



(Y)OURS SPACE

DISCOVER YOUR **NEW WORLD OF WORK**

Commissioned by

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FOREWORD

(Y)OURSPACE IS CHANGING



After the challenges of 2020 and the ensuing debate about the future of the office, our latest survey of almost 400 global occupiers confirms that they continue to see real business benefit accruing from real estate. It also shows, however, that there is a clear and increasingly urgent requirement for the form and function of the office to evolve as the pandemic recedes and the opportunity to ‘build back better’ presents itself to business leaders.

The majority of survey respondents, armed with the lessons obtained from the great global workplace experiment of the last year, have confirmed that they will embark on a rigorous reconfiguration of their global portfolios and a remodelling of their workplaces over the next three years.

New strategies will have workplace safety, sustainability and smart technology at their heart. Across global real estate markets, businesses will gravitate towards offices that are more user-centric; reduce environmental impact and support corporate ambitions or requirements around ESG; and which utilise technology and the data it generates to measure, manage and curate what will be a more dynamic workplace environment and experience.

This transformation is not without challenge, not least because of the fragile operating environment and cost consciousness apparent as we emerge from the pandemic. Exposure to expertise and global best practice is essential if these challenges are to be met and the transformation achieved.

Knight Frank is here to provide you with that expertise, advice and support. We have made significant further investments in our Global Occupier Services & Commercial Agency service line since the first edition of (Y)OUR SPACE back in 2018. We have strengthened our consultancy teams to supplement our best in class transactional teams operating within and across global markets.

This second edition of (Y)OUR SPACE draws on this capability and shines a light on the key considerations and best practice responses shaping global workplaces. We would be delighted to discuss any aspect of the research or our capabilities with you, so please do get in touch.

WILLIAM BEARDMORE-GRAY

Global Head of Occupier Services & Commercial Agency

CONTENTS

03

FOREWORD

05

EXECUTIVE SUMMARY

08

CORE FINDINGS AT A GLANCE

10

STRATEGY IN STRANGE TIMES

16

SAFE AND WELL

20

SUSTAINING CHANGE

24

GET **SMART**

28

VIEW FROM THE GROUND

EXECUTIVE SUMMARY

Four S's will inspire the future form, function, quality and quantum of the office as it is reset against the backdrop of the Covid-19 pandemic, associated changes in working styles and a more challenging business operating environment.

STRATEGIC:

There's a new strategic intent in corporate real estate decision making



A new strategic intent will be evident from office occupiers across global real estate markets, as they seek to reconfigure their global portfolios and remodel their workplaces. There is no question that real estate will continue to matter strategically to businesses as they build back better from the pandemic - 90% of our survey respondents regard the office as a strategic device for their business - but the form, function, quality and quantity of that real estate will be significantly transformed.

Contrary to much of the recent debate, this transformation does not represent a point of departure towards a new destination, but rather a more rapid transition along a path already travelled, at least by some businesses, over recent years. For example, in the first edition of (Y)OUR SPACE published in 2018, we wrote: "The aim is now to increase productivity by strengthening the interaction between people and property via the creation of, and investment in, a positive, serviced and well-supported workplace experience."

In a post-pandemic environment, the need and means to achieve this compelling workplace experience has become more pressing for more businesses. The same is true in respect of the journey towards more collaborative workspaces, hot-desking, desk-sharing, flexible space, increased and broadened amenity provision, and the growing mobility of occupiers towards new locations or micro-locations. As these, and other, strategic responses emerge, the remaining three S's – safe, sustainable and smart – will come into greater consideration.

SAFE:

Health and safety joins wellbeing at the heart of the workplace experience



An obvious and elevated business consideration will be the delivery of safe and secure working environments. The Covid-19 experience has heightened our awareness of the role that workplace and building design can have in mitigating disease transmission, thus keeping employees safe and well.

Although vaccination programmes are now being rolled-out around the world, it is likely that workplace safety will be a long-term consideration and obligation for both business leaders and building owners. One implication of this will be the reversal of the ever-increasing densification of office occupancy witnessed since the global financial crisis.

The provision – or at the very least the ability to reconfigure in order to provide – more space per person within the workplace will become critical, particularly as it will be a clear demand from employees. So too will deeper and more regular building cleaning regimes, more frequent maintenance and management of HVAC systems, and the ability to rapidly implement mitigation plans in the event of future viral outbreaks.

As is evident in those Asian markets first exposed to Covid-19, technology will be a key weapon in the delivery of this safer workplace environment. This fundamental focus on health will be supplemented by a continued yet stronger consideration of employee wellbeing and the provision of office amenities that support both physical and mental wellbeing.

Not only will such amenities make the office more compelling in a working world characterised by greater choice, they will also be central in the achievement of a new 'contract' between employer and employee, whereby staff wellbeing becomes viewed as a business imperative.

SUSTAINABLE: Sheer criticality and corporate commitment combine to finally force action



Doing good also extends to greater care and consideration for the environment. This is a pressing issue, with most science unequivocal in the fact that we have no more than thirty years to save the planet from a catastrophic climate crisis. The sheer criticality of this issue means that businesses will not be able to distance sustainability considerations from their real estate decisions, as most did in the aftermath of the global financial crisis a decade ago.

Given that real estate accounts for around 40% of global carbon emissions, parking sustainability issues in the sidings is neither viable nor responsible. Furthermore, it goes against the grain of significant and public corporate commitments towards becoming net zero carbon – 77% of our survey respondents who have a publicly stated net zero carbon target have a target date set before 2030. These pressures, together with the rise of a robust ESG agenda within the investment world, will force action.

Yet our research shows that education is also required. The connection between corporate real estate and these laudable commitments is not as strong as it should be. The level of green building accreditations with global portfolios also remains low with a lack of targets in place to raise the game. The evidence base and data to support the business case for occupancy of sustainable real estate needs to be stronger and more transparent. The push factors towards sustainable real estate solutions are certainly powerful enough to incite action, but more data-backed pull factors would serve to increase the pace of change.

SMART:

To measure is to manage,
curate and convince



There is no question that real estate will continue to matter strategically to businesses as they build back better from the pandemic, but the form, function, quality and quantity of that real estate will be significantly transformed.

Data is central to the final emerging workplace consideration – the rise of smart buildings. Management guru Peter Drucker famously once said ‘what gets measured, gets managed’. In the context of future workplace strategies, this rings true, but the use of data has an even wider potential application. There are three clear and interlinked business rationales for utilising the data derived by smart real estate.

First, and in keeping with Drucker’s sentiment, the ability to manage the workplace environment. A basic example would be the use of building management systems and sensors to flag when there is a faulty lightbulb that can be efficiently replaced without reliance on a user logging the issue. This leads to a more efficient and effective workplace. Alternatively, sensors within the fabric of the building or even within fixtures and fittings, can allow businesses to identify what areas of their floor-plate are being utilised (and which are not) for how long and even potentially by whom, presenting opportunities to intervene and reconfigure or redesign accordingly.

Second, and linked, is the opportunity to utilise data to curate and sustain a strong workplace experience. Again, this can draw on sensor material but might also see the use of building-level applications to support users in finding a desk, locating co-workers for collaboration, booking meeting or tele-conferencing rooms, booking classes within on-site amenities or utilising concierge services. Engagement data with the app can also help determine what works and what does not, or where to invest and where not to.

The third potential use of building data is to articulate the operational and strategic value of the existing real estate portfolio or to strengthen the business case for further investment in it. One of the greatest challenges faced by corporate real estate professionals to date has been the seeming inability to connect, through data, real estate to business productivity, efficiency or outputs. As a result, real estate is often measured by its required financial input – how much it costs to procure and operate the office.

This is dangerous in a cost conscious operating environment but more worryingly, as we have seen historically, it can also lead to the reduction of space without due consideration of its wider business impacts on people, productivity, culture, collaboration or innovation – the very things that the real estate strategy is seeking to enhance.

The next three years will witness significant transformation in portfolio and workplace strategy. A new strategic intent will be evident from businesses seeking to adjust the where and what of the workplace to take account of a changing operating environment and different expectations from current and future staff. A new dynamic global workplace will emerge – one that is safe, sustainable and smart.

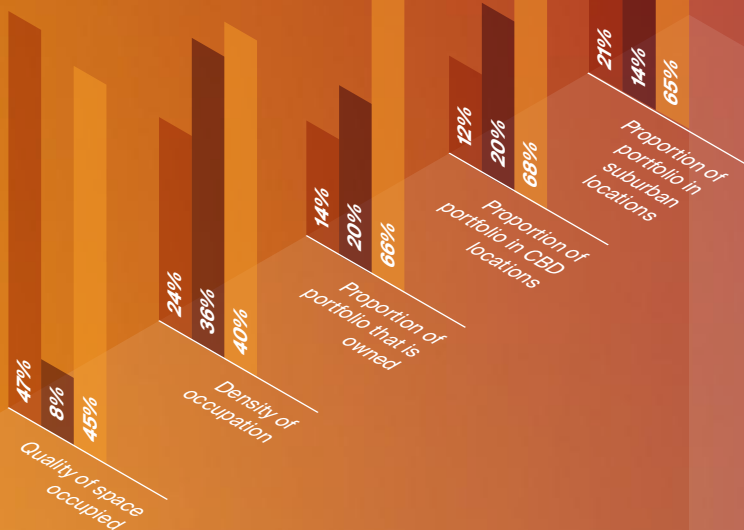
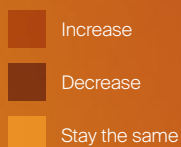
CORE FINDINGS AT A GLANCE

The following core results are based on the responses of 373 corporate real estate professionals, drawn from companies employing more than 10 million people worldwide.

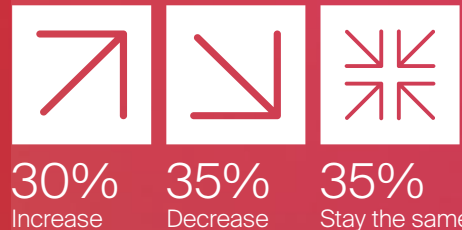
GEOGRAPHICAL REMIT OF RESPONDENTS



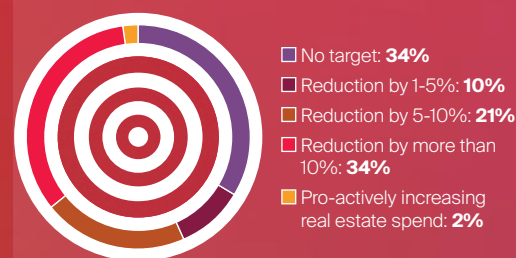
OUTLOOK FOR NEXT THREE YEARS IN TERMS OF PORTFOLIO & WORKPLACE DYNAMICS



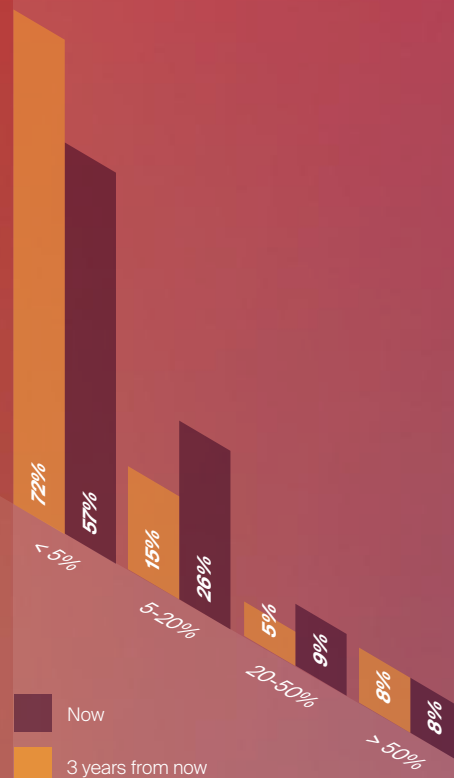
TOTAL SPACE IN GLOBAL PORTFOLIO 3 YEARS FROM NOW...



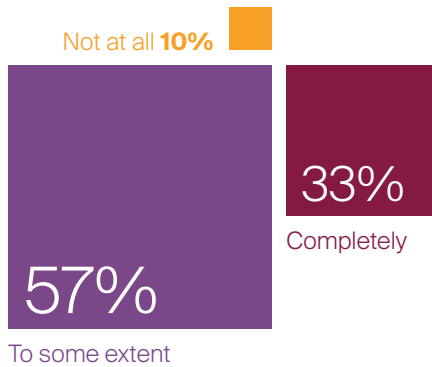
COST SAVING TARGETS



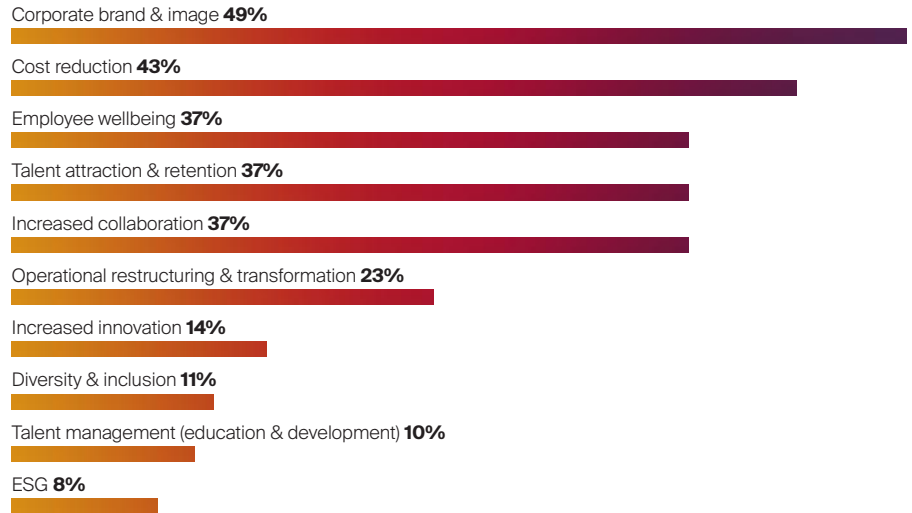
PROPORTION OF GLOBAL PORTFOLIO THAT IS IN SERVICED / MANAGED OR CO-WORKING SPACE



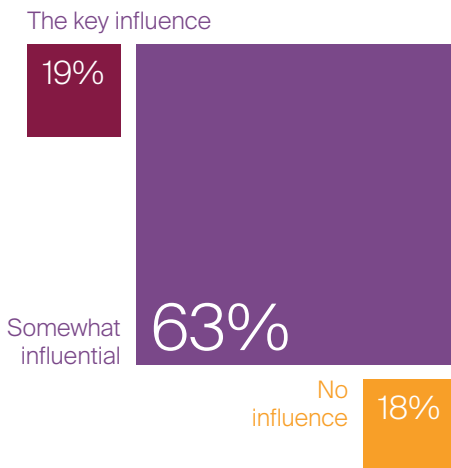
TO WHAT EXTENT IS REAL ESTATE REGARDED AS A STRATEGIC DEVICE WITHIN YOUR BUSINESS?



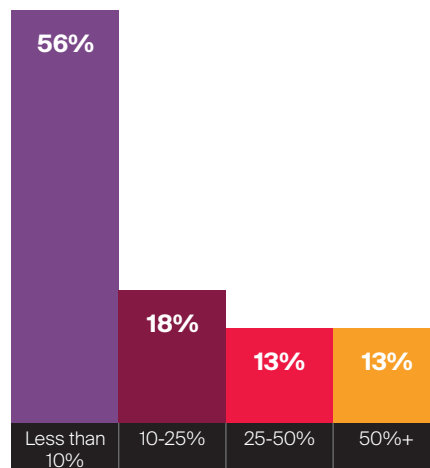
WHAT STRATEGIC AGENDA ITEMS DOES REAL ESTATE SUPPORT?



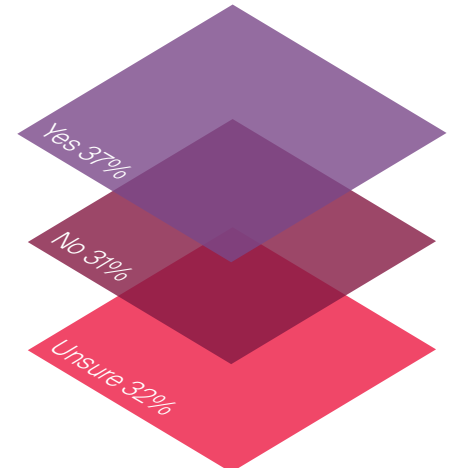
HOW INFLUENTIAL WILL SUSTAINABILITY CONSIDERATIONS BE IN DETERMINING YOUR REAL ESTATE PORTFOLIO & STRATEGY OVER THE NEXT 3 YEARS?



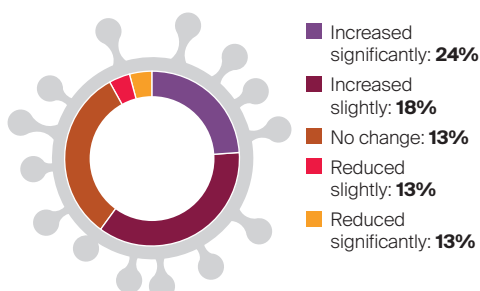
WHAT PROPORTION OF YOUR GLOBAL PORTFOLIO HAS AN ENVIRONMENTAL ACCREDITATION (BREEAM, LEED, DGNB, GREEN STAR, CASBEE, ETC)?



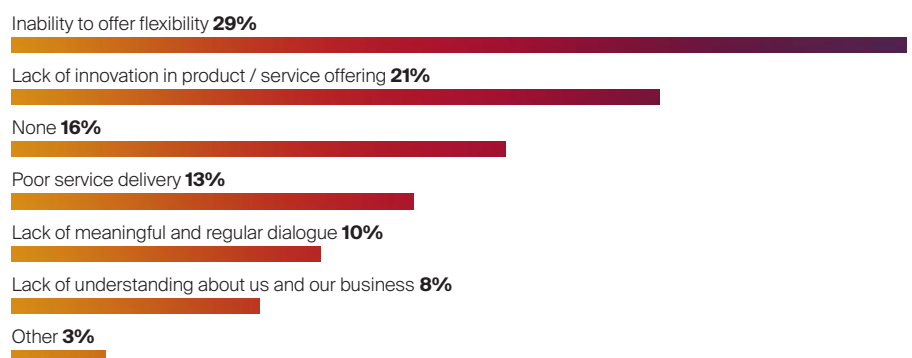
DO YOU HAVE A CLEAR TARGET IN PLACE TO INCREASE THE PROPORTION OF YOUR PORTFOLIO THAT HAS AN ENVIRONMENTAL ACCREDITATION?



SINCE THE OUTBREAK OF THE COVID-19 PANDEMIC, HOW WOULD YOU RATE THE FREQUENCY OF YOUR ENGAGEMENT AND DIALOGUE WITH YOUR LANDLORD(S)?



WHAT IS YOUR GREATEST FRUSTRATION AS A CUSTOMER IN GLOBAL REAL ESTATE MARKETS (ONLY ONE ALLOWED)?



STRATEGY IN STRANGE TIMES



The post-pandemic era will fuel a wide-ranging business transformation agenda. Despite soundings to the contrary, the office will be a key device in successfully meeting the challenge. It too, however, will need to transform.

Aside from the obvious, heart-breaking human tragedy of Covid-19, the pandemic has also served to challenge accepted norms in how we live, work and interact. As we have gone through the crisis, governments, communities and businesses have all channelled Einstein's famous line: "In the midst of every crisis lies great opportunity" to promote the prospects for positively 'resetting' or 'building back better'.

Commercially, such thinking actually predates the pandemic. The 2020 meeting of the World Economic Forum in Davos, for example, placed great emphasis on the emergence of 'stakeholder' rather than 'shareholder' capitalism – the notion that businesses could make a more positive contribution to employees and wider society, as well as those invested in their financial success. The pandemic has served to amplify the opportunity for such transformations.

MISINTERPRETING THE FUTURE WORKPLACE

This is particularly true in respect of work and the workplace. The onset of the pandemic created the conditions for a global workplace experiment, whereby businesses were faced with little alternative but to implement remote or working from home processes that had, until that point, been the exception rather than the rule.

Facing up to a real test of operational resilience, most companies surpassed their own expectations. Indeed, 59% of the 400 global occupiers we surveyed for this research rated their experience of working from home as 'positive' or 'hugely positive'.

Yet, in contrast to much of the global business newsprint produced in the early months of the pandemic, such a positive finding does not represent the death knell for the office. Such claims fall foul of three common misinterpretations.

First, they regard the choice between formal office and remote working environments as a binary, either / or choice. Second, they take short-term (and often enforced) adaptations and extrapolate them into long-term trends without sufficient consideration of how sustainable or accretive they actually are. Third, the rate of adoption of fully remote working models that negate the need for actual offices (although evident in a small number of well-rehearsed examples) is not representative of the mainstream business response or aspiration, which has, to date, been more cautious and guarded.

In reality, the shaping of new working styles, and the consequences for the workplace, is in fact more varied, more dynamic and, hence, much more complex.



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EMERGING MODELS OF WORK

That complexity is evident in the range of new working models emerging as businesses begin to plan for the post-pandemic era. In so doing, they are drawing on the lessons – both good and bad – from the global workplace experiment to create a number of potential responses.

Three have been particularly evident. Most common has been the notion of hybrid working, the combination of in-office and remote working in varying proportions, as a means of employees and employers capturing the benefits of both. Some businesses, particularly within the tech sector, have moved further still, adopting ‘work from anywhere’ policies that give employees freedom to choose where they work and how.

We have also seen choice offered through proposed ‘hub and spoke’ models of work. Here, traditional hub-offices, which are HQ-type buildings fulfilling core functions such as client engagement, are coupled with spoke offices, which are more geographically dispersed. Naturally, spoke offices present opportunities for employees to work closer to home and for employers to potentially mitigate environmental impacts through reduced commuting, build operational resilience by being multi-locational and also make savings on real estate costs.

The commonality between each of these emergent models? None dispenses with the office but instead serves to alter the form, function and location of the formal workplace. While we recognise there will be a considerable variance in individual



business responses, we have aggregated the views of 400 global occupiers to understand how they are likely to reconfigure their real estate.

COMPUTING QUANTUM

In keeping with the emerging models noted above, there is a more nuanced position when it comes to the future quantum of real estate that businesses will require. The business reality is not as simple as the ‘slash and burn’ of large swathes of office space proclaimed in recent headlines. In fact, our survey analysis finds that just over a third of respondents (35%) expect to see a reduction in the size of their global portfolios over the next three years, the very same proportion that expects to see their portfolio size remain stable. In contrast, some 30% actually expect to increase their global quantum of space on the back of business growth, transformation and entry into new markets. It is important to note that such growth is often in preparation for longer-term ambitions within the business rather than as an immediate response to the pandemic. In this regard, almost half of our respondents (48%) view Covid-19 as a medium term influence

TOTAL SPACE IN GLOBAL PORTFOLIO 3 YEARS FROM NOW

30%
Increase



35%
Decrease



35%
Stay the same



on their real estate plans, with the remaining half almost evenly split between seeing Covid-19 as either leaving a lasting legacy on real estate strategy (27%) or having no impact at all (25%).

Although more nuanced, one thing is apparent from respondents. Whether the quantum of space in global portfolios is forecast to increase or decrease, the magnitude of change is significant. Some 69% of respondents anticipate their portfolios resizing in either direction by more than 10% of their existing scale. The future reconfiguration of real estate portfolios by businesses is not going to be a marginal play, and this will fuel renewed activity levels across global real estate markets.

CONSIDERING COST

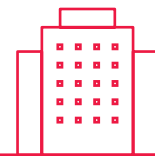
A great point of departure in this latest survey, when compared to that undertaken for the first edition of (Y)OUR SPACE, is the elevated cost-consciousness that is shaping the real estate decisions of businesses. While we maintain that simply seeing real estate as a cost rather than an investment that supports wider business strategy is myopic and a false economy, there is little doubt that real estate transformation strategies will occur against a more challenging financial backdrop. Once again, this is borne out by our survey. Although more than a third have no cost saving target for real estate, the same proportion are seeking to reduce real estate costs by more than 10%, with 54% of



all respondents noting that their cost saving targets have increased since the onset of the pandemic.

DRIVING MOBILITY

The adoption of new models of working may actually serve to support this re-emerging cost saving agenda, whether it is through the provision of more space in lower-cost 'spoke' locations or the adoption of hybrid working, which essentially means that the same envelope of office space can be utilised more efficiently by a greater number of people. This interplay between costs and changing workstyles also appears to be at the heart of prospective HQ relocations.



38%

of our respondents rate the likelihood of relocating their HQ within the next three years as either 'definite', 'very likely' or 'fairly likely'

38% of our respondents rate the likelihood of relocating their HQ within the next three years as either 'definite', 'very likely' or 'fairly likely' with only 15% viewing such a move as impossible. As businesses reset their real estate portfolios, the relocation of hub offices will be actively considered, with two dominant drivers at play. 59% see the opportunity for cost savings to be a noteworthy driver, whilst 54% see relocation as a potential outcome of new working styles and an associated change in the quantum and quality of space their business requires.

COST SAVING TARGETS

No target

34%

Reduction by 1-5%

10%

Reduction by 5-10%

21%

Reduction by more than 10%

34%

Pro-actively increasing real estate spend

2%

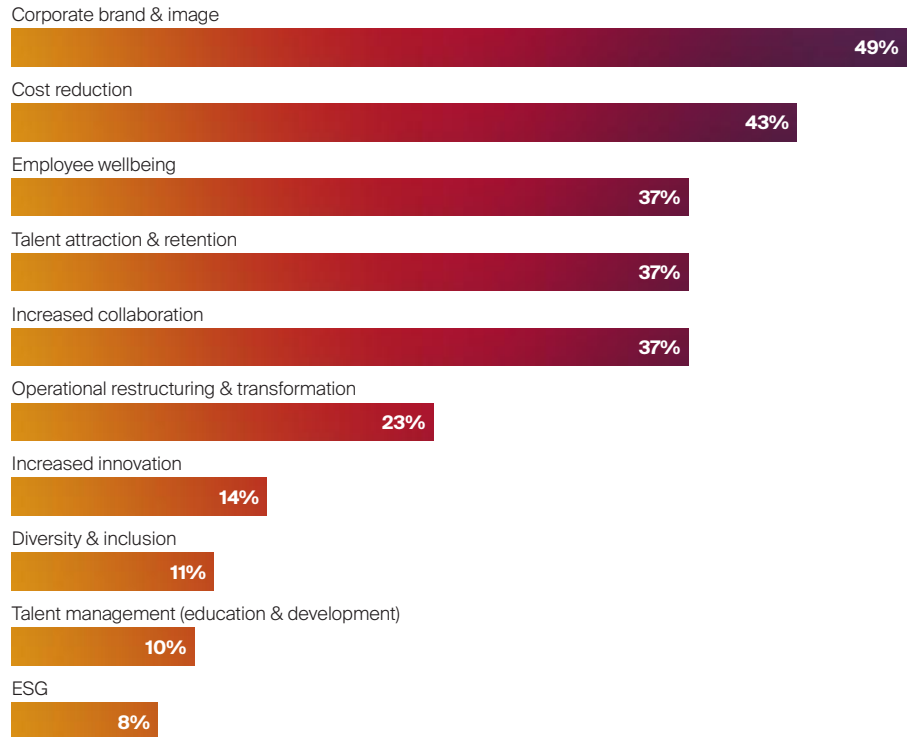
REAL ESTATE MATTERS

The balancing act between transformed working styles, budgetary compliance and having the right amount of space to address both, leads to a further strategic consideration: what function does real estate play?

When it comes to offices, the narrative of need has strengthened as the pandemic has progressed – a case perhaps of ‘absence makes the heart grow fonder’ or ‘you don’t know what you’ve got until it’s gone’? As the honeymoon period of remote working drew to a close for many, and concerns about productivity and staff wellbeing (particularly for younger staff) increased, so too did the strength of voice from business leaders restating the case for the office.

Although there is recognition that the office may not be a fixed, five days a week requirement, it has been firmly positioned as a valuable contributor to organisational culture; client interaction; staff development,

WHAT STRATEGIC AGENDA ITEMS DOES REAL ESTATE SUPPORT?



Although there is recognition that the office may not be a fixed, five-days a week requirement, it has been firmly positioned as a valuable contributor to organisational culture; client interaction; staff development, recruitment and on-boarding; collaboration and socialisation.



recruitment and on-boarding; collaboration and socialisation. This tone is supported by our survey results. 90% of respondents regard real estate as an important device that supports, facilitates or portrays business strategy – an increase, despite the challenges of the last twelve months, on the 85% subscribing to this point of view in our original survey back in 2018. Real estate continues to matter to business. It matters because it supports a wide array of corporate agenda items. More than 10 specific items were identified by our survey respondents, chief among them corporate brand and image, cost reduction and employee wellbeing.

While cost reduction has already been discussed, the elevation of corporate brand and image and employee wellbeing as strategic items are interesting barometers for the future function of the office. The office will take on a greater prominence in promoting the values and qualities of the occupying business to their customers, clients and staff (both existing and

prospective) – something that is difficult to achieve in a fully remote world with a dispersed workforce. The office presents an identity and profile that is invaluable commercially. It is also integral to forging inter-relationships with both clients and colleagues.

In this respect, the interaction between the people and property serves to support and galvanise the culture that is crucial to an authentic brand position. Employee wellbeing is also particularly noteworthy as an emerging strategic function – particularly given the opportunity for business to build back better – and we will return to this aspect elsewhere within this report.

QUALITATIVE CHANGE

The strategic motivations providing a continued rationale for corporate real estate, coupled with a highly transformative business agenda, will serve to reset the qualities of office space over the next three years. This resetting is evolutionary rather than revolutionary. Much of the direction

that we outlined in the first edition of (Y) OUR SPACE continues, but with a greater urgency for action.

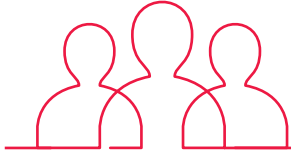
Indeed, our latest survey respondents point to a clear appetite for the workplace to be elevated in quality and richer in amenities in order to attract existing employees who have choices as to where they work and to prospective employees who see the working environment as a differentiator amongst potential employers. But our findings also point to two areas where the qualities of the workplace are set for a more significant reset.

55% of survey respondents believe that there will be an increase in the proportion of collaborative space found within their portfolios over the next three years. The office will further its role in bringing people together to interact, collaborate and, yes, to socialise. This again is at the very heart of the creation, curation and sustenance of a corporate culture. It creates a strong distinction between the function of the office and the role of more remote or home settings, which will be more about focused and individual work.

This is not to say that remote working cannot be collaborative, it can, but the ease of that collaborative effort is improved with physical proximity. The rise of collaborative space also drives the reversal of the increasing occupational density that has characterised the office environment over the last ten years. 36% of respondents believe that occupational density will decrease in their portfolio over the next three years, while a further 40% expect it to not deviate from existing levels. These figures align with respondent expectations of the amount of personal space allocated to individual occupants – reflecting the refocus of the office from ‘me’ to ‘we’.

This transition also points towards real estate strategy seeking to extend beyond the short-term horizon of the pandemic.





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Clearly, a world characterised by lockdowns and social distancing protocols has made office-based collaborations impossible to achieve but, in time, as vaccination programmes take effect across the world, they will represent the strongest rationale for the office. A similar sentiment underpins the other major reset in office space over the next three years. Just over half (54%) of survey respondents anticipate extending hot-desking and desk-sharing regimes, as our relationship with the office becomes more fluid, as space becomes more collaborative and as cost alone prevents the provision of dedicated personal space for most.

Indeed, 77% of respondents expect to either decrease or stabilise the number of desks per person within their offices over the next three years, with almost six in every ten respondents foreseeing desk to people ratios of 50% or below. Once more, this is difficult to marry with the current workplace where fears over disease transmission have prevented the sharing of space. Again, we expect this to pass, but as the second theme of this report explores, the shift towards more temporary and shared spaces will place health and safety at the very heart of the future workplace experience.



OUTLOOK FOR NEXT THREE YEARS IN TERMS OF PORTFOLIO & WORKPLACE DYNAMICS

Amount of collaborative space



Average lease length



Desk-sharing & hot-desking



Amenities provided within our workplace



Use of data to make real estate & workplace decisions



■ Increase ■ Decrease ■ Stay the same

SAFE AND WELL



As they adapt to a post pandemic world, businesses will need to pay greater attention to the health, safety and broader wellbeing of their employees. The office will be a crucial theatre with success reliant upon increased interaction with building owners, the greater application of technology and the provision of a broader array of building amenities.

There have been many bold claims in relation to the long-term influence of Covid-19 on the workplace. Whilst there is absolutely no doubt that the pandemic has elevated the discussion about the office, its contribution to both business and wider society, and the trajectory of its future evolution, much of the debate has been extreme and one-dimensional. Although in recent months it has not felt like it, Covid-19 is in fact only one of a range of influences shaping the future progression of the global workplace.

Those wide-ranging challenges that pre-date the pandemic – such as the push for greater productivity, digital disruption, changing geo-politics, the diversity and inclusion agenda, skills-shortages, talent attraction and retention, and financial pressures – have not subsided. They all remain in place and have become, arguably, even more critical. While not receiving the same attention, they will in our view, exert growing influence on corporate real estate decision-making as vaccination programmes take effect, as the pandemic subsequently becomes more controllable and as the gaze of business leaders turns towards the process of building back better.

In fact, the all-consuming focus on Covid-19 already feels somewhat incongruous in those parts of the world, notably in Asia, which appears to have gotten to grips with the virus. This is evident in the findings of our occupier survey. At a global level, 27% of respondents believe that Covid-19 will influence their real estate strategy forever, but when the sample is limited to those respondent companies whose global headquarters are within Asia Pacific, this number falls to just 12%.

Furthermore, some 35% of these same respondents actually stated that Covid-19 has no influence on their real estate strategy at all (compared to 25% globally). One of the failings of the debate of the last year has been the sheer dominance of on the ground views from the UK and the USA. There is, in fact, a more nuanced position across the world, whereby Covid-19 is an important but not all-encompassing consideration on real estate decision-making. This geographical variance is important to note in charting the future trajectory of the global workplace.



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A NEW 'CONTRACT' BETWEEN EMPLOYER AND EMPLOYEE

One area in which the recent experiences of Asian-based businesses does have strong global resonance is that of workplace safety. This issue will be at the very heart of the ability to re-occupy global workplaces over the short-term, but will also become a long-term workplace consideration as employers react to heightened anxieties or expectations from their employees in respect to their own health and safety. It will also, of course, be a key consideration of future workplace plans in order to mitigate risks associated with any additional waves of Covid-19 or indeed any new viral outbreaks in the future.

We believe this is one aspect of a new 'contract' between employer and employee in the post-pandemic world, where greater consideration and support is given to the wellbeing of all staff. It has been evident in the appointment of a Chief Medical Officer at Morgan Stanley (pre-pandemic) with a specific focus on wellbeing programmes, and Amazon's recent announcement of a telehealth support service – Amazon Care – for both their employees and now, increasingly, the staff of other companies.

This aligns with the broader findings from Mercer's 2020 Global Talent Trends report



(again pre-pandemic), which revealed that 48% of the C-suite executives they surveyed were concerned about supporting employee's health and wellbeing – which made it the poll's top-ranked workforce concern.

The onset of a global health crisis is hardly likely to have lessened this focus. It is therefore imperative that building owners and occupiers look for ways to safeguard those employees and optimise the workplace experience to ensure that they hit the ground running as offices reopen and re-establish a place in our working lives.

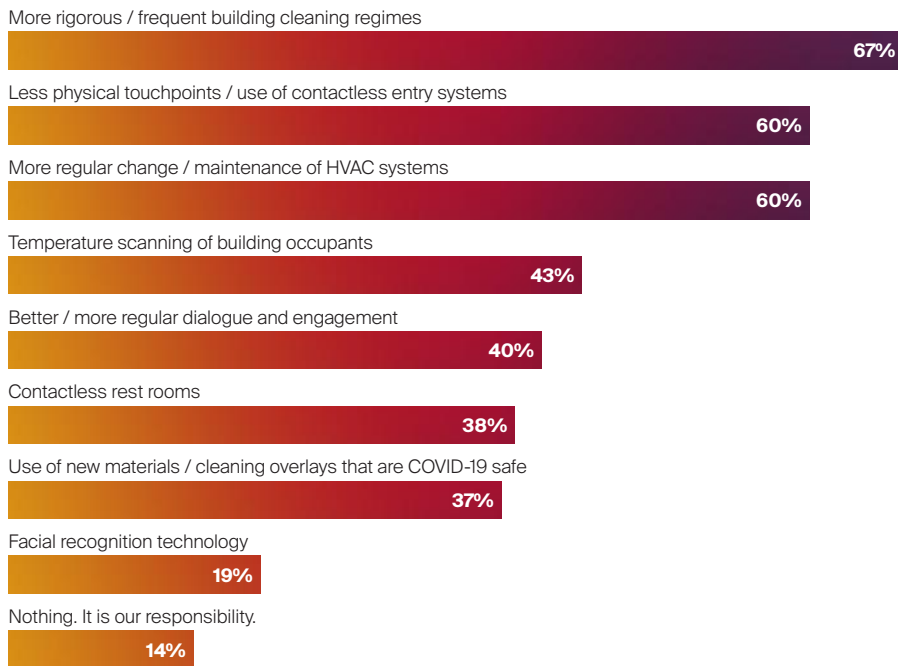
SAFETY FIRST

At the most rudimentary level, early in the pandemic we saw growing evidence of occupiers and building owners in key

Asian markets such as Singapore and Hong Kong, SAR working together to prioritise the safety of the office environment. Body temperature scanners, holographic keypad entry systems, enhanced building cleaning regimes together with restrictions on seating arrangements, one-way systems around office floor-plates and, of course, capacity constraints to support social-distancing measures, have all been in evidence over the last 12 months within workplaces in Asia, and have become more commonplace around the world. Occupier expectations for enhanced building safety are high. This will drive a much stronger interaction between building owners and occupiers.

Only 14% of the occupiers we surveyed around the world believed it was their sole

WHAT DO YOU EXPECT YOUR LANDLORDS TO DO TO MAKE YOUR WORKPLACE SAFER GOING FORWARDS?



floor-space is allocated to collaborative-uses and there is a greater adoption of hot-desking and desk-sharing programmes. At present, this feels somewhat at odds with a world that has become used to social distancing measures.

As the pandemic subsides and we return to offices, our interaction with the office, and indeed with other office users, is likely to become more flexible and fluid. This will heighten the risks of more rapid contagion in the event of another viral outbreak. Technology will be applied, alongside enhanced cleaning regimes – and the other strategies already outlined – to support companies in reducing health risks and delivering a safe day-to-day workplace experience. But at the same time, our return to the office will serve to accelerate a broader concern – that of staff health and wellbeing.

responsibility to make the future workplace safer. Of the remaining 86%, a range of expectations were referenced, with more regular building cleaning, less physical touch-points and increased maintenance of air-conditioning systems being the most popular interventions being sought from building owners. We expect further mobilisation of technology to support the monitoring and consistent delivery of a safe workplace. It will be one of the key reasons underpinning the greater adoption of building sensors to support track and trace and a critical driver of the increased delivery and occupation of so-called smart office buildings.

These technology-based interventions will be necessary to manage and mitigate the risks inherent in the workplace of the future. As we have already noted, the majority of occupiers responding to our survey are anticipating a reconfiguration of the form and function of the office whereby more



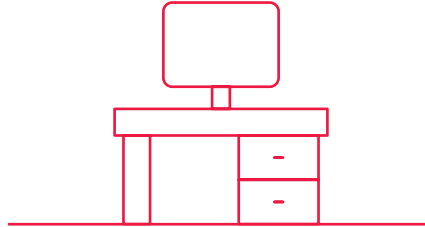
WELL, WELL, WELL

Pre-pandemic, the office environment was increasingly being mobilised to support the physical wellbeing of its users. Results from our survey show that, far from lessening as a corporate concern since the pandemic, employee wellbeing has actually risen up the list of strategic agenda items that the office can support or facilitate. Employee wellbeing ranked the third highest strategic issue identified by our respondents (37% citing it directly) meaning the issue has risen two places in the rankings after placing 5th in our 2018 survey.

As some question the future role of the office, and as cost consciousness rises up the corporate agenda, it would perhaps be logical to regard this focus as frivolous or marginal. Yet the wellbeing of employees has been amplified an emerging leadership concern by the isolating experiences of lockdowns and remote working.

In a future of work which is likely to be more hybrid and more flexible, business leaders will be increasingly compelled to utilise the office to provide the quality of space and the range of amenities conducive to a productive, enjoyable and, ultimately, healthy workplace experience. This will fuel the further flight to quality witnessed in global real estate markets over the last five years. Indeed, 47% of our global survey respondents expect the quality of their office space to further increase over the next 3 years.

More directly, we will also see occupier requirements that seek to go further in supporting staff wellbeing – 46% of respondents maintain that the amenities expected by their employees will increase over the same three-year period. What is telling is the elevated position of wellbeing related amenities within the listing of those amenities most likely to be in demand. The top four amenities identified by at least 45% of respondents are all wellbeing related, whether that is a healthy food and beverage offering, the provision of gym and changing



47%

of our global survey respondents expect the quality of their office space to further increase over the next 3 years.



facilities, or the delivery of amenities that support mental wellbeing.

This clear wellbeing focus aligns with our first edition of (Y)OUR SPACE where we advocated the idea of the corporate spa as a central element of the future office experience. Intended as a provocation, it is today a growing reality as evidenced, for example, by 101 Collins Street in Melbourne. This 57-storey iconic tower, built in the early 1990s, has a dedicated amenity floor offering high-quality end-of-trip facilities, as well as a premium retreat, Rise by Studio PP. The studio provides two multi-purpose activity studios, four consulting suites and a relaxation area that makes full use of biophilia and natural light.

The rise of amenities focused on mental wellbeing is a clear point of departure. Recent estimates suggest that depression and anxiety alone cost the global economy

an estimated US\$1 trillion per annum in lost productivity – a number that may well have inflated further since the onset of the pandemic, while one in four of us are likely to experience mental illness during our working lives. In the first edition of (Y)OUR SPACE we made the case for the provision of sanctuary space within office buildings to allow people to escape ‘the grid’ in order to refocus or reconnect with themselves. Interestingly, the experience of the last year, and notably the cabin fever induced by enforced remote working, has brought greater attention to the issues of mental wellbeing at work.

Mental wellbeing will feature heavily in the best in class workplaces of the future. They will offer direct access to green spaces; to fresh air through the provision of winter gardens and terrace spaces; to sanctuary spaces, such as contemplation rooms that offer solace from Wi-Fi connectivity and allow workers to focus or reconnect with themselves; and to educational events programmes that seek to promote better life and workstyles. Once seen as the domain of the individual, employers are increasingly concerned with – and ready to take responsibility for – employee wellbeing. This is not a purely philanthropic endeavour. It is an effective way of reducing the financial and operational burden caused by absenteeism or high staff turnover. The office will be the mainstage on which these interventions will play out.



This is not a purely philanthropic endeavour. It is an effective way of reducing the financial and operational burden caused by absenteeism or high staff turnover.

SUSTAINING CHANGE



Central to ‘building back better’ is the opportunity to alleviate a deepening climate crisis and meet stated net zero carbon targets by occupying sustainable real estate. And yet, our survey of global real estate decision makers highlights a disturbing disconnect between corporate ambition and real estate strategies.

The last time we emerged from a global crisis – the Global Financial Crisis – there was an undeniable regression in business attitudes to the workplace. The urgent requirement to reduce costs and the narrow depiction of real estate as the most attackable of those costs, ultimately, led to the creation of more densely occupied offices and poorer workplace environments and experiences for a larger number of workers.

Crucially, this sweeping concern with costs also served to terminate mounting business interest in premium rate sustainable real estate – often colloquially termed ‘green buildings’. For the majority of businesses, sustainability considerations (particularly in respect of real estate) were shunted to the side for the best part of the following decade. Arguably, they have only recently entered back into the corporate consciousness amid growing interest and pressure from business leaders, employees, clients and, notably, investors.

A CASE OF HISTORY REPEATING ITSELF?

As we emerge from the latest global crisis – the Covid-19 pandemic – will this re-emergent interest in sustainable real estate be choked-off amid growing cost consciousness and the prospect of management by spreadsheet? In essence, will history repeat itself?

Although the portents are not particularly good, the outcome absolutely needs to be different. The science underpinning climate change is unequivocal. As David Wallace-Wells argues in his disturbing but essential book, *The Uninhabitable Earth*, we have no more than 30 years to save the planet from unsalvageable damage. This, in turn, has forced the hand of business leaders. They recognise that addressing the issue of climate change and sustainability equates to good business, not just good branding. They realise that it is their responsibility to act in order to reduce the corporate carbon footprint, thus alleviating growing environmental pressures.

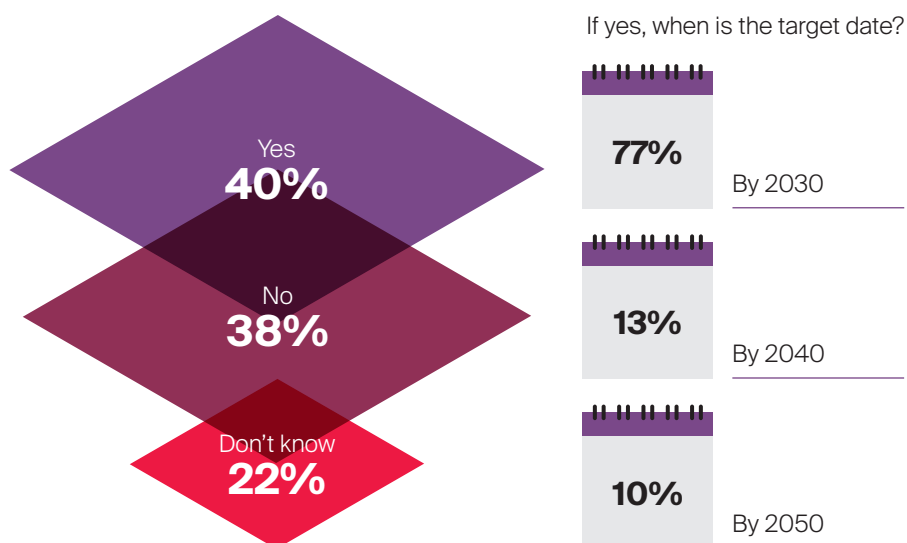
Accordingly, they have moved en masse to make bold and clear public statements about their intentions to do so through ambitious targets to reduce carbon emissions. Indeed, 40% of the businesses that we surveyed for (Y)OUR SPACE noted that they had a net zero carbon target in place. What is more astounding is the urgency of these targets. More than three-quarters of those with a target in place have a target date of 2030. Against this backdrop, a failure to act in the years ahead would not only create huge reputational damage, it would lead us all further towards a point of no return.



Business leaders recognise that addressing the issue of climate change and sustainability equates to good business, not just good branding.



DOES YOUR BUSINESS HAVE A STATED NET ZERO CARBON EMISSIONS TARGET?

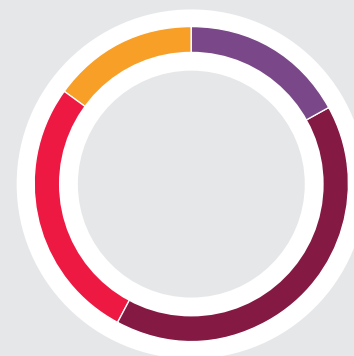


REAL ESTATE – A DEVICE FOR CHANGE OR A MARGINAL PLAY?

It is widely acknowledged that real estate is responsible for around 40% of global carbon emissions. As such, it is something that cannot justifiably be ignored or kept outside of corporate (or for that matter, governmental) attempts to attain a net zero carbon position. The need for more sustainable real estate – both in terms of its base build attributes and its day-to-day operation – should be an essential and pressing business consideration.

One would assume, therefore, that sustainability will be a core driver of future corporate real estate strategies, influencing both the reconfiguration of global portfolios and the resetting of individual offices. What appears from our global survey, however, is an apparent disconnect between wider corporate sustainability concerns and future real estate strategy, with the latter viewed as having only a marginal influence on the former.

TO WHAT EXTENT DO YOU BELIEVE YOUR ORGANISATIONS COMMITMENT TO BECOMING NET ZERO CARBON WILL CHANGE YOUR REAL ESTATE CHOICES



17% To a great extent

41% To a moderate extent

27% To a small extent

15% Not at all



Almost 60% of respondents maintain that there is only a partial recognition from their wider business of the role that occupying and utilising real estate differently could have on the achievement of net zero carbon and wider sustainability targets.

Slightly over one quarter of our respondents believe that their company's commitment to a net zero carbon future will have a small effect on their future real estate choices, with a further 15% believing that it will have no impact at all on those choices. At best, this transition to net zero carbon is viewed as only a moderate influence on the what, where and why of future real estate requirements. Similarly, 63% believe that sustainability considerations will be only 'somewhat influential' in determining their real estate strategy and portfolio over the next three years, with only one in five regarding sustainability as the key influence.

This may reflect the dominance of Covid-19 on current thinking, or an acceptance that a broader church of influences will be at work in the future. It is more likely, however, that such a finding is illustrative of a clear disconnect between real estate and wider corporate thinking on sustainability. Almost 60% of respondents maintain that there is only a partial recognition from their wider business of the role that occupying and utilising real estate differently could have on the achievement of net zero carbon and wider sustainability targets, with a further 15% arguing that there is no recognition at all.

Our survey also shows that only a small amount of the global portfolios occupied by respondent companies are perceived as sustainable or is more formally accredited as such. Again, the urgency emanating from corporate target setting or the potentially

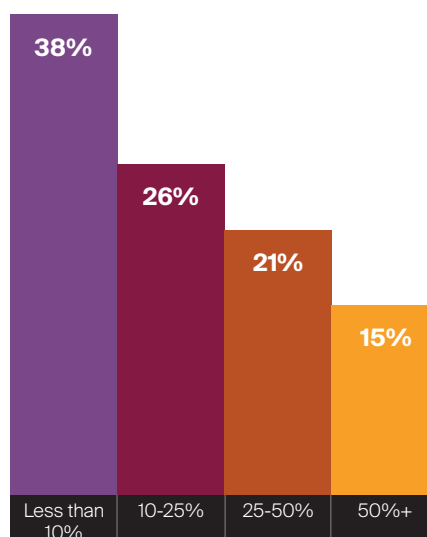


devastating consequences of inaction, does not sit well with current levels of sustainable real estate found within corporate portfolios. Businesses are facing up to a challenge of building back better, building back more sustainably, but from a particularly low base.

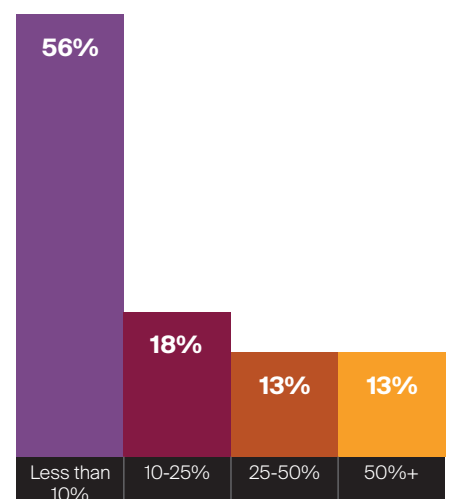
Some 64% of survey respondents believe that less than a quarter of their global real estate portfolio is 'sustainable' with only 15% of respondents believing that more than half of their existing portfolio could be so

described. This, of course, is a subjective view open to enormous geographical variation and bias. Yet, when respondents were asked to quantify the proportion of their global portfolios that are officially accredited as sustainable via formal accreditation systems such as BREEAM, LEED, DGNB, CASBEE or Green Star, the numbers are even lower. Three quarters of respondents have less than 25% of their global portfolio with an official sustainability

HOW MUCH OF YOUR CURRENT GLOBAL PORTFOLIO WOULD YOU REGARD AS GREEN OR SUSTAINABLE REAL ESTATE?



WHAT PROPORTION OF YOUR GLOBAL PORTFOLIO HAS AN ENVIRONMENTAL ACCREDITATION (BREEAM, LEED, DGNB, GREEN STAR, CASBEE, ETC)?





37%

of our survey respondents have a clear target in place to increase the proportion of their global portfolio that carries an accreditation, with the remaining two thirds having no target or, perhaps worse still, being unaware if such a target exists within their organisation.

accreditation and just 13% have more than half of their portfolio bearing such credentials.

Clearly, there is some way to go to build corporate real estate portfolios that are more replete with effective, sustainable real estate solutions. It is questionable whether such increases can be delivered prior to the 2030 net zero carbon target date facing the bulk of our respondents. Corporate ambitions might also be tempered by the fact that only 37% of our survey respondents have a clear target in place to increase the proportion of their global portfolio that carries an accreditation, with the remaining two thirds having no target or, perhaps worse still, being unaware if such a target exists within their organisation.

EDUCATION, EDUCATION, EDUCATION

This last point – a lack of awareness – is arguably the key take-away from our global survey in respect of sustainability issues. If we are to build back better and ensure that businesses play their part in protecting the planet, it is clear that sustainable real estate will need to become more prevalent within corporate portfolios than it currently is. It is also clear that the greater uptake of sustainable real estate is contingent upon raising awareness and educating at all levels. Three areas of education are particularly important:

1. The opportunity for corporate real estate leaders to educate business leadership on the potential and opportunities presented by real estate, both tactically and strategically. For many years, corporate real estate teams have been seeking – largely unsuccessfully – to occupy a more elevated position within their organisations aligned to the strategic contribution that real estate can, and does, make. Perhaps sustainability presents the opportunity for such a role – a role that gets business leaders firmly switched on to what is at least 40% of the challenge; a role

that highlights the opportunity that sustainable real estate can present to achieving wider ambitions.

2. The opportunity to build a stronger understanding of current accreditation systems, their compatibility and comparability, so that targeted and consistent action is possible across global portfolios. In so doing, practical guidance and hard evidence that better articulates the value proposition of occupying an accredited building in terms of both meeting net zero carbon and financial targets should also become more readily available, thus supporting an increase in accreditation levels.
3. Similarly, there is an opportunity for those developers of offices to move beyond the 'green washing' often evident within marketing collateral for new buildings. There must be a greater onus on the supply side to sell a sustainable solution to an occupier rather than simply a sustainable product. An essential element of this 'sell' is to articulate how sustainable buildings can both optimise real estate spend and support wider ambitions.

Sustainability, as has been evident with the rise of the broader ESG agenda within the investment community, is a fast-moving frontier. The pace is likely to quicken as the pandemic subsides and the climate crisis captures more of our attention, more frequently. It is clear that, at present, growing business ambitions towards sustainability are not as aligned to their real estate strategies as they could, or indeed should, be. There is an opportunity to move faster. Education, greater awareness and the exchange of best practice will all be required to narrow the dangerous gap between ambition and action. With the clock ticking, there is no time to waste.



GET SMART



The tech sector has set the tone for the global workplace over the last decade. This influence will continue, but the office itself will become more technologically sophisticated – or smart – as occupiers utilise technology to support decision making, manage the workplace environment and proactively curate the workplace experience.

It would not be an exaggeration to say that technology has been the greatest influence on the global workplace over the last decade. There are four key reasons.

Firstly, the emergence of a new set of tech titans has fuelled office demand, both directly and indirectly, across global real estate markets. Secondly, the workspaces that these titans have designed and delivered, whether in Kings Cross, Sydney or Silicon Valley, represent a significant step-change in what we define as best-in-class workplaces and have served to elevate the workplace discussion occurring across other industries.

Thirdly, the hardware and software created by these titans has revolutionised how we work, where we work and, indeed, what we work on – never more so than over the last twelve months. Fourthly, new technologies such as Artificial Intelligence (AI), Virtual Reality (VR), Augmented Reality (AR), automation and robotics – what we referred to as next wave technologies in the first edition of (Y)OUR SPACE – will continue to force structural change within businesses and across the global labour market. This last trend has been somewhat neglected in recent debates about the future of work, but

it could have a more dramatic impact on the long-term nature of jobs and job creation than the virus itself.

A DYNAMO FOR GLOBAL MARKETS

In our view, the influence of technology will not lessen post-pandemic. Tech companies will continue to set the tone for the global workplace. The largest of these companies, emboldened and enriched through the widespread adoption of their technologies during the pandemic, will continue to expand and diversify their activities. Indeed, 39% of those global occupiers surveyed who anticipated an increase in the size of their global footprint over the next three years identify as Technology, Media & Telecommunications (TMT) businesses. Tellingly, of those, 70% are planning to increase their global footprint by more than 10% of its existing size.

The tech sector remains on an expansionist footing and will therefore function as a dynamo for global real estate markets. Even during the last year, major tech companies continued to make commitments to the office with Facebook, TikTok and Netflix all completing significant deals in major markets.



In our view, the influence of technology will not lessen post-pandemic. Tech companies will continue to set the tone for the global workplace.

Furthermore, Google's CEO, Sundar Pichai, has recently stated that they will invest some US\$7 billion to expand and build out both data centre and office space across 19 US states. Interestingly, he maintains that this investment is at the heart of Google's strategy to diversify the business both racially and geographically, with additional office space procured in markets such as Atlanta and Chicago, as well as new office openings in Texas and Mississippi. This commitment comes from an organisation which does not envisage being back in occupancy of existing space until September 2021, but does see the office as a core part of their future. Pichai also announced the intention to test a 'flexible workweek', where employees would be expected to work at least three days a week in the office for 'collaboration days' while being able to work from home on the other days.

Despite all the hyperbole about tech companies abandoning the office, Google's approach does not negate the need for offices, but rather means that the office – and indeed a more dispersed portfolio of offices – becomes just one workplace setting that companies are making available to their staff. This will be the norm rather than the exception.

A POSITIVE FORCE FOR CHANGE?

But the future influence of technology on the global workplace goes far beyond the sector being the most common and boldest user group. There is a much more direct and universal impact. The office itself will become more technologically advanced as fully connected and integrated networks of sensors combine to generate rich and

analytically powerful datasets in real time which support the optimisation and operation of office space.

The recent upsurge in the application of sensor technology, and the associated creation of the so-called Internet of Things (IoT), has been nothing short of astounding. There were 15.4 billion IoT connected devices worldwide in 2015. By 2020 this number had doubled to 30.7 billion and is forecast to reach more than 75.4 billion by 2025. In other words, there will have been a five-fold increase in the number of connected, data-generating sensors in operation globally in just a decade. With so many of these sensors capable of being embedded – or already embedded – within the structure or fixtures of office buildings, the opportunity for the workplace is huge.



Despite all the hyperbole about tech companies abandoning the office, Google's approach does not negate the need for offices, but rather means that the office – and indeed a more dispersed portfolio of offices – becomes just one workplace setting.



The sensors support a wide range of building management issues from temperature and air quality management, from motion and occupancy monitoring to enhancing our understanding of how and when occupants engage with the workplace or even potentially with one another. They are at the heart of the so-called smart building which Siemens defines as one characterised by the presence of a digital infrastructure robust enough to collect and amass building operational data; provide the connectivity needed to analyse, learn from it and share it; and ultimately leverage it for the benefit of a broad roster of stakeholders.

We anticipate these stakeholders, including CRE professionals and business leaders, to demand both the greater utilisation of building sensor technology and the occupation of smart buildings in support of three specific aims:

1. Optimising the workplace

environment: Our survey results clearly show that the configuration of the workplace is set for significant change over the next three years. It will be important for real estate leaders to know how those changes impact upon the utilisation of the workplace. The use of occupancy sensors can help determine which spaces within the demise are being utilised (and which are not) as well as provide a more granular treatment of which teams or individuals gravitate to which types of workplace settings. This, in turn, enables greater intervention in workplace reconfiguration and redesign to fully optimise use. Occupancy sensors also support track and trace initiatives, whilst air quality monitoring technology will also become paramount in supporting the delivery of a safe workplace environment. Building management systems will also

support rapid intervention in facilities management, for example when lighting or air conditioning fails, and can moderate energy use – a central element of a more sustainable workplace – by automatically switching off lighting or reducing air conditioning or heating in those areas of the floor-plate not being occupied.

2. Curating and sustaining the workplace experience:

One of the clear workplace dynamics emerging from the pandemic has been a growing (re)consideration of what the office brings to its occupants. We have long argued that the workplace isn't simply an environment – a box in which to place people – but rather it is an experience, something that has the capacity to shape the way people work, interact and produce. This becomes even more essential in a world where more people are going to have options to work away from the office at least some of the time. In essence, the office experience needs to be vibrant and beyond what can be achieved remotely, or for that matter, digitally. Smart buildings and wider technology can

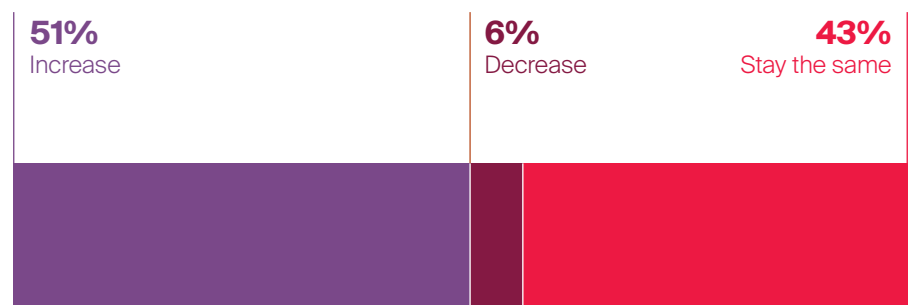
support the engagement between people and property to heighten and sustain an appealing experience. In particular, there is a role here for connected community apps that support building occupants in finding a desk, locating co-workers, booking amenities or meeting room facilities, or drawing upon concierge services. The engagement with the app will allow occupiers to determine what staff want, what they enjoy and conversely what they do not.

3. Enhancing the real estate decision-making process:

51% of respondents to our global survey expect to make greater use of data to inform their real estate and workplace decision making over the next three years. Not before time, perhaps. Historically, corporate real estate decision making has often been the culmination of a curious mix of orders from senior business leaders, gut feel and market opportunism, far removed from the strategic intent increasingly attributed to the office. As a result, outcomes have typically been determined by one fundamental metric – cost. Smart buildings and building sensors present an opportunity for a

OUTLOOK FOR NEXT THREE YEARS IN TERMS OF PORTFOLIO & WORKPLACE DYNAMICS

Use of data to make real estate & workplace decisions





more informed, analytical approach to real estate decision-making. They allow for a deep, data-based and sustained understanding of how the building is really being utilised, how it is being operated day-to-day and ultimately, therefore, how readily it supports the strategic ambitions of the occupying business. This data will be empowering to CRE professionals, allowing them to make more informed real estate recommendations to their business or indeed challenge the business on some of the assumptions that may otherwise drive strategy. From those recommendations and challenges derive smarter, better and more cost effective real estate decisions.

TOWARDS STRATEGIC, SAFE AND SUSTAINABLE WORKPLACES

Technology-enabled or smart buildings represent an exciting and empowering frontier for the global workplace. They have the potential to address many of the tensions inherent in the post-pandemic workplace and create offices that align with the changing aspirations, expectations and requirements of both employers and their employees. Whilst some of the moral and ethical dimensions of the digital workplace will need to be carefully navigated, building-level technology and data has huge potential to optimise the workplace and create an office that truly supports business strategy, is sustainable and which keep its occupants safe.



51%

of respondents to our global survey expect to make greater use of data to inform their real estate and workplace decision making over the next three years.



Data will be empowering to CRE professionals, allowing them to make more informed real estate recommendations to their business.

VIEWS FROM ACROSS OUR GLOBAL NETWORK

The four S's central to (Y)OUR SPACE are global themes. They do, however, play out with variability and nuance locally. We asked experts across the Knight Frank network to elaborate.

NEW YORK

Joey Vlasto

Partner, Global Liaison, International Occupier Services

The effects of the pandemic on the New York office market are well documented. Annual square footage leased in 2020 was down 41% on the long-term average and typical office occupancy rates have been steadfastly under 25% following lock down measures. But this fall in activity has, to some extent, masked a powerful dynamic occurring within Manhattan – the rise of the tech titans. Around one-third of all leasing activity over the last year has been from the so-called TAMI (technology, advertising,

media and information sector) and half of all the space taken by this sector has been to tech titans such as Apple, TikTok, Facebook and Amazon.

Particularly noteworthy is the activity of Amazon. Amazon is the definition of a tech titan employing 1.3 million people globally – a number that has swelled by half a million in the last year alone. Much of that growth has been outside the company's traditional Seattle powerbase and the firm ranks as the second largest employer in the US behind Walmart. Consequently, the firm has finalised a number of transactions around New York City, the most notable being the March 2020 acquisition of the famous Lord

& Taylor building at 424-434 Fifth Avenue between West 38th and 39th streets. This 660,000 sq ft eleven-story building will become Amazon's core New York office in 2023 - this is despite the high-profile loss of the firm's HQ2 project, originally earmarked for the outer-boroughs.

Amazon is also significant in the context of the four S's raised within (Y)OUR SPACE. The firm has, of course, been highly strategic in the real estate moves it has made to support its quite phenomenal growth – perhaps no better represented than in the HQ2 project itself. As it continues its rapid growth, a changing of the guard is underway with founder Jeff Bezos stepping away from the CEO role imminently. In his 24th and last letter to shareholders, published in April, the world's richest man pointed to a new ambition for the firm. Recent legal challenges around unionisation aside, Bezos has set the goal of Amazon becoming the 'Earth's best employer' and 'Earth's safest place to work'. Workplace health, safety and well being will clearly be at the heart of Amazon's mission. Tellingly, so too will sustainability, with Bezos recognising the challenge of climate change but also, typically, seeing opportunity too. In the letter he states: "Smart action on climate change will not only stop bad things from happening, it will also make our economy more efficient, help drive technological change and reduce risks."

As New York's re-occupancy begins, the role of tech companies in driving the city's growth and global reputation will be essential. It is also likely that the largest of these tech companies will once again set the tone of what best-in-class offices in NYC look like.





HONG KONG, SAR

Patrick Mak

Head of Kowloon Office Services &
Head of Tenant Representation,
Greater China

In keeping with the rest of the world, many of Hong Kong, SAR's occupiers have been required to adopt working from home (WFH) practices either across entire offices or on a partial basis via an A-B team arrangement to reduce office occupancy. The practice is occurring across major industry sectors including Banking & Finance, Trading, Sourcing and the TMT sector. It is forcing businesses to reevaluate their overall footprint and operating costs, with major occupiers often deciding to release or surrender office space. An example is Standard Chartered who, having implemented a 70% staff WFH arrangement, released 65,000 sq ft leasable space in Hong Kong, SAR.

However, many occupiers have informed us that WFH adoption is not as effective as it appears to have been in other major cities. Hong Kong, SAR faces a land constraint, with small home environments (usually below 700 sq ft) being typical. This lack of home space at home, combined with the clustering of children unable to attend school during lockdown, has negatively impacted on employee productivity and focus. It has served to fuel renewed appetite for a return to more dedicated workplaces as the pandemic subsides.

That return to the office will coincide with a greater level of engagement between landlords and tenants both in respect of workplace safety but also around the cost of office space. Recognising the impact of the pandemic on the business operating environment, landlords have been generally accommodating of occupiers' requests for support whether that be in the form of rent deferral, rent concession or free-rental arrangements.

A central theme of (Y)OUR SPACE is the disconnect between corporate ambitions around sustainability and emerging real estate strategies. We have noted in Hong Kong, SAR that the perceived value of green accreditations seems to be at a rather superficial level. In our experience, occupiers that evaluate relocation projects very rarely take into consideration whether a building has such accreditation or make any direct connection to their operating costs. Landlord's leasing teams also make little effort to explain or justify the benefits of such green features on monetary terms.

Especially during the Covid-19 period, we are finding that businesses focus purely on cost per sq ft savings rather than long-term operating expenses. This could be a major opportunity for developers to differentiate themselves if they were better able to project cost models for prospective occupiers in relation to sustainable offices.

PARIS

Priscilla Charrey

Partner, Occupier Services & Commercial Agency

A key point emerging from the global (Y)OUR SPACE survey is that the office has strategic value to the occupier, supporting or facilitating business transformation. As the survey notes, the most commonly recognised strategic role for the office is

in its ability to enhance corporate brand and image to both prospective employees and clients. The survey also pointed to an elevated role for the office in supporting staff health and wellbeing.

Both of these drivers have been evident in the real estate decision making of international law firm Gibson Dunn & Crutcher and their recent choice to occupy a fully refurbished office at 16 Avenue

Matignon in the heart of the CBD. The building benefits from an exceptional rooftop space that provides panoramic views over the Paris skyline. The firm has utilised this feature and designed the entire office configuration around it to create an exceptional, high-quality terrace space for welcoming customers and gathering employees. The terrace, equipped with a presentation screen and outdoor speakers, is further enhanced by fully transparent bubble rooms which provide users with private meeting space while giving full access to the views. In these spaces, the sky really is the limit. The office provides a compelling reason for clients and staff alike to invest in their commute.

That commute will increasingly be bike based. Although France was the birthplace of the bicycle, it represented only 4% of daily commuting methods in Paris in 2019 and only 3% in the country as a whole. Consequently, office amenities supporting cycling – such as end of trip, cycle storage and cycle maintenance facilities - have been relatively limited. This is changing, driven by sustainability and environmental considerations but also by recent investments in appropriate infrastructure. Indeed, the City of Paris has developed in only a few weeks 50km of additional secure, highly visible 'corona-tracks' on top of an existing 1,000km of bikeways traversing the city.

The result? Sales of both conventional and electric bikes have more than doubled, and bike traffic on Paris' cycle paths increased by 67% during 2020. This will further demand for appropriate office building amenities. It will also support more sustainable and healthy futures. Our analysis estimates that the combination of working from home (one day per week) and cycling to work (two days a week on average across a year) would see a 75-person real estate consulting company reduce its carbon footprint by some 37%. A real win-win.



MANILA

Morgan McGilvray

Senior Director, Occupier Services & Commercial Agency

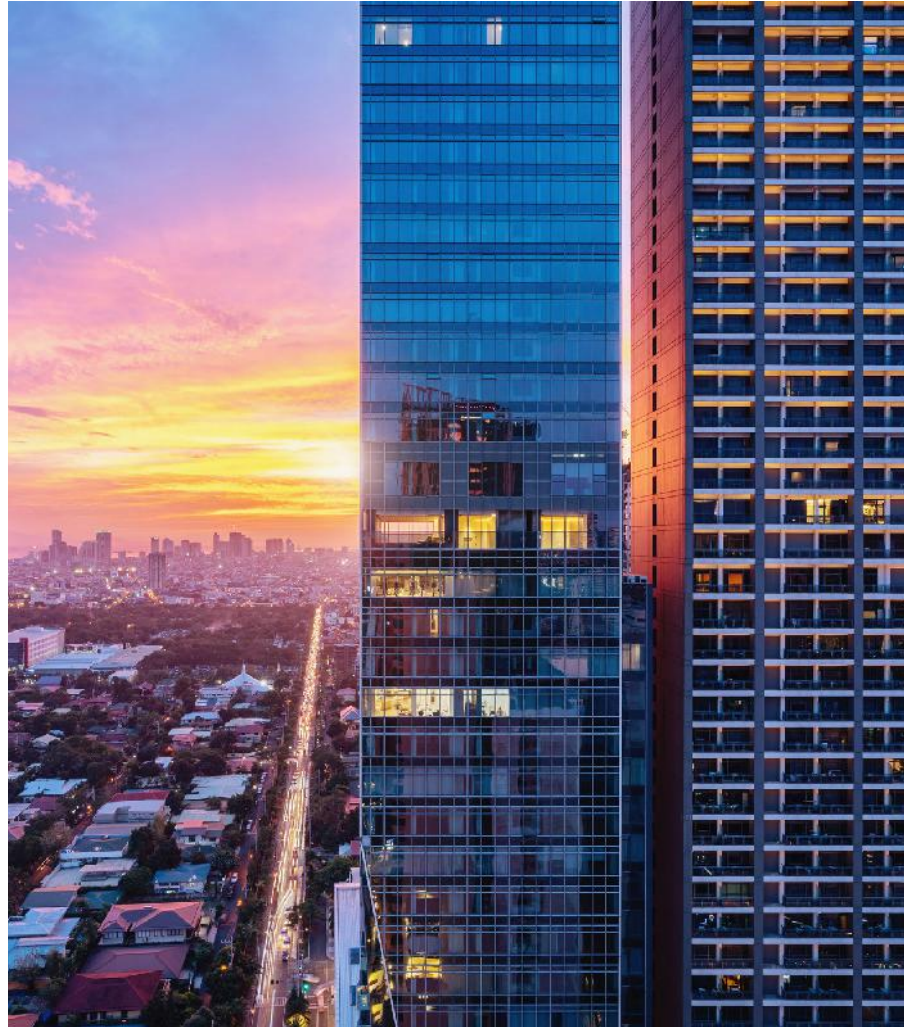
A very different commuting dynamic exists in the Philippines. Commuters in Metro-Manila spend about 10 days per year in traffic. And no, that's not 10 days out of 365 in which the roads are a little busy. It's actually 10+ full days, or 257 hours, lost to traffic each year per person. The estimated cost of all that lost time? About \$70 million collectively per day!

The historic trend in Philippine real estate was consolidation. Firms with multiple offices scattered across Metro-Manila looked to "roll-up" into a large, central location. The benefits were seemingly obvious: economies of scale, more employee interaction, and an easier real estate portfolio to manage.

The Metro-Manila office market is concentrated in 2 major hubs: The Bonifacio Global City and the Makati CBD. Both are central, both have the necessary prestige, but both also have another thing in common: only a small fraction of the workforce actually lives there! Instead, about 95% will commute into those hubs on a daily basis. And with all those commuters comes all that traffic.

As the Philippines returns to normal, a rethink is likely. Employers, who have mostly allowed work-from-home since the pandemic, are faced with the increasing challenge of deciding whom to bring back to the office, and perhaps more importantly where should those offices now be? Many of the employees of these firms will not be able to fathom going back to that two-hour daily commute to the centralized HQ. So what's a likely solution? Hub-and-Spoke Rebalancing.

Hub-and-Spoke Rebalancing addresses the traffic problem. The "hub" offices of companies, such as those in the Bonifacio



Global City and Makati CBD, are gradually down-sized, while a series of "spoke" offices are leased closer to where the employees live. In the case of Metro-Manila, that is often the Quezon City district to the north and/or the Alabang district to the south. Firms that lease spoke offices in those areas, despite being less than 20 km from their hubs, can reduce employee commuting times by more than one hour each way. And that's an important selling-point to a workforce that has grown accustomed to a 10-second household commute.

Are we likely to see more Hub-and-Spoke models implemented in the Philippines? The (Y)OUR SPACE global survey results suggest we might. With 90% of total respondents stating that real estate is strategic for their

firm, and with 21% intending to increase their suburban portfolios over the next 3 years, that could be a lot of new spokes around Manila. And with "cost reduction" stated as an increasingly important goal of occupiers in the 2021 survey, the 300,000+ square meters of new office space being developed in those spoke areas, often priced at 50% of the major hubs, won't hurt either.

Metro-Manila is due for a rebalancing. The last decade has been amazing for office growth, but some problems—like traffic—seemed unsolvable. And then, thanks to a pandemic (oddly enough), there's now an opportunity to fix things. And the Manila market likely will, because who wouldn't want 10 days of their life back?



SYDNEY

Viswesh Sathi

Partner, National Head of Integrated Client Solutions

In comparison to many other countries, Australia has managed to successfully contain the relative spread of Covid-19. This has enabled the attraction of marquee enterprises and exceptional talent to Australia's shores, particularly given its rapidly emerging position as a hub of innovation in the fastest-growing region of the world, Asia Pacific.

With many states now easing Covid restrictions, organisations are at the precipice of change, with Australia recognised globally as the "Crystal Ball" to predict future trends. While the working from home and working from office debate has raged from the onset of Covid, what is now certain is that the "new normal" is

not binary and will be more dynamic than previously envisaged. While we see this dynamism vary within industry segments and organisations, there is growing evidence that the future Australian workplace will serve a strategic purpose, with real estate rapidly emerging as a critical lever enabling businesses to reinforce organisational culture and values among its employees.

While there is a much-deserved focus on employee needs and preferences, many organisations are now looking at ways to balance the needs of the "individual" while ensuring it does not have unintended consequences on "team" performance. In Australia, while remote work is a likely outcome for some computer-focused functions or industries, many organisations are encouraging employees to return to the office ensure those critical face-to-face interactions that foster innovation are not lost.

Reinforcing the shift in mind-set from the onset of the pandemic to how people now view the importance of real estate, Nicholas Martin, Head of Property and Security Services at Australian utilities giant AGL said: "Our thinking on how much office space we need has dramatically changed from the start of the pandemic to now. The financial reward associated with shedding some space in comparison to potential risks to the business needs to be considered."

Clearly, hybrid models of work will have some implications in terms of space reduction if fewer workers on any given day are in the office. Equally important is to understand the impact on productivity from hybrid work. Businesses will need to be deliberate in defining when individuals or teams should be working remotely or assembled in the office to advance critical initiatives where collaboration is required.

THE MIDDLE EAST

Andrew Love

Partner, Head of OSCA Middle East

When it comes to a sustainable built environment and sustainability as a whole, the Middle East region, and particularly countries of the Gulf Cooperation Council (GCC) may not be first in mind. However, this is somewhat of a misnomer, in parts.

Over recent years in GCC countries, we have seen concerted efforts to move towards a more sustainable future. First, this been predicated in relation to the built environment, where many jurisdictions have enacted a range of development codes with a focus on the development of green and sustainable buildings, including but not limited to Abu Dhabi's Estidama regulations, Dubai's Green Building regulations, Qatar's Global Sustainability Assessment System and Saudi Arabia's range of green codes. Some of these regulations have been enacted and enforced as early as 2010. Dubai was also the first Arab city to be awarded a platinum rating for cities certification.

Secondly, aside from this, many GCC countries have ambitious plans to transition to clean energy on the whole. Saudi Arabia aims to derive 50% of its electricity from renewables by 2030, while in the UAE the Government is aiming for up to 50% of its energy use to derive from clean energy sources by 2050.

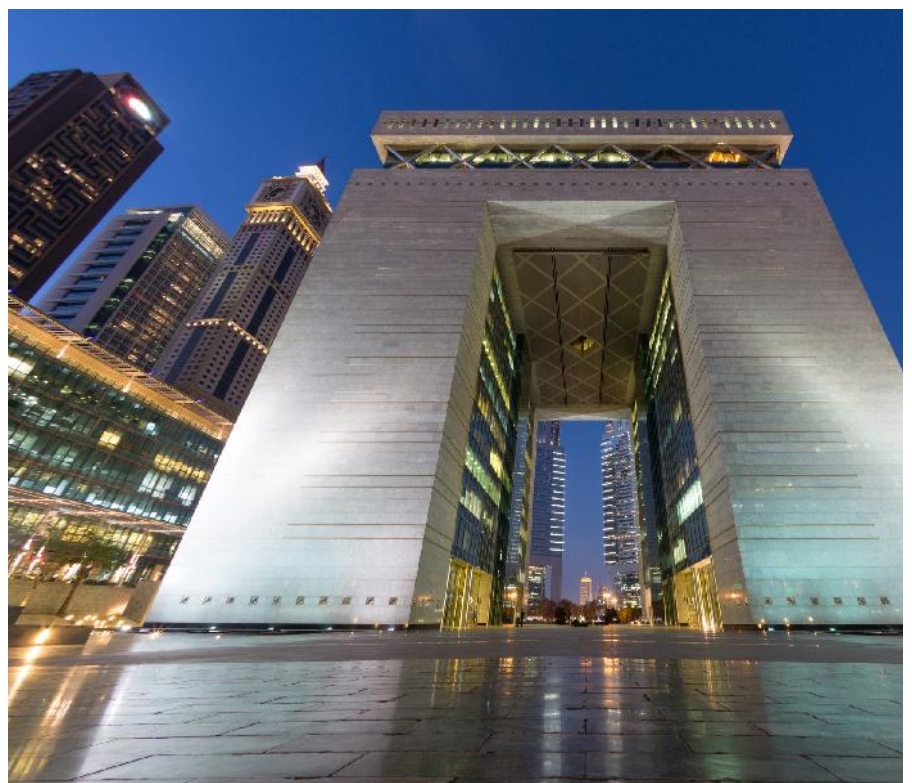
In the real estate development space, whilst we have certainly seen a shift from relatively carbon intensive practices to a more green agenda in the GCC, undoubtedly, a tremendous amount more must be done to ensure that the future of the built environment is truly sustainable and therefore futureproof, both for society and as an asset class. This is particularly true for stakeholders in commercial real estate markets outside of government entities.

Going forward, green accreditations will not be a simple nice to have, for both developers and occupiers. As (Y)OUR SPACE clearly illustrates, the pressure is mounting on the occupier to address the climate challenge and make stronger connections between such ambitions and future real estate requirements and utilisation. The onus will also be on private and semi-private developers to begin to incorporate not only eco-friendly construction methods but also building design which reduces energy usage, and incorporates biophilic design and renewable energy components. The latter could also be relatively easily retrofitted to existing buildings with a particular focus on solar energy, given the region's relative solar abundance.

Understandably, at this point, building a truly sustainable building can be a much more costly endeavour, which, given current market pressures, many developers may shy away from, despite evidence of higher levels of demand in such buildings even during downturns, both locally and internationally.

This is where building design and smart technology could offset some of the premium construction costs. Rather than focusing purely on ostentatious building design, commercial real estate in the region must now look at developing fit for purpose low rise, column free, efficient floor plate buildings with accessible cores.

Another major facet of inclusion going forward will be smart technology, which will not only reduce operational costs but also improve the health and wellbeing of occupiers. According to the World Green Building Council, such smart-green buildings not only lead to higher staff satisfaction, and as noted earlier in this report the use of real estate as a strategic device to attract and retain talent is set to only increase, but it also increases the resale value of buildings. Given this, the initial higher costs of construction seem to pale in comparison to the upside that developers could avail if they were to supply to this growing but soon to be prominent segment of the market.



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OFFICES

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69
PEOPLE

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