

# YOURSPACE

DISCOVER YOUR **NEW WORLD OF WORK**

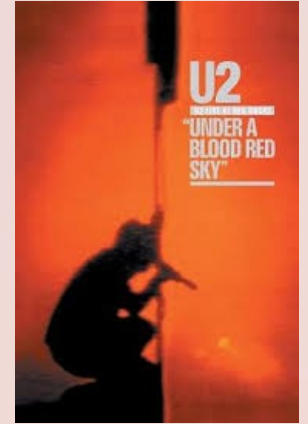
WHERE NEXT IN THE GREAT GLOBAL WORKPLACE EXPERIMENT?

DR LEE ELLIOTT

HEAD OF GLOBAL OCCUPIER RESEARCH

# ABOUT ME

- PhD in Economic Regeneration
- Background in inward investment
- 21 years in the real estate market
- Dedicated occupier focus
- 15 years at JLL
- Joined Knight Frank in 2015
- Lead occupier research globally for firm
- Author of (Y)OUR SPACE
- 2000+ presentations to date and rising



# ABOUT KNIGHT FRANK OCCUPIER RESEARCH

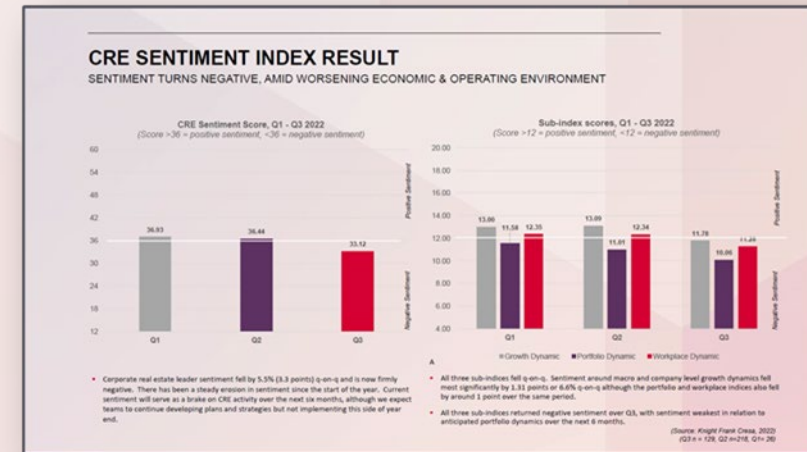
GENERATING INSIGHTS ON THE CHANGING WORLD OF WORK

## (Y)OUR SPACE



- Flagship occupier research product, published every 2-3 years
- Second edition launched in April 2021
- Survey based – 373 respondents for 2<sup>nd</sup> edition
- Takes a medium-term (3 year) perspective on CRE Strategy

## KNIGHT FRANK CRESA GCRESI



- Quarterly observation, recognising volatility
- Commenced in January 2022 (three editions to date)
- Survey based – 118 responses for Q4
- Assesses sentiment shaping behaviour over the next 6 months

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# AGENDA

- Enter the great global workplace experiment
- Responding to change – (Y)OUR SPACE findings
- Changing context – how macro-economic conditions may change the dynamic
- Current thinking & focus – Global Corporate Real Estate Sentiment Index

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# **(Y)OUR SPACE - THE GREAT GLOBAL WORKPLACE EXPERIMENT**

MOVEMENT AWAY FROM A BINARY DISCUSSION ABOUT THE OFFICE

**PHASE 1**

**LOCK DOWN =  
ENFORCED WORKING  
FROM HOME**

**PHASE 2**

**RE-OCCUPANCY  
BUT WITH  
RESTRICTIONS**









**PHASE 3**

**RESTRUCTURING  
BUSINESS  
&  
REIMAGINING  
WORKPLACE**

**EXPERIMENTATION | EVALUATION | EVOLUTION**

# A DYNAMIC RESPONSE TO THE NEW WORLD OF WORK

## EVEN AMONG TECH TITANS

	HYBRID	Individual teams can design their own rules.
	HYBRID	Three days in, two days remote.
	HYBRID	Monday, Tuesday & Thursday in office, 4 weeks a year remote.
	HYBRID	Staff can apply to work from home, if job allows it.
	OFFICE	Almost all jobs required back in office.
	REMOTE	Employees can work remotely indefinitely
	REMOTE	Employees can work remotely indefinitely
	REMOTE	Employees can work remotely indefinitely and from anywhere

# A GROWING OFFICE FIRST STANCE?

THE PENDULUM CONTINUES TO SWING



London based staff to return to office five days a week by 27th February



At least 4 days a week in the office starting 1<sup>st</sup> March



Customer facing staff, data & tech teams returning 5 days a week



Staff required at desks Tuesday, Wednesday & 1 other day



Stronger enforcement of office presence on Tuesday, Wednesday & Thursday



TATA CONSULTANCY SERVICES

All office staff to return for at least 3 days a week



Employees required to be office based 80% of the time



Office based Tuesday, Wednesday & Thursday



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# (Y)OUR SPACE GLOBAL CRE SURVEY

STRATEGIC AGENDA ITEMS THAT REAL ESTATE SUPPORTS ....

Top 5 Strategic Agenda Items that real estate best supports ....

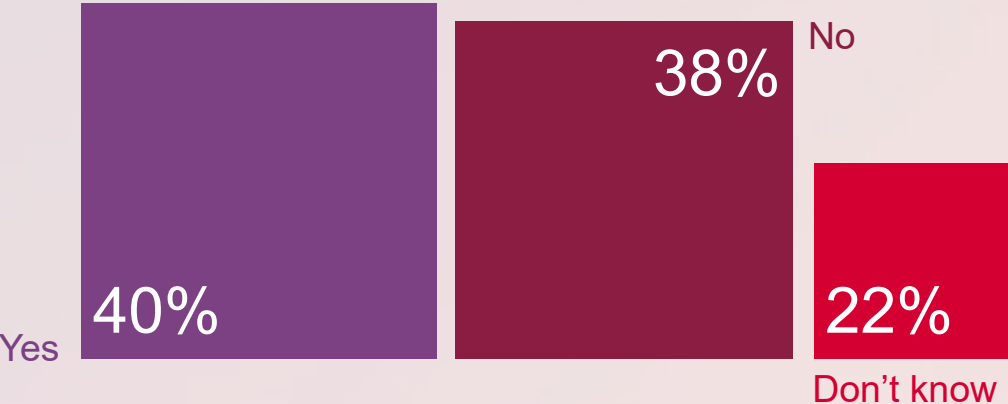
2017/18 SURVEY	2020/21 SURVEY	
Talent attraction & retention	Corporate brand & image	▲
Corporate brand & image	Cost reduction	▲
Cost reduction	Employee well-being	▲
Increased collaboration	Talent attraction & retention	▼
Employee well-being	Increased collaboration	▼

# (Y)OUR SPACE GLOBAL CRE SURVEY

## NET ZERO CARBON TARGETS CRITICAL BUT REAL ESTATE IMPACT VIEWED AS LIMITED

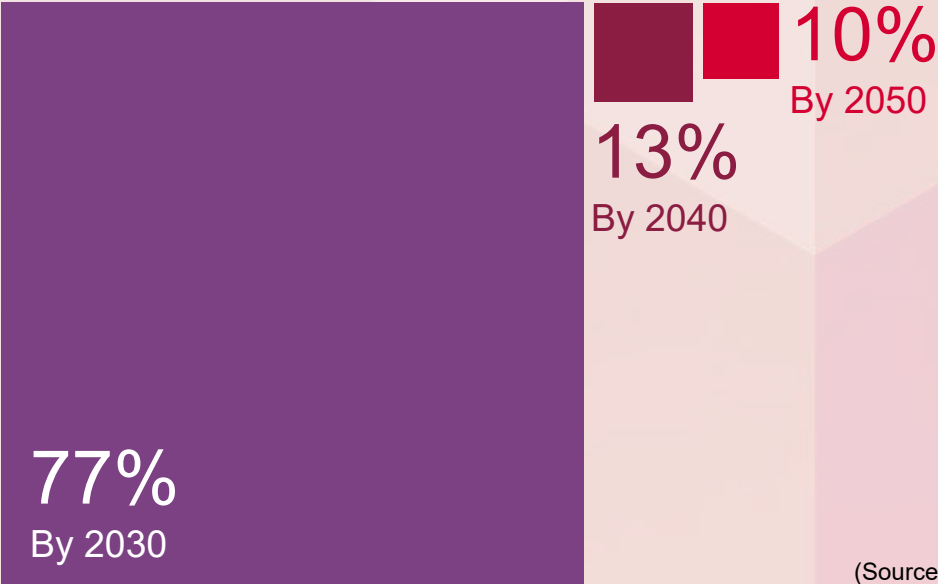
**Q:**

Does your company have a net zero carbon target?



**Q:**

If so, what is the target date?



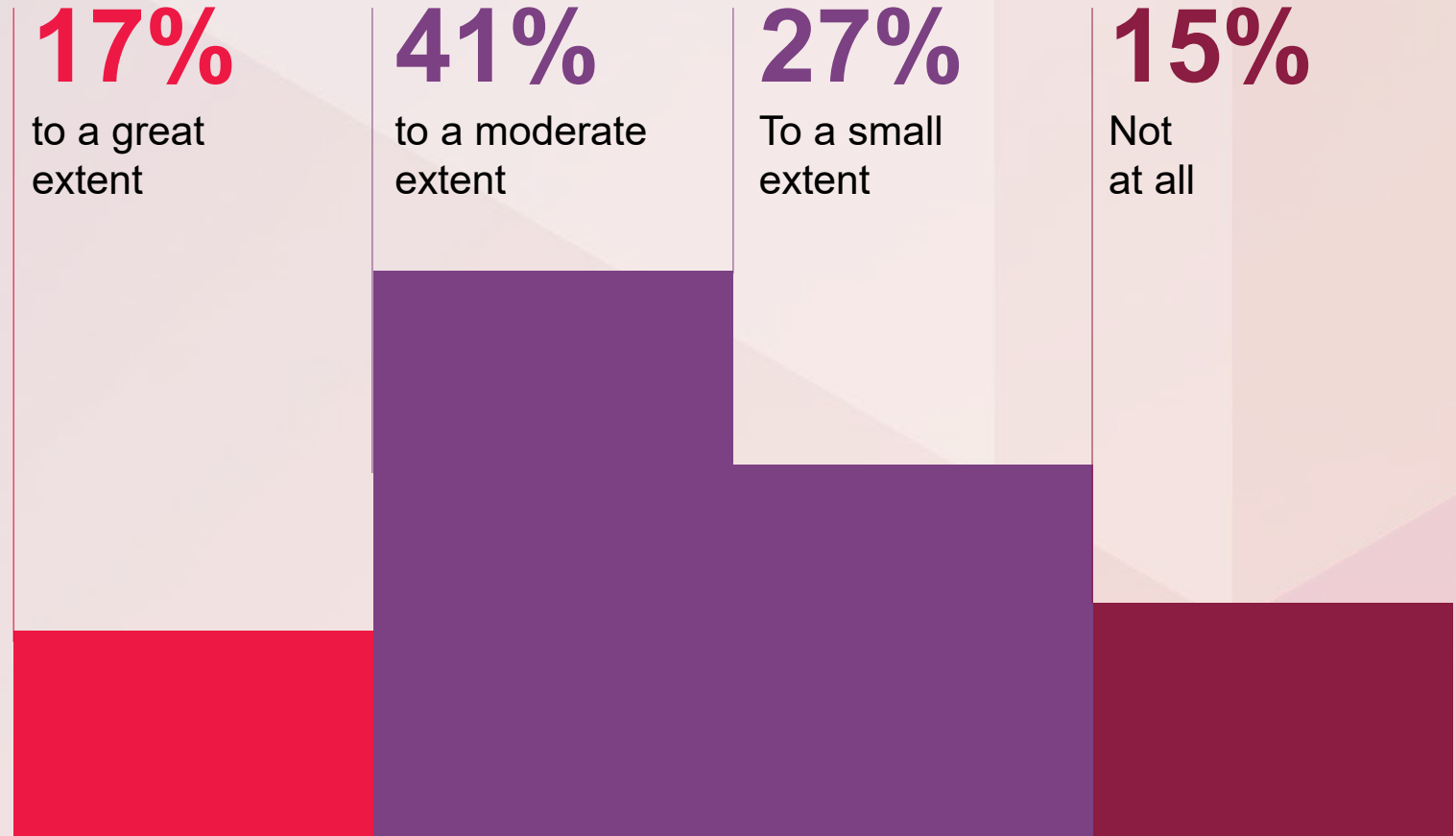
(Source: Knight Frank, 2021)

# (Y)OUR SPACE GLOBAL CRE SURVEY

NET ZERO CARBON TARGETS CRITICAL BUT REAL ESTATE IMPACT VIEWED AS LIMITED

**Q:**

To what extent do you believe your companies commitment to net zero carbon targets will change your real estate choices?



# (Y)OUR SPACE GLOBAL CRE SURVEY

SUSTAINABILITY ACCREDITATION LEVELS ARE LIMITED AT PORTFOLIO LEVEL

**Q:**

What proportion of your global portfolio has an environmental accreditation (BREEAM, LEED etc)?



**56**

Less than 10%

**18**

10-25%

**13**

25-50%

**13**

50%

(Source: Knight Frank, 2021)

# HFW @ 8 BISHOPSGATE, LONDON

RELOCATING IN 2023 WITH SUSTAINABILITY AT HEART OF THE DECISION



“Sustainability is always a key factor whenever we’re looking at new offices around the world, so we’re pleased to have found a building that aligns with our commitments as a responsible business, with incredibly low carbon emissions as well as outstanding facilities for active travel and wellbeing.”

*Jeremy Shebson, HFW Managing Partner*



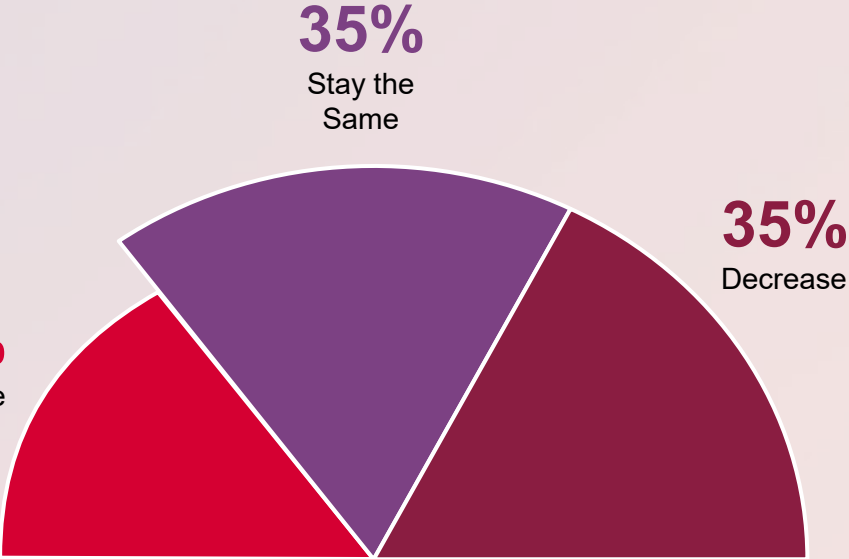
- 560,000 sq ft office building in the City
- UK’s most sustainable speculative office tower
- Targeting BREEAM ‘outstanding’
- EPC ‘A’ Rating
- 75,000 sq ft of amenity space
- 62,000 sq ft pre-let

# THE PHONEY WAR ON SPACE

## A MORE NUANCED POSITION AROUND FUTURE PORTFOLIO QUANTUM

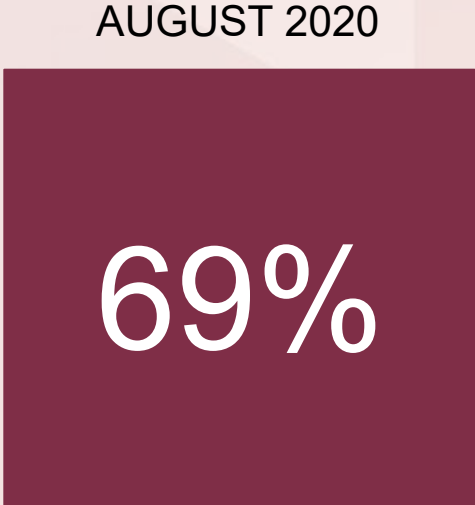
**Q:**

Over the next 3 years, we expect the total space in our global portfolio to....



**Q:**

Are you planning to reduce your physical footprint? (Yes responses)



(Source: Knight Frank, 2021 / KPMG 2021))

# AMAZON, BELLEVUE

SCALING BACK TO FURTHER ASSESS THE IMPACT OF NEW WORK STYLES



- Pausing construction of 6 offices in the US
- Notably Bellevue, Washington & Nashville, Tennessee
- Re-evaluating quality & quantum but committed to creation of 30,000 new jobs across the two locations
- Also cut down on intended space to be leased from JP Morgan at Hudson Yards, NYC

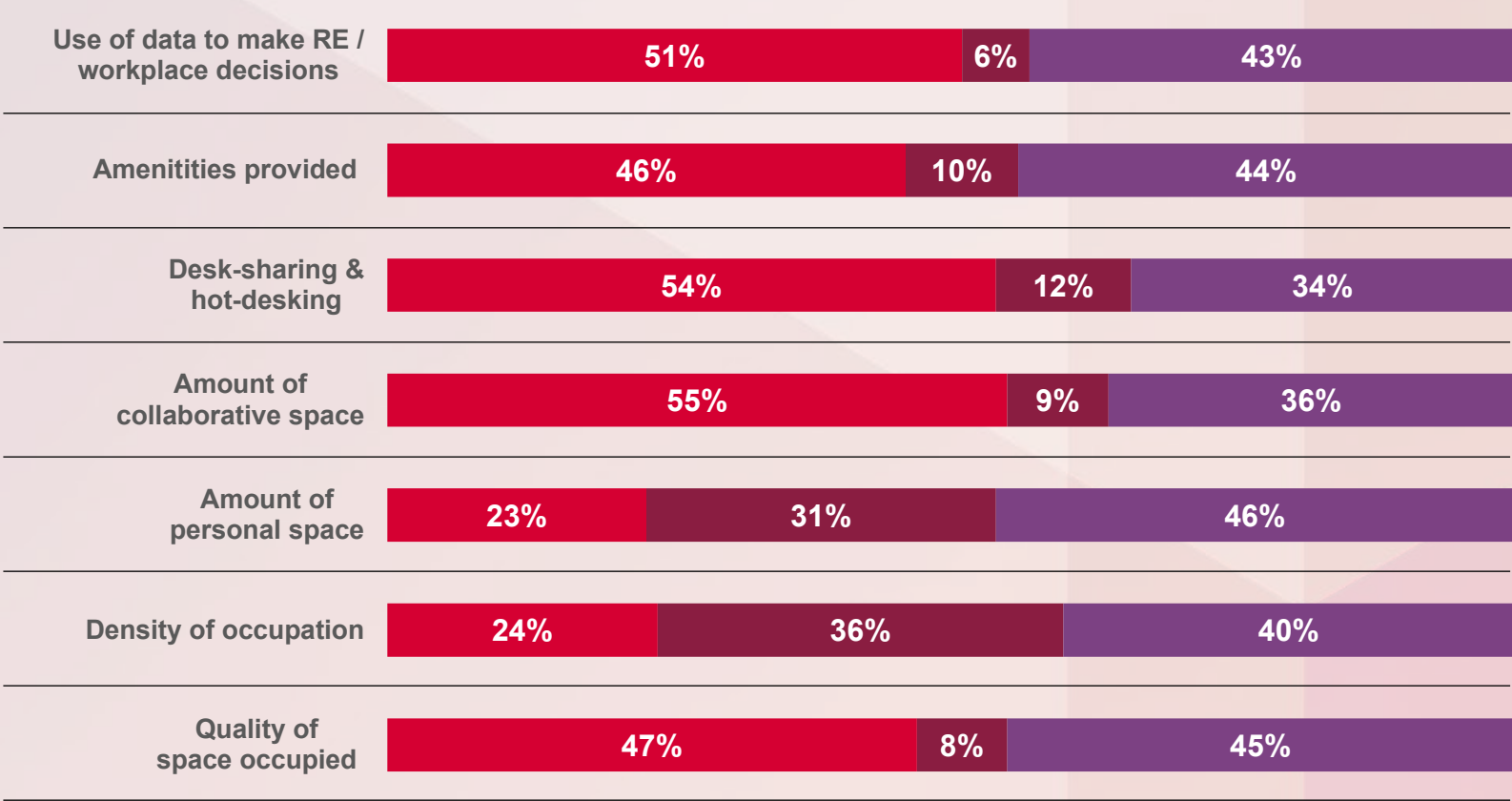


# (Y)OUR SPACE GLOBAL CRE SURVEY

## GLOBAL FINDINGS

**Q:**

Workplace dynamics  
over the next 3 years ...



■ Increase ■ Decrease ■ Stay The Same

(Source: Knight Frank, 2021)

# RICHER & SAFER ENVIRONMENTS

A BROADENING ARRAY OF AMENITIES WITH WELL-BEING TO THE FORE

**Q:**

What amenities / services do you think your staff will demand from your buildings over the next 3 years? ....

**86%**

Of respondents are expecting their landlords to do more to make the office safer

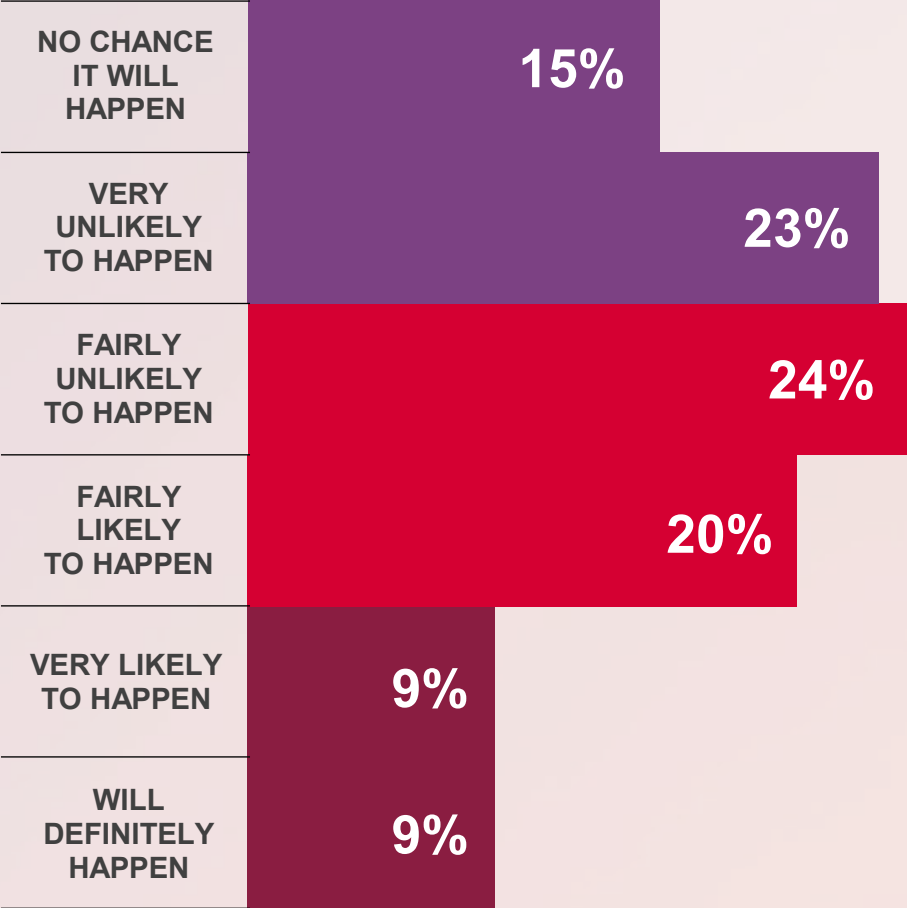
Rank	Amenity / service
1.	Food & beverage offer (65%)
2.	Gym facilities (47%)
3.	Cycle storage & facilities (46%)
4.	Facilities supporting mental health (45%)
5.	Drop and collect parcel services (45%)
6.	Healthcare facilities (40%)

# CHANGE TO BE FELT AT THE HQ LEVEL

HQ RELOCATIONS LIKELY TO ALMOST 4 IN 10, COST & WORKSTYLE DRIVEN

**Q:**

What is the likelihood of you relocating your HQ over the next three years?



## TOP 3 DRIVERS OF HQ RELOCATIONS



1. **58%**

Cost savings achieved



2. **54%**

Changing workstyles influencing quantum and quality of space needed



3. **31%**

Business restructuring

(Source: Knight Frank, 2021)

# GOOGLE @ BAY VIEW, CALIFORNIA

## REDESIGNING & RECONFIGURING THE OFFICE



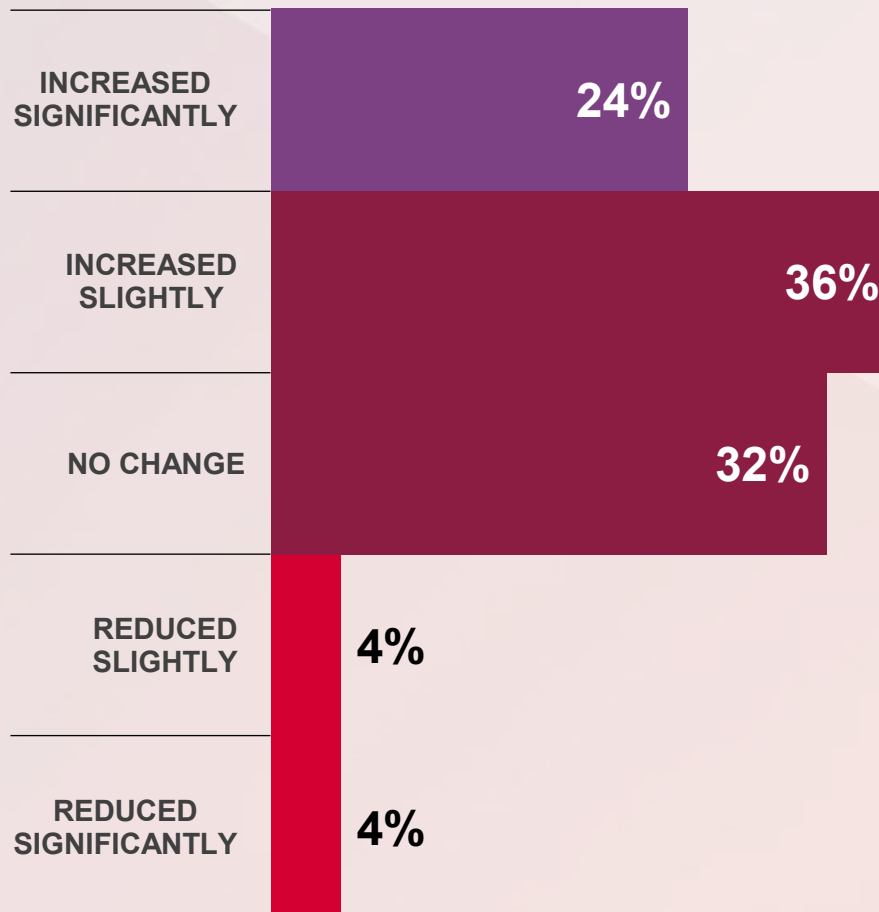
- First campus built by Google
- All electric, net water positive campus
- Largest geothermal installation in North America
- Biophilic design principles
- Ventilation system uses 100% outside air
- Vetted materials used to remove toxins
- Dragonscale solar skin & nearby wind farms will power the building on carbon-free energy 90% of the time
- Prioritised the experience of their people over the exterior form
- Team spaces on the upper level, gathering places on the lower level
- Upper floors broken into neighbourhoods connected by concrete ramps & separated by thematic courtyards

# (Y)OUR SPACE GLOBAL CRE SURVEY

A NEW PARTNERSHIP BETWEEN THE DEMAND & SUPPLY SIDE?

**Q:**

How would you rate the frequency of engagement with your landlord since the onset of COVID-19?



## STATED FRUSTRATIONS WITH LANDLORDS

- 29%** Inability to offer flexibility
- 21%** Lack of innovation in product / service
- 16%** None
- 13%** Poor service delivery
- 10%** Lack of meaningful & regular dialogue
- 8%** Lack of understanding about us
- 3%** Other

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# CHANGING CONTEXT

## SHORT-TERM

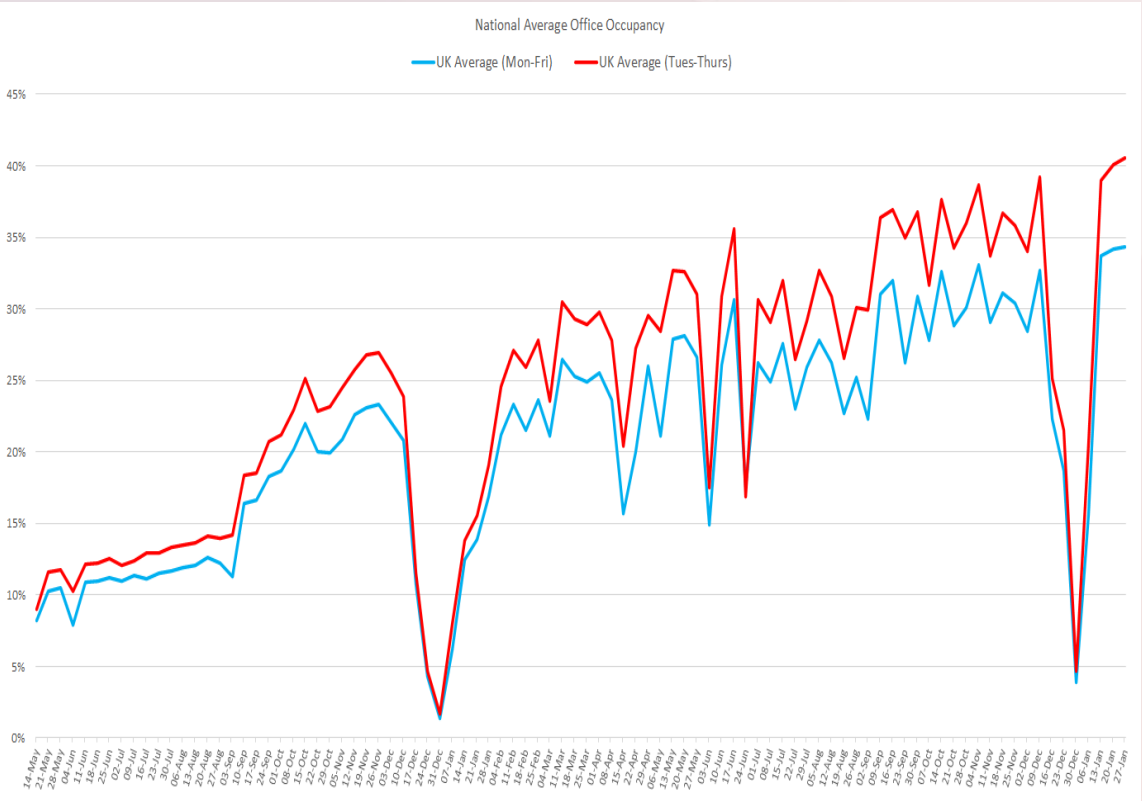
- Cost control to the fore – real estate is the 2<sup>nd</sup> largest and arguably most addressable operating expense
- Brakes on – limits place on capital expenditure impacting projects at workplace and portfolio level
- Greater intent around driving higher utilisation or shedding of space

## MEDIUM TO LONGER TERM

- Streamlining and cost-cutting measures for those under-performing
- Supply chain restructuring on basis of risks & cost
- Job losses and softening of labour market conditions
- Rebalancing of the relationship between employer & employee
- Stronger stance on working arrangements & workstyles + presenteeism = stronger re-occupancy
- Further supply-side constraints limiting future choice for occupiers


# OCCUPANCY LEVELS

## NEW BENCHMARKS BEING SET FOR THE POST-PANDEMIC PERIOD



**UK OFFICE OCCUPANCY REACHED NEW PANDEMIC HIGH OF 34.3% IN JANUARY 2023**

REMIT CONSULTING STUDY




### KASTLE BACK TO WORK BAROMETER

Weekly Occupancy Report from Kastle Access Control System Data

2.623

#### BAROMETER THIS WEEK

45.6%  
 10 CITY AVERAGE OCCUPANCY



	Wed 1/25	Wed 2/1	% Change
Austin metro	67.7%	42.2%	25.5% ▼
Dallas metro	53.5%	30.3%	23.2% ▼
<b>Average of 10</b>	<b>50.4%</b>	<b>45.6%</b>	<b>4.8% ▼</b>
New York metro	47.5%	48.7%	1.1% ▲
Chicago metro	50.6%	50.0%	0.6% ▼
Washington D.C. metro	46.9%	46.4%	0.5% ▼
Houston metro	60.3%	60.7%	0.4% ▲
Los Angeles metro	48.0%	47.9%	0.1% ▼
San Francisco metro	45.9%	46.1%	0.1% ▲
San Jose metro	41.1%	41.0%	0.1% ▼
Philadelphia metro	42.7%	42.7%	0.0% ▼

**Kastle customers are in more than 2,600 buildings in 138 cities.** The Barometer reflects swipes of Kastle access controls from the top 10 cities, averaged weekly. It summarizes recent weekday building access activity among our business partners, not a national statistical sample.  
\*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.  
 \*\*Data reported for Monday, January 16, 2023 is pulling from the previous Monday, January 9, 2023. Rather than omit the federal holiday from the weekly average, the substitution more accurately reflects prevailing trends as return to office.

To learn more about KastleSafeSpaces visit: [www.kastle.com/kastlesafespaces/](http://www.kastle.com/kastlesafespaces/)

**US SAW HIGHEST RATE OF 50.4% ON 25<sup>TH</sup> JANUARY, FELL BACK TO 45.6% LAST WEEK**

KASTLE SYSTEMS STUDY



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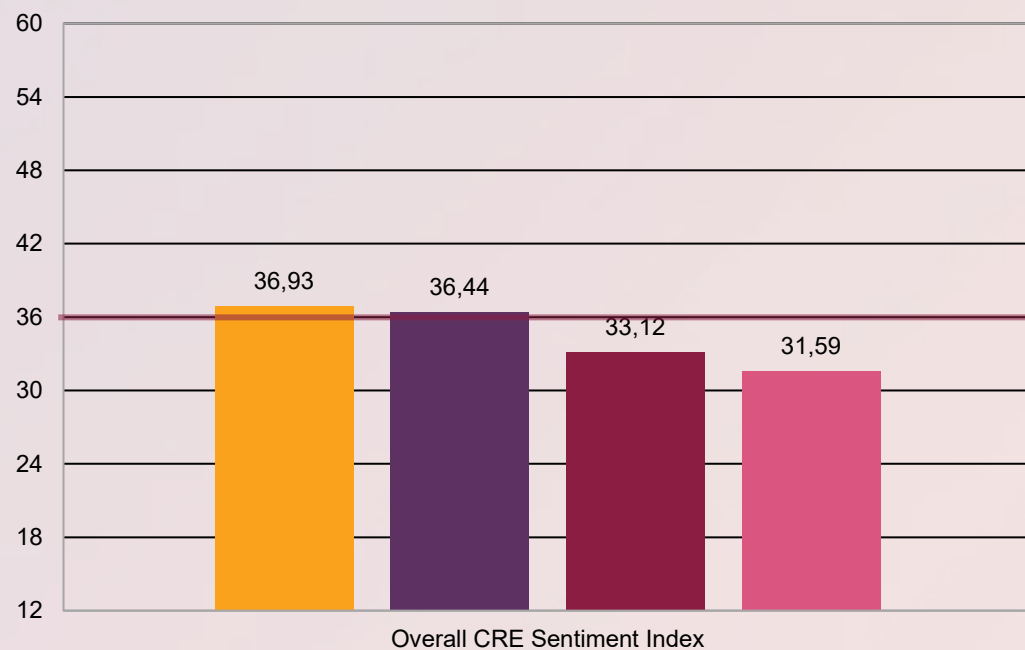
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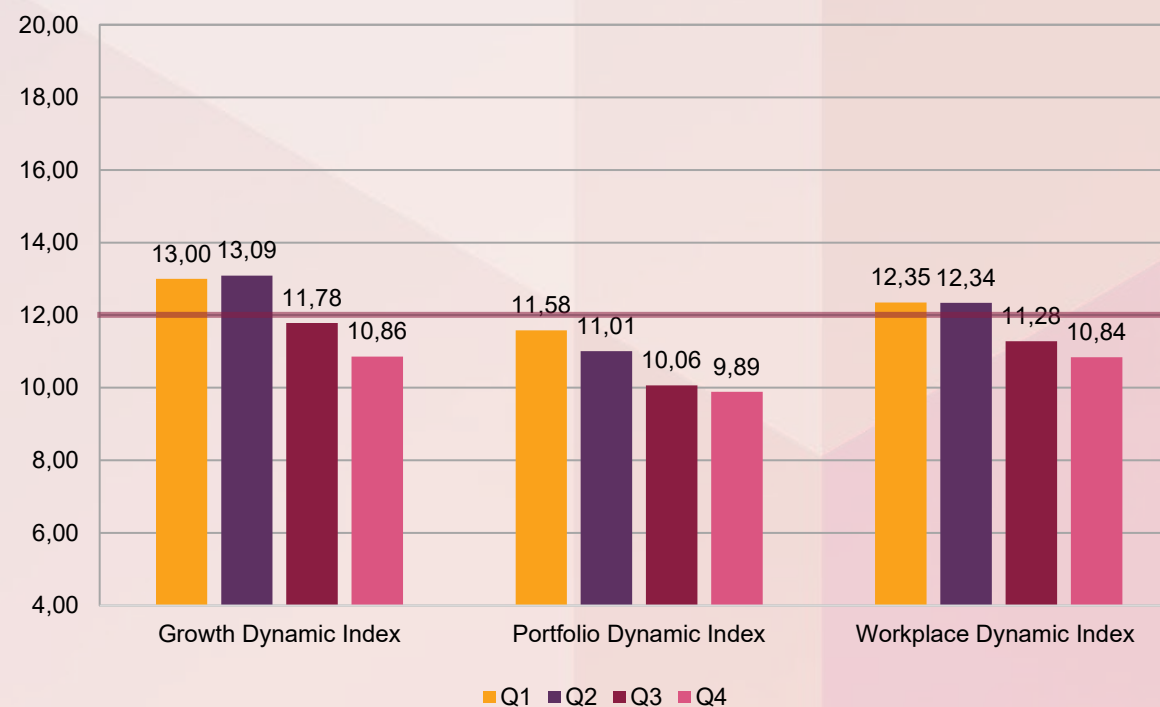
# CORPORATE REAL ESTATE LEADER SENTIMENT

*Sentiment has declined throughout the last year and will act as a brake on H1 activity*

The Knight Frank Cresa Global Corporate Real Estate Sentiment Index Q1-Q4 2022  
(Score >36 = positive sentiment, <36 = negative sentiment)

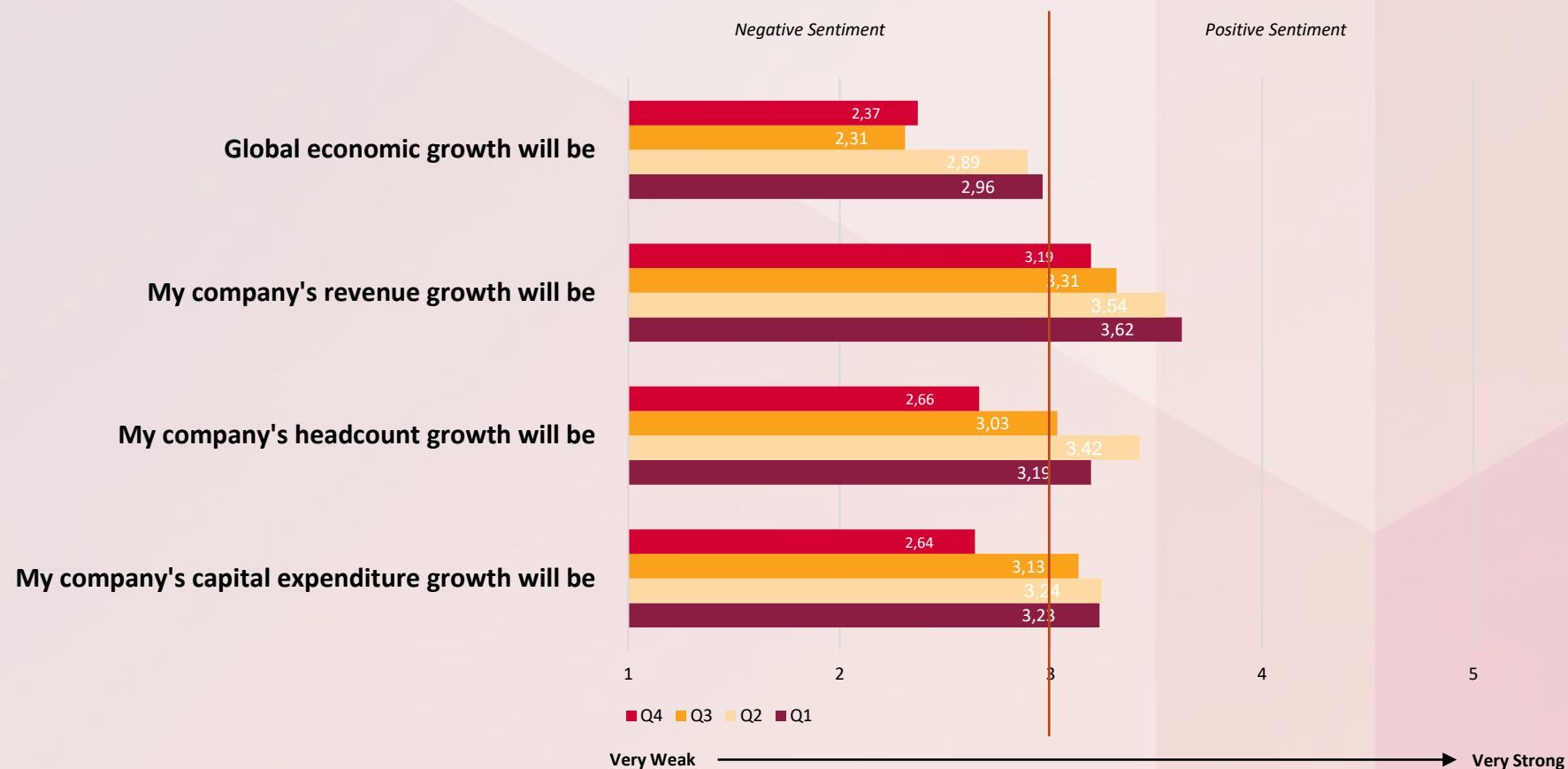


The Knight Frank Cresa Global Corporate Real Estate Sentiment Index Q1-Q4 2022  
(Score >12 = positive sentiment, <12 = negative sentiment)



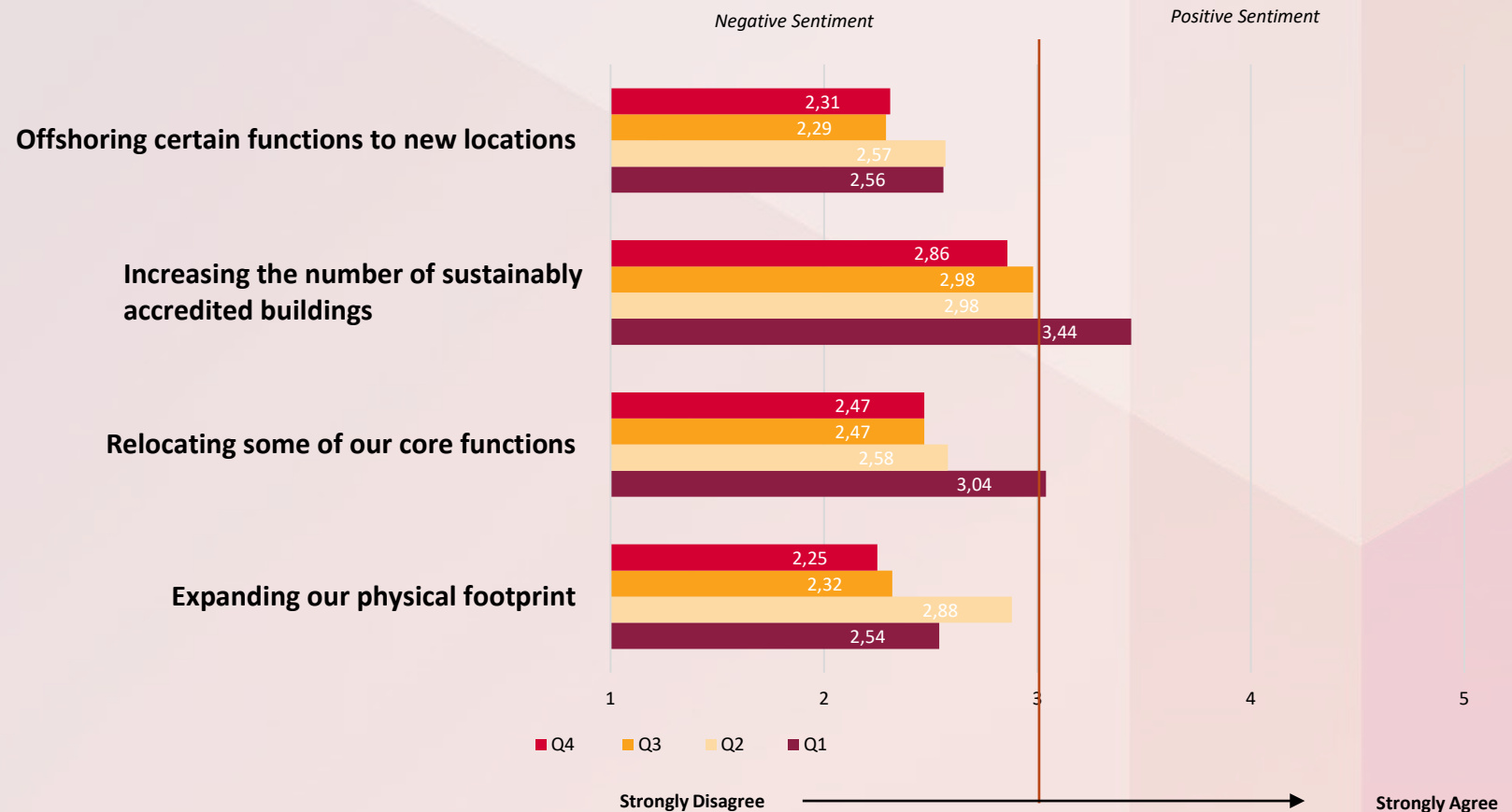
## GROWTH DYNAMICS

*Sentiment around global economic growth improves but remains negative, corporate growth prospects take a hit particularly in relation to headcount & capex growth*



# PORTFOLIO DYNAMICS

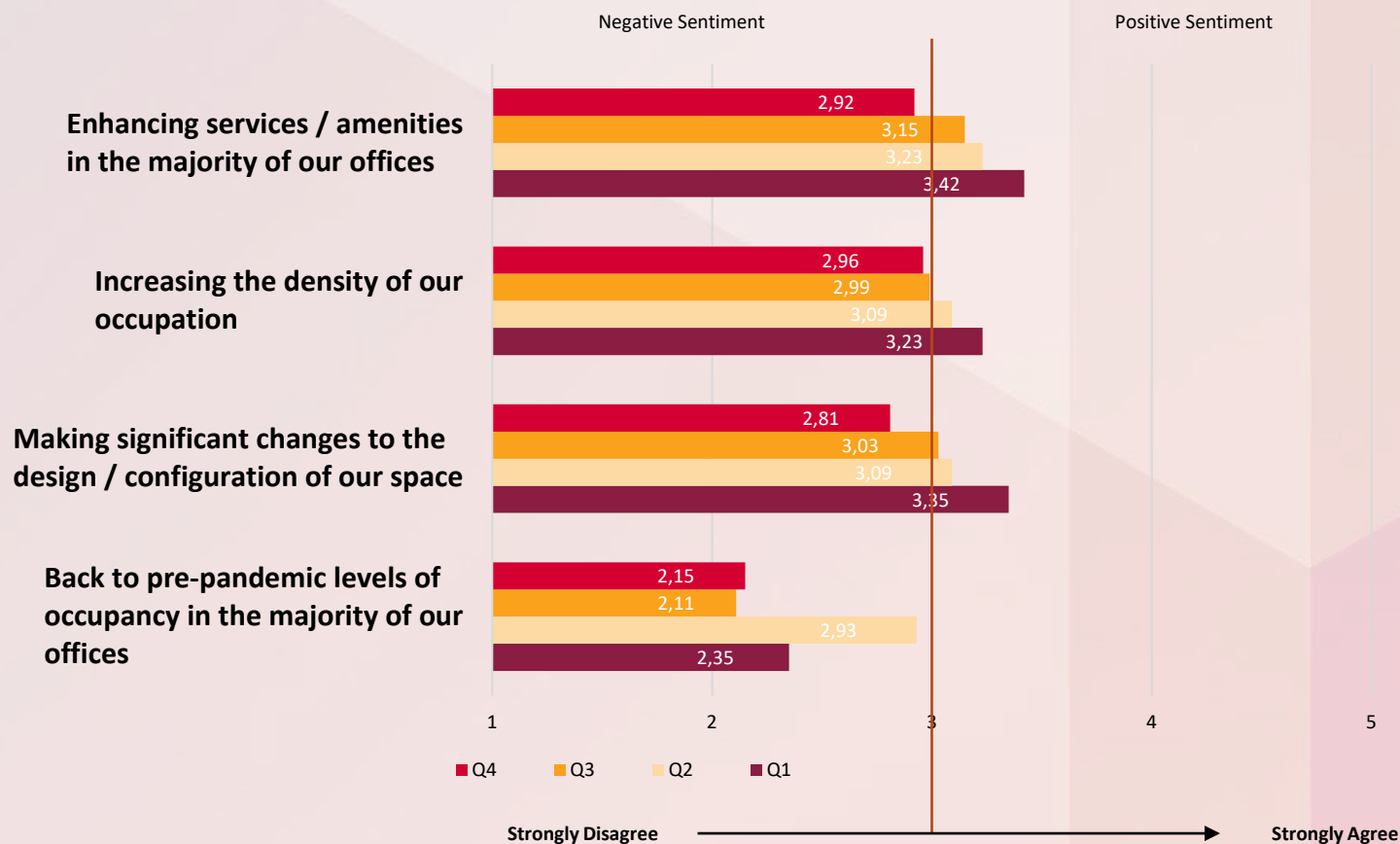
Sentiment is stabilising with expectations around future offshoring improving slightly q-on-q. Occupiers preparing to intervene and act at the portfolio level.



(Source: Knight Frank Cresa, 2023)(Q4 n = 118, Q3 n = 129, Q2 n=218, Q1 n= 26)

## WORKPLACE DYNAMICS

Future intervention at the workplace level appears more constrained with the sub-index falling by 2.2% q-on-q and with all indicators now in negative territory.



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**THE NEXT ITERATION  
OF THE GLOBAL  
WORKPLACE WILL BE**

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**S**

**STRATEGIC  
SAFE  
SUSTAINABLE  
SMART**

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## SUMMARY

- The great global workplace experiment has some way to go
- Debate about the direction of travel will intensify
- Complexity and variance in the workplace response is a given
- Unless driven by lease events, occupiers will buy time & focus on delivering compelling workplaces
- Sentiment likely to weaken further amid global economic conditions
- That could well drive one or more of the following:
  - some staff back to the office
  - a rebalance of power between employer and employee
  - a stronger focus on cost control / mitigation
  - offshoring of activity
  - an attack on space held within portfolios, if utilisation remains low
- The 4 s's remain key but with growing focus on aligning real estate to sustainability strategy / commitments

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**CONTACT:**

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