

The Great Office Occupier / Developer Debate

#4 Landlord offering



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It's time for landlords and occupiers to share the new challenges, collaborate on jointly beneficial outcomes and engage in the language of the future workplace.

The requirements of organisations returning to the workplace in a post-pandemic scenario have undoubtedly been influenced by the learnings we have all experienced during the pandemic. As these business requirements continue to go through a state of flux, occupiers will be looking to their landlords to match the changes in demand.

Will we start to see space being offered more like a hotel or retail space to match expectation and need? Workspaces should become more dynamic and capable of being reconfigured quickly to suit an occupier's changing needs. This may be more of a 'stage-setting', whereby the evolving work-settings require changes of scenery and props. Speed and agility in effecting changes will be all important success factors.

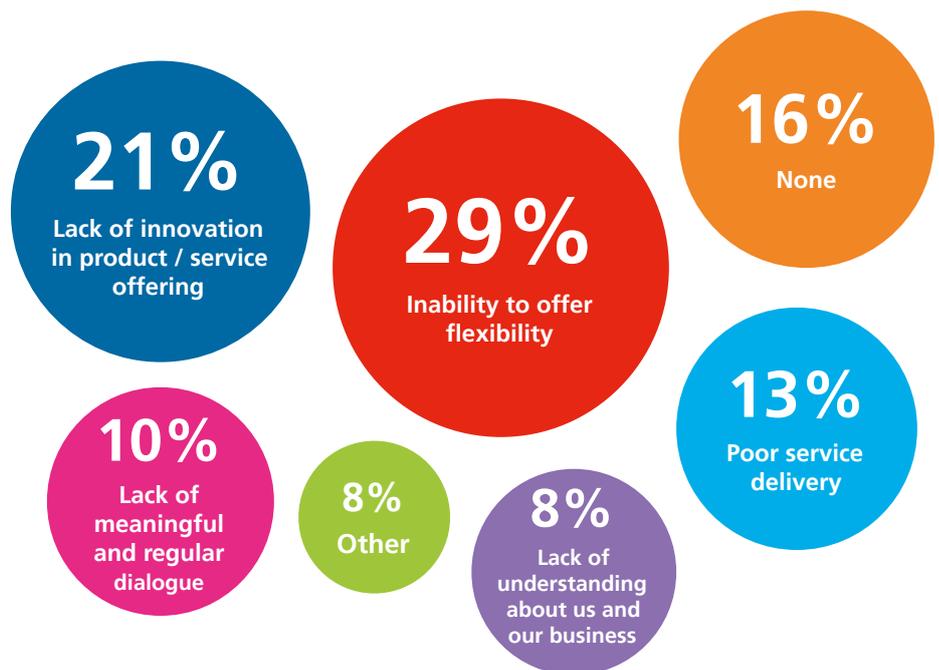
Recent and current opinion polls among staff suggest that the majority would favour a 2/3 or 3/2 day working from home working week going forward. There is also a view, substantiated by many employers, that attendance will be important for cohesion and collaboration across the workforce. This may then necessitate a gravitational pull in order to entice workers back into the office. In this case the office needs to offer more than remote working can do. Choice of work setting, social balance, strong sense of community and team engagement will contribute to success in this area.

Social and leisure features will undoubtedly contribute to the appeal of the office. Before lockdown, we had started to see trends such as a focus on the food and coffee offering available. This is particularly important for campus settings where the external amenities may not be available. Meetings may become more like client lunches, with the restaurant/coffee shop in a building becoming more of a destination to meet and collaborate. Gym spaces, exercise classes - and the permission to use them - will also underpin appeal and connection between the employer and employee.

If we accept that offices need to provide something that a worker cannot always get at home, reliable technology (and further iterations of internet: 5G, Wifi6 etc.) will continue to grow in importance. While some occupiers will still need their own connections for privacy and capacity reasons, some will demand high-speed, stable internet access with more fixed infrastructure embedded into the building so occupiers can chop and change space as needs demand.

Changes in the range and pace of technology and the continued evolution of smarter buildings will drive the need

What is your greatest frustration as a customer in global real estate markets (only one allowed)?



Source: Knight Frank '(Y)OUR SPACE survey'

for more data to be captured on different devices. This should be used to analyse the space and learn about how buildings are being used and how their use can be refined. 'Data savvy' landlords may well hold an advantage, as they will use data to better understand what occupiers want and need and enhance their offering as a result.

All initiatives come with an associated cost. Does this mean the landlord will just have to change the income equation and either become less profitable, or simply pass on the costs to occupiers? This may be an easier negotiation in a single occupancy premises, but what happens in multi-let buildings? This could lead to a tension where occupiers that do not need such extensive services are asked to pay for centralised upgrades.

Catering to different occupiers in multi-tenanted buildings will be an ongoing challenge for landlords, though a possible work-around might be a scheme where charges are based on adoption and usage. Whilst this would need more oversight, it would provide options on a two-tier occupier approach as the market learns new models and organisations decide where they sit with their workplace profile requirements.

It has often been said that landlords are still not particularly customer-centric in their focus. It is perhaps safe to say that, as the commercial sector establishes new profiles and relationships, emphasis needs to be placed on providing facilities that add value to an occupier's experience.

Whilst there is no guaranteed recipe for success, we would expect the following to be central:

- a super-green building aligned with occupiers sustainability policies;
- carefully curated services to match occupier staff needs; and
- a tech layer over the top that seamlessly brings everything together.

Things for occupiers to think about:

For occupiers, there are benefits in building strategies that encourage their staff and business models to thrive and progress. If companies scrimp and save to occupy sub-standard space, it is likely that they will lose talent: the impact on top line is greater than bottom line. While staff costs continue to outweigh the cost of premises at least eight-fold on the balance sheet, this will drive occupiers to seek more from their landlords.

Things for developers and landlords to think about:

The key lesson landlords need to learn, is that there will inevitably be a step change in demand: The working models of the past are no longer good enough, and there's an opportunity to rebuild the system to be better than what was done before COVID-19 - landlords must be ready to engage in the language of the future workplace.

