



FUTURE OFFICES

BREAKING THE MOULD

In the future, the office will principally be a place that generates staff satisfaction and interaction

WRITTEN BY
James Roberts,
Chief Economist, Knight Frank

How businesses view their offices has changed enormously in the past two decades. Previously the emphasis was on cost control. Firms looked for ways to pack more desks on to floors, and there was a trend towards relocating jobs from expensive Central Business Districts (CBDs) to lower cost out-of-town office markets. However, today firms are more conscious of the role the workplace plays in controlling a far bigger business cost - namely staff retention. This is reversing the out-of-town trend, and transforming the perception of the office from a business expense into a place that firms use to inspire and energise their staff.

LOSING STAFF IS EXPENSIVE

A study by Oxford Economics found that the cost of replacing a member of staff averages U.S.\$50,000, with over 80% of the cost in lost output while the new employee gets up to speed. If the new worker is in a leadership or rainmaking role, this loss of output could have a trickle-down effect on other staff who are reliant upon that person for work generation or guidance.

On top of the replacement cost, there is also the loss of value that goes out the door with the departing employee, such as training, knowledge, reputation, and client relationships. Some studies estimate the total cost of losing an employee can be equivalent of 150% of salary.

For a typical office worker in London, the total cost of their workstation in rent, local taxes and service charge, is around U.S.\$16,000 per annum. The median salary in London is U.S.\$54,000, so based on the 150% figure, their replacement cost is U.S.\$81,000 or five times the cost of a workstation. Most professional workers earn far more than the U.S.\$54,000

figure, with the average newly qualified commercial lawyer earning U.S.\$91,000, according to recruitment firm Michael Page, suggesting a replacement cost of nearly U.S.\$143,000.

Given that the cost to the business of replacing the worker vastly overshadows property costs, more firms are questioning the logic of achieving a small saving by moving to a peripheral business location if it increases staff turnover. There are even examples of firms choosing to move out-of-town jobs into more expensive CBD areas in order to appeal to a broader talent pool.

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ACTIVITY-BASED WORKING

Indeed, transforming the office into an inspiring and enjoyable place to work is now seen as a cost effective means of retaining staff. In Europe and North America, technology and media firms were the first to break the mould, and bring free buffets, exercise areas, spiral staircases, games rooms, and sofas into the office, and now more traditional industries are following suit.

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In Australia, the financial sector has led this movement away from the desk, known as activity-based working (or ABW), which beckons the question: will all industries eventually go down this route?

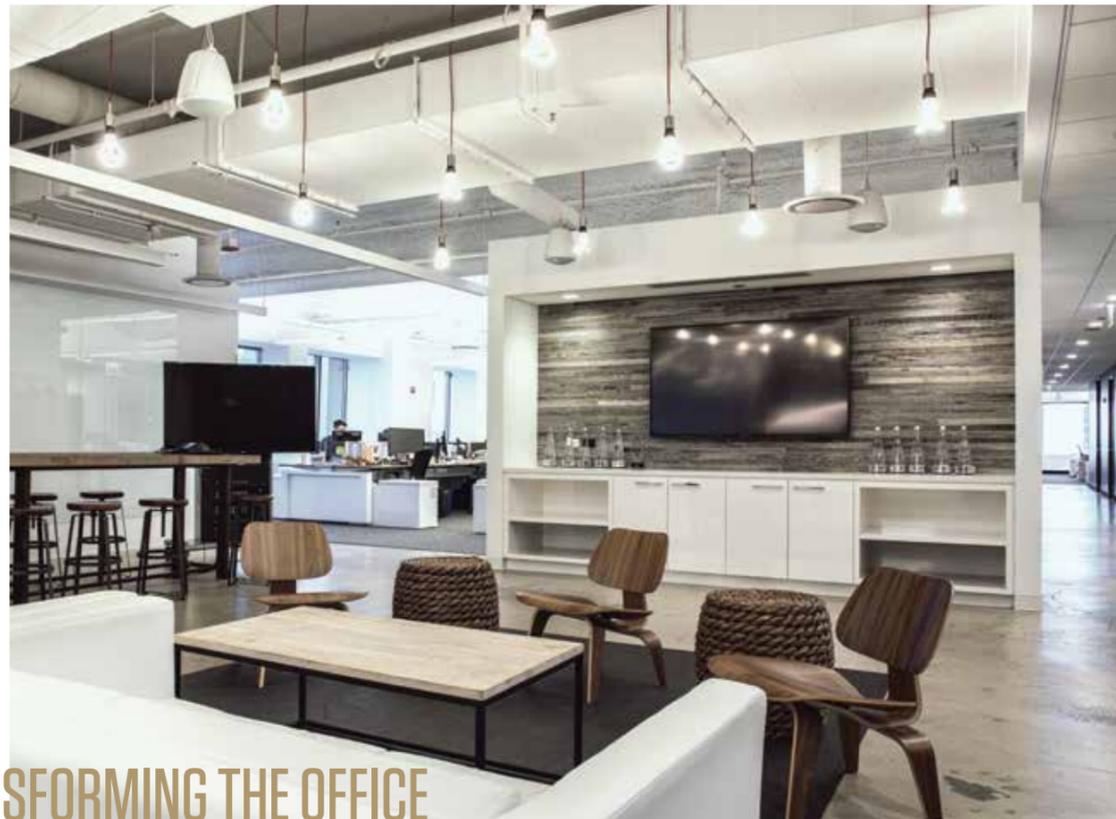
Levels of adoption of ABW vary from one city to the next. In some European cities, where the office stock contains a lot of historic buildings, internal walls sometimes can hinder adopting ABW. Another issue is when lease expiries fall, as it is during a relocation that a company has to acquire a new fit-out, making it the time for a radical change. Consequently, the shift to ABW will be gradual – not earthquake – in any market.

ON TO PHASE TWO

The first wave of ABW was about breaking down barriers in the office, and creating a communal atmosphere. However, we are now seeing a second phase that builds on the experiences of phase one. By removing the partitions and increasing the level of interaction, noise is becoming an issue for those who need some quiet time to write a report. Some firms have found that by removing cellular offices they lost a raft of unofficial meeting rooms, placing extra strain on the actual meeting rooms. So, interestingly, the next wave of ABW is now putting some barriers back in, introducing quiet areas and private booths.

We are also now seeing more firms who are going down the ABW route aiming to provide more space per

FCB, Chicago, U.S.



“TRANSFORMING THE OFFICE INTO AN INSPIRING AND ENJOYABLE PLACE TO WORK IS NOW SEEN AS A COST-EFFECTIVE MEANS OF RETAINING STAFF”



Atlas Holdings, Greenwich, Connecticut, U.S.



Draft Inc, Tokyo, Japan

worker for those actually in the office, but based on the assumption that a percentage of staff will be out of the office at any given time.

DO YOU REALLY NEED A DESK?

Cutting the bond to a personal desk is allowing firms who fully embrace ABW to take a lower multiple of space compared to total staff. This does not mean that firms will need less office space in the future, as the total workforce continues to expand over the long-term in most Global Cities. Irrespective of whether they allocate 90 or 100 sq ft for each additional worker, a firm still needs to acquire more space as it grows. However, the multiple of space per worker is probably going to fall, as companies will utilise absence to offer a spacious office to those who are actually at work.

The net result is that companies are achieving highly efficient offices, but staying in the more expensive CBD areas. This allows staff to enjoy all the amenities available in city centres, and indeed that amenity offering supports the companies' own activities. In any Global City, the cafés and restaurants are actually the unofficial meeting rooms of the business community, while their sports and cultural venues are used by firms in their marketing mix. A company distances itself from all these 'beyond-the-office' benefits of the big city when it moves to a business park.

CONTINUED ON 30

EGO SPACE FOR THE BOSS?

A Hong Kong executive in an advertising firm gets four times more office space than his secretary, but in Sydney the boss and PA get about the same. Here is the 'boss to support staff' office space ratio from ad firms around the world

Executive Support staff



HONG KONG



LONDON



SHANGHAI



NEW YORK



SYDNEY

Source: Knight Frank Research / Newmark Grubb Knight Frank Research

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CHALLENGING PAST CONVENTIONS

Around the world we see huge disparities in how offices are occupied. These typically reflect cultural differences, and the extent of those variations was not widely known when globalisation was in its earlier stages. Twenty years ago, a senior partner in a Chicago law firm with no overseas offices was probably unaware that lawyers in London occupied far less office space per worker. As businesses merge and expand into global networks, and staff are transferred overseas, awareness of the differences grow.

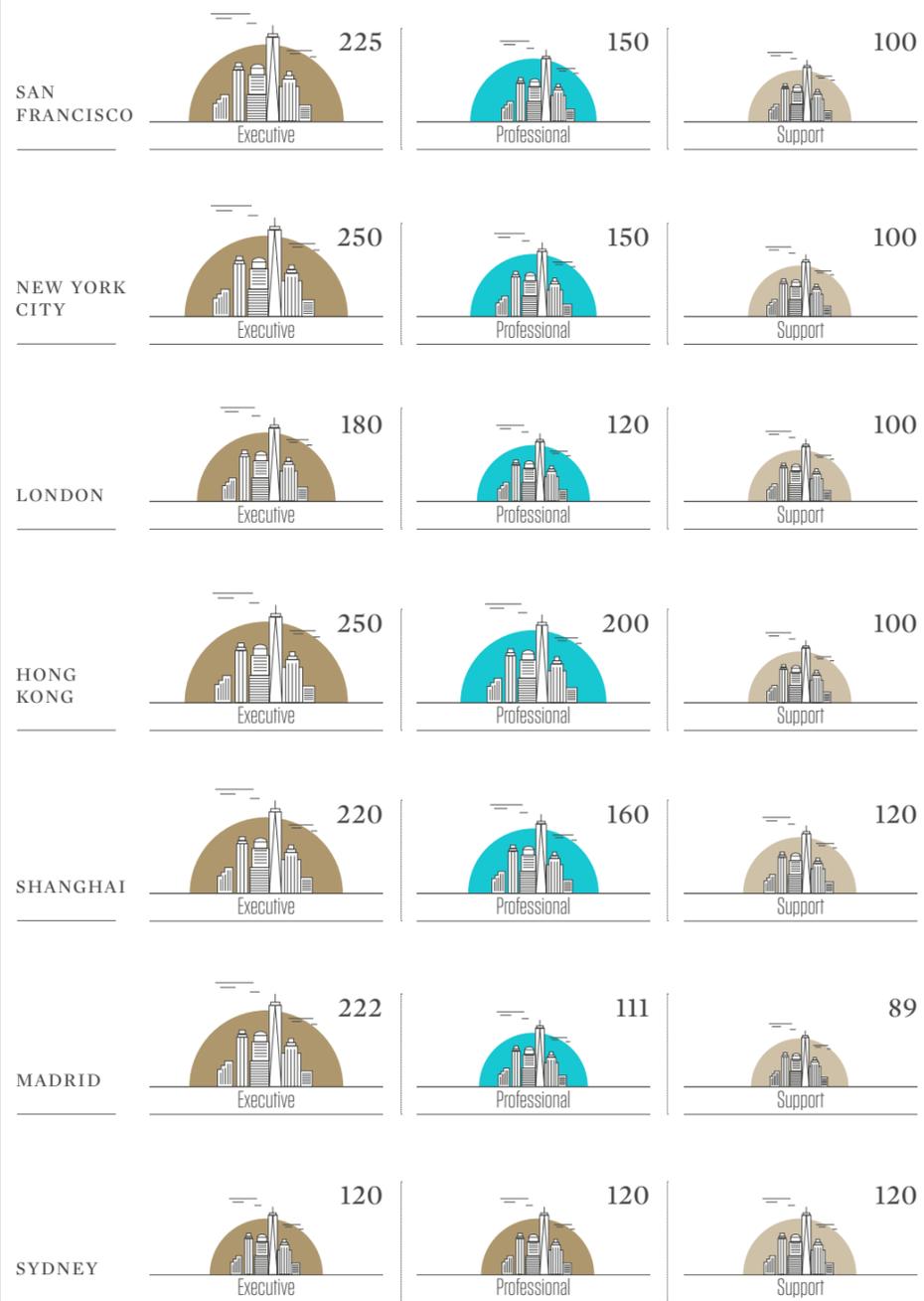
Previous conventions on office occupation are being called into question. Knight Frank figures show that a professional worker in a Hong Kong corporation is typically occupying 200 sq ft in a cellular office, but his Shanghai equivalent occupies 160 sq ft in a cubicle. Meanwhile his Sydney equivalent occupies 120 sq ft in open plan. How long before firms with global networks start asking why there should be so much difference in office occupation by people doing much the same job?

In the Global Cities, firms are thinking long-term and planning for headcount growth again, and they want their offices to help keep staff happy and reduce headcount attrition (which costs firms far more than rents do). They want to reduce the per-person ratio of occupation, but packing people in with ever-smaller desks does not make for a conducive working environment, and relocations out-of-town can be unpopular. ABW offers a solution, providing more space for people to work in by utilising the fact that a proportion of staff are not in the office at any given time.

The extent to which ABW is embraced will always vary from one company to the next, but its influence is spreading across industries and throughout the globe. Thus the future office will be dominated less by the desk, and more by the comfortable sofa.

OFFICE SPACE ALLOCATION

IN CORPORATE HQs IN VARIOUS GLOBAL CITIES (IN SQ FT)



Source: Knight Frank Research / Newmark Grubb Knight Frank Research
 Note: Corporate HQ is defined as the head office of an industrial, energy, or manufacturing conglomerate.

CROWD WORKING

The rise and rise of collaborative offices

WRITTEN BY
 James Roberts,
 Chief Economist, Knight Frank

New technology has been bringing previously unconnected people together to achieve things. We have crowd sourcing to develop ideas, and crowd funding to raise money. Now a new type of office is bringing people together, often in the service of advancing the tech economy.

Collaborative offices are the real estate equivalent of crowd sourcing, but in the form of a rather cool serviced office. An office space is fitted out with a combination of meeting rooms, hot desks, and lots activity-based working (ABW) space, with sofas and communal tables. Entrepreneurs then take out memberships allowing different levels of access, where they will mingle with other people running their own firms. The fit-out is often unashamedly targeted towards Millennials, and the tech and creative industries.

Some entrepreneurs pay by the hour to use a café area with wifi, while others pay monthly fees for all day access and wider ranging services.

The concept is proof that offices are a necessity for any business, and the benefits they offer stretch beyond providing somewhere to log on to a computer. Entrepreneurs check into collaborative offices as they want the intellectual synergies that arise as people converse and trade ideas in a working environment. By banding together in communal office space, entrepreneurs are thus able to access



Level39 offices, London



WeWork offices, London

the wider idea pool of their co-workers, in the same way staff in larger companies can when in the office.

While collaborative offices first emerged in San Francisco, driven by technology entrepreneur demand, the past few years have seen the format go global. Having begun operations in New York in 2010, WeWork has since opened in 11 other U.S. cities, as well as in the U.K., the Netherlands and Israel. A year ago, they had no presence in London, but WeWork now has over 320,000 sq ft of office space there; some of it in technology and media districts like Soho and Whitechapel, but also in more traditional financial and

insurance locations. In New York City, WeWork has 2 million sq ft of office space.

WeWork is also branching out from flexible working to flexible living. It has established a new short-stay apartment format, known as WeLive, in two buildings where its collaborative offices are found – one in Washington DC, the other in Downtown Manhattan. A WeWork pre-let in the Brooklyn Navy Yard will also include WeLive apartments.

To add to crowd sourcing, and crowd funding, we can now add crowd living.

THE SYDNEY OFFICE

WRITTEN BY
Matt Whitby,
Head of Research & Consulting,
Knight Frank Australia

Activity-Based Working (ABW) is increasing rapidly in popularity in Sydney offices. This raises the question: will ABW one day become ubiquitous around the world?

According to Telsyte, by 2020 two thirds of Australian offices will be using some form of ABW, up from about 28% today. This is in response to a drive for greater efficiency and adaption of the workplace to match the practices of Millennials.

ABW is not just a new incarnation of hot-desking, but the provision of a series of work areas that staff move between, depending on the task at hand. By breaking perceptions that an employee should hug their desk, and have claims on it even when on holiday, the company enjoys greater efficiency of office use and increased productivity through interaction and knowledge sharing.

01

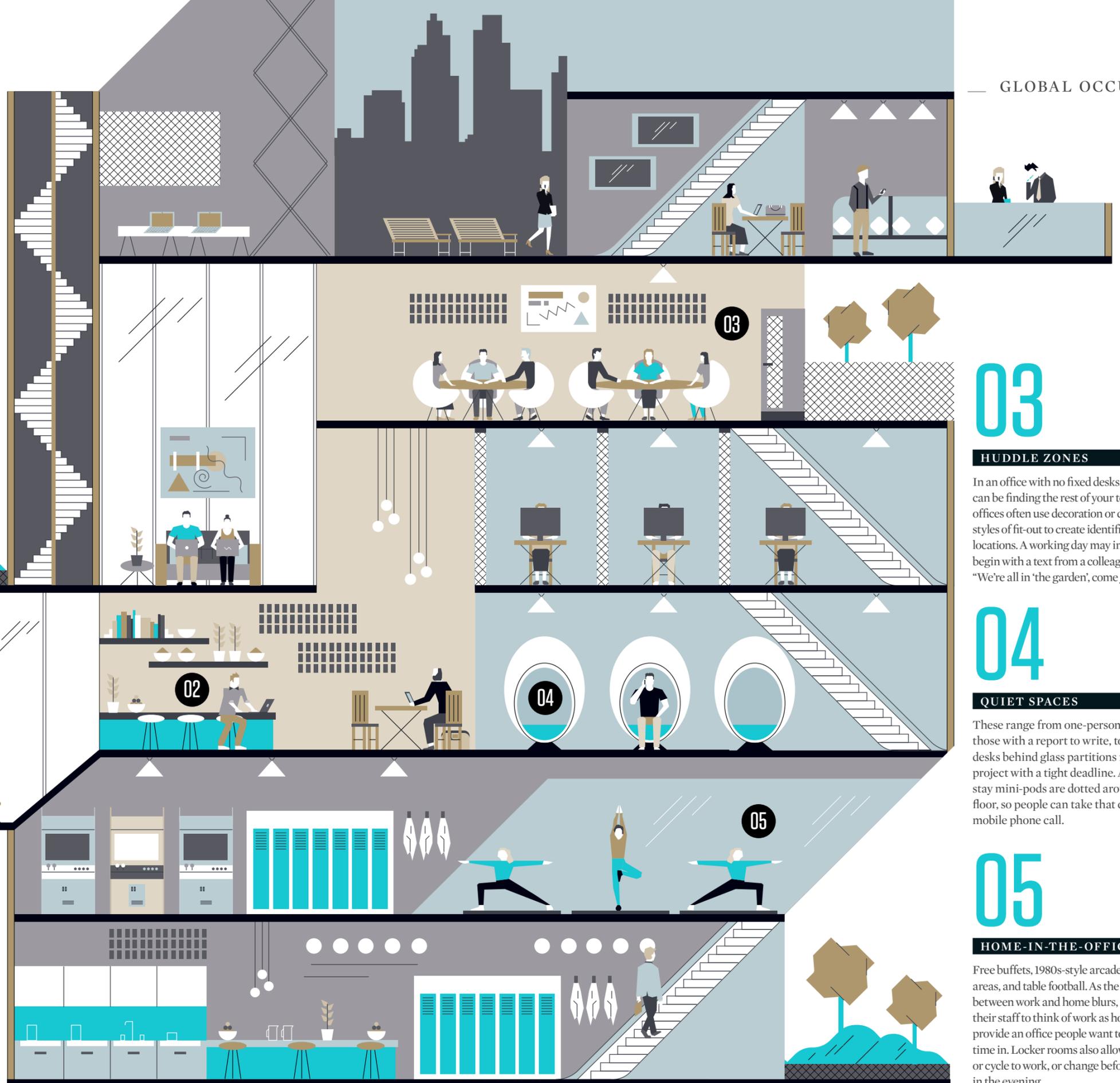
LIGHT AND CIRCULATION

ABW offices aim to get natural sunlight to as many people as possible, via atriums and minimising the use of partitions. Internal staircases and the absence of blocking lines of desks encourage people to go speak to colleagues in person rather than sending emails (a common source of miscommunication).

02

INTERACTION AREAS

Often resembling a branch of Starbucks rather than a traditional office, this area reflects the need to dip in and out of interaction with others and screen time. This fit-out increases the likelihood of chance encounters and conversations overheard, promoting knowledge sharing.



03

HUDDLE ZONES

In an office with no fixed desks, a problem can be finding the rest of your team. ABW offices often use decoration or different styles of fit-out to create identifiable locations. A working day may in the future begin with a text from a colleague that says, "We're all in 'the garden', come join us".

04

QUIET SPACES

These range from one-person booths for those with a report to write, to clusters of desks behind glass partitions for a group project with a tight deadline. Also, short-stay mini-pods are dotted around the floor, so people can take that confidential mobile phone call.

05

HOME-IN-THE-OFFICE

Free buffets, 1980s-style arcade games, yoga areas, and table football. As the boundary between work and home blurs, firms want their staff to think of work as home and thus provide an office people want to spend more time in. Locker rooms also allow staff to jog or cycle to work, or change before going out in the evening.