Scott: Welcome to Recalibrate Reality. The future of New York. Our guest today is David Arena. The head of global real estate for JP Morgan Chase. David's responsible for the firm's global real estate portfolio, which includes over 7,000 properties comprising over 75 million square feet, to support the firm's over 250,000 employees around the world. In this episode, David and I discussed how JP Morgan kept his team safe and productive throughout the pandemic. David also shared his views on what the office experience may feel like post COVID and how sound public policy can serve as a catalyst for economic growth throughout the city. And so now let's recalibrate reality with David Arena.

David, welcome to Recalibrate Reality.

David: Hey Scott, thanks for having me today.

Scott: It's great having you. So I'd like to start you giving our audience some background of what it means to be head of global real estate for JP Morgan. 7,000 properties, 75 million square feet. It's an enormous job. So share with us. What's that entail? What falls under your sphere of responsibility?

David: Sure. Scott, thank you. I, so first off, let me give you just a little bit of my background because that's how I ended up in corporate real estate. So I've been on literally every side of the real estate business. Development, design, construction, property management, leasing investing, and then ultimately corporate real estate. And you're right, my remit here is to work with an incredibly talented group of all-stars who are responsible for the real estate, which supports JP Morgan's business. So that's office real estate, retail real estate, data center real estate all over the world.

Scott: And David, I imagine even when you talk about the sphere of responsibility, you can never have expected if you go back a year and a half to the beginning of COVID, what all of a sudden you had to do in terms of thinking about the logistics and orchestrating, moving all your people from working in the offices to places where they can work safely and just re-imagining that whole process and the scale of that, moving that many people out of the office, working from home, maintaining communication, maintaining productivity, what was that like? How do you think the productivity functioned through that period of time?

David: Well, I think, to be honest, that everybody was learning every day and some of this was common sense and some of it was uncommon sense. And I think we spent a lot of time counseling and communicating from the very top of our firm. Just like at the very top of your firm, it makes a difference where the leadership is and we have enlightened leaders, started from Jamie Dimon, all the way through our operating committee and deep down into our business. Leaders got together very early on and tried to figure out, first how to keep people safe, secondly, how to keep people connected. And that wasn't easy to do that, particularly on Zoom and then what was necessary, what were the tools that would necessarily keep people connected?

Technology was obviously the biggest tool and we have a great technology business. We have 60,000 technologists out of 250,000 people who work at JP Morgan. And they very quickly, almost immediately, based on investments made over the last 20 years, were able to put us live on platforms that were secure for both us and our customers and to be able to operate virtually. And productivity was high, continues to be high.

One of the interesting things Scott, senior management started to focus on things that they had had really never focused on. So we have tools now. I can tell you, it's all anonymized by the way, but I can tell you how long people have been online, how long they've been in their office, how and who they're communicating with, again, anonymized. And we have a much better idea I think now of what our workforce does and how it works than we ever have.

Scott: It's interesting. When you think about JP Morgan and other large financial institutions that were in New York, because I think of 9/11 and Superstorm Sandy, and the regulatory environment that you're you're in, having to plan for redundancy sets you up better I think than other firms that aren't as highly regulated or haven't lived through that. Because you maybe didn't expect that for as many months as we had to do it for, dealing with the pandemic, but you've lived through a period where we've had to do it in the past in New York. So that obviously worked to your advantage.

David: Yeah, there's no question. By the way, I think everybody at the firm felt a huge responsibility to the global community. I think the global financial system is something that we're a big player in and I think folks really felt an obligation to do all the things they need to do, make the sacrifices they need to make and the investments that they needed to make.

Scott: The other thing that I've seen when I spoke to our own people and our clients, in terms of people that were working remotely during the intensity of the pandemic, sort of that worst period of let's call it March and through June, there was that sense of, okay, we're in sort of battle mode. And so the ability to work from home being productive, really staying focused, that intent was there, but as time went on, companies that had not rotated people back into the workplaces began to see some of that intensity subside.

And I think sort of the takeaway was, generally when working from home, you can play defense, but it's not great to play offense, right. And that you have, in particularly you referenced it, we have people that have worked together for a long time, they have social capital that they can turn to, they know you they've worked with you, they know your personality, so they can have that conversation with you over a video. But for new employees or younger employees that really are apprentices, right, they've got to watch people they got to understand how this plays itself out, they don't have that benefit, right. Did you have a similar sort of experience at JP Morgan?

David: Yeah. Lots of lessons learned along that way. And so one thing is, we think great things happen when people are in the office together. So you're absolutely right. Junior colleagues learn from the best people in an apprenticeship environment, collaboration happens, mentorship happens, teamwork, the whole richer experience is when you are together. So is diversity and inclusion. Being around people, being together with people and innovative ideas are much more, I'd say spontaneous. So we don't want to lose this and I'd say, in fact, we want more of it.

Scott: It's like Jamie Dimon, had made the comment, I think he called it creative combustion of ideas, right, of people bumping into each other, that that being lost when people aren't in the office and how important that was. I` thought that was poignant. And he's been a leader, as your firm has, early on of the importance of bringing people back to the workplace. And I'm curious, because there's been a little divergence, right? There's been some firms like yourself, Goldman Sachs, other financial firms that are leading the charge to bring people back to the workplace, which I think has a lot of benefits, not only internally in the workplace, but for the communities at large.

There's others, particularly some of the technology companies, that are taking a more wait and see approach, or are we going to have a new paradigm where people may be work more remotely, out of the office more permanently? And I guess it's two questions for you. One is, do you feel pressure from your peers, other firms and any of your employees about making that push? And then the second, as we go forward, what's your assessment as to how this is going to play itself out? Is it going to find some new balance?

David: First of all, I think it's been clear in the newspaper, and it's clear in our culture, that the office is a primary place of work. That said whatever we do has to ensure, that any of the models we have, work best for our clients, our customers, and any of our stakeholders. What did we learn? 50% of our employees have to perform their roles site. If you're a bank teller, you're onsite. If you're a trader, you're likely on site. If you're handling cash, you're likely on site. So that's 50% of our people. And the truth is you were right, to be on the offensive, to go out and win business, to see clients and to serve them in the right way, you generally have to be out of the house. You can still work remotely, right? So we've learned that, but we also learned like many other companies that, employees, depending on their job type, where they live in the world can be really productive working remotely.

That option might be an attraction for some types of jobs, coders, technologists, operations people, even. So I think a couple of things. One, we're going to experiment with hybrid working models. I, myself, I'm in four days, out one, and that one day I get a heck of a lot done, and I have a lot more time to work, a lot more time to think and to write. And I think many people have that same experience. I also don't have to schlep to work. I can have a cup of coffee with my wife. So this whole work-life balance, there's nothing new about it, but maybe now there's a moment to get it right or to get it a little more correct. But you know, the other thing I'd say, Scott, it is too soon. Right, we're still kind of in a pandemic, depending on where you are in the world. If you're in India, you're in the middle of a pandemic. To make really profound decisions about what the world is going to look like, in almost any way, but certainly in the way we work.

Scott: Yeah. I mean, it's really smart. I think there's a lot of people that have a hypothesis as to what's going to work, but we never really done this before. So, I think that you have to start putting this plan into action and monitor what's working, what's not working, where there's productivity, where there's engagement and maybe different cohorts have different guidelines of hybrid work going forward, to your point. You mentioned India and other places. New York, it's been amazing to me to watch how fast New York has bounced back. We have now over 70% of New Yorkers have at least one dose of the vaccine, our city streets, our restaurants, our parks, it's full of energy. People are moving back to the city. We're seeing record level of leasing for apartments and home sales. And so, are you now at a point in terms of your offices in New York, at a level, what are you at 50%, what would you say you are today and where do you think you'll be by the end of the year, assuming from a public health perspective, we maintain this level of stability?

David: It's harder to bring people back then you would have thought. On the other hand, a lot of it has to do, or all of it has to do with human behavior and habits. And they say it takes 90 days to really fully form a habit. Most people have been home for a year or more. And so you have to change habits and that doesn't happen quickly. That's it. We've got roughly around the world, 240 large locations, global Metro areas, in which we do business. 210 of them have reopened and on May 17th, we opened most of those markets up to 50% seed capacity. We kept our social distancing in place, some of that is out of concern for our employees who were concerned, some of it is out of abundance of caution. Things could change and so we've invited 50% of those people in. And in New York, I would say of the 50% we've invited back on average, 60% of the employees are in everyday. And that's an average sometimes it's higher, some days Mondays and Fridays, we find it's a little lower.

Scott: [inaudible 00:13:19] one, you use the word invite people back, you're inviting people back to the office versus mandating people back, even if it's under flexible terms, which is also interesting as a concept. Was that something that you, I guess, just when you're talking about that timeframe, there'll be some point where people are going to be expected to be back and that invitation will be more of a mandate, I imagine, right?

David: Words are powerful and they can be misconstrued and we spend a lot of time on words, whether it's an invitation, an encouragement, an expectation or a mandate. So I think role models, leaders have to be in the office if they want people to be in the office, encourage people to come back strongly. It's not just because the office is the better experience or because the workplace is the only experience. It's not. It's also for all the other people who make up society, or at least the pre-pandemic society. Restaurant owners and others who make their living on people being in thriving cities. And so a little bit is, you do it because it's the right thing to do. And I think we're encouraging folks to come back and eventually, people who have to be in the office, will be in the office.

Scott: And I think that, doing it for the right thing to do is exactly right, in terms of a sense of civic responsibility. This is an ecosystem, right and if we don't have the people in the workplaces, then it's the small businesses, the restaurants, and the whole balance of that ecosystem falls off. When, think of a broader employee base, there's challenges for a lot of people to work at home. Whether they live in a small apartment, they have children, there's noise. It's not conducive to being able to work. Have you given thought to ways in which people can have the work-life balance of working remotely, not necessarily having to take that long commute, but still getting the benefit of being closer to home?

David: Yeah. I think we absolutely have thought about that. And by the way, you and others have thought about this for years. You've made investments in downtown small cities like New Rochelle, for instance. My wife and I are moving to downtown Rye. And those are mini cities and have great vital downtown's, and wouldn't it be great if you could walk to main street and walk to work, even if it was a day or two a week. And I think those experiences are... we're going to try to make those happen. We have an incredible branch system. We have 5,500 branches in the United States, and those branches are often on main street in New Rochelle or in Rye. And so you could say in a way, it's time to bring the real estate to the people, not wholesale, but in certain instances.

So that's one way of doing it. Another way for big companies, for sure, let's take the Metro New York area. We have offices on the coast of Jersey in Jersey City. We have maybe 8,000 people, plus or minus. We have big offices in MetroTech in Brooklyn, we have offices on the island in Manhattan. And if you looked at the way things have evolved over time, very often the people who are working in Jersey City live in Long Island or in Brooklyn, and the people who are in Brooklyn live in Jersey City and the people who are in Manhattan live in Jersey or Brooklyn. And if you could find that way to work where you could let people work where they live, not every day, not in every case, but on the edges, I think that all leads to work-life balance. So it's a way to use your real estate portfolio. I think it will revitalize some smaller cities and towns and [crosstalk 00:17:24]

Scott: What I've seen. And it's a theme that's come up a couple of times, and you're really, I think, describing it well from a practical standpoint, which is that it's not the city is losing its attraction, it's actually just expanding to be more regionally overlaid. Right? And that the benefit of being in a Metro region like New York is, that you don't just have Manhattan, which has obviously a higher cost of living, harder to get to, some of the congestion and things like that, but that you could actually create other attractive places in these urban, suburban areas that are connected by transit back to Manhattan that are just as compelling. And I think that can make the region itself, more competitive and other reasons like that, more competitive. Rather than just being focused on the city or the suburbs, but working in concert together.

David: I think you're absolutely right. It's not one or the other. And the problem with making a forecast in the middle of an unprecedented pandemic about cities is that it's unprecedented. And so far all the warnings at the very beginning, people are moving out, they're never coming back, rent's never going to come back on the residential side, et cetera, et cetera, that's not happening. What's happening is kids are coming back into Manhattan. People are coming back to cities like Manhattan. And in a way I was thinking about it this morning, if you look at history as a way to maintain perspective, and you just think about London during world war II, and you say, okay, well, here's a place that was literally bombed to shreds. And yet London, 60 years later is as vital as it's ever been. Cities have social infrastructure and an attraction to the brightest and the best minds and the most ambitious people. And I don't think that's going to change.

Scott: Yeah. And when we're all through this on a net-net basis, do you think this results in companies needing more or less the same in terms of office space?

David: Again, I don't know anything. But I would say that net-net, maybe it's slightly less, and it's not so much because there are less people, I think there's been a greater focus from senior management on real estate itself and on what people are actually doing during the day and how that either enhances or inhibits productivity. Then I think if you think about real estate as a tool, corporate real estate as a tool, you'd want to lever it to a greater degree than maybe it's been levered in the past. So I think the leverage of that, net-net maybe has firms taking a little less space around the margin, maybe in a few more locations, but a little less space around the margin.

Scott: Yeah. And when you think about it as a tool, right, it's a tool to attract and retain the brightest talent around there for companies like JP Morgan, knowledge-based companies, which I think one of the other themes that we've seen, is to do that. It also means that the real estate needs to be the type of real estate that is energizing to the people that come, they're magnetic in terms of the amenities, location and being something that's desirable, that is an actual asset or tool as you described it. I want to shift to New York. Obviously, we have JP Morgan's headquarters here in New York, but it's more than just your headquarters. JP Morgan in my mind's always been synonymous with New York. Even growing up, walking down the street, looking at your old building here, and you've now made a long-term commitment by the building that two and a half million square feet headquarters in Manhattan. Talk to us about why it's so important to have such a significant presence in New York City, in the New York region?

David: You're right to say JP Morgan is synonymous with New York. We've been here for 200 years. And I would say our firm feels like it is a catalyst for the communities that it serves and for the economies here. There's a long list of some buildings you would remember. One Chase Manhattan Plaza, built by David Rockefeller, the investment JP Morgan made in the Brooklyn MetroTech. When Brooklyn was a place, where at least when I was a kid, you used to sprint from one place to another. If you had a girlfriend there and you dropped her off, you were running to find your car or the subway or whatever. You were not walking slow. And yet JP Morgan made an investment there. 4 New York, which is another building downtown, we made investment in 60 Wall, we made investment in 383 Madison we made an investment in it. These are all predecessor companies or some of JP Morgan. But you take that along with hundreds of branches that we have across the five boroughs. And you'd say we've been an economic catalyst and want to continue to be that.

And for us, New York City, it may be the greatest city in the world. And that's not just because I went to Fordham University and I grew up 20 minutes from here, it just is. And it's still one of the great, maybe the greatest financial capital in the world. It still attracts the most ambitious, the deepest talent pool, the smartest folks you can imagine. It's got incredible resources, universities, schools, hospitals, and more and more because of civic leaders like yourself, developers like yourself, mayors like Bloomberg and others. We're a leader in the technology business. And we have an unparalleled cultural infrastructure of museums. And the list goes on and on. The great restaurants, the great hotels, it's just an incredible social infrastructure. So why wouldn't we want to be here?

Scott: And as you think about your future in New York, you guys really been at the forefront of realizing that even the type of space, and you were going through a list of your historic buildings that JP Morgan has processed or companies were in, was sort of always moving to where was the talent wanted to be? What was the future of the workplace and post COVID, that's a big issue, right? Which is that there's this flight to quality, the workplace needs to be much more engaging, much more about being part of a community. When you were thinking about your old headquarters, which is now torn down, but you were thinking about where to move rather than going to a new building, or that was someone else's developing site, to actually be on the same site, tear it down and build something new on that site. What was the thought process that went into doing that? And how have you found that process to date?

David: Big companies like us, and I would say almost any company, is in search of the right labor. The real estate is a secondary consideration. It's always to find the right people and to make them happy and productive. But you know, your question about why we chose to stay in place is easy. Why we chose to stay in places is, it's Park Avenue and 40, on the corner of 48th street. It's probably the greatest location in the greatest city in the world. At the end of the day, our first consideration really was an economic one. And you might think tearing down a building and putting a new building up is an uneconomic endeavor, but really it wasn't. In the end, it was kind of the most cost-effective solution believe it or not. A lot of it happened because of good public policy.

So the changes that brought about it were really the changes in the east Midtown zoning district. And those were started years ago under Bloomberg, and I think worked their way through. And when they were ultimately approved by DeBlasio, we were able to take a building that, let's just use rentable square feet, that was a million and a half square feet on a site, maxed out on a site, actually overbuilt on a site, and make it two and a half million square feet. It's a million square feet of new FAR, make it more economical, consolidate properties around the city there and people around there. And so it was really an economic one as well and it really came from good public policy.

Scott: Yeah. That's a really good point and worth just emphasizing it, right. Which is because people don't appreciate when public policy is being debated, how it ultimately results in things like we've seen around grand central, right. Which was this concept that of New York was going to remain competitive, we had to take their best locations, but be able to provide modern 21st century infrastructure and buildings in those locations. And so creating a zoning to encourage it, and then you speak of in about grand central, providing east side access, which has already taken a great transit hall and system, but basically adding a whole nother station of eight tracks underneath the existing grand central so people from Long Island can go there versus going to Penn Station. So it's easier for the workforce.

So you're right. These were public policy decisions that were ingredients that made it such a compelling locations and shouldn't be something that, that people take for granted. It's a good thing to remember as we debate future public policy is to ensure that the city stays competitive. So, you know, as we sit here today New York feels like it's poised for this incredible recovery, more than frankly, and more quickly than I even anticipated. And I've been a bullish proponent of New York's recovery for some time. What do you think it needs to sort of maintain that level of momentum that we're seeing right now? And what are some of the concerns that you have that you think might take that speed of that recovery off track?

David: Public safety. And on the flip side, good public safety, productive policing, safer streets, better policy, will make New York City unstoppable. On the other hand, bad policy, a bad relationship between the mayor's office, the police department, the local communities, they can make New York City go in the other direction. I'm older than you and so, like I said, I used to sprint through the Bronx. I used to sprint through all of Manhattan because it wasn't a place that was as safe as it is today. I try to tell my kids that all the time. Don't take it for granted. It's like freedom. Don't take it for granted. Somebody earned it a long time ago. And that's what happened here in New York City. In New York City, we earned back our safety and to lose it would be a shame.

So those are two sides of the same coin. I think infrastructure. It's what you said before. The ESA is a good example, the east side access. Number one, I don't think people know how talented the folks who work for the MTA are, or the Port Authority, the stuff they do is incredibly hard and it's difficult. And they do it in the scrutiny of the public square and they're burdened by all these bureaucratic things. But if we don't invest in our infrastructure, if we don't modernize it and we don't compete with Hong Kong and Shanghai and you pick, Dubai, we're inevitably going to fall behind. And so commitment to modernization is really, really important.

And then I think you need great government. You need a great leader. Leaders make a difference. It's the reason our RXR is a great company, it's the reason JP Morgan is a great company, it's because they have the best people at the top, the best person at the top. And so we have a mayoral election coming up and I think it's really important for people to get involved. I think people should get involved in every level of government and have their voices heard and be part of the conversation because we need good government.

Scott: Right. And I think to your point, it's not just good leaders in government, but good leaders in business and civic organizations where this public private partnership that JP Morgan has leaned into and firms like ours have leaned into, is the only way to really achieve these great things. And one of the areas that JP Morgan has done a lot of work in is, and Jamie Diamond's been very vocal on, is dealing with structural inequities in some of the underserved, disproportionately hurt communities of color in New York and around the country.

And one of the things coming out of COVID that's worried me is that if we have this great recovery, this really fast rebound, this V-shape recovery, that those underserved communities, the challenges they have that are structural, aren't ever going to really be dealt with, because we're going to be, we're past that crisis, we're moving on. And the income inequality that existed pre-COVID gets wider and wider. And I would just be interested in hearing how JP Morgan thinks about some of the initiatives that you have to support those underserved communities and the sustainability through the good times and the bad times.

David: I think everyone at the firm and really starting with Jamie, wants to contribute to the world community, right. So, but specifically your question is about the racial wealth divide. And I'd say the firm is intensifying our efforts, and we're doing it with actions, not just words. With deeds, not just words. So one, we're promoting and expanding our affordable housing and home ownership for underserved communities. How are we doing that? We're committing $8 million in new mortgages and 40,000 home purchase loan for black and Latinx households. We're financing an additional 100,000 affordable rental units. And to do that, we'll provide $14 billion in new loans for underserved communities. We're going to help grow black and Latinx owned businesses. So we'll provide 15,000 loans to small businesses in majority black and Latinx communities and we'll do this by delivering $2 billion in loans.

We'll spend another, as a firm, another $750 million with black and Latinx suppliers. And our commitment doesn't really stop there. We want to improve the financial health and access to banking in black and Latinx communities. And we'll help 1 million people over the next few years, open low cost checking and savings accounts and as a firm, we are committed and have been to accelerating our investment in our employees building more diverse and inclusive workforce.

Scott: You know a big part of some of these conversations we had is the need to renegotiate the social compact in terms of business and government and social responsibility. And it's great to hear the initiatives that JP Morgan has taken, and frankly, it's sort of within the DNA of JP Morgan, in terms of having that social responsibility at the forefront of one of your values and pillars of growth. And that's something I think the more that JP Morgan can serve as a role model for other companies like that, the better, because I do think it takes a village for cities like New York and regions like New York to thrive.

You mentioned the mayor, and we're going to have a new mayor, Eric Adams won the democratic primary and it's likely that he will be that next mayor. In a sit down with him, would there be any advice that you would give him in terms of helping him be as successful as he can in this critical time in our city's history?

David: What I would say to Eric Adams relating to the business community is, be a friend to the business community. Be more accessible, try to understand the benefit of jobs, because jobs are what give people self-respect and the ability to raise their families and to pull themselves out of poverty and to move ahead. And companies like ours, we supply lots of jobs and the ecosystem we create around us creates lots of jobs, so I'd pay more attention to the businesses that are here and make it a little easier on them to do business. And I think that would be a great change.

Scott: Yeah. I mean, I think for all of us to really have a city that it's more equitable, more prosperous and more sustainable, it's really going to require a partnership of business and government coming together. We can't have a tale of two cities. It's got to be one city, one vision, and all of us responsible for making that vision a reality. So I think that's good advice. And I think, again, I think JP Morgan and some of the programs that you just went through and your commitment to the city, really helps on that front.

So David, thank you for taking the time to share with us your thoughts on how we're going to recalibrate reality for a post COVID world. Good luck with all the things that you have in front of you, and thank you for your leadership and helping our city recover and thrive on the other side.

David: Well, thanks for having me today, Scott, and as the Irish say, I'll see a little further up the road.

Scott: See you soon. Be, well, my friend be safe. Thank you.

That concludes this week's episode of recalibrate reality. Throughout its history, JP Morgan has been with New York through good times and bad. So as we emerge from the worst of COVID-19 to rebuild a New York City that's more prosperous and more equitable than before, it's critical that our city's private sector institutions like JP Morgan be a part of the conversation. Thank you again to David Arena and JP Morgan Chase. Thank you to the regional plan association, the 92nd street Y and to the team for making this week's episode possible. I'm Scott Reckler from 75 Rockefeller Plaza in New York. See you next week.