

Re-imagining the workplace



12 dynamics of the post-COVID-19 workplace

July 2020



12 DYNAMICS OF THE POST-COVID-19 WORKPLACE

There has been much conjecture over recent weeks about the place of the office in our future working lives. The death of the office narrative, which has been around, on and off, for the last 20 years, has gained increasing favour in the wider press supported by statements from some business leaders.

This narrative has been furthered by many bold claims about the effectiveness of working from home and how this also negates the need for an office.

We do not buy this argument.

We recognise that the form and function of the office will change and evolve going forward, as indeed will our personal interaction with it, but the office will absolutely be needed.

It will be a place for socialisation, for collaboration, for innovation and, increasingly, for education.

So, our starting point is not the death of the office, but the growing need for different or better offices. We believe that the post-COVID-19 environment will transform the office, its role and our requirements from it.

We believe that the focus of the property industry should be less on the final destination (what the office of the future looks like) and more on the dynamics that will shape that future.

We should recognise that every occupier's future real estate needs will be personal to them and shaped by their legacy, their attitudes towards real estate, their financial health and the sector in which they operate.

In addition, the future, rather than being a linear journey from point A to point B, will in fact be multi-directional. For example, there will be some factors – such as globalisation and densification – that have been part of the evolution of the office over the last decade, which will go into reverse either because of increasing international trade tensions, the growing need for operational resilience or because cramming more people into less space can impact their health, safety and productivity.

Similarly, there will be issues that have been a recent feature of the office market that will be expedited by COVID-19, as well as some completely new considerations.

In order to support industry thinking, we have identified 12 dynamics shaping the post-COVID-19 workplace. ►►

12 dynamics of the post COVID-19 workplace: in summary

CORPORATE LEVEL	Survival instinct vs sense of purpose	Rethinking globalisation & the global footprint	Reducing the carbon footprint	A new contract between employer & employee
MARKET LEVEL	Great quantity, low quality characterises immediate supply	The customer as king becomes a reality	Flex in demand but delivered differently	Polarisation in value (and pricing)
OFFICE / BUILDING LEVEL	Better but more dispersed space	Office as a choice not an obligation	Emphasis on experience not environment	Health, safety & wellbeing key to the experience



12 DYNAMICS OF THE POST-COVID-19 WORKPLACE

COVID-19 will influence the future evolution of the office.
Its effects will not be as revolutionary as much of the current debate would have you believe.
In our view, the interplay of the following 12 dynamics will shape the evolutionary path of the office.

CORPORATE LEVEL

- 1

Survival instinct vs sense of purpose: A key future dynamic is the business culture that derives from post-pandemic economic and operating conditions. Broadly, there are two potential outcomes. There may be a required focus on ever-more stringent cost consciousness in order to deliver returns to shareholders. An alternative outcome is the onset of a broader stakeholder model of capitalism, where businesses focus on a greater sense of purpose and seek to make a positive impact on staff and the wider communities in which they operate as well as returns to shareholders.
- 2

Rethinking globalisation and the global footprint: Globalisation was being questioned prior to the crisis (e.g China and US trade wars) but COVID-19 has shown that both manufacturing and service companies are too dependent on thin supply chains and often a single country. We expect to see more business activities nearshored or onshored, and/or the greater distribution of activity to reduce geographical dependency.
- 3

Reducing the carbon footprint: The climate crisis is critical and real estate is a big part of the solution. Unlike in the post-GFC period, we cannot allow sustainability considerations to fall by the wayside. There is too much at stake and corporates have bet their reputations on making a difference. Green, sustainable buildings will be a dominant characteristic of the post COVID-19 office market.
- 4

A new contract between employer and employee: Linked to the stakeholder capitalism model noted in point 1, COVID-19 has heightened awareness of who and what matters within organisations. Employees will be looking to their employer for greater support not just in terms of jobs but also in the provision of healthcare, education and maybe even housing. Staff wellbeing will be a key consideration, and this will manifest in the depth and breadth of amenities provided in the office.

MARKET LEVEL

- 5

Great quantity, low quality characterises immediate supply: As occupiers reconfigure their portfolios, they will take a further flight to quality and shed lower quality space. This will raise office vacancy rates but create a two tiered market with over supply of poor space and under supply of high quality space (exacerbated by a more challenging development finance arena).
- 6

The customer as king becomes reality: COVID-19 will require landlords to become more customer-centric and engage more regularly with their customers with a strong focus on the creation of solutions for them. This will be key to securing and retaining income.
- 7

Flex in demand but delivered differently: Occupiers will need more flexible space which aligns to the uncertainty in the wider operating environment but they will shy away from co-working spaces due to social distancing measures and health concerns. This will increase opportunities for landlords to partner with operators to create a flexible, serviced and managed experience alongside a more conventional office product.
- 8

Polarisation in value (and pricing): The flight to quality, serviced and sustainable space will ultimately demarcate the market and pricing will increasingly reflect the polarisation of supply, with best in class space creating new benchmarks.

OFFICE / ASSET LEVEL

- 9

Better but more dispersed space: The flight to quality in markets such as London will be discernible as occupiers seek spaces to support innovation, creativity and collaboration. This may be offset by a slight reduction in requirement size and the dispersal of elements of the portfolio to lower cost closer to people's homes, with a hub-and-spoke model of occupancy gaining interest.
- 10

The office as a choice not an obligation: The key dynamic of the future is that the office is just one workplace setting and employees will be given greater choice as to which setting they utilise. The office is one of those choices but occupiers working with landlords will need to create an office experience and environment that compels staff to invest both financially and emotionally in their commute.
- 11

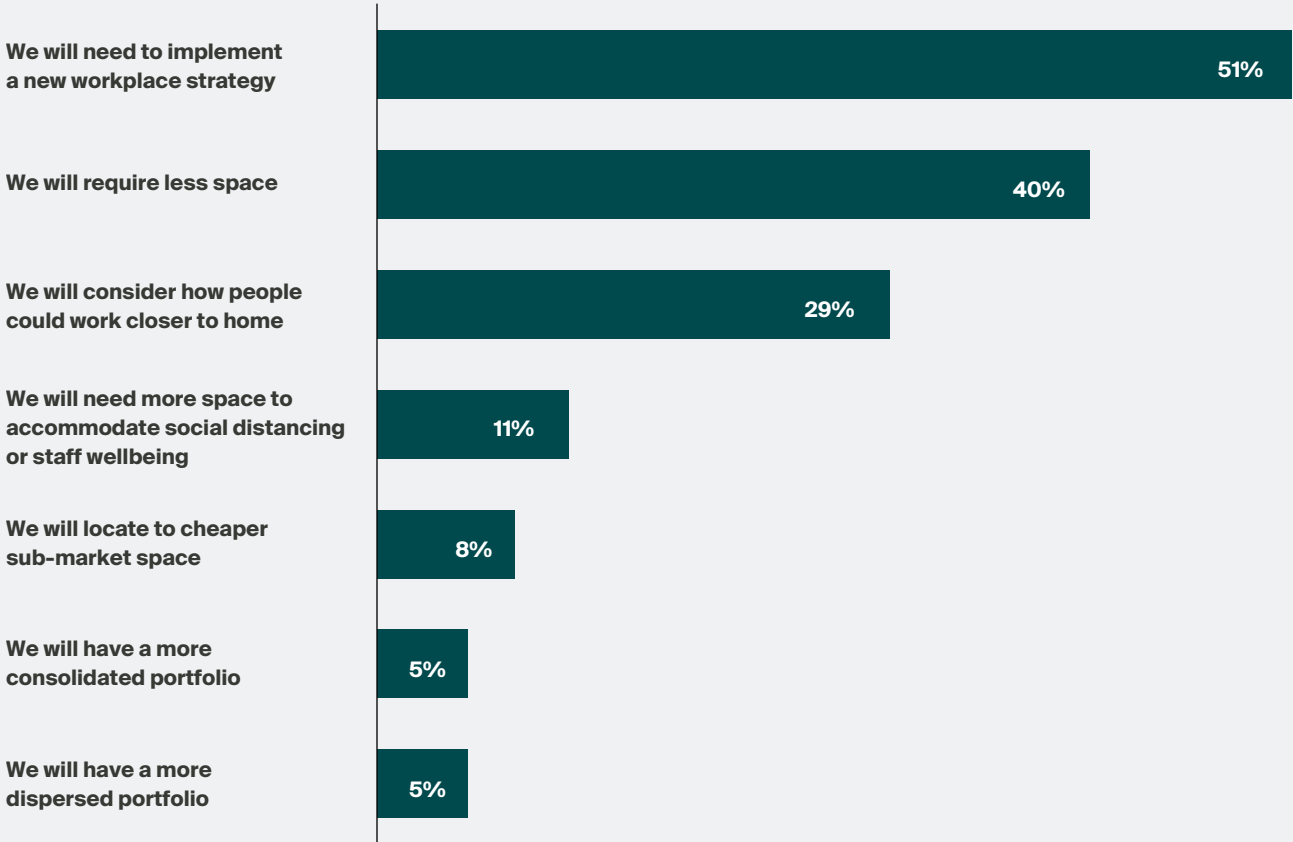
Emphasis on experience not just environment: Because of this choice, the experience of the workplace needs to be of the very highest quality and supportive of productivity. Landlords will no longer be able to sufficiently differentiate on the basis of having a well-designed physical product. They will need a soft service layer of the highest quality to supplement the environment and standout.
- 12

Health, safety and wellbeing key to the workplace experience: An immediate consequence of the COVID-19 pandemic is that health and safety becomes part of the workplace experience. Staff will want to know that they are safe in the office, whilst employers will have a moral and regulatory responsibility to make sure this is the case. Health and safety will work alongside wellbeing to create spaces that support people emotionally and physically. Building technology will also be utilised to underpin and monitor the experience and actively manage or curate it.

RE-IMAGINING THE WORKPLACE

Judging by surveys we have conducted with our occupier clients, the post-COVID world will require new workplace strategies for the majority of our clients. We need to re-imagine the workplace, and re-assess how we blend it in with our other work environments - such as the home.

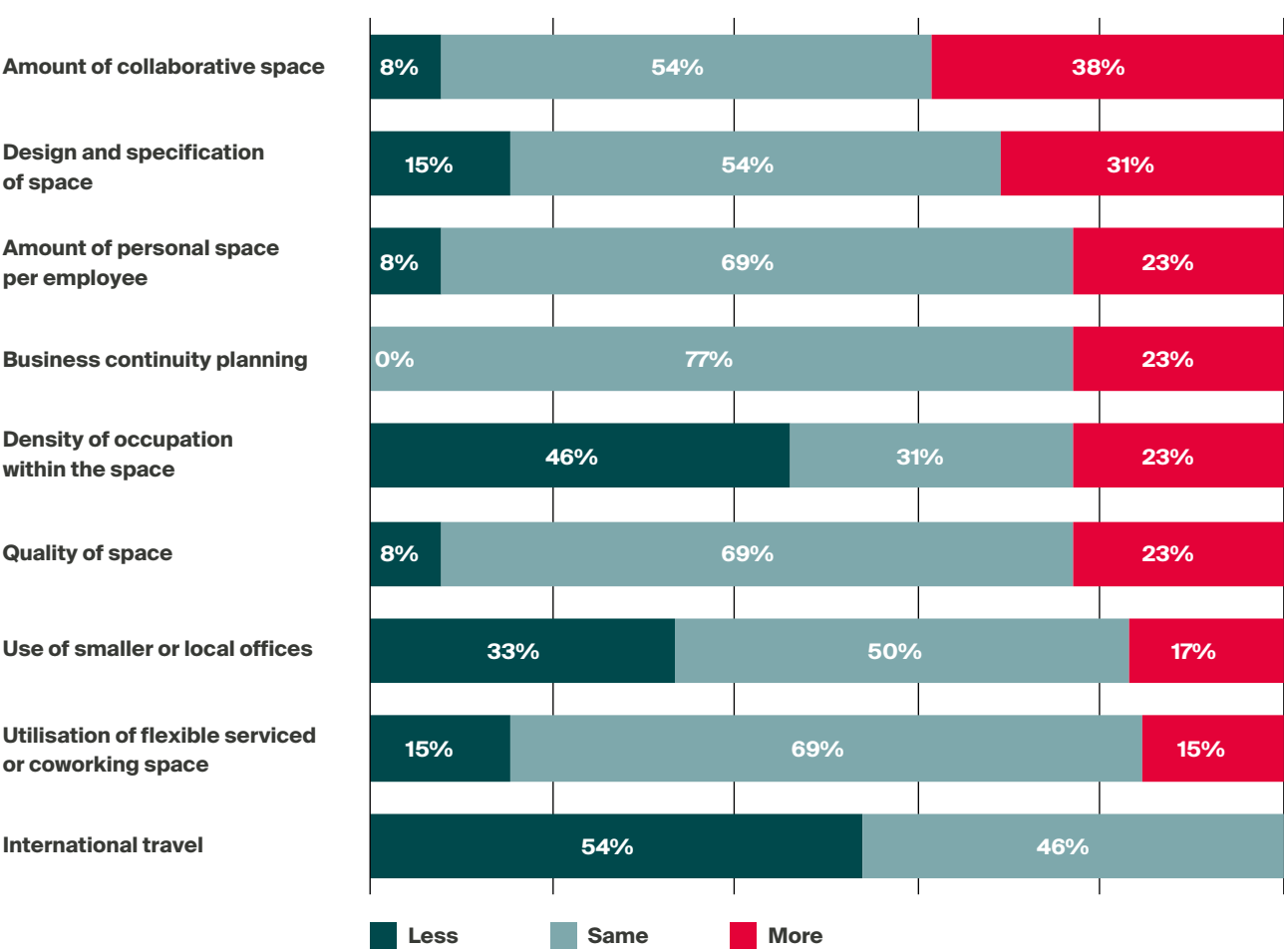
What will be the impact of COVID-19 on your future workplace and real estate strategy?



Depending on each business's industry and varying economic and competitive pressures, the right workplace strategy will differ on a case-by-case basis. Many clients recognise that the next 3-6 months are an opportunity to continue to experiment and seek the right balance

between the office, working from home, working closer to home and using third party solutions (including co-working or managed space). Our survey shows the drivers for change across our client base, but different sectors have very different responses to these questions.

What other impacts do you see for the workplace in the future?



WHAT IS THE RIGHT WORKPLACE STRATEGY FOR YOUR BUSINESS?

Our workplace consultants across the globe have the ability to support you in answering this question. For some clients, the economic pressure is so intense that we are already engaged in designing and delivering the answer. For others with a little more time, developing a deep understanding your workforce and using this next stage to experiment with the future profile of your workplace strategy may be the best way forward.

But one thing is for sure – the question is not building-specific but across the whole company and portfolio. We are therefore advocating a programme approach to this to enable more senior stakeholders from Business Operations, HR and IT to be engaged, as well as to leverage company-wide data sources and to drive the programme at pace. The programme should not be limited or constrained by lease events and could be developed globally, regionally or nationally. It should be seeking a fundamental review of how and where you work, whilst considering the following:

✓	Organisational effectiveness: How to design the right workstyle and workplace model to enhance the effectiveness of the organisation and finding better, simpler, less expensive and faster ways to operate.
✓	Employee-centric profiling: What is the right mix of home and office, and what are the workplace needs for extroverts and introverts, and functionally what is the right mix of virtual and physical work.
✓	Workspace-as-a-service: What are the choices for staff in the future including working from home, working closer to home, local offices and hub offices. And within the workplace what will it look like with, what settings will be required and how will we create and curate a compelling experience?
✓	Change management: What is the propensity for change amongst managers and staff and we/you bring them through the change journey, and what are their education and training needs.
✓	Employee experience: What is the Buzz Score for each workplace capturing experience, activity, community and service profiles. How do we create an experience that will encourage people to invest in the commute to come to the office?
✓	Location analysis: Balancing the benefits of clustering or WC2H, core cities and decentralisation, city centres and suburbia.
✓	Innovation: How to stimulate innovation within the organisation and/or partnering or working in innovation hubs, in order to grow the business and respond to changing market conditions.
✓	Efficiency: What is the optimum workplace spatial requirement and the cost provision given the different dynamics of change.
✓	Sustainability: Mitigating the company's impact on the environment through less/shorter employee commutes, less business travel, digitised processes, reduced office carbon footprint and more sustainable design and delivery of projects.
✓	Wellbeing: Ensuring physical, psychological, spiritual and social wellbeing is enhanced within the workplace, and that measures are put in place to safeguard against virus infection in the future.
✓	Internet of Things: What investment should be made in technology within the workplace to provide enhanced user experience but also to make it safe, contactless and resilient?
✓	Adaptation of the workplace: How will we adapt the current workplace to meet future needs of our workforce, focused on creativity before capital expense.
✓	Technical resilience: Is the current workplace technically resilient and adaptable enough to meet what/whose changing needs.



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