



Employee Wellness Is Critical for Employee Performance

How Property Managers Can Help

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Celebrated each May but first commemorated in 1949, Mental Health Awareness Month has helped promote the need to address Americans' mental health challenges for over seven decades. Yet its importance has never been more evident — and the need for property managers to create positive workplaces has never been greater.

The COVID-19 pandemic has elevated our understanding of the connection of both physical and mental health to the built environment. Despite the rise of remote and hybrid work models, employees still spend more time at their workplace than anywhere besides their homes. This significant amount of time at work means employees' mental health is intricately tied to the quality of the workplace and its related wellness features.

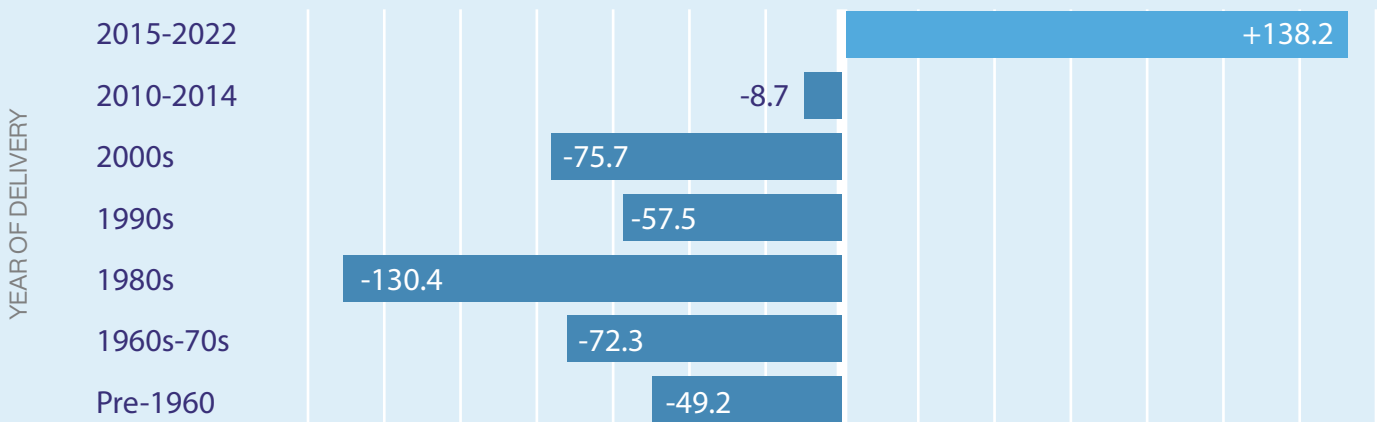
Thus, Mental Health Awareness Month provides an important reminder of the significant roles landlords and property managers play in promoting the health and well-being of the employees in their buildings. They hold unique positions to champion employee well-being and create spaces conducive to mental and physical health.

A Flight to Quality

Last year's tenant engagement feedback indicated that office tenants were abandoning older, substandard office buildings in search of the newest, highest-quality buildings. Industry data shows that the trend has only intensified in the last year. With vacancies soaring and so many options to choose from, firms are being increasingly selective about the space they will consider leasing.



Net Absorption of Office Space Since Pandemic Start by Year of Delivery (MSF*)



NET ABSORPTION 2Q20-1Q24

*MSF = Millions of Square Feet
Source: JLL Research

What building features do tenants demand? Firms want locations that are accessible to their employees and close to restaurants and other services. That's been true for a long time. However, convenience is even more crucial now due to the rise in employees commuting from longer distances because they moved further from the workplace during the pandemic.

So, location matters. But increasingly, it's the building's perceived health and safety features, as well as the related amenities and services, that matter most. With heightened health concerns from the pandemic still fresh in everyone's memories, firms are doing everything possible to make their employees feel safe in the workplace. If they want to encourage employees to return to the office more often, firms must highlight the steps they are taking to ensure their health.

Since it is difficult for non-experts to evaluate a building's health and safety features, many tenants use the building's age and class to gauge its wellness. This is a crucial reason leasing is so much stronger in new buildings than in older buildings — and much more than warranted by their actual edge in wellness. Moreover, wellness features factor into a building's Environmental, Social, and Governance (ESG) ratings that many firms require for the workplaces they lease, providing even more significant benefits to “healthy buildings.”

In today's hyper-competitive landscape, landlords and property managers are motivated to make every effort to enhance and highlight the wellness of their buildings. While specific strategies will vary by building and market, there are some practical tactics that almost every manager will want to pursue.



The Impact of the Workplace on Employee Health

A growing body of research indicates that workplace features can significantly impact employee wellness, as well as improve job satisfaction and performance. Some examples: Studies show that access to natural light through windows or skylights and views of nature can improve mood, reduce stress, and enhance cognitive function — ultimately boosting worker productivity.

Workplaces that give employees greater control over features like lighting or temperature can improve employee well-being and satisfaction by enhancing comfort and fostering feelings of autonomy.

Finally, studies have demonstrated that indoor environment quality (IEQ) correlates with the health and well-being of building occupants. Sick leave levels have been linked to complaints about IEQ, while healthy indoor climates have been shown to reduce absenteeism.

A poorly maintained building can have a detrimental impact on your tenants' mental and physical health. Inadequate ventilation, exposure to pollutants, or stale air can create headaches, fatigue, and respiratory problems, impairing physical health and reducing cognitive function. Similarly, harsh lighting or a lack of natural light can disrupt sleep patterns, cause headaches and eye strain, and negatively affect mood and energy levels, thereby reducing productivity.

Corporate leasing managers understand this direct connection between building features and employee health and productivity and thus seek out high-quality office space with superior ventilation systems and designs that permit abundant access to natural light. However, the incentives go well beyond competing for tenants in the market. Retaining existing tenants is even more critical because the cost of keeping tenants is far lower and less risky than seeking out new ones.



Implications for Property Owners and Managers

What does this mean for property owners and managers, especially those with older buildings? Many building owners have retrofitted their outdated HVAC systems to be more efficient and increase the air exchange rate to improve the IEQ. For others, renovations to increase natural light by adding more window surface area are necessary. These improvements can be expensive but are essential to appeal to tenants' growing health concerns, particularly in the Class A space meant to attract firms willing to pay premium rents for premium space.

Still, not every office building can be modernized to match the safety standards of today's top buildings. Nonetheless, managers can take many positive steps to improve their wellness features and appeal to health-conscious tenants. These include common-area amenities like exercise rooms, walking paths, or bicycle racks, or providing unique services to individual tenants, like fitness classes or partnering with mental health professionals or other wellness providers.

What will work best in your buildings and with your specific tenants? Developing a program starts with understanding tenant needs and preferences in your market. As an initial step, property managers can leverage local market data to acquire these insights or rely on their personal knowledge gained through market experience.



However, these indirect methods are less reliable than the insights that can be obtained by communicating with tenants directly via a tenant engagement strategy. The key is building strong, ongoing relationships with them starting at the moment they move in. By surveying tenants early and often, landlords can learn about their needs and address any concerns. This ongoing dialogue also gives landlords a chance to showcase the improvements they're making to the building and brainstorm potential collaborations with tenants. Ultimately, this kind of open communication fosters trust and a sense of community, making tenants more likely to renew their leases and stay in the building.



One method is to host regular one-on-one tenant meetings and building-wide community meetings for property managers to discuss building initiatives and get feedback from tenants on what's working and what's not. For more detailed insights, however, managers will want to use more formal survey instruments, such as those provided by Grace Hill's KingsleySurveys.

These surveys can identify building features, amenities, and services that matter most to tenants. Many buildings, perhaps most, cannot provide everything on a tenant's wish list. However, managers can still use these results to develop a strategy that maximizes tenant retention and drives portfolio performance.

The Connection to Tenant Satisfaction

The pandemic raised tenant expectations for health and wellness standards. That alone should provide landlords and property managers ample incentive to conduct regular surveys to determine the wellness features that matter most to tenants.

However, the need for survey insights goes much further than wellness features alone, as important as they may be. As I discussed in a 2023 whitepaper, new research conclusively demonstrates that “happier tenants lead to better building performance, with greater tenant retention and higher occupancies.” Using survey results from KingsleySurveys, the study team found that landlords can increase the odds of retaining tenants by broadly understanding their needs and creating exceptional experiences to keep them happy.

Mental Health Awareness Month is an apt reminder that today’s tenants need to know they are providing a safe and healthy environment for their employees. In turn, landlords must convince current and prospective tenants that building management understands these concerns and is doing its part. An active tenant engagement strategy that includes ongoing surveys can demonstrate a building owner’s commitment to mental health and wellness, leading to improved tenant satisfaction and retention.



Contact Grace Hill today to learn more about our comprehensive survey solutions.