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PREMIUM - HOME - REAL ESTATE

JLL CEO Christian Ulbrich breaks down which offices will win the work-from-home battle and explains how tech is the future of real estate but can't solve sky-high rents

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- **Christian Ulbrich, the CEO of JLL, spoke with Insider about the challenges facing real estate.**
- **He said high-end offices would triumph over remote work even as companies reduce their footprints.**
- **Ulbrich described how tech is changing real estate but can't solve the lack of affordable housing.**

In 2013, Christian Ulbrich implored colleagues at the commercial-real-estate giant JLL to recognize an urgent need.

He said JLL – a global corporation with \$19.4 billion revenue in 2021 that is best known for providing consulting, brokerage, and property-management services to Fortune 500 corporations and leading landlords – would need to reinvent itself to stay relevant.

“Ten years from now, we will have to be a technology company servicing real estate, because the world will change,” Ulbrich, now the CEO of JLL, recalled saying. “And if we don’t change, we will be left behind.”

Nine years later, Ulbrich told Insider he was wrong about one thing. Real estate’s technological transformation is taking longer than a decade – but it’s not for lack of trying on Ulbrich’s part.

Since his appointment as CEO in 2016, Ulbrich has made technology a core part of the company, launching a corporate venture fund, JLL Spark. Now a part of



Christian Ulbrich, the global CEO of JLL.

JLL Technologies, the fund advises and backs property-technology, or proptech, startups that promise to make it easier to buy, sell, maintain, build, rent out, and market real estate.

One recent move that highlights Ulbrich’s vision is JLL’s acquisition of Building Engines, a building-operations software company, for \$300 million in the fall of 2021. The company will allow JLL’s property-manager clients to monitor building systems, vendors, and other processes on a centralized platform.

But even Ulbrich admits that technology alone can’t

solve the material problems of the real-estate industry in 2022 – among them the threat of remote work to office space, and a global housing-affordability crisis that’s only getting worse. Add in the specter of rising inflation and the climate crisis, and technology is just the minimum required to meet the challenges of the future, Ulbrich said.

He said JLL has hired 8,000 people over the past year to provide deeper consultation on the major issues facing the industry.

Ulbrich walked Insider through how JLL’s thinking through the biggest economic problems right now.

The future of the office

After a long period of employers holding most of the cards, Ulbrich is witnessing a reshuffling of the relationships between companies and their employees, he said.

Major shifts are happening in the labor market. The pandemic-driven rise of remote work has led to battles inside companies, like Apple, that are urging workers to return to the office. Some employees are seeking new jobs in remote-only companies.

Ulbrich said that as a result he expects the amount of office space that companies take to generally fall. He added that many firms see remote work as a way to cut back on their real-estate costs and to make employees happy by cutting their commutes.

He said that while most cutbacks would occur in “less successful companies,” he doubts that skimping on offices is a sustainable approach for any major business in the long term.

Comparatively, Ulbrich said, “super successful companies” see their offices as ways to attract and retain the best possible talent. Before the pandemic, firms in the largest cities were already buying and renting top-tier spaces and outfitting them with cutting-edge designs and amenities.

Now, with a workforce that is more geographically dispersed, employers across the country are applying the same attitudes to what might have once been considered satellite offices, Ulbrich said.

“We have seen, at the height of the pandemic, the large tech companies come to us and say, ‘Get me the best possible buildings across the US,’ where before they were only on the coasts,” Ulbrich said. “They’re saying, ‘We

cannot get enough talent on the coasts, so bring us the best possible building in Denver or Austin or Atlanta.’ ”

Rising rents, rising problems

One of the main economic stories of 2022 is the return of inflation levels not seen since the 1970s, causing widespread price surges.

But price increases in one sector, rent, are especially concerning to Ulbrich, even if they may help increase revenue for the company he helms. 2021 was the first year that the firm’s residential-capital-markets team did more business than the office-capital-markets team, Ulbrich said, as residential real estate, both multifamily and single-family, became a sought-after asset for commercial real estate.

Skyrocketing rents may be good for the underlying value of buildings and therefore good for brokers like those at JLL who make a percentage of a deal by working on behalf of buyers, sellers, and funders of real-estate deals. Bigger deals mean a bigger cut of the pie, but they can have an ill effect on the very fabric of the economy.

“We have to accept that if we still want nurses to work in our hospitals and people to serve in local restaurants, we have to provide them with residential space they can afford,” Ulbrich said.

He described housing affordability as one of the biggest social questions of our time, adding that housing is a part of the economy where supply-and-demand forces don’t always act in accordance with academic theories.

Ulbrich said that while the balance of supply and demand may work “brilliantly” in consumer industries where producers can easily adjust the amount of a good they manufacture, housing, with its higher costs of building and finite swaths of land to build on, is not one of those industries.

Even technology that promises to reduce the costs of building homes – the aim of many construction-tech startups – won’t be able to solve the problem on its own, he said.

“I don’t think that cheaper construction just through innovation will help us here,” Ulbrich said.

He pointed to subsidies for affordable housing that some governments dole out as the only way forward.

“We have to massively subsidize the social-housing sector,” Ulbrich said. “I think that is the only answer to it.”