STANHOPE

# The Future of the Office

INSIGHTS

Stanhope are developers of mixed-use places and work places, with a particular focus on Central London. This report evaluates how the nature of these places will evolve in response to rapid technological and cultural change, within a 5 year timescale and beyond.

Stanhope are grateful for the assistance of the following who contributed insights to the production of this report:

- Arthur D Little
- Cushman & Wakefield
- Steer Group
- The Future Lab
- Unwork

# Contents

# Context

# Much of work, which had been centralised, can now be dispersed.

## Context

### TECHNOLOGICAL CHANGE AND CULTURAL CHANGE

The COVID-19 pandemic has accelerated changes which were already underway.

Changes which are driven by **improvements in communication technology.**

In particular: **much of work, which had been centralised, can now be dispersed.**

This has far reaching implications:

Many people will have more choice of where to live, work and play;

Some places will thrive and others will struggle and decline; and

The places and buildings we occupy for living, working and playing will need to change.

In addition, we are experiencing major cultural changes driven by a rising awareness of planetary and personal health, and widening gaps between generations' views on life, and what is important to them.

**These cultural changes are influencing why, how, and where people choose to work.**

## TECHNOLOGICAL CHANGE

**Digital Technology is enabling us to work more flexibly**

**Flexible who we work for:**
portfolio careers, the rise of SMEs, workers seeking more independence from company culture.

**Flexible when we work:**
less daily and weekly routine

**Flexible how long we work:**
career breaks; longer careers and smaller pensions

**Flexible where we work:**
home, office or a "third space"?

**Flexible companies:**
much of "office work" is footloose and can be moved to lower cost employees and locations; and the "war for talent" is global

**Flexible where we live:**
commuting is less important

**Flexible buildings:**
there is less division between home, work and leisure spaces; and change is occurring more rapidly

*(Stanhope)*

## CULTURAL CHANGE

**Meanwhile, a new intergenerational workforce will have irrevocably changed how we view office culture by 2030.**

- **Millennials** (born 1980-1995) will be the last generation to have experienced full-time office culture
- **Gen Z** (born 1995-2010) will be a generation split between entrepreneurialism and seeking job security thanks to the pandemic recessions
- **Gen Alpha** (born 2010-2024) will never have had to work full-time in an office, growing up watching their parents work effectively from home
- **Older generations** will be retiring later and, combined with life-long learning, their health and progression needs will also need to be catered for in office buildings

*Extract from The Future Laboratory – Stanhope: Future Workplace report*

## CULTURAL CHANGE

1 Climate change: increasing concern about planetary health

2 Wellbeing: increasing concern about personal health

3 Global connectivity and fluidity

4 The importance of embracing diversity and inclusivity

5 Ubiquitous technology and the blurring of the physical and digital worlds

These megatrends are changing what workers want from work:

- **a social experience at work**
- **flexibility and choice**
- **a connection to their company's brand**
- **a sense of purpose**


# Aims of the Study

**‘The wellbeing benefits we see from remote working are when an employee has chosen a flexible schedule, not when it has been forced upon them. So coronavirus is not the ideal demonstration of how flexible working will function in an unrestricted society.’**

ESTHER CANONICO, LSE FELLOW AT DEPARTMENT OF MANAGEMENT

## Aims of the Study

Stanhope is a developer of places: primarily workplaces in London.

Life is not back to normal, but we want to begin to form a view on the implications of technological and cultural change for our future business.

The study aims to draw relevant conclusions from the changes underway:

- How will London change and perform?
- What types of places and workspaces will be in demand, and will the office’s importance diminish?
- How should we design our offices and workspaces to meet the needs of tomorrow’s workers?
- How should we adapt our service offering to continue to be successful?

# The implications of the changing location of work

# The implications of the changing location of work at 3 geographic scales:

## INTERNATIONAL IMPLICATIONS

1. **Less international travel** because of better tech and we've all learnt to work and communicate remotely, and due to companies looking to reduce their carbon footprint.
2. Remote work enables **footloose lifestyles**, more choice of where to live (Marseille versus Margate, which will win?).
3. **Increased international competition for jobs** that don't require much physical collaboration. For example, an accountant could choose to live in London, Wales or Thailand: which is cheaper will be a major determinant, but time zones will also be important.
4. **Productivity gains for corporations:** by using time zones for continuous progress; and to assemble diverse teams for global insight.
5. **Corporations can more easily change where they trade from** to capture tax benefits and input cost savings.

## NATIONAL IMPLICATIONS

1. **Fewer visits to the office** enables commuting from further away and saves money: employers may start to pay employees' travel costs to come into the office.
2. Remote work enables **footloose lifestyles,** greater choice of where to live (Whitstable versus Wembley, which will win?).
3. More time at home - **greater demand for living space** (house versus flat; flat with study space; outdoor space).
4. More time at home – **more consumer spending close to home** (cafes, convenience retail, pubs, restaurants, gyms).
5. More time at home – people take a greater interest in their local area leading to **stronger communities and increased social capital.**

## CITY IMPLICATIONS

1. More time at home – **changing consumer spending in city centres** (more experiential, less "grab and go").
2. **End of the rush hour** – reduced and flatter peaks for public transport use.
3. Risk of **a vicious circle of decline for some urban centres**, and risk of a reversal of the last 2 decades of urbanisation: loss of retail, leisure, culture uses and footfall leads to loss of vibrancy, so that in some places, city centre residential may become less appealing as a result.
4. Demography – **digital working enables many affluent, older workers to exit cities** ... leaving younger, poorer but potentially more dynamic and innovative populations behind.
5. Economics – **disruption to city public funding models:** business rates, council tax receipts, public transport receipts, BID and town centre management funding all impacted.
6. **Places with distinct character** (derived from built fabric, social fabric, and history) **will be most resilient.**
7. **New uses will emerge to fill voids**, but in some cities, they will require big reductions in property values to be viable.


White City Place

# How have the functions of the city changed (versus the 20th century city)?

### WHAT IS LESS IMPORTANT NOW:

- Manufacturing
- Shopping for comparison goods
- Workplaces for administration and clerical functions

### WHAT IS JUST AS IMPORTANT NOW:

- A home
- Mainstream culture (theatre, cinema, galleries, established music venues)
- Convenience shopping
- Experiential shopping

### WHAT IS MORE IMPORTANT NOW:

- Innovating, collaborating and creating
- Learning and the knowledge economy
- Alternative culture (streetlife, festivals, meanwhile places, Instagrammable experiences)
- Exercising as leisure
- Experiencing diversity
- A tourist destination
- Sustainable and healthy lifestyles
- Eating out

### KEY IMPLICATIONS

1. **Whether an urban centre grows or declines will continue to be determined by whether it offers distinctive and diverse experiences, learning and innovation opportunities, and culture.**

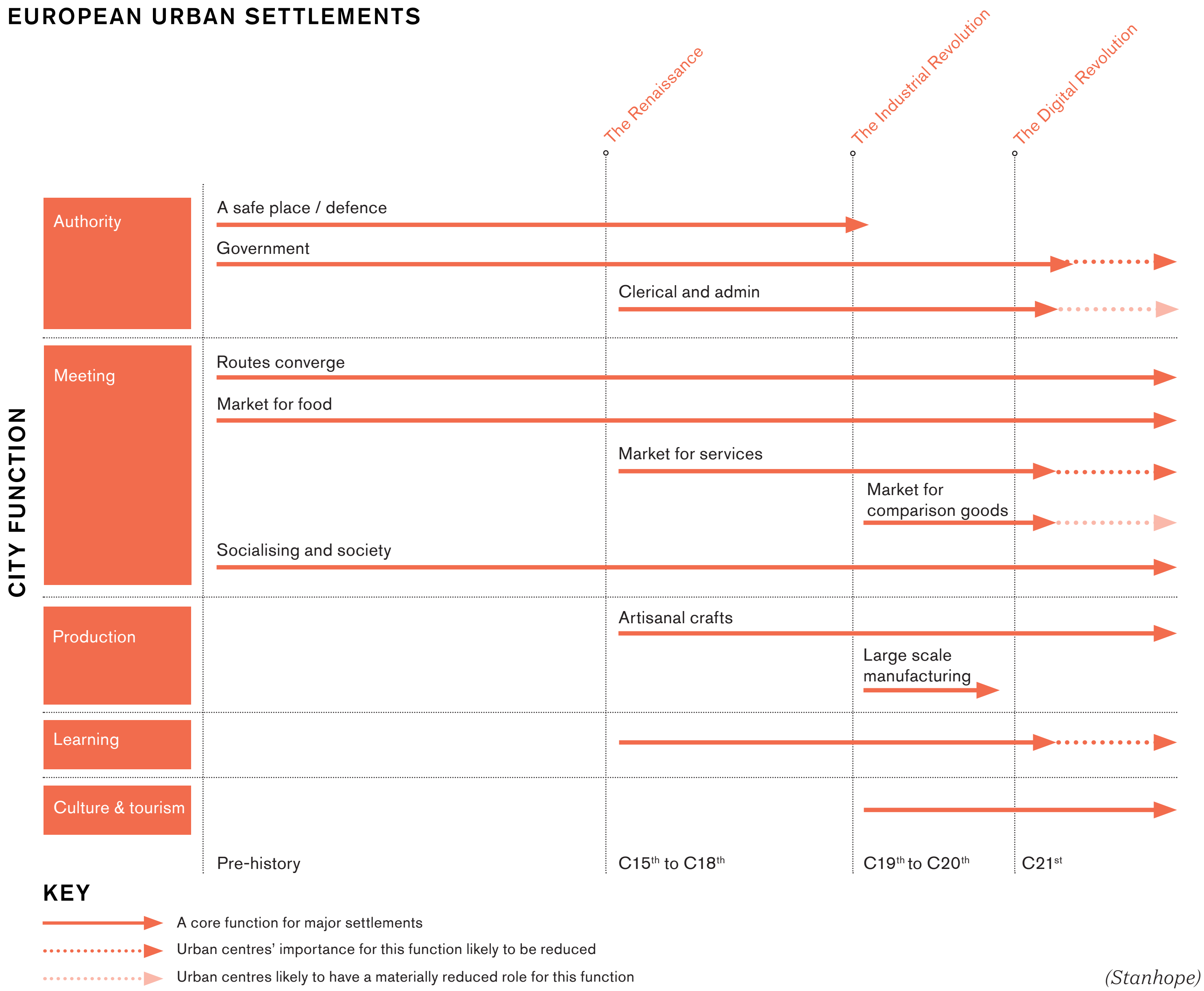
2. **London's cultural / heritage / education assets and world city status will enable it to be more resilient than smaller cities and towns,** but the extent of structural change in property demand, usage and values will still be disruptive and have lasting impacts on parts of the city.

3. The decline of town and city centre comparison retail combined with the reduction or exit of administrative offices will present an existential threat to some centres and risk a downward spiral of decline which will be hard to reverse: declining tax bases => less active town centre management => increased risk of crime and less vitality => reduced appeal of city centre living.

4. Government intervention will be required and the distinctive assets of city centres will need to be supported and nurtured to avoid or reverse the decline. In the UK, the calls for "levelling up" are likely to become more urgent.

5. The young and creative will be key agents: but in some city centres, property values will need to decline to allow cheap spaces for creativity (studios, galleries, maker spaces), living, socialising (clubs, performing spaces, bars), new parks and outdoor spaces.

## EUROPEAN URBAN SETTLEMENTS




(Stanhope)

## IMPLICATIONS:

**Creative work, socialising, culture and tourism will continue to become more important.**

This will help successful cities focus on being better places to live, places where people want to spend time.

However, the loss of key functions (comparison goods shopping, clerical and admin offices) means some cities - those without sufficient cultural, heritage, climatic attractions - may enter a vicious circle of decline unless they can be radically reinvented.

# So, are cities still the best places for work?

**YES:**

- Innovation is prompted by diverse people, ideas, places, experiences
- Innate human sociability
- Importance of relationships and meeting in person
- Diverse cultural and leisure possibilities
- Blurring of work and leisure
- The easiest places to meet: transport networks converge
- The importance of informal learning

**NO:**

- Technology means no need to make the expensive, time consuming, busy journey into the city
- People may prefer to spend time with their families; and in their local community to build connections and social capital
- Not enough affordable space to live in successful places… though that may change if demand for secondary workspace reduces
- Monoculture city districts aren't enough of a draw (US downtowns)

## Our view is that diverse, vibrant cities with character will continue to be the dominant location for high value work.

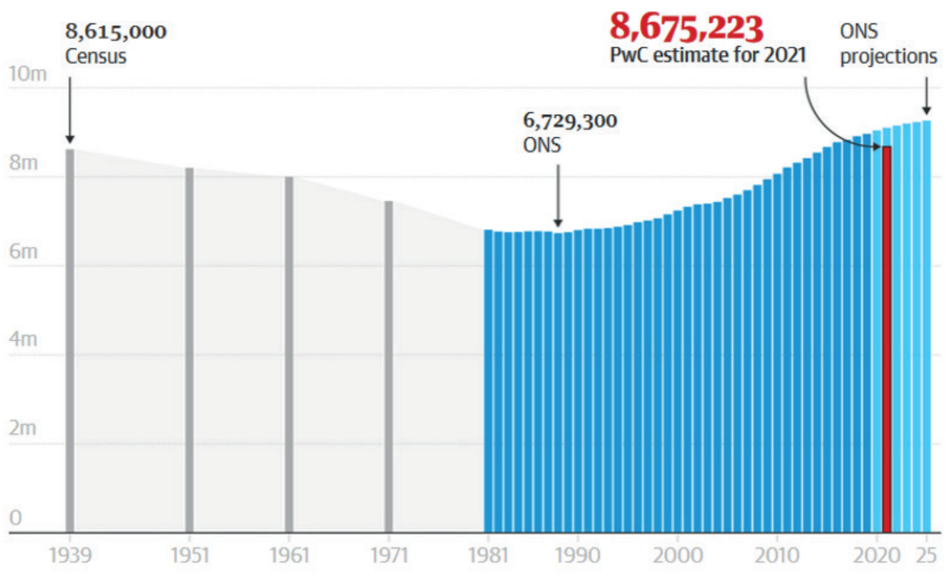
*(Stanhope)*

# How have the functions of the city changed?

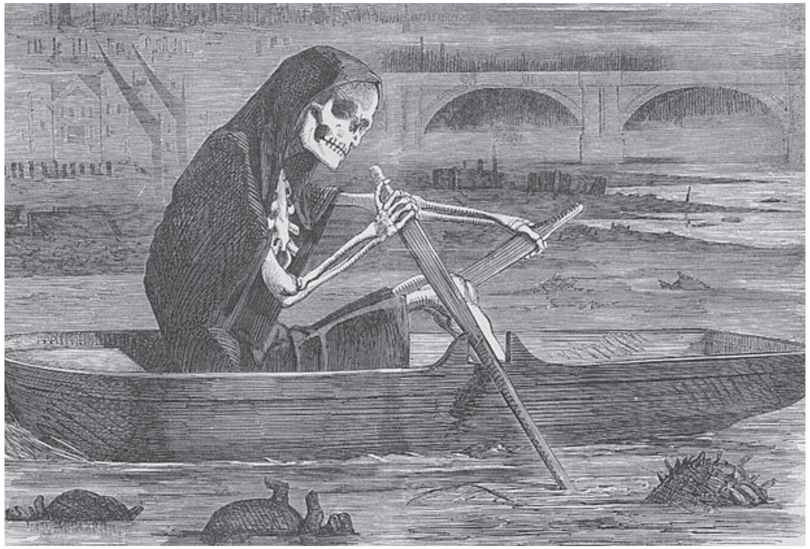
## LONDON'S ONGOING TRANSFORMATION.

Over the last 150 years, London has evolved and improved to become a clean, attractive, vibrant place -  a global tourist destination and a desirable place to live and work.

**London's population is forecast to have declined in 2021for the first time since 1988**



Guardian graphic. Sources: Census, ONS, PwC estimate



This cartoon from Punch in 1858 interprets the state of the River Thames at the time.

The South Bank has been transformed and Central London is now a sociable city, full of places which encourage leisure, play, culture, tourism and relaxation.

# London's ongoing transformation has been through a succession of innovations

## London has become a cleaner, greener, healthier post-industrial city, and is now a better place to live, work and visit. Importantly, this trend looks set to continue

### 1950s/60s

1956 **Clean Air Act**

Cleaner air making London a more pleasant, healthier place to live.

1960s on **Containerisation leads to decline of Docklands**

Waterside industrial areas cleaned up and provide attractive settings for workplaces, homes and leisure.

1960s on **Decline of large scale manufacturing**

Cleaner air and waterways, industrial areas repurposed for homes and offices.

### 1990s

1990s on **National Lottery / Heritage Lottery Fund**

Investment in cultural institutions (e.g Tate Modern, London Eye), major public realm improvements (e.g Trafalgar Square) which improved London's tourist experience.

1990s on **Eurostar / Low cost flights**

Expansion of tourism.

### 2000s

2000 **London Mayor and GLA established**

Clearer leadership on major projects e.g. transport upgrades and initiatives

2003 **Congestion Charge**

Reduction in vehicles in Central London leads to improved air quality and environment for pedestrians and cyclists. Enables expansion of bus network and ridership.

2003 **Oyster card**

Simplifies travel by public transport and saves time; reduces bus journey times and operating costs

2000s on **Car sharing schemes**

Enable more people to choose not to own a car, freeing up street space.

2000s on **Building Schools for the Future programme**

Investment in city state schools encourages the middle classes to stay in cities, and not move out.

2007 **Smoking Ban**

More outdoor seating, more pleasant indoor leisure environments.

### 2010s

2010 **Boris Bikes**

Encourages and promotes cycling in Central London.

2012 **Uber**

Enables more people to choose not to own a car, freeing up street space. Although some ridership is drawn from public transport.

2012/2018 **Electric London buses and cabs**

Cleaner air, quieter streets.

2015 **Cycle superhighways**

Encourages and promotes cycling in Central London

2018 / ? **Electric hire bikes and scooters**

Encourages and promotes cycling in Central London; promotes viable alternative to private cars

2019 **ULEZ**

Cleaner air, quieter streets.

### 2020s

2020 on **All electric commercial buildings**

Cleaner air.

2020 on **Flex working hours = the end of rush hour**

Less negative attitudes to travelling by tube; although funding model may need revising.

2020 on **Flex working leads to more mixed use places**

A more vibrant, exciting street experience with a greater emphasis on culture, collaboration, experiences, creativity, tourism, leisure, education versus 9-5 routines.

2021 **Expansion of ULEZ**

Cleaner air; reduced car use, ownership and congestion. Increased popularity of alternatives.

2022 **Crossrail opens**

Better public transport network. Clean, air conditioned trains reduce overcrowding and cross city car journeys.

2023+ **Greater London congestion charge**

Cleaner air; reduced car use, ownership and congestion. Increased popularity of alternatives.

### 2030s

2030 **Ban on combustion engine vehicle sales**

Further improvements in air quality

2030? **Self driving cars**

Reduction in vehicle numbers and congestion; street space freed up for walking, cycling, play, greening.

2035 on? **Electric planes**

No noise pollution in the flight path, improving quality of life in large areas of the city.

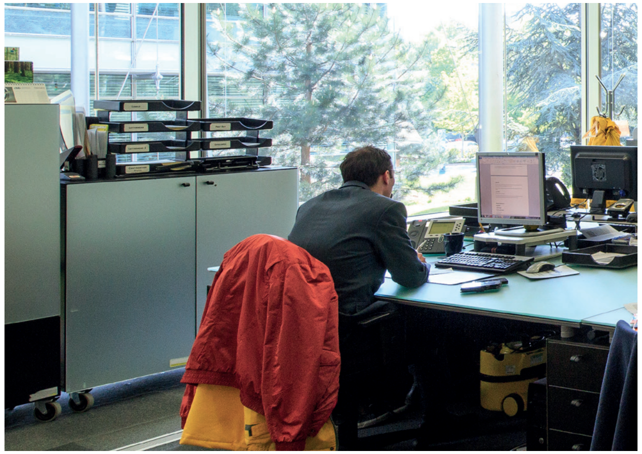
*(Stanhope)*

# How have the functions of the office changed?

Perhaps unexpectedly, the pandemic has shown that the office is often most important to younger generations. So despite a multi-generational workforce, the office may become used more by younger workers.

| MOST LIKELY TO...(LIKELY = 5, UNLIKELY = 1) | GEN Z (B. 1995-2010) | MILLENNIALS (B. 1980-1995) | GEN X (B. 1965-1980) | BABY BOOMERS (B. 1946-1964) |
|---|---|---|---|---|
| Need space to work (not available at home) | 5 | 4 | 3 | 1 |
| Desire and need to learn | 5 | 4 | 3 | 2 |
| Want to establish and develop work relationships | 5 | 4 | 3 | 2 |
| Want to prove their capability and establish a career | 5 | 4 | 3 | 2 |
| Want to socialise in the city | 5 | 4 | 3 | 2 |
| Live in the city / have a short commute | 4 | 3 | 2 | 1 |
| Be free from childcare responsibilities at home | 5 | 3 | 2 | 5 |
| Be free from other caring responsibilities at home | 5 | 4 | 2 | 1 |
| Have time for mental and physical enrichment | 5 | 3 | 2 | 5 |
| Struggle with technology and need the admin support the office provides | 1 | 2 | 3 | 4 |
| **Total (out of 50) Higher score = greater appeal of office** | 45 | 35 | 26 | 25 |

*A general, illustrative assessment of relative priorities, Stanhope*



**What is less important now:**

- Storing information physically (filing)
- Storing information electronically (computing power)
- Spaces for clerical work
- Branded corporate space
- Physical barriers between companies (assets are increasingly intangible rather than physical)

**What is just as important now:**

- Spaces for meeting clients and external collaborators
- Spaces for project teams to collaborate
- Spaces for company meetings
- Spaces for learning

**What is more important now:**

- Attracting talent
- Spaces for innovation, collaboration and creativity (within and between companies)
- Spaces for socialising
- Occupying space which reflects the company and values
- Many of these functions are more important for younger generations who need to learn and observe, want to develop personal and work relationships, and want to demonstrate their capability.

## KEY IMPLICATIONS:

1 Offices are no longer spaces for administration: most of this work can be done as efficiently remote from the office, and less or no space is needed for servers, physical filing, traditional workstations and desks.

2 **Offices need to be spaces (and in places) that inspire creativity: the best employers will need to persuade the best people (talent) to visit the office when they could save time and money working at home.**

3 Consolidation of corporate offices into central HQs, more multi-let buildings with shared spaces to enable and encourage collaboration.

4 The hospitality, leisure and office sectors will increasingly overlap: offices will become more like hotels, cafes, restaurants; access to vibrant, stimulating city places outside of the office will be increasingly important.

5 The demand for distinctive choices and diverse experiences means that access to external leisure amenities (cafes, restaurants, bars, gyms, outdoor spaces) is likely to be more important than providing amenities within the office itself.

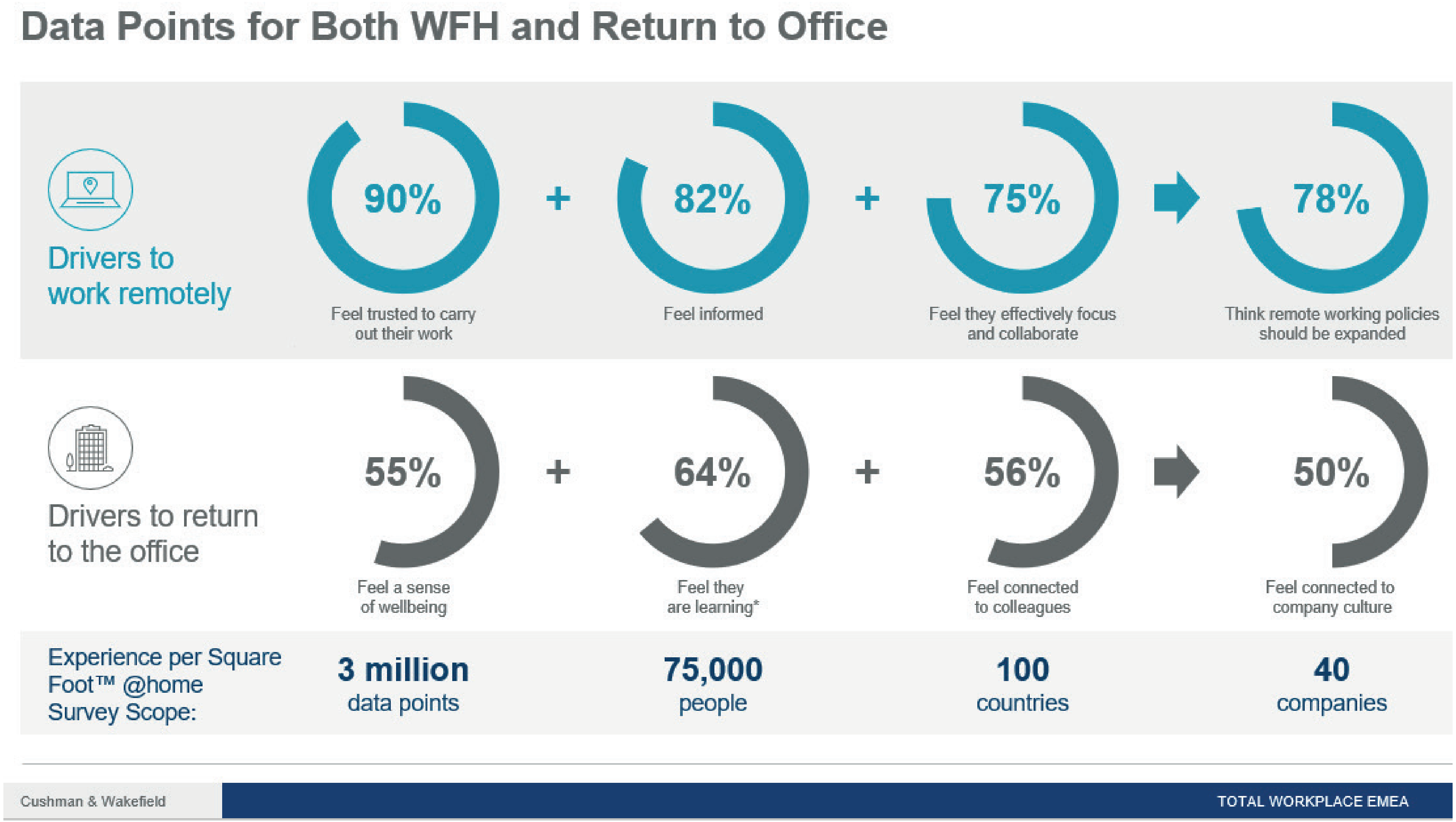
## IN SUMMARY...

Less space now needed for administrative functions

Space needs to reflect company ethos and values

Managing and meeting functions are still important

Creative functions are now more important




*(Cushman & Wakefield)*

# How have the functions of the office changed?

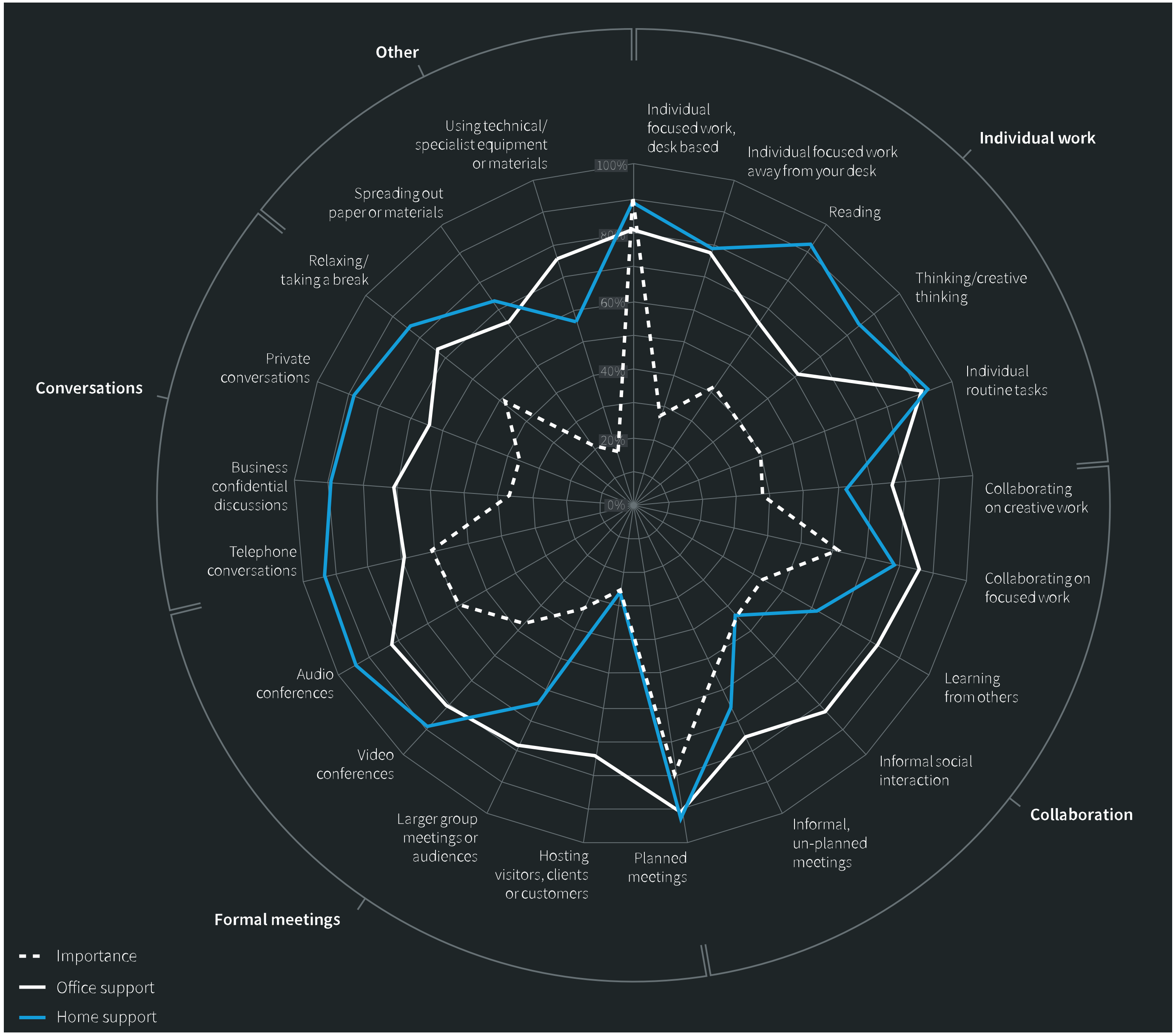
## NEW FLEXIBILITY

- The ‘must-go’ office model is changing. The move to a more flexible and fluid way of working was already under way before the coronavirus pandemic – but the Covid-19 crisis was the catalyst for a major adoption of flexible working in record time.
- However, lockdown should not be mistaken for true flexible working, as many of the experts in our study pointed out.
- A survey conducted in June 2021 by academics at Cardiff University and the University of Southampton found that 88% of employees who worked at home during lockdown want to continue to do so in some capacity. For almost half, that meant often or all the time.
- There are clear benefits to embracing flexible working chosen by the worker: Forbes reported in May 2020 that remote working had encouraged a 47% increase in productivity, however more recently businesses are questioning the long term benefits.

*Extract from The Future Laboratory – Stanhope: Future Workplace report*

# The office is more effective than home for collaboration tasks, and less effective for conversations and individual work tasks.

*(Leesman 2020).*



# Which types of workplace will thrive?

## Ranked Priorities

1. **Location** will always be the top consideration for the future office hub
2. **Cost** – however, if cost factors mean less space in the right location, that would be the compromise
3. **Flexibility** will be a basic expectation and for landlords that offer more flexibility in their lease models, a selling factor
4. **Wellness and sustainability** will be of increasing importance and an expectation of the design & specification
5. **Facilities and amenities** that support lifestyle and sociability i.e. drop in meetings, learning, community activities, events etc. If these are not in the building they will need to be leveraged through the surrounding area – impacting location considerations.

“The social aspect is important and it’s one of the virtues of having a London based site.”
*- Biotech*

“The top (priority) is location and price last on the basis that we have to be in the right location to begin with.”
*- Business Services*

“I think flexibility would be the most important, and location will also always be key for us.”
*- Financial Services*

“There will be more pressure on landlords to provide space that’s going to be much more of a destination rather than a little box in which just to work.”
*- Legal*

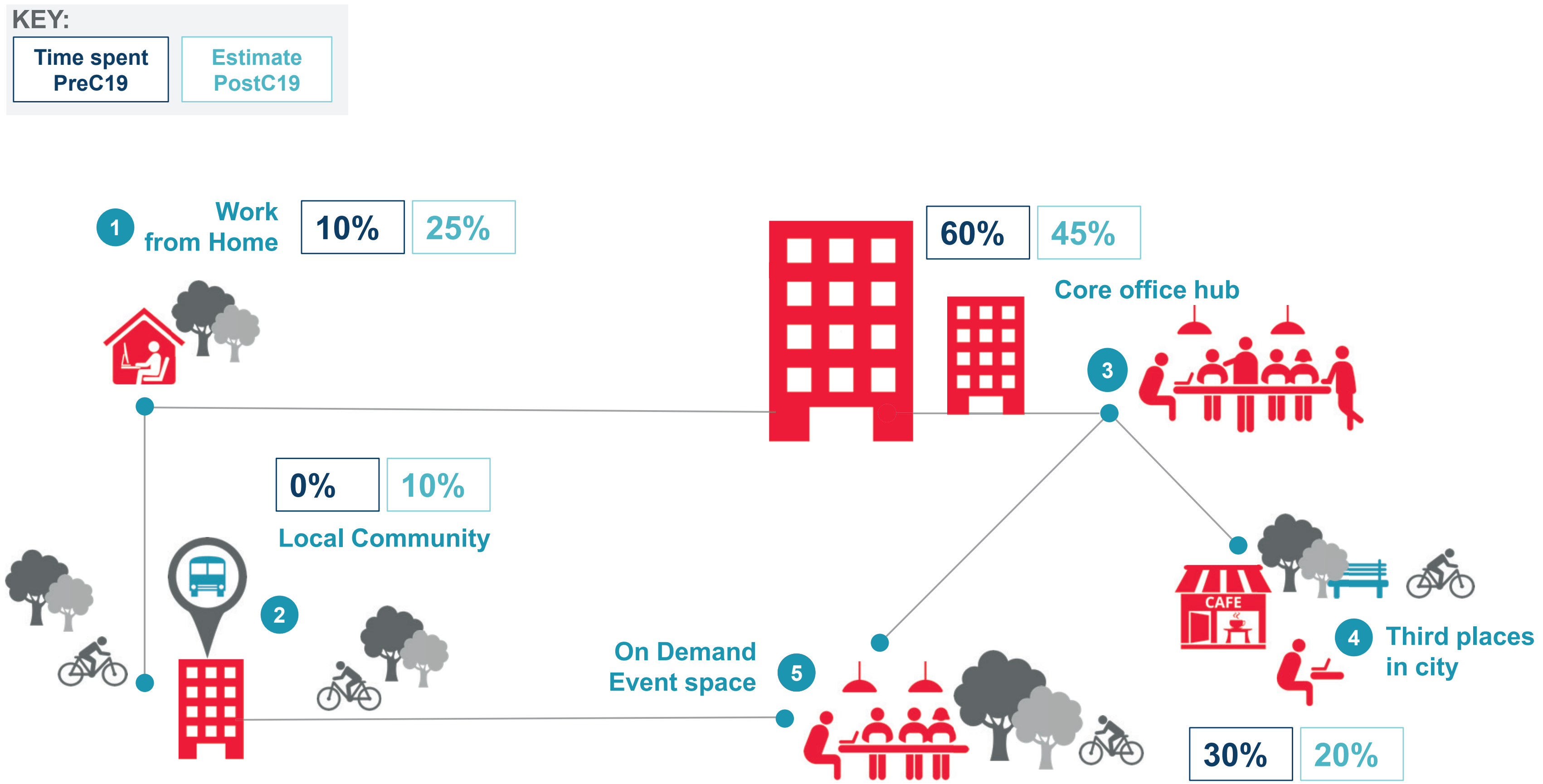
*(From Cushman & Wakefield occupier survey)*

## CHOICE OF WORKPLACE WILL BE A TRADE OFF BETWEEN CONVENIENCE AND COLLABORATION POTENTIAL


*(Stanhope)*

# Workplace Ecosystem

A variety of locations and experiences to support convenience, functionality and wellbeing




(Cushman & Wakefield)

# What are the implications for the design and specification of the workplace?

**There are competing forces: the demand for flexible, long-life, loose-fit buildings versus increasingly sophisticated specification requirements...**

### THE PUSH FOR MORE FLEXIBILITY: LONG-LIFE, LOOSE FIT

- Climate change increasing the appeal and importance of longer life buildings with greater recognition of operational and embodied carbon
- Tenants committing to shorter leases due to shortening business planning cycles and more uncertainty about future work patterns
- Disruption of real estate uses (retail, office) means the building is more likely to adapt over its life, and more likely to be mixed use
- Computing power moving to the cloud
- Fewer desks, less fixed furniture due to changing nature of work and changing purpose of the office
- The office needs to work harder to attract workers – fit out likely to need to be refreshed more often or continually evolved
- Workspaces may be less tailored to individual companies or industries:
- The make up of the economy is shifting with big Corporates less dominant, and SMEs increasingly important for innovation
- Spaces are increasingly used by companies on a temporary basis (Convene, WeWork) and some companies won't have an office

### MORE SOPHISTICATED SPEC REQUIREMENTS:

- Climate change driving more energy efficient design
- Data connectivity is critical
- Tech innovations enabling more efficient use of space
- Hybrid (home / office) working: meeting rooms need tech to enable effective mix of physical and remote attendees
- Health and wellbeing emphasis
- The office needs to work harder to attract workers – terraces, gyms, cycling facilities, showers, bars, restaurants, cafes, town hall spaces, enlivenment programmes, shorter cycle of refreshing and changing

# What are the implications for the design and specification of the workplace?

Changing generational values mean that we shouldn't assume that the highest spec, most opulent, or most imposing buildings will be the most desirable and secure the highest rents. Workplaces should reflect an organisation's values.

**'Buildings are never just buildings. Buildings respond to the political foundations of the institutions that fund, envision, and desire them. Buildings are physical manifestations of the ideologies they serve. Buildings can protect but they can also confine, instill fear, crush, oppress.**

: There will always be a place for the office: not the *end* of the office, but a reimagining and repurposing of it: detached from status and attainment, and more connection and belonging.

Auerbach believes that Gen Z especially 'determine purpose' first, and how they realise it – via jobs etc. – as a follow up.

'For the first time, we see a generation prioritising purpose in their work,' says Zach Mercurio, organization and leadership development researcher and adjunct professor at Colorado State University.

: 78% of US, 81% of French, 74% of British and 68% of German Millennials say it is important for the values of the business they work for to match their values, highlighting the emergence of this mindset, with the prioritisation of purpose meaning that they no longer have to switch career or social modes, but instead embrace purposeful living across their lives.

**'Millennials grew up with very aspirational views of work and working. Many of them want a 'cool' job: one they can talk to people about and feel proud of, and gives them a sense of purpose. Making sure that that company is also considered ethical and above board is a huge part of that. It used to be cool to be a banker, but that profession isn't seen that way anymore. It often comes with a bit of an apology now, because it lacks morality and lacks purpose. Acting with integrity is really important for my generation'**

*Otegha Uwagba, Founder of Women Who and author of Little Black Book*

: 80% of Generation Z saying they will join organisations that fight for the issues they care about, according to Vice

**Along with a focus on diversity, younger generations are changing attitudes around what is considered aspirational.**

*Extracts from The Future Laboratory – Stanhope: Future Workplace report*

# What are the implications for the design and specification of the workplace?

**Are we in danger of "overshooting" workplace specifications?**

Overshooting characterises markets ripe for disruption, and involves existing market leaders adding features and complexity to a point that they give their customers more than they need or are ultimately willing to pay for. Customers might appreciate these features, but they would be equally satisfied without them – especially if it saved them money or provided them with other benefits instead.

Overshooting is also a waste of resources, and often means that a product or service is missing features that customers do need and are willing to pay for. (Prof. Clayton Christensen, Harvard University, 1997, 2003)

- The workforce is getting increasing comfortable with working in different locations
- A desire for distinctive and creative environments.....
- Workplaces need to reflect the purpose-driven value sets of younger generations
- In our experience, facilities managers are often not equipped to operate grade A offices optimally

**Do current grade A office specifications "overshoot" what tenants actually desire and require?**

## Emerging Implications for Interior Space Allocation

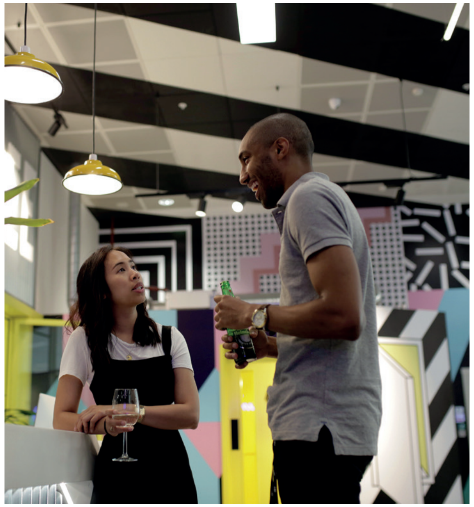
| SPACE TYPE | PRE COVID-19 | EMERGING |
|---|---|---|
| **Individual workspace** e.g. desks, quiet rooms | 60% | 30% |
| **Collaborative workspace** e.g. meeting rooms, project areas | 30% | 50% |
| **Support and wellbeing** e.g. training, event, social, exercise, relaxation spaces | 5% | 20% |

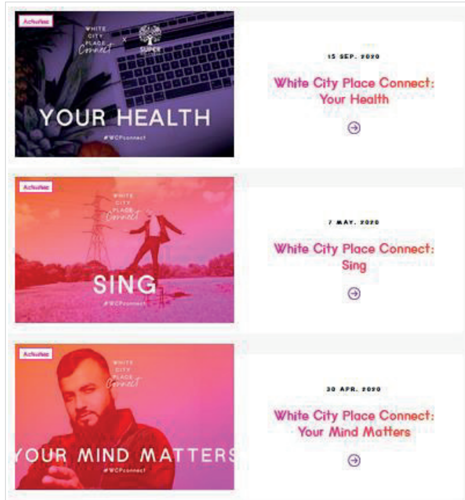
Cushman & Wakefield — TOTAL WORKPLACE EMEA

*(Cushman & Wakefield)*

The office needs to be a flexible space for social activities including innovating, creating, building teams and having fun.

Providing a platform for soft services and technology that enable these activities (The Office Experience) will be far more important than the base building specification.






## THE OFFICE EXPERIENCE

- Provides **experiences and services your home doesn't offer**
- **Helps manage the blurring of work and personal lives:** working hours aren't the same – work, meet a friend, work, go to the gym, work, eat, work...
- **Diverse spaces** for quiet working, collaboration, learning, exercising, socialising
- **Good food, coffee**
- **A digital platform to help bring people together** (where is my team sitting today?): needs to be fast, seamless, easy, pro-active, and enable quick changes e.g. pop-up retail
- **Events programmes** provide interest, learning, fun on a rolling basis – diverse activities for a multi-generational audience
- Encourages **visitors to feel part of a community** – boundaries of the space and community don't feel fixed or rigid
- **Sustainability is a given**, and underpins the approach to everything

## WHAT DO TENANTS WANT?

1. A variety of different spaces optimised for different tasks and the work styles of different teams;
2. Systems that facilitate the booking and access to the spaces;
3. Flexibility to accommodate sudden and constant changes in headcount and goals;
4. Close to large talent pools and attractive enough for picky employees to want to come to work; and
5. They must be priced competitively – leaving enough money for salaries and experimentation (and competing with the growing number of alternatives)."

**"The office of the future is not a single location; it is a network of spaces and services."**

**"Tenants don't want space; they want a productivity solution** to help them attract and retain the best individuals – and empower those individuals to produce their best work."

*Rethinking Real Estate – A roadmap to technologies impact on the world's largest asset class (Dror Poleg, 2020)*

The answer....

Long-life, loose fit buildings ....

with an overlay of technology which allows them to be used optimally, including frequent reconfigurations

that provide a flexible platform for a rich, inspiring, and productive office experience

and with character and an enduring quality

## THE KEY ELEMENTS OF A LONG-LIFE, LOOSE FIT BUILDING:

1 The building is well located and accessible to public transport nodes and cultural attractions to ensure enduring appeal of the location.

2 The building makes a positive contribution to its local context.

3 Floor to floor heights: sufficient for good daylight, flexible provision of utilities, future flexibility, but optimised for the intended use.

4 Façade: select for appropriate design life and ease of upgrade/replacement; potential for openable windows and vents for wellbeing purposes.

5 Structure: reduce upfront embodied carbon incorporating upgrade paths for future solutions provided the cost and carbon impacts are acceptable.

6 Services and fit out: specify fit out using suppliers with circular economy recycling plans to minimise waste on lease event-driven refurbishments and maximise high grade re-use.

**Buildings should be designed to meet their intended day one purpose, but in certain areas some increased capacity is useful for future flexibility.**

# Which types of workplace building will be successful?

**Access to a rich mix of amenity and experiences is key**

- Tenants will rationalise their portfolios favouring centrally located, high quality (building and services), in characterful areas over lower quality offers in peripheral locations.
- Buildings which are neither mixed use / amenity rich, or in mixed use districts will struggle to compete: they won’t provide a strong enough rationale to draw workers away from their homes.
- Neighbourhoods, and ideally buildings, should aim to attract people for as much of the week as possible: its not environmentally or economically sustainable for buildings to only be fully occupied 2-3 days / week due to hybrid working.
- Tall buildings’ key advantage is having more flex potential for expansion, but they need to provide more amenity within (F&B, event space), as it is harder to escape to the street to take advantage of neighbourhood amenities.
- Leading ESG performance is a pre-requisite, and buildings will need to be responsive to peaks and troughs of occupancy.

Television Centre

8 Bishopsgate

# From Buildings to City Quarters

**London's DNA**

- A network of 'villages' within a world-class metropolis e.g. Soho, Mayfair, Clerkenwell

**What Clustering Has Come To Mean**

- Large occupiers have drawn to clusters they identify with e.g. Kings Cross

**The Wider Place**

- People will linger in a desirable place
- Public realm, leisure and amenities, eating, drinking and nightlife experiences are key

**A Continuing Evolution**

Occupiers want to offer employees something that makes them want to come to work, both in terms of the workplace itself and the surrounding area.

- Offer includes quality location, amenity, leisure, retail and transport

*(Cushman & Wakefield)*

# Which parts of London will be successful, and why?

- **Central locations will fair well – especially those with highly distinctive leisure, cultural, educational and residential uses** to complement workplaces which are convenient for transport hubs: the West End, Shoreditch, South Bank, London Bridge, Kings Cross, Clerkenwell, Farringdon.

- **Distinctive mixed-use buildings and mixed-use districts ("7 days a week places") in Inner London** (e.g. Brixton, Camden, Earls Court, Hammersmith, Islington, Paddington, Shepherds Bush / White City) will perform better than office locations which have relied mainly on strong transport links (Stratford) or critical mass (Canary Wharf). Anchor institutions such as universities or major cultural attractions will help differentiate the best secondary centres. These centres will also be strong locations for new Third Spaces where workplace functions blend with hospitality and leisure.

- **The City's 2025 Vision targets a diversification of its employment sectors, and the development of dynamic, innovation spaces.** A rebalancing of uses with continued introduction of more residential, leisure, destination hotels and cultural uses will also be needed to ensure continued success, alongside an improvement in the street-level experience: more space for pedestrians, cyclists and street activity.

# Conclusions

| THEME | PROJECTION |
|---|---|
| THE LOCATION OF WORK | Dispersed between the office, home and an increasing range of "third spaces". |
| THE ROLE OF THE CITY CENTRE | With the decline of comparison retail and administrative workplaces, increasingly a place for leisure, culture, social interactions and learning. |
| LONDON'S ECONOMY | Significant structural change in the short-term but a continuation of the long term trend towards a cleaner, healthier, more vibrant and diverse global destination. |
| WORK / LIFE BALANCE | Flexibility the norm; end of routine commuting at fixed times; employers may start paying commuting costs; flexibility will be empowering for many but the wellbeing consequences of "always on" culture is a risk. |
| URBAN TRANSPORT AND MOVEMENT | Existing funding models will be broken by reduced commuting and will need to be reset. Demand peaks flattened by flexible working. New innovations (scooters, ebikes, better cycle and walking environments) expand golden halos around transport nodes. |
| CITY CENTRE RESIDENTIAL DEMAND | Loss of vibrancy in some urban centres may impact demand and viability. Demand will be more resilient in vibrant centres with character. |
| SOCIAL COHESION / SENSE OF COMMUNITY | More time at home will strengthen communities in predominantly residential areas. |

| THEME | PROJECTION |
|---|---|
| OFFICE DEMAND | Overall reduction in demand but the impact will be uneven across markets and quality: Grade A offices in central, vibrant, mixed-use, "7 days a week", locations will be most resilient as employers work to attract talent. |
| THE PURPOSE OF THE OFFICE | A place to enable and inspire collaboration, socialising, creativity and innovation. |
| THE FORM OF THE OFFICE | Now competing directly with home and third spaces (e.g. hotels, cafes, libraries, clubs), so emphasis on spaces to facilitate collaboration, learning, and social interaction. Service overlay increasingly important as a differentiator. Towers need to integrate well with their environs, and may need to provide more amenity within; their greater flex potential is a benefit. More focus on refurb and extend, which helps occupiers meet ESG targets. |
| THE SPEC OF THE OFFICE | Tension between the need to attract people and differentiate versus home; and the need for flexibility to adapt given shorter leases, changing tech, different uses of space => long life loose fit but challenges include valuation. |
| ESG | Strong ESG performance will be fundamental for Grade A values, and 3rd party accreditation is essential. Buildings will need to reinforce occupier priorities on climate change, diversity & inclusivity, health and wellbeing. |

# Further Reading


- Rethinking Real Estate – A Roadmap to Technology's Impact on the World's Largest Asset Class, *Dror Poleg (2020)*
- Culture and Commerce: Fuelling Creative Renewal, City of London Culture and Commerce Taskforce (2021) *https://www.cityoflondon.gov.uk/assets/Things-to-do/exec-summary-culture-and-commerce-fuelling-creative-renewal.pdf*
- The economic future of the Central Activities Zone - Phase 1 report - Office use trends and the CAZ ecosystem, GLA, Arup, Gerald Eve, LSE (2021) *https://www.london.gov.uk/sites/default/files/caz_economic_future_emerging_findings_update15022021.pdf*
- DEEP DIVE: The choice between demolition or reuse: developer insights, UKGBC (2021) *https://www.ukgbc.org/news/the-choice-between-demolition-or-refurbishment-developer-insights/*
- Where's the spark? How lockdown caused a creativity crisis, FT (2021) *https://www.ft.com/content/27364b27-6c0c-4dec-b109-17c054b49465*
- The Future of Work, Richard Pickering Cushman & Wakefield (2021) *https://futures.cushmanwakefield.co.uk/intel/the-cut/the-future-of-work/*
- How the pandemic will change the City office, FT (2021) *https://www.ft.com/content/a399c208-7027-4138-abbf-6c08ef818a44?shareType=nongift*
- Triumph of the City: How Urban Spaces Make Us Human, *Ed Glaeser (2011)*
- Making Place: The recalibration of Work, Life and Place, *Arup (2020) https://www.arup.com/perspectives/publications/research/section/*making-place-*the-recalibration-of-work-life-and-place*
- Gensler City Pulse Survey *https://www.gensler.com/research-insight/blog/gensler-city-pulse-survey-reveals-changing-urban-experience*
- Mixed Working Here to Stay, BCO (2020) *https://www.bco.org.uk/Research/Publications/Mixed_Working_Here_to_Stay.aspx*
- Commuting is Dead, is the City Next? *Charles Armstrong (2020) https://medium.com/the-trampery/commuting-is-dead-is-the-city-next-part-1-59f2c919d2b4*
- The future of towns and cities post covid-19 KPMG (2021) *https://home.kpmg/uk/en/home/insights/2021/01/future-of-towns-and-cities-post-covid-19.html*