



CHAPTER FOUR

HOW WILL PEOPLE WORK?

#P38

NEW TECHNOLOGY AND
IMAGINATIVE OFFICE DESIGN
HAVE SPARKED A REVOLUTION
IN THE WAY THAT WE WORK

#P42

GREAT LOCATION AND DESIGN
WERE KEY TO A SUCCESSFUL
CITY OFFICE LETTING

#P44

HOW TO FIND THE RIGHT SITE
IN LONDON FOR THE PERFECT
CORPORATE HEADQUARTERS



Cannon Place
is one of the
largest new
offices to be
completed in
the City.





New technology
is transforming how
and where we work.
Welcome to the
office revolution



THE BRIEFING

New approaches to the use of office space are set to have a significant impact on landlords.

The need for increased flexibility and collaboration will drive the design of successful office spaces.

Employers are realising the right building in a good location is key to retaining staff.

The lack of new, well-designed office space in London is restricting choice for tenants.

The challenging economic climate is creating a revolution in the way that we work. New approaches to the design and use of office space are set to have significant implications for tenants and commercial landlords.

“The current global uncertainty is putting a lot of pressure on companies,” says Alison Maitland, Senior Visiting Fellow at London’s Cass Business School. “They are trying to do three things concurrently: one is cut costs, another is to increase productivity and a third is to retain the best talent. All of these factors will affect how and where we work.”

This pressure has speeded up a generational change that was already transforming working life, according to Future Workplace, a US firm dedicated to rethinking the office.

“Millennial workers want to have more flexible, collaborative workplaces,” says Steve Dahlberg, the company’s vice president. “Mobile devices and social media better facilitate this kind of working. Meanwhile, offices are full of empty, dedicated spaces that either people can’t – or don’t want to – be in.”

There’s no doubt that this office revolution signals a fundamental change in attitudes to work. “The old work model is definitely changing,” says Alison Maitland, who is also co-author of →



SAVILLS

CANNON PLACE

*Stuart Lawson of Savills
Central London Markets*

At almost 400,000 sq ft, Cannon Place is one of the largest office buildings to be completed in the City of London in the past 12 months. A joint venture between Hines and Network Rail, this highly specified, Grade A accommodation is in a prime location. The building offers virtually column-free floors of 50,000 sq ft above one of London's busiest stations, serving 27 million passengers a year. With innovative construction, contemporary design and outstanding transport links, we believe Cannon Place is the future of city working.

Future Work: How Businesses Can Adapt And Thrive In The New World Of Work. “The new generation joining the workforce expects to work in a different way. They don't expect to be tied to a desk for fixed hours. They've grown up with technology and that's the way they communicate.”

Of all the factors impacting on office life, advances in mobile technology are driving the biggest changes. Dr Graeme Codrington, who is strategy consultant at Tomorrow/Today.co.uk, believes that the latest innovations are so fundamental they will restructure the working week.

“In the future we will expect people to have 24-7 access to their messaging



systems,” he explains. “Email is going to be replaced by more immediate messaging systems and this will force us to renegotiate our social contracts with each other. The concept of a ‘weekend’ is all but forgotten by many city workers already and we will see people take their breaks and ‘weekends off’ at different times during the week.”

So what are the implications for landlords, keen to attract tenants at premium rents? While the office revolution opens up a new world of work, experts are quick to sound a note of caution.

“I've found that where a lot of people get it wrong is when they try to take on board an emerging trend without marrying it to the business needs of a company,” says Kursty Grove, who is the author of



THE NEED FOR FLEXIBLE OFFICE SPACE IS PARAMOUNT. THE SPEED OF CHANGE IN THE CORPORATE WORLD IS STAGGERING.

Peter Thursfield of Savills Central London Markets

I Wish I Worked There! A Look Inside The Most Creative Spaces In Business.

Having visited some of the world's most cutting-edge working environments, Grove has witnessed a variety of radical new offices in action. In the ones that work the best, she has found a connecting thread – a clear sense of what they need for their company and what their employees need to work effectively.

“Creativity and agility of thinking drive entrepreneurship,” she says. “That’s why innovative companies are looking for flexible working environments. They want to be able to configure their office space into small pods so teams working on specific projects can constantly share ideas.”

These companies also encourage interaction in more subtle ways. “It’s not unusual for internet companies to have a number of micro kitchens in the building,” explains Grove. “Essentially, they are using food to lure colleagues away from their desks. It’s a way of getting them to mingle and communicate. Collaboration is a really big trend and companies are realising they need to encourage their employees to do it a lot more.”

These innovations are also having an impact on developers and investors, who need to create high-spec, flexible offices to attract occupiers. But tenants aren’t getting it all their own way.

“Many tenants in the current economic environment believe they are in a good position to negotiate with developers →

BY THE NUMBERS OFFICE LIFE

£9.5 BILLION

The amount that owner-occupiers lose each year due to wasted office space.

10% EXTRA

The salary increase that 50% of survey respondents would require to stay in poor quality offices.

£6.5 BILLION

The total that hot desking and other new work practices could save British businesses every year.

Sources: RICS, British Council of Offices

SAVILLS

200 ALDERSGATE

Peter Thursfield of Savills Central London Markets

≥ 200 Aldersgate is an example of how refurbishment can unlock the potential of an older office building, making it a place people really want to work in. Built in the 1980s, the 370,000 sq ft tower block had a big problem with unused space, especially between the main buildings. After a refurbishment by Morey Smith, this has become a popular area with communal seating. There is also a store for 225 bikes, which are now more important for City workers than cars. We advised letting the office space as “first-come, first-served”. This created strong interest and has led to a successful letting campaign.



Source: Future Work

WORK IT OUT

MANAGERS' ATTITUDES HAVE ALREADY CHANGED WHEN IT COMES TO FLEXIBILITY IN THE WORKPLACE

60%
OF MANAGERS WANT MORE FREEDOM TO LET PEOPLE WORK FLEXIBLY

80%
THINK THAT NEW WAYS OF WORKING WOULD BENEFIT THEIR BUSINESS

90%
BELIEVE PEOPLE ARE MORE PRODUCTIVE WHEN THEY CONTROL THEIR OWN WORK

SAVILLS

ONE NEW CHANGE

*Philip Pearce of Savills
Central London Markets*

“We successfully let 340,000 sq ft of office space in this mixed use development in the City. One New Change has benefited from a lack of supply of prime office space in the Square Mile, plus its great location by St Paul’s Cathedral. But what really made the difference was having a client, Land Securities, who carefully listened to what tenants wanted and was prepared to let on that basis. As a result of this flexibility, we haven’t compromised on rents and have secured tenants on excellent terms.”

and investors,” says Peter Thursfield of Savills Central London markets. “But they also know that to retain the best staff they must locate to the right building and they must put far more effort into their office layouts and designs.”

Put simply, that means providing modern space, which is easy to use, where the technical services work well and ultimately where the staff can feel rewarded and motivated.

“Investment banks and big professional firms woke up to this in the 1990s and 2000s,” says Thursfield. “Other sectors have been slower to realise the importance of the right building to retain staff.”

Today there is actually less choice for tenants. Overall supply across London is low and, thanks to the lack of development finance, this is likely to remain the case for some time. Savills Research predicts that supply for Central London will fall to around 10 million sq ft for the next three

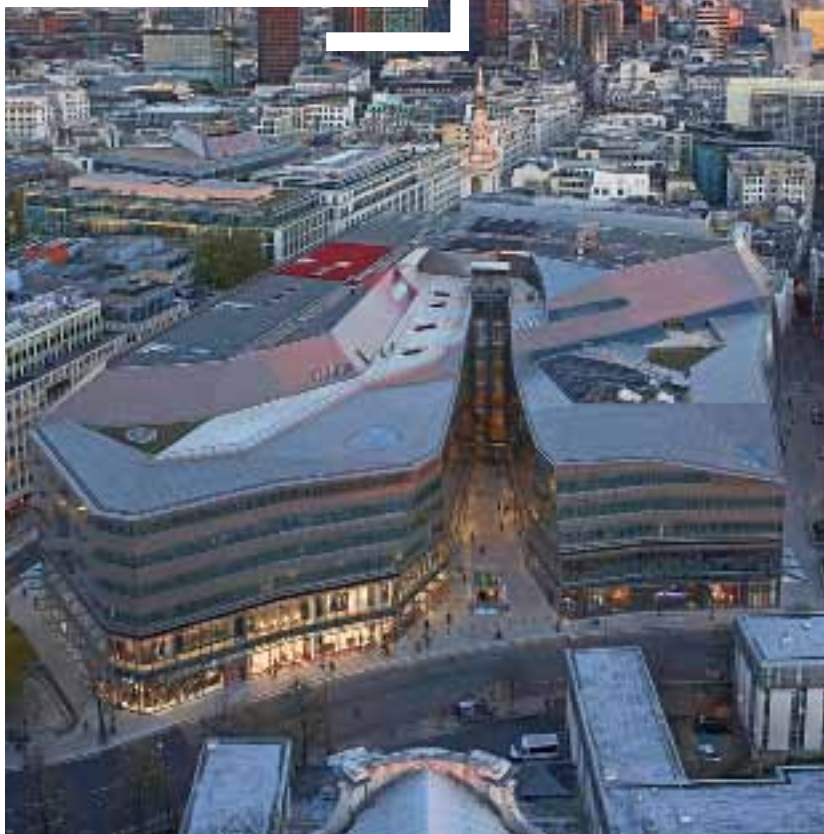


TENANTS HAVE TO THINK AHEAD AND OUTSIDE THEIR TRADITIONAL BOX

years. Yet this is against an annualised average take up of nine million sq ft.

The key question for tenants in this low supply environment is how they can keep their costs down yet move operations to the space that best suits their needs and the needs of their staff.

Early planning and flexibility in terms of their search criteria will certainly help. “Tenants have to think ahead and to think outside their traditional box,” says Peter Thursfield. “Today it is possibly less about location, location, location and more of a mix of right location, right building and right space planning.” ❖





ON LOCATION

Liell Francklin of Savills Office Agency reveals where to find the perfect London HQ

Q. *What are major corporations looking for in a London headquarters?*

A. Big companies need affordable and efficient space to accommodate all their staff under one roof. If it's an iconic architectural statement, like the Swiss Re building, then all the better for a traditional City occupier. Large blocks in core London locations are actually getting hard to find. This is partly due to planning restraints, but also because companies occupying the best sites are staying put and refurbishing their premises when leases come up for renewal, rather than moving as they tended to do in the past.

Q. *Which locations currently attract the most interest from global corporations?*

A. The City and Canary Wharf remain the locations of choice for financial headquarters, especially the ones that make a statement and wave the flag for the company. UBS, for example, is building a new European headquarters in Broadgate, in a landmark building designed by architect Ken Shuttleworth.

Q. *How easy is it to get permission to create large new office buildings in London?*

A. Conservation policies can restrict opportunities in the core business districts of the West End and the City. Although the Broadgate centre is less than 30 years old, moves were made to list it as of premier architectural or historical interest. This would have set a precedent and had a major impact on the City's ability to renew its stock of office space, a restraint that



Liell Francklin of Savills



1 KINGDOM STREET

Vodafone moved its HQ to a new scheme at Paddington. Savills acted for the developer.

competitors from New York to Shanghai do not have. Happily, the Government showed a refreshingly robust attitude when culture secretary Jeremy Hunt refused to list the complex, a decision that paved the way for the demolition of one block and investment in a new building for UBS.

Q. *The City is fairly crowded. What other areas are suitable for locating large offices?*

A. To the east of the City there are still opportunities in Canary Wharf and the Docklands, but proximity to the Jubilee line is key. To the north west, King's Cross is a remarkable regeneration scheme which will ultimately provide eight million sq ft of mixed-use space. French bank BNP Paribas has committed to 350,000 sq ft for delivery in 2015. Paddington still has sites at both Paddington Central and Merchant Square. In Victoria, Land Securities will be delivering 1.2 million sq ft of new Grade A offices from 2013 to 2018.

Q. *Are there other areas that investors and corporations should keep an eye on?*

A. To the south of the river, I have always favoured Waterloo as a potentially dynamic location, although so far it has failed to deliver. But the redevelopment of the Shell Centre should rectify that. The jury remains out on Battersea, although the arrival of the new US Embassy is bound to have a positive impact on the area. Finally, Battersea Power Station may ultimately provide a new London business quarter, but that will depend on the Northern Line extension being completed. ❖