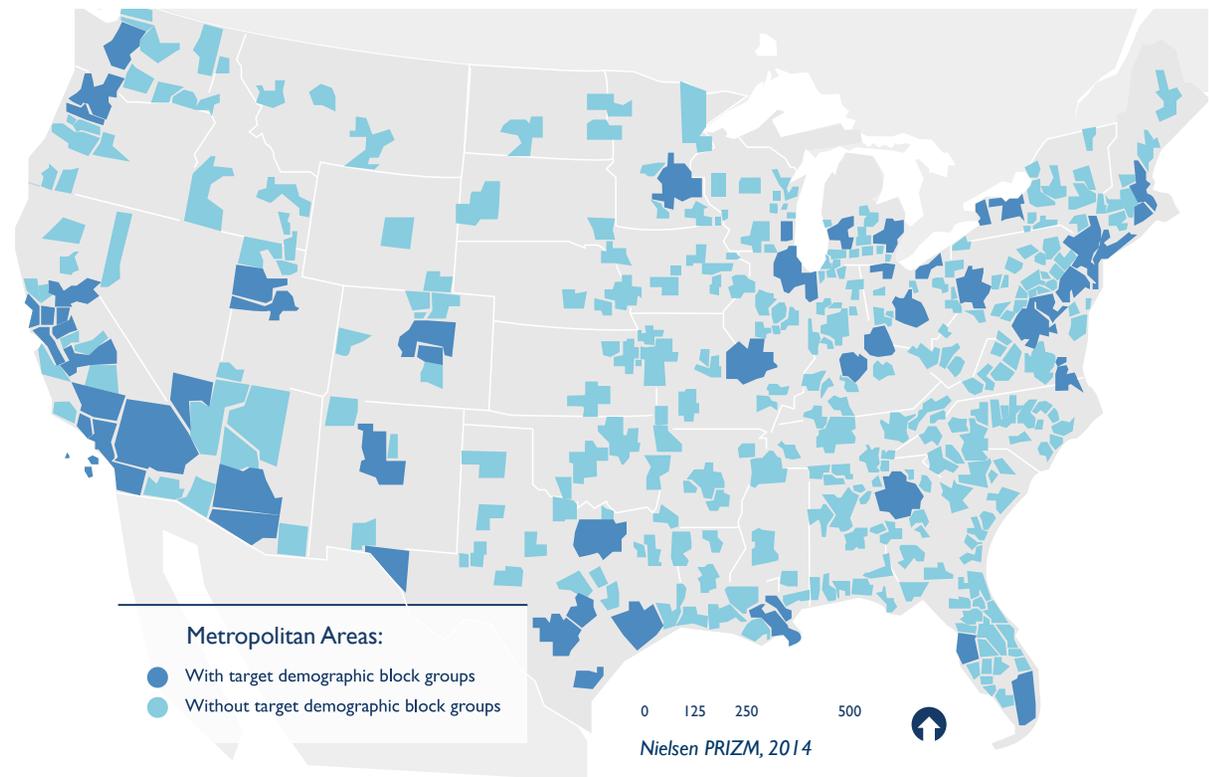
The concentration of this desirable labor pool in defined metros has resulted in new Millennial-focused site selection attributes not only for IT and marketing companies, but any business selling to the growing Millennial consumer market. While the West Coast's information-centric economy has been a favored destination for decades, companies are now geographically dispersed for access to talent and a lower operating cost. Cities in "fly-over country" now have healthy information economies of their own, the most visible of which is Austin, TX with its low cost of doing business and consistent growth rate of Millennials. This mix has motivated Facebook, Apple and Dropbox to establish operations in the region.

The continued interest in these "cool cities" has been led by today's most dynamic companies in response to business growth as well as concern about labor market saturation in their original location. To comprehensively assess a market, typical location figures in education and skills are now combined with cultural metrics and the ability to attract and retain talent. C&W regularly considers alternative attributes that both retain and attract educated Millennials: presence of a large educational institution, vibrant cultural scene in movies and music, and a thriving downtown area with a mix of uses and demographic diversity. While this data relies more heavily on hard-to-quantify "quality of life" data, a mix of data points and site tours helps express the culture of the location.

PSYCHOGRAPHIC PROFILE: YOUNG ACHIEVERS

Another useful data point is a location's psychographic profile which combines multiple demographic attributes including age, education and income level.

Each psychographic category defines behavioral and purchasing aspects of the population in housing style, entertainment, retail shopping, and recreation. Translating the educated Millennial cohort to a psychographic category allows for a deeper dive into cities and neighborhoods of choice. The relevant category for most employers is the Young Achievers lifestage group which is made up of upper-middle income, college graduates now employed in white collar positions. They rent apartments in cities or close-in suburbs, have a progressive sensibility and enjoy alternative music and a lively nightlife.



When measuring the concentration of the Young Achiever group in established creative hotbeds like Brooklyn and Silicon Valley, C&W found populations of this group 8 to 14 times the U.S. average. Extending the analysis across all U.S. cities, 55 metro areas with census blocks also containing very high concentrations of this Young Achiever psychographic group. Usual suspects dominant in the information industry like Boston and Seattle are represented, but so are newly recognized hotbeds in Columbus, New Orleans, Salt Lake City and Minneapolis. This level of dispersion has generated hip microcosms of start-ups and entertainment that have raised the profile of the entire metropolitan area. Economic developers now tout these areas and their companies alongside traditional stories of new manufacturing plants and highway interchanges. Savvy companies now know to look a little closer at typically overlooked metro areas when chasing the talent.

HOW C&W BUSINESS CONSULTING CAN HELP

One of C&W Business Consulting's strongest and most impactful core competencies is the alignment of a client's workplace and location strategy with its workforce needs. Our team of labor economists and workplace strategists work each and every day with the world's best companies. We specialize in helping clients boost their competitiveness when it comes to employee productivity, attraction, engagement, and retention.

From a workplace perspective, we begin with a unique and expert assessment of current and future business challenges, the workplace environment, and how employees actually work in the space. The scenarios and options we then create represent the best opportunities to help the client meet its objectives. We also deliver implementation strategies that ensure a streamlined, cost-effective, and efficient transformation.

Like workplace strategy, we develop location strategies that are customized to each company's unique success drivers. We not only evaluate requisite skill sets and the population groups that possess these skills, but labor costs and the ease of access to these groups. In addition, standard real estate operating cost metrics including rental rate and operating expenses are assessed alongside access to the target labor pool.

Please contact us for more information about how C&W Business Consulting can partner with you in successfully facing the Millennial wave.

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In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, C&W also provides customized studies to meet specific information needs of owners, occupiers and investors.

Cushman & Wakefield advises and represents clients on all aspects of property occupancy and investment. Founded in 1917, it has 250 offices in 60 countries, employing more than 16,000 professionals. It offers a complete range of services to its occupier and investor clients for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, appraisal, consulting, corporate services, and property, facilities, project and risk management.

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