



THE HEART OF CUYAHOGA COUNTY

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MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, March 3, 2023

Re: Finance Office and Related Topic Updates

(Just a Few Miscellaneous Topics This Week)

National Office Building Market

Although the bottom hasn't fallen out of the office building/space market in Independence, the national office market continues to show signs of stress.

From a recent *Wall Street Journal* article on this struggling market:

- The giant investment manager Brookfield Asset Management recently defaulted on a total of more than \$750 million in debt for a pair of 52-story office towers in Los Angeles.
- Real estate firm RXR is in talks with creditors to restructure debt on 61 Broadway, a 34-story tower in Manhattan's Financial District.
- A venture of an investment manager affiliated with Related Cos. and Bentall-GreenOak is in similar debt restructuring talks over a \$150 million warehouse-to-office conversion project...that hasn't filled up as much space as expected.
- Five to ten office towers each month join the list of properties at risk of defaulting because of low occupancy, expiring leases or maturing debt that would have to be refinanced at a higher rate.
- The weak return-to-office rate has led to soaring vacancy levels in many cities.

National Office Building Market - Continued

- The rate of employees returning to the office has plateaued at around half the level it was before the pandemic, reflecting the popularity of remote and hybrid work policies.
- Commercial real estate services firm Cushman & Wakefield PLC is projecting that the U.S. will end the decade with a record 1.1 billion square feet of vacant space, compared with 688 million square feet in 2019.
- *“The economy built all this office space for a workforce that was going into the office most of the time. Most businesses simply don’t need as much office space as they had before.”*

The One Personality Trait Crucial to Creating Effective Teams

Dr. Gavin Kilduff and Dr. Tessa West of New York University researched teams, as *“Managers and employees spend more than 75% of their time engaged in collaborative activities, and strong teams are crucial to [organizational] performance and worker satisfaction.”*

The *Wall Street Journal* (again!) asked “Is there any way to predict how well people will work in teams?”

Google’s Project Aristotle *“found no magic individual trait that predicted team success. Personality, competence, emotional intelligence – none of these mattered.”*

But Kilduff and West were able to identify a key individual skill that *“helps determine a team’s status dynamics, good and bad.”*

- *“We call this skill “status intelligence,” and it captures how accurately a person can read the status dynamics of a group – how much respect and influence each team member has. This requires accurately perceiving and understanding social interactions, such as who people listen to and look to for approval of their suggestions, who interrupts successfully, and whose ideas are quickly passed over versus elaborated on by the team.”*

This is not to be confused with emotional intelligence. Kilduff and West suggest *“three important steps managers can take to increase their own performance and that of their teams”*:

1. Don’t assume people can accurately read status (and that includes you). Instead, make status conversations explicit.
2. Acknowledge that status differences exist in all work organizations, even “flat” ones.
3. Intervene when teams show signs of status conflict.

It’s Not Always Our Physical Surroundings That Determine Our Happiness

James Cosmo is a 75-year-old Scottish actor. In a recent interview for the *Wall Street Journal’s* House Call column in the Mansion feature, Cosmo said the following:

- *“I grew up in a tiny tenement apartment. The building’s plumbing and sewerage system had been blown to bits during World War II. Our home and neighborhood sound awful, but they*

weren't. I played in the rubble and grew up in a community that was warm and caring and safe and exciting."

If James Cosmo could say that about the community he grew up in, imagine what we should be able to say about growing up in and living in Independence!

The Benefits of Regular Exercise on Covid-19 and Overall Health

Quotes from a study published in the American Journal of Preventive Medicine as written in the *Wall Street Journal*:

- People who exercise regularly had lower rates of hospitalization and death from Covid-19.
- Regular exercise improves overall health and healthier people generally have fewer serious complications with Covid-19 infections.
- *"You don't have to run, you don't have to sweat, you don't have to do anything except get up and go out for a walk. That's what most people do, and we see how much protection they're getting from that."*
- Physical activity provides several types of protection from severe illness.
- Exercise improves the body's immune response by mobilizing and redistributing immune cells that can recognize and kill infected cells.
- Without exercise, viruses have more time to replicate inside our bodies, which can result in more severe symptoms.
- Physical activity can also help reduce inflammation, the body's natural immune response to damage or pathogens.
- **"Exercise is as effective as many of the drugs that we use and has no side effects. We want to get people taking it every day."**

Closing Saying

Spoken by Dr. David Jeremiah, Pastor of Shadow Mountain Community Church outside of San Diego, CA, and the host of Turning Point, a radio and television program, during his February 23, 2023, radio program:

- ***"No one who succeeds procrastinates as a lifestyle."***