



PROPERTYEU EVENT  
**ROUNDTABLE**

# The Future of the Office

# The knowledge era heralds the future for offices

PropertyEU’s office round table debated office obsolescence and the digital revolution in a lively online discussion

The role of the office has changed in a meaningful way, but technology and a new sense of purpose will help the asset class move towards a brighter future, concluded participants of PropertyEU’s ‘Future of the Office’ round table. The closed-door webinar saw input from a range of experts in the field of European office investment, development and service provision, tackling the structural changes facing one of real estate’s anchor asset classes.

Few could have imagined that the role of the office in business could ever have come under such scrutiny before the pandemic rocked many daily patterns. Yet enforced working from home (WFH), social distancing, a new appreciation for health, cleanliness and space have all altered how traditional workspaces are seen and used. The panel included investment and development experts Ross Blair, senior managing director UK, Hines; Tomáš Jurdák, partner & head of real estate, MiddleCap; and Arkadiusz Rudzki, executive vice president leasing & sales, at Skanska’s commercial development business unit in CEE. Also in the debate were office innovation experts Michael Cockburn, founder of digital office platform Desana; and Jonas Kjellberg, chairman of the board of NORNORM, a circular, subscription-based furnishing service backed by IKEA.

## OBSOLESCENCE OR EVOLUTION?

As employees return to the office post-pandemic, perceptions of the role of the workplace have never been more in flux. What does that mean for corporate demand in the near future? Blair, with a focus on the Lon-



“We are at the end of an era when we moved people into offices & kept them there”

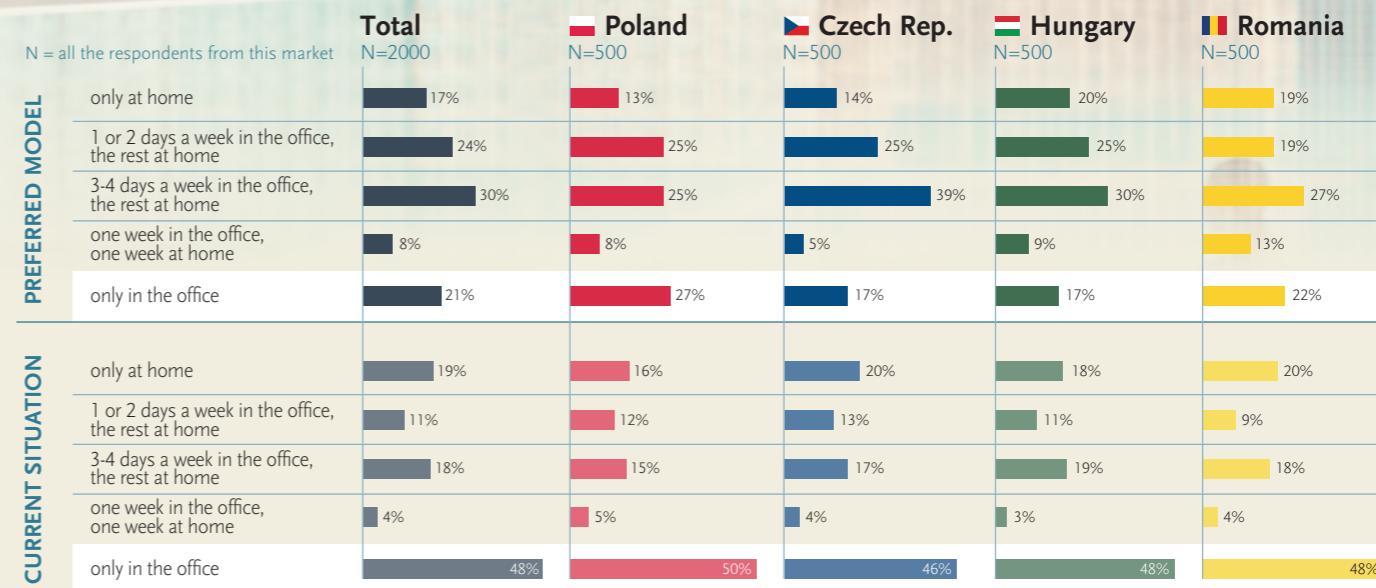
JONAS KJELLBERG

don office markets, said that the immediate picture was unclear. ‘We have been through a slow 18 months, with take-up levels low. But we came into the market off a very low vacancy rate too. Even with rising vacancy, we are in a relatively low vacancy market compared to long term averages. There is also a relatively limited development pipeline coming through. ‘However, the issues needing consideration are very different than past downturns. Businesses are waiting and seeing how their employees react to coming back and won’t make long-term decisions based on the last 18 months. It’s likely that behaviour in the next 12 months will help determine what take-up levels will be for the coming four to five years. ‘That said, at Hines we are big believers that city centres will thrive again. You come to the office to collaborate, but also for all the things that go on around the office. I have witnessed

in recent months how many people have returned to London, not just for offices, but bars, restaurants, retail too, and there’s a desire to experience the city,’ added Blair. Noted Jurdák: ‘Our Southworks scheme in London is 20% leased and we are seeing very good demand, coming off the back of a very low vacancy period. Good quality space is still needed. At the end of the day, office buildings have a very important role, they’re a kind of HR statement by companies, representing their offering to potential new employees. People come to an office not just to do their everyday duties, but because they need interaction. The office of the future will not be a line of desks.’ Said Rudzki: ‘The last 18 months were bumpy, but we all thought it might be worse. People have been working from home, but have also realised how much they miss offices. They’re noting the differences between the corporate workspace and working from home. Of course, there is a group of people who have enjoyed WFH, but there’s still a question mark about how to measure productivity of teams outside the office. Now there’s a need to rebuild the culture of a company. ‘All of those aspects suggest we need offices, but they will have a different function than they did before. Offices will be a collaborative place where people get their heads together; it will be important for occupiers and developers to understand how to communicate this and attract workers to come back. Offices are not dead; In the CEE, we are seeing a lot of service operations coming back to the area, continuing the trend from a few years back.’

## Skanska’s CEE workplace survey

Most respondents preferred 3-4 days in the office, and the rest working from home. Poles most prefer attending an office, while more Hungarians would choose to work only from home.



Added Kjellberg: ‘We are at the end of an industrial era when we moved people into offices, paid them for their time and kept them there. We have enabled ourselves to work from everywhere, work value creation is going to be more important than hourly work. In terms of overall demand – we are leaving the old era and beginning a knowledge era.’

## FLEXIBLE CHOICES

Kjellberg said that this trend is supported by the ongoing interest in flexible offices. ‘While the real estate sector has been very good at locking people in offices, flexible provision is now around 9% of the market, so I think we will see a lot of change in that flexibility perspective, and it will have further ripple effects. We are at the edge of a movement as seismic as the invention of the internet.’ Cockburn, founder of digital office platform Desana, explained how his firm ‘partners with flex spaces all over the world’. ‘Almost all of the larger flex office partners in the US and Asia are seeing their best sales months ever. Yes, they’re going off a low bar, there is a unique market situation right now and they are not struggling to sell space. Enter-



“Enterprise demand has changed, and flexibility is definitely on the menu”

MICHAEL COCKBURN

prise demand has changed, and flexibility is definitely on the menu.’ Noted Blair: ‘Covid aside, tech was already allowing us to be more flexible than 10 years ago. Smart phones have helped a lot. Ten years ago, we bought a city centre office that had been let to be a big corporate, where a new policy was going to let everyone work from home after 15 years in that office. But very recently, that same occupier started signing multiple leases to come back to the

city centre. So, demand is always fluid. ‘During the pandemic, people were forced to figure out tech more quickly – with changes coming in 12 months that might have taken five years. I think we have proved WFH can work and will be here to stay in some capacity. We need to trial how people come back, before corporates make a decision about how they use offices in the future.’ Noted Rudzki: ‘Flexibility is the buzz word of today. Flex has many dimensions; it doesn’t just mean a binary choice between WFH and the office – it’s much more than that. It’s also about how flexible the office is, depending on the situation. We recently did a survey to ask what peoples’ preferences are and how they have been working over last 18 months. ‘What was surprising was that 50% of the people reported they had been working from offices all of the time. They were coming in, either because they don’t have the right conditions at home, or because they prefer to work around their colleagues. But I agree we have a change in front of us, although I don’t believe it will be so radical. The office might be something that can lure people back if the mix is right.’





“At Hines we are big believers that city centres will thrive again”

ROSS BLAIR

**THE AMENITIES RACE**

In terms of the right mix, the panel said it was clear that a race was emerging to add ever more impressive amenities and services in order to attract occupiers and in turn workers.

Said Rudzki: ‘Right now, the most important amenity for an office building is a flexible component. This needs to be built into offices from the very beginning, and should be taken seriously by developers. Flexible office providers are growing, but it’s a low margin business which requires considerable scale. This has not been so much appreciated by investors yet, but it’s an interesting trend.’ Skanska owns flexible office provider Business Link after taking over the firm with premises in Poland and the Czech Repub-



lic in 2019. ‘In the future, we expect to see landlords both trying to manage their own flexible spaces and looking to partner with experts,’ Rudzki confirmed.

Jurdák agreed. ‘As a smaller developer, we are also seeing a need for flexible elements in each building. We will partner with some of the operators and try to offer this across all our offices.’

Noted Blair: ‘When you are developing a building, amenities are a big marketing draw. In London amenity types have just got better and better. Before, developers focused on rather predictable amenities they could supply within the building – from gyms to cafes. That is changing. While what is in the building still matters, how the building connects with the surrounding area is increasingly important.

‘There’s a growing acceptance that providing an abundance of amenities will limit rental space, but on the remaining space I think you will get higher rents, as the building will stand-out. There’s now a genuine belief that you can drive rental performance that way, rather than worrying about giving up valuable space.’

Kjellberg of flexible furniture provider NOR-NORM explained his firm’s approach to the amenities race. ‘We make it super simple. We can add on furniture to lease packages which helps landlords. Coworking has involved renting out desks. So, we can help create that venue, to then rent out to smaller clients which don’t have their own furniture.



“In sustainability, we believe that technology should support what is natural”

TOMÁŠ JURDÁK

We are also seeing many buildings that have different floors for different tenant types.

‘A lot of blue-chip occupiers are getting rid of furniture, such as Electrolux or H&M, and are giving or selling it to us at a low price.

‘Many firms are now coming to us that have just flipped their long lease and want a different kind of office; fewer desks, more collaborative spaces. We are growing the most in this area right now. Think progressive landlords like Edge, and progressive IT companies that need offices with a mix of micro solutions, rather than big banks or institutional occupiers. Landlords that see this is working are coming back to us with enormous empty offices, as time to lease shortens if you have a move in-ready space.’

**WHAT OCCUPIERS WANT**

For Kjellberg, the amenities trend is part of a larger movement. ‘The big shift started pre-Covid,’ he said ‘Developers were creating commodity products in the office sector, not personalised products; the main target was the institutional investment market. The principal change is that we are now trying to create new products, and we are talking about every single person in the buildings and their roles, so amenities matter. Six or seven years ago, leasing decisions started to be shaped by employee surveys, not just board decisions. Commuter studies were carried out. Covid has tipped that balance.’ Said Rudzki: ‘As a developer, we are now creating office parks which take into account



the space around the building – the science of space making – to attract people. In the future, offices are going to be more about the hospitality business than ever before. We’re seeing low unemployment in CEE, and that means that the talent gets to choose where they work. Firms need to work out how to attract people not only locally, but internationally. So, offices can learn a lot from hotels, which are great at creating experiences. The office of tomorrow will be about experience management.’

Rudzki added: ‘The other big story is health and wellbeing. Everyone wants to work in a safe space, which is also environmentally friendly. While certificated buildings and carbon footprint considerations are super-high on the agenda, more aware end-users are also looking for a work place that explores the wellness dimension.’

**THE ROLE OF TECHNOLOGY**

Sustainability today is in part driven by advancements in technology, the panel concluded, but that’s not the only thing that digital developments can achieve.

Said Blair: ‘We’re interested in understanding how we can use tech to enable us to build smarter buildings, and how we can use that tech to operate the buildings better going forward. Development typically takes years and the sequencing is critical. We are trialling a few forms of technology in our development projects, from 3D imaging of developments in progress with a detailed photo record of every single construction

stage, to check and aid productivity. This helps developers deliver things more quickly and more cost effectively.

‘In terms of the development of technology for buildings in use, even in a very sophisticated market like central London, I think there are very few buildings that have a great app for landlord tenant dialogue. Vast swathes of London offices are owned by overseas, distant landlords. That needs to change and those landlords need to find people that can help them on the ground. Anecdotally I have heard that in Asia the in-use tech is in some areas is light years ahead, so we have a lot to learn.’

Noted Kjellberg: ‘We come from the perspective that we are not a furniture company but a tech company. We have software which can design furnished floorplans in three different ways in 24 hours. We place sensors on all desks, so we can see if they are being used or not; and we can put sensors on ceilings too to give end users usage data.’

Added Cockburn: ‘We build all of our tech in house, and our platform is structured to scale up and pass penetration tests for large corporate occupiers, to make sure we handle data safely. We have taken quite an iterative approach, it’s a closed network; there have been some architectural changes per client too. We believe we are building the interface between people and buildings and facilitating a new blend of solutions, that needs to be centralised by the employers. You can’t give freedom but you can give autonomy. You need to unify people. We are optimising



“Right now, the most important amenity for an office is a flexible component”

ARKADIUSZ RUDZKI

the user experience of using space for work, while constantly evolving.

‘That’s the beautiful thing about tech, it moves faster than the built environment, and is great for exponentially increasing efficiency.’

For Skanska’s Rudzki, technology provides the backbone of their sustainability approach – and so much more. The firm has been partnering with Saule Technologies’ perovskite solar panels with considerable success. ‘We can place it on the façade of our buildings and can use this kind of tech to target a carbon neutral future. Smart phone apps, such as that deployed at Spark in Warsaw, help employees control their environment and even their parking.’

Jurdák said that MiddleCap sees the role of technology in the sustainability race differently. ‘We want to avoid too many applications as the market is so dynamic, everything is obsolete in six months. We do scan the market on a monthly basis to determine the best products, but as a developer, we are focused on the digital backbone of the building, so you can connect anything to that. It’s about taking the best and putting it together like Lego.’

He added: ‘When we look at sustainability, we believe in the natural environment. We would rather promote anything that can be natural and close to natural. That means fresh air and direct light, also in staircases and bathrooms. Tech isn’t the only way and we believe that technology should only support the natural.’ ■