

SAVILLS OFFICE FIT

Adapt, Evolve, Improve



OFFICE FIT SURVEY RESULTS

The office is vital, but needs to change



INTRODUCTION



The world of work is at the very heart of life for many people and recent events have had huge day-to-day implications for our engagement with work, the places where work happens and the organisations to which we belong.

Before the onset of Covid-19, as an industry we were focusing on key issues, all of which remain of paramount importance – the environmental emergency, the challenges in our communities around mental health and loneliness, new technologies which are fundamentally changing the ways in which we live and work, and changing attitudes to work and workplaces, particularly offices.

Alternative and flexible work strategies are not new and analysts and commentators have spent many years debating the evolution of corporate real estate. Covid-19 has augmented this process and sped up this thinking. This comprehensive survey, which has created hundreds and thousands of data points was compiled 5-6 weeks into the lockdown period.

Clearly there are industry sector and generational variations, but as part of the Office FiT programme at Savills, we have analysed the figures to 'mine' the key data points to add to and enlighten the on-going debate and to provide a genuine perspective of the future trends.

It is our intention to update this survey in the coming months so that we can cross reference the views at a different point in the cycle of the economic recovery from the effects of the pandemic.

Before the onset of Covid-19, as an industry we were focusing on key issues, all of which remain of paramount importance

SUMMARY

Things to know from our 3 key themes



1. DEMAND

- 89% of respondents believe that the office will remain a necessity.
- There could be up to a 10% reduction of office desk space, although on balance we believe the impact on total space will be negligible.
- A hybrid of both the home and office will best meet employee needs.
- Generational differences, including living circumstances, impact the importance of the office and must be considered.
- Developers need to consider, more strongly, the growth of emergent sectors as targets for office schemes.
- Desk space densities may decrease as the office is reconfigured to create a place employees want, rather than need, to be in.
- The office is important in fulfilling the broader dimensions of work.

2. LOCATION

- City centre preferences have reduced, with improvements needing to focus on mobility, employee safety and designed workplaces.
- Desire for non-core office locations could lead to more localised 'hub & spoke' strategies.
- The role of business parks may change and become more attractive to occupiers.
- Medium-term will see opportunities for 'third space' options such as flex space or serviced offices.
- Work happens in a variety of locations and is not just a binary choice between home and office.
- Workers are more environmentally aware and keen to reduce unnecessary business travel.
- Concerns around public transport safety is accelerating new, green infrastructure investment.

3. DESIGN

- The majority of respondents believe there will be a long-term impact on the design and size of the workplace.
- Office design must reflect a future agile workforce.
- High density, open plan workspaces will be rethought; remote workers are happy to share desks.
- Amenities must support a mobile workforce and an increase in remote working.
- Employees have enjoyed the variety of settings available at home and will want similar opportunities within the office environment.
- Future residential requirements will include dedicated home office zones and better access to outdoor space.
- Developers, investors and occupiers will need to consider future design solutions that prioritise employee health and wellbeing.

1. DEMAND

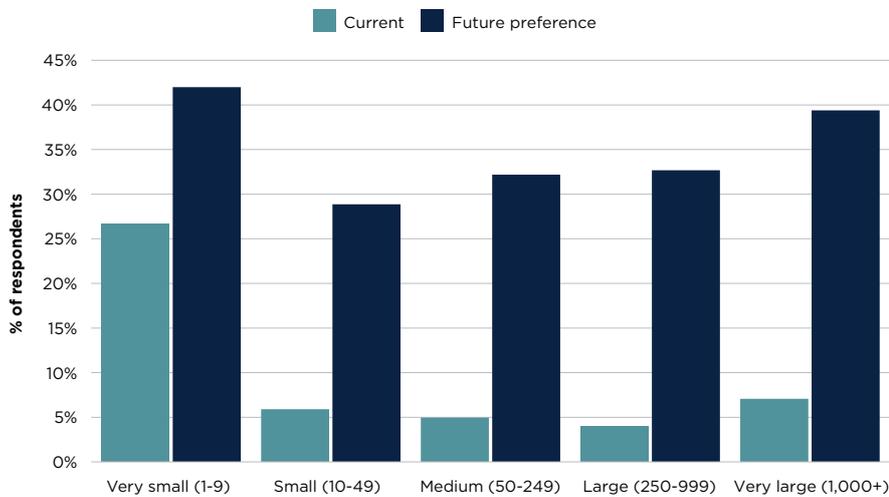
The impact on demand for office space has been a key topic since the onset of Covid-19, with much written on both sides of the debate.

A drive towards ever more efficient offices and more productive workplaces has been expanded into where, for what purpose, and how much space do we need. From our survey, 89% of respondents believe the office will remain a necessity for corporate organisations, with 47% believing this to be the case in the future, and 42% believing this to be the case at least in the short-term.

From Savills What Workers Want 2019 survey we established that only 19% of people wanted to work from home despite 42% being allowed to by their company. In a Coronavirus aware world this has changed, as reflected in the results of this survey conducted during lockdown. 28% of the respondents spent “no days” at home before the lockdown, which has fallen to 4% expecting to spend “no days” at home in a post-lockdown period.

Whilst this issue is important for all sizes of companies, the work-from-home impact is higher on larger companies. For the smallest companies (1-9 employees), 27% of respondents worked 3+ days from home pre-lockdown, rising to 42% post-lockdown. For companies with 1,000+ employees, the pre-lockdown level was 7%, rising to 39% post-lockdown, as shown below.

Percentage of respondents that currently, or expect to, work 3+ days at home



Source: Savills Office FiT



89%

of respondents believe the office will remain a necessity

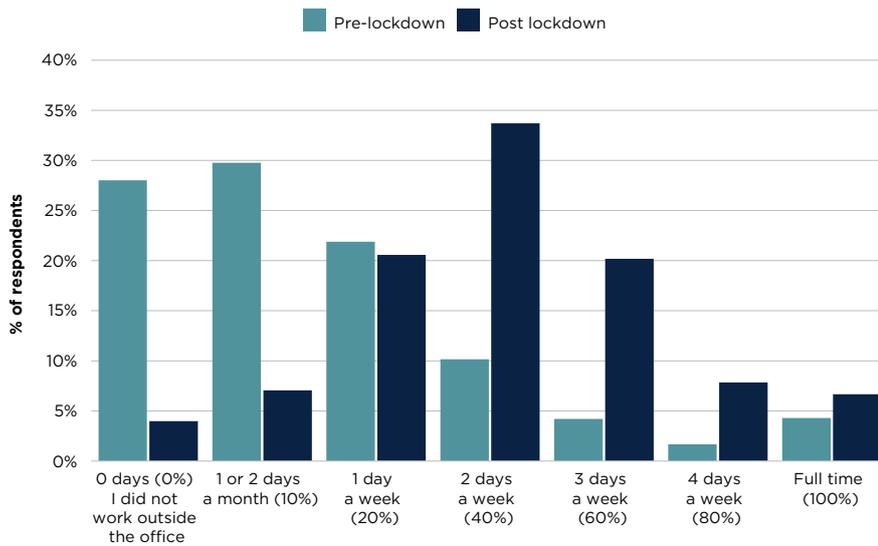
1.1 How will demand for office space change?

The percentage that would look to work at home 4+ days a week post-lockdown, compared to pre-lockdown, shows that around 8.5% of respondents would have a strong bias towards working at home. At the 4+ days threshold, this is likely to have an impact on the provision of desk space back at their office.

Based upon the survey, conducted during lockdown, the preference towards a degree of home working could potentially result in up to a 10% reduction of office desk space in the future for the UK market.

This is only desk space and does not take in to account the potential increased space requirement to embrace social distancing measures, nor does it reflect the potential need for offices to fulfil a greater need for more collaboration and team engagement. On balance we believe the impact on total office space will be negligible, if at all, for most organisations.

What is the propensity to work from home post-lockdown?



Source: Savills Office FiT

There are also other factors that will impact the nature of demand. These include the significance of emergent business sectors and the changing nature of work. In a post-Covid-19 world there needs to be heightened awareness of the growth of new sectors.

Some businesses, for example within the life sciences sector, will remain more resilient and grow faster, potentially leading to higher demand for office space that meets their unique requirements. Tracking the flow of investment since the beginning of 2018, around £300bn has been invested in emergent sectors, with the resultant potential to drive office and workplace demand on a global basis.

£300BN

has been invested globally in emergent sectors, with the potential to drive office property markets

1.2 What is the role of the office?

To maintain the role of the office and, ultimately, corporate demand for offices, a key questions is “what is the purpose of the office?”

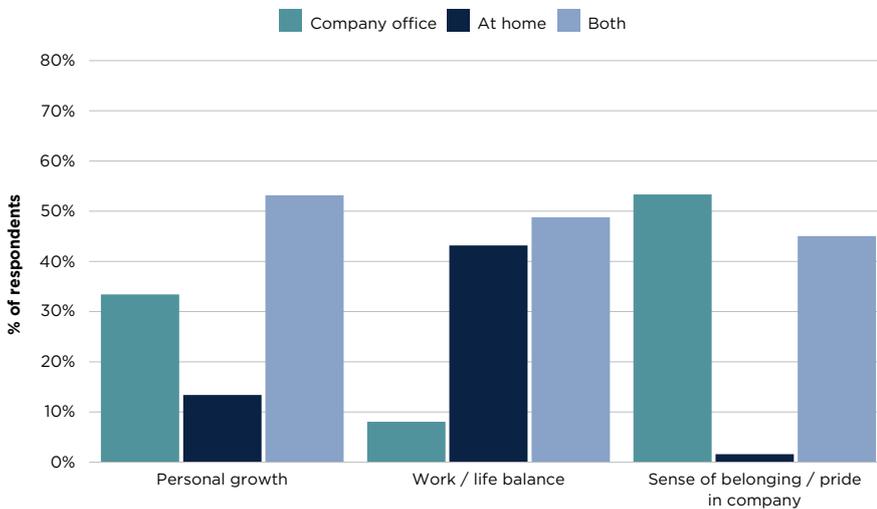
Our survey presented the views of the respondents on what places they feel are best for different tasks. The choice was simple; home, office or a mixture of both. The data shows that the majority of office employees believe a mixture of both, a hybrid, is the likely option going forward. However, to glean some insight from the survey results it is worth concentrating on the significant differences between the home and the office.

As shown in the chart, personal growth is vitally important to most workers and our survey shows that this is best met in an office environment, with a 3:1 ratio in favour of the office.

For corporates, the sense of pride in instilling and maintaining corporate culture and connection is key. The fear around homeworking is a resultant growth of sub-cultures and, even worse, counter-cultures. A company that becomes dysfunctional will not deliver the growth expected and/or required, but the office must provide more of the benefits of home working.

The office also has the responsibility to deliver a better work-life balance as the chart shows the stronger preference here is for the home. This may link to the commute and time spent away from the home, which has implications for future office location and design.

Where are personal employee priorities best met?



Source: Savills Office FiT

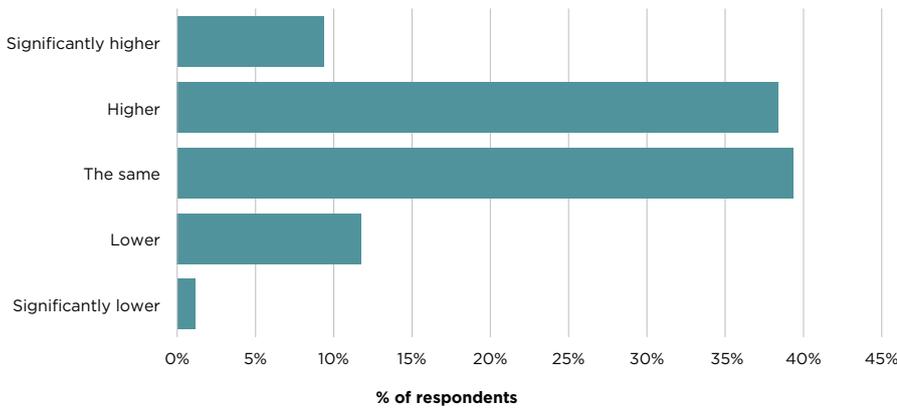
3:1

ratio in favour of the office for personal growth

1.3 Where is productivity at its best?

Significantly, in regards to productivity the office is not perceived as the best place to achieve the highest level of performance. 87% of respondents feel as though their productivity level whilst working at home is either neutral or higher. Nearly half believe it is higher. Whilst clearly this measurement of productivity is subjective, the result shows that enabling a higher degree of employee autonomy is likely to be beneficial to both employee and employer.

Productivity level whilst working at home

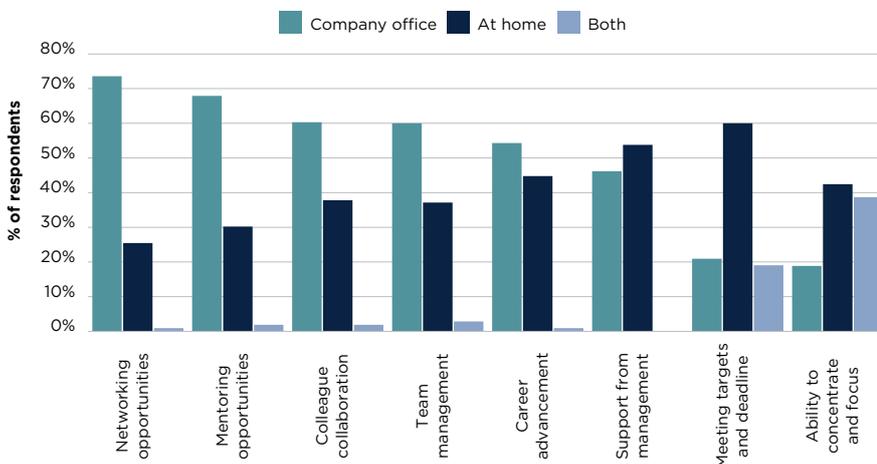


Source: Savills Office FiT

Clearly, there are many facets of working in and belonging to an organisation as an employee. The recurrent conversation around the office has recently been the role that it plays in fostering engagement, collaboration, innovation and advancement. Our survey results highlight the current perception of the office in better fulfilling the broader dimensions of work versus working from home.

For 'colleague collaboration' and 'career advancement' the balance of opinion is that the office is best placed. For 'colleague collaboration', 60% in the office versus 2% at home. For 'career advancement', it's 54% in the office versus 1% at home.

Location preferences best suited for the human experience of work



Source: Savills Office FiT

60%

believe the office is best placed for colleague collaboration

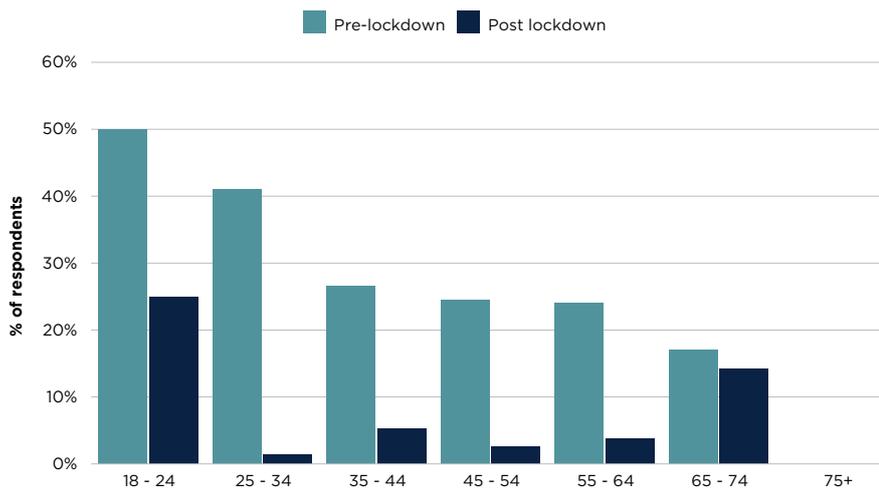


1.4 Attracting and retaining talent

The continued demand for offices is also driven by the need for organisations to attract and retain talent. It is interesting to look at our survey results and review by age categories.

The results from our survey, and as presented in the chart, clearly show that 50% of respondents in the 18-24 age category, pre-lockdown, spent no time working outside of the office. However, this halves to 25% post-lockdown and is their expectation for the future. There are a few forces at play here as these younger workers are likely to prefer working in the office to help them to learn and understand the processes of office life, be seen, network and collaborate. They are also likely to live where the option to work at a well-defined desk space at home is more limited. Against this backdrop the office remains a key component of working life and facilitates talent to reach their growth potential and achieve career advancement.

Share of respondents that spend “no time” working outside of the office



Source: Savills Office FiT

18-24

year olds are likely to prefer working in the office to help to learn, be seen, network and collaborate

1.5 The impact of the office on health and wellbeing

Before Covid-19 the global value of the health and wellbeing market was US\$4.5 trillion and our expectation is for this to be a sector that will accelerate and become even more relevant to the workplace.

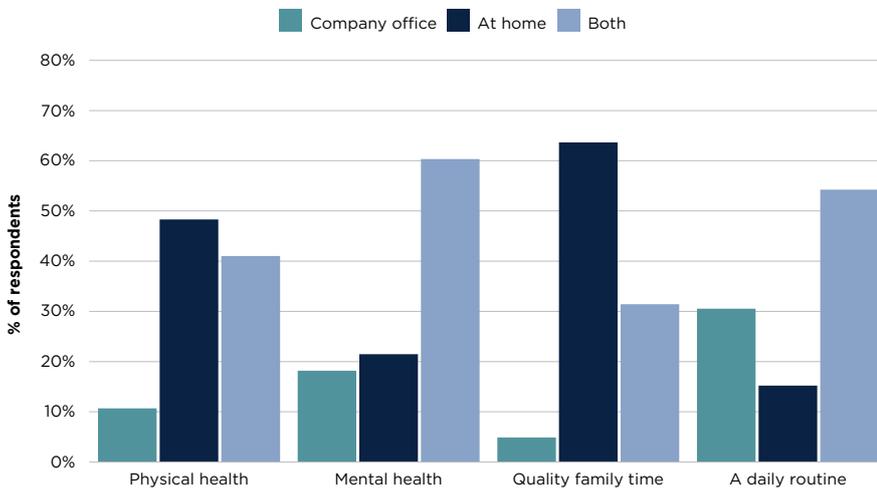
However, with a health and wellbeing 'lens', there has been a shift from keeping people well, to keeping people safe and well within the Covid-19 world. For workplaces there are some amenities that were installed for health and wellbeing benefits that may now be less relevant. The contradiction of providing amenities for wellbeing, including yoga studios and gyms, may not provide an environment to keep office workers safe.

Significantly for offices, in light of the scale of the health and wellbeing debate, our survey shows that employees do not all feel the same about where their health and wellbeing needs are best met in an office environment.

In terms of mental health, the youngest age bracket (18-24 year olds) presented the highest percentage, 25%, of those who feel it improves in an office environment. Interestingly, this is also higher in the 55-64 age bracket. For physical health, the 18-24 age bracket is the only group who think this is best met in the office.

What is clear from the responses is that both environments must be developed further to enhance physical and mental health, safety and wellbeing.

Where do office workers believe health and wellbeing is best delivered?



Source: Savills Office FiT



There has been a shift from keeping people well, to keeping people safe and well

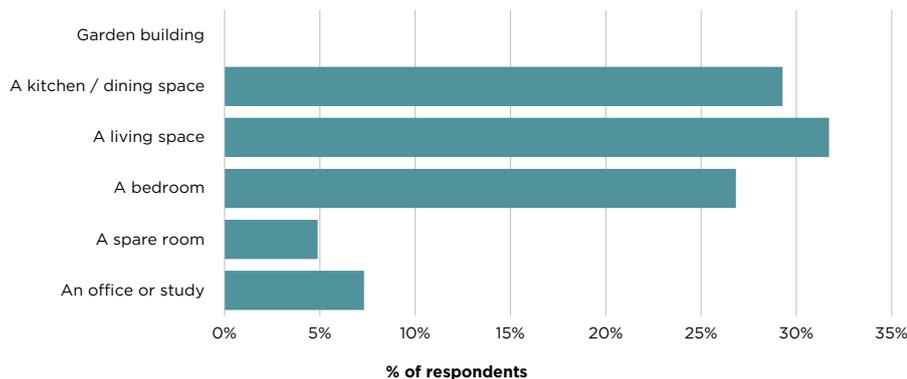
1.6 Are workers equipped to work from home?

Clearly the concern for organisations that have moved more significantly to home working will be the need to ensure the physical and mental health and wellbeing of their employees.

Our survey has shown that working hours may be of considerable concern for companies. Of the respondents who are working at home (but also stated that they deeply dislike the fact), 26% are spending 2+ more hours working. This could be a reason for the dissatisfaction as the work-life balance has shifted unfavourably. Also, again for those that do not like working at home, 30% have reduced their working hours by more than 2 hours per day. Some of this time may be attributable to the lack of commute, but may also indicate a negative impact on productivity.

There are also corporate concerns regarding whether employees have the physical infrastructure to adequately work from home. As we can see below, younger workers are clearly working from living rooms, kitchens and bedrooms.

Where do younger (18-24 year old) office workers work at home?



Source: Savills Office FIT



Employees need to have the physical infrastructure to adequately work from home

Key takeaways

- 89% of respondents believe that physical office space will remain a necessity for companies to operate successfully.
- The preference towards a degree of home working could potentially result in up to a 10% reduction of office desk space in the future.
- To best meet a range of needs for employees, a hybrid of both the home and office is required and organisations may find they need to invest in employees' home working environments.
- It is important to consider generational differences; for example, younger people will require the office to build networks and progress their careers.
- The potential loss of traditional demand, though not predicted, would likely be balanced by key emergent growth sectors such as life sciences.
- Instilling a work-life balance is critical, with a renewed focus on both physical and mental health.
- Desk space densities may decrease, but space will still be required to reconfigure the office to create a place employees want, rather than need, to be.

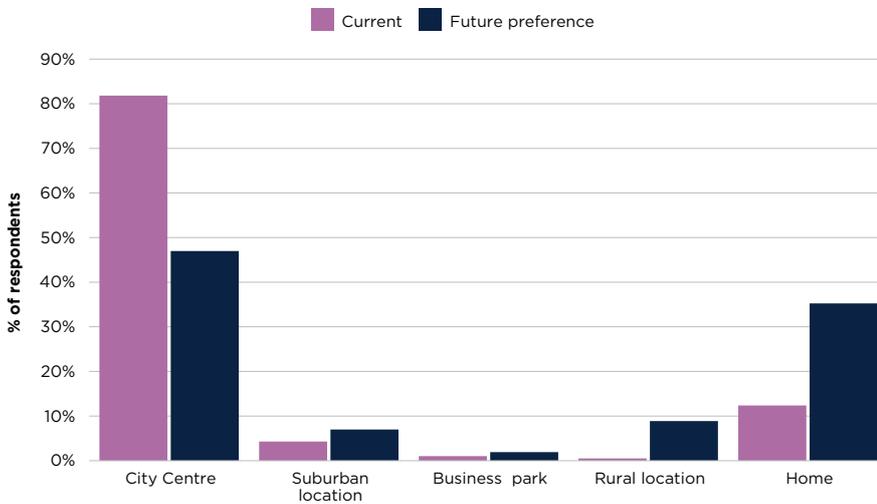
2. LOCATION

Our survey results are also an indicator of potential future locational preferences, indicating a shift in location strategies and a move to greater choice.

Over many years we have seen a rise in the preference for city centre locations, as demonstrated in the Savills Tech Cities programme (www.savills.co.uk/techcities). What has now emerged from our most recent survey is a potential for corporates to reassess their interest towards alternative locations including business parks, suburban locations and even rural areas - 1 in 10 office workers in London would like to work in a rural location. It seems likely that organisations may move to a 'hub & spoke' model, with a city centre presence but also regional and local office hubs. This potential shift in location strategy does vary by industry and workforce commuting patterns.

Concentrating on the London results from our survey begins to create an understanding of the immediate Covid-19 impact. 82% of respondents currently favour working in the city centre. However, assuming workers get what they really want, with the survey presenting a shift towards a lower future preference for the city centre (47%), demand for city centre space could be lower at some point in the future. This result is likely to be a reflection of sentiment captured during early lockdown and will likely be addressed by future improvements to mobility, employee safety and workplace design.

Workplace location most frequently used (Greater London office workers)



Source: Savills Office FiT

82%

currently favour working in the city centre; preferences could see this figure drop to 47%

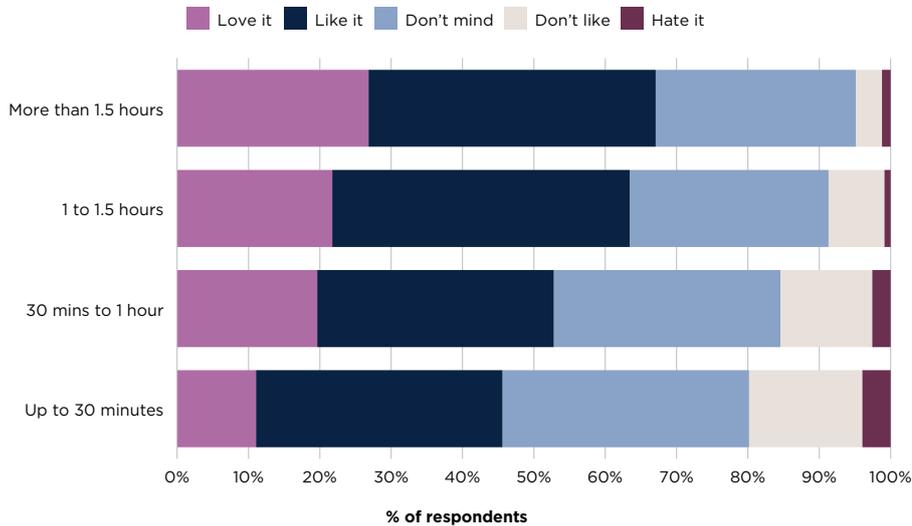
2. LOCATION

2.1 How important is the commute?

The results from the survey show a clear correlation between employees' attitudes towards working from home and the length of their commutes.

As shown in the chart, those with a short commute dislike working away from the office by a factor of four, compared to those with the longest commute. The survey showed that for those respondents with up to a 30 minute commute (one-way), 20% dislike working away from the office. This compares to only 5% of those respondents with a much longer commute (1.5+ hours one-way). Therefore, there is a suggestion of the strengthening of smaller distributed office locations around the major cities that are more proximate to residential locations.

How do office workers with long and short commutes enjoy working from home?



Source: Savills Office FiT



Those with a short commute dislike working away from the office by a factor of four, compared to those with the longest commute

2. LOCATION

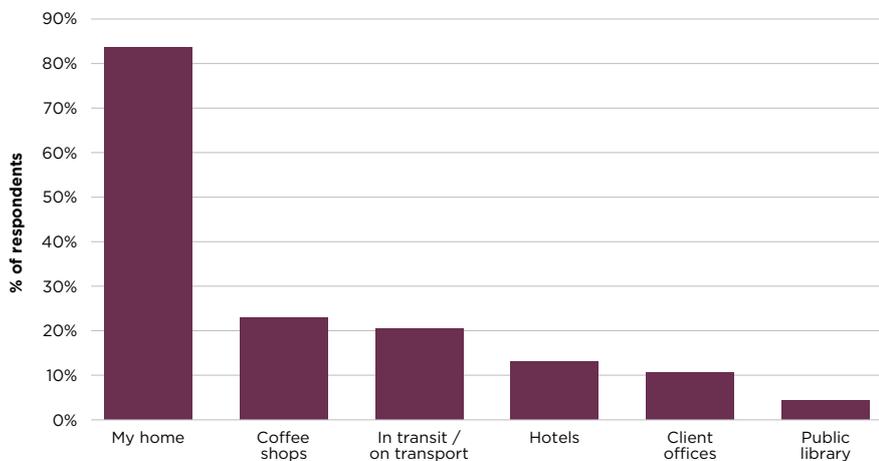


2.2 The future of flex

There is not always a clear choice between home or office. What the survey data demonstrates very clearly is the broad variety of locations which provide a place for work. As shown by our survey results, 1 in 5 office workers are working whilst in transit.

Our data demonstrates the opportunity for the flexible market to capture the 40%+ people who, when not working at home or in the office, are working in hotels, coffee shops and libraries. The flex space market globally has undoubtedly been adversely impacted by the pandemic. However there are opportunities for these more local, flexible spaces to capture a grow and share of the 'third space' market.

Remote working locations when not in the office (all that apply)



Source: Savills Office FiT

1 in 5

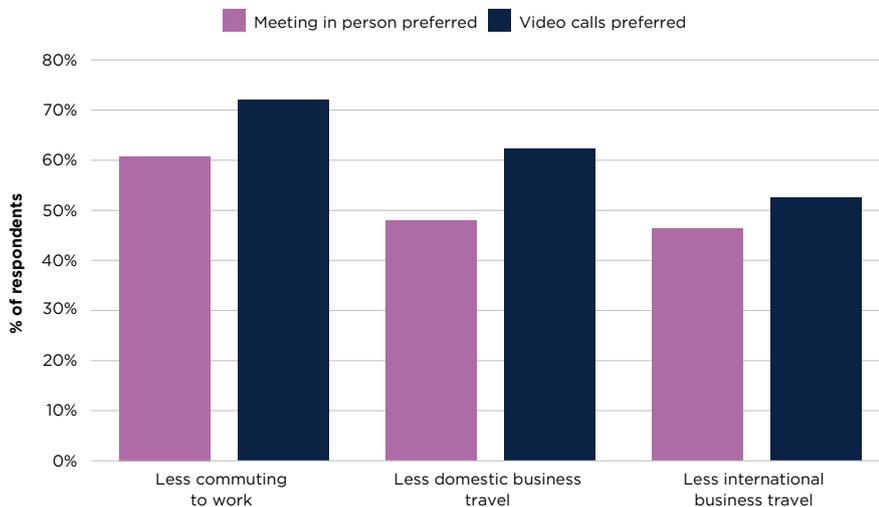
office workers are working whilst in transit

2.3 How environmental attitudes are impacting working preferences

Crucially our results show that real estate decisions will continue to be made within the context of environmental considerations, with 73% of respondents having become more aware of their ability to positively impact the environment during the lock down period.

Most noticeable is the relationship between transit options and access to the office and work activities, including events and client meetings. For those respondents that prefer to meet in person, the survey results show that, on average, over 50% of these people expect commuting and business travel to reduce in the future.

Office workers' views on future commuting and business travel



Source: Savills Office FiT

There is a contradiction between the current government advice to avoid public transport use if at all possible post-Covid-19 and the need to embrace more environmentally sustainable forms of transport. At a city level we are seeing a move towards greater provision of pedestrian, cycling and scooter infrastructure.

At a public transport level, clearly the issue during Covid-19 has been keeping people safe. In terms of workspaces, this resolution of transit is a fundamental criteria for a return to workplaces today and in the future. The flight back to car commuting is not the answer, although it is worth noting that, according the Savills What Workers Want survey in 2019, 47% of respondents are commuting by car.

To solve the problems with transit nearly £300bn has been invested in the last three years into mobility companies (excluding autonomous vehicles). Ultimately, innovation, personal behaviour and government policy will drive the need for car parking infrastructure, bike storage and showering facilities within office space.

73%

have become more aware of their ability to positively impact the environment



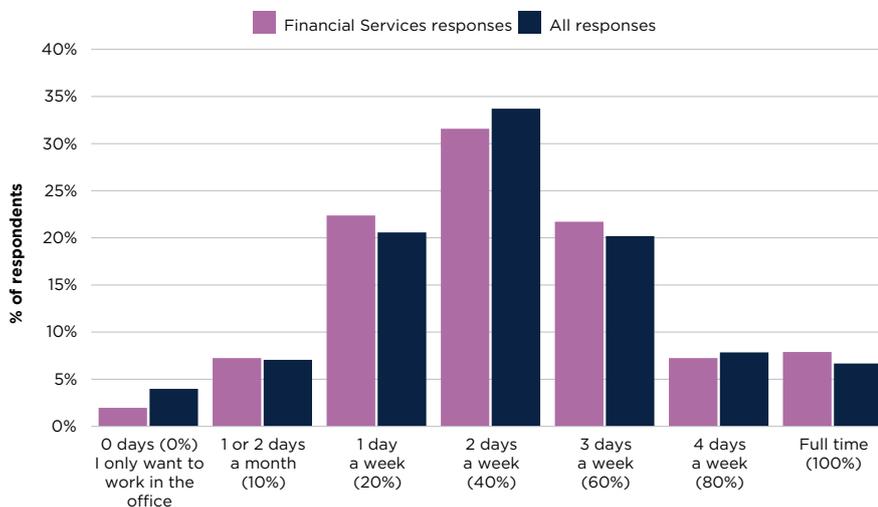
At a city level we are seeing a move towards greater provision of pedestrian and cycling infrastructure

2.4 A focus on financial services

Some corporate occupiers within the financial services sector have been more vocal during this period. However, this sector has been evolving its business models and need for office floorspace for the past 10 years. As we mentioned at the start of this report, the Covid-19 impact has heightened the sense of urgency to re-think their office needs.

Some large companies from the banking sector have already indicated their lower appetite to occupy the large corporate HQ, but this was certainly happening before Covid-19 and our survey showed that workers within the wider financial services sector were, on balance, more keen to increase their days working at home.

Working from home preference for the financial services sector



Source: Savills Office FiT



The impact of Covid-19 has heightened the sense of urgency to re-think office needs

Key takeaways

- The preference towards city centre locations has reduced, but in the future improvements to perceived negatives will likely be made to mobility, employee safety and designed workplaces.
- A desire for more non-core office locations could lead to a more 'hub & spoke' approach with corporate HQs as businesses look to create more localised multi-office strategy.
- The role of business parks may change and become more attractive to occupiers, offering open space, natural light and air quality.
- It is not just a choice between home and the office, 1 in 5 also work whilst in transit.
- 'Third space' options, such as flex space or serviced offices will see medium-term opportunities.
- Workers are keen to reduce unnecessary business travel to help maintain some of the environmental gains made during the Covid-19 pandemic, which has seen the reduction of greenhouse gases worldwide.
- Concern around the safety of public transport is accelerating new green infrastructure investment with pedestrianisation and super-cycleways. Accessibility to offices by foot or bike should be a stronger focus.

3. DESIGN



The future of the physical office looks to remain, whilst occupancy, location and modes of transport may change - but, what about the design, and use? As offices begin to open their doors again to employees, will users' needs and priorities have changed and how will the design of workspace have to react?

3.1 Will the office change?

The overwhelming response to whether this period will have long-term impacts on the company office was "yes". 71% believe that it will impact design and 74% believe that space and size will be affected.

An increase in the provision of shared and controlled settings will affect the layout and take-up of space; high-density, open plan workspaces are likely to be mothballed, at least in the short-term and this pandemic is providing an opportunity to provide work environments now, that had been anticipated in the future.

71%

believe office design will be impacted



74%

believe that space and size will be affected

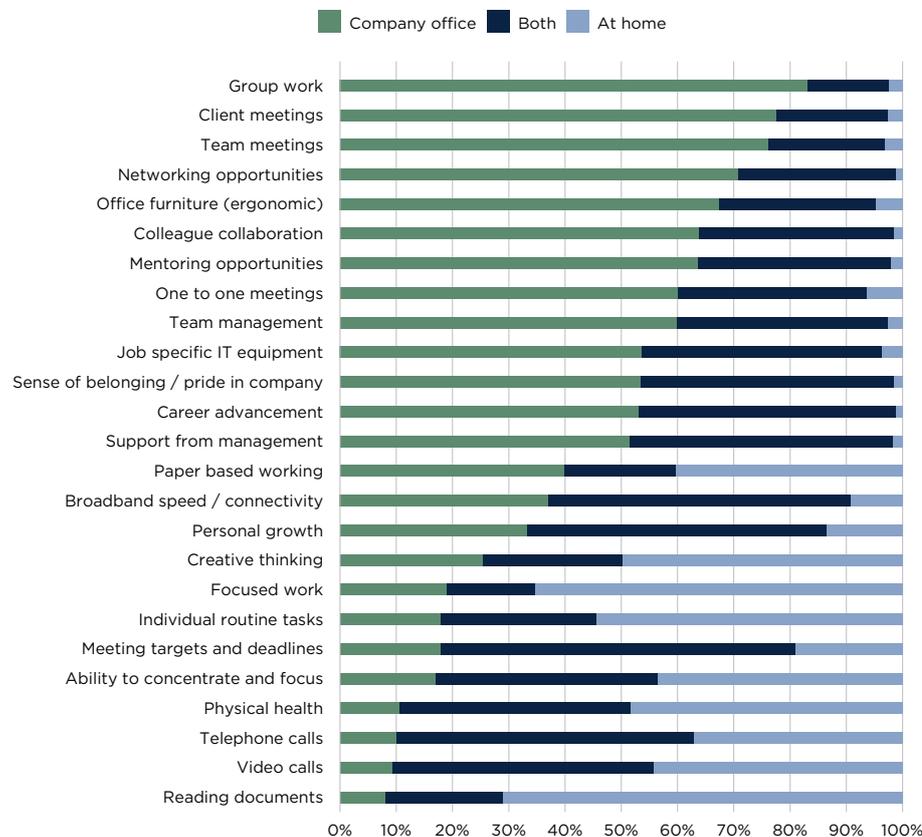
3.2 What will the office be needed for?

Workplace design becomes key to providing the right settings for when people do come in; as a social hub, both internally and externally, to support team working, face-to-face meetings, new business events and brand building opportunities.

People's preferences from our survey for what activities were better suited in the office centred around collaboration, group meetings, mentoring, networking, furniture and equipment as well as the sense of belonging. For home working they revolved around concentration, individual tasks, creative thinking and focussed work. The consensus was that mental health, personal growth and work-life balance should be supported in both locations alongside the daily tasks of video calls, phone calls, meeting targets and deadlines.

The chart below highlights the impact of these preferences on both the office and home environments. Clearly, as home working became widespread, many people were not appropriately set up with the correct furniture and equipment to meet their occupational health needs. A factor to be addressed by organisations in the future if home-working is to be more widely adopted. Equally the experience at home, where people are able to move from setting to setting depending on the specific task they want to complete, has highlighted what is lacking in the workplace. This includes providing a variety of internal settings including comfortable seating areas, quiet zones and access to outdoor space.

Where office tasks, aspirations and processes are best met



Source: Savills Office FIT



Activities, such as reading and concentrating are better suited to working from home, whilst others such as meeting and collaborating are best met in the office

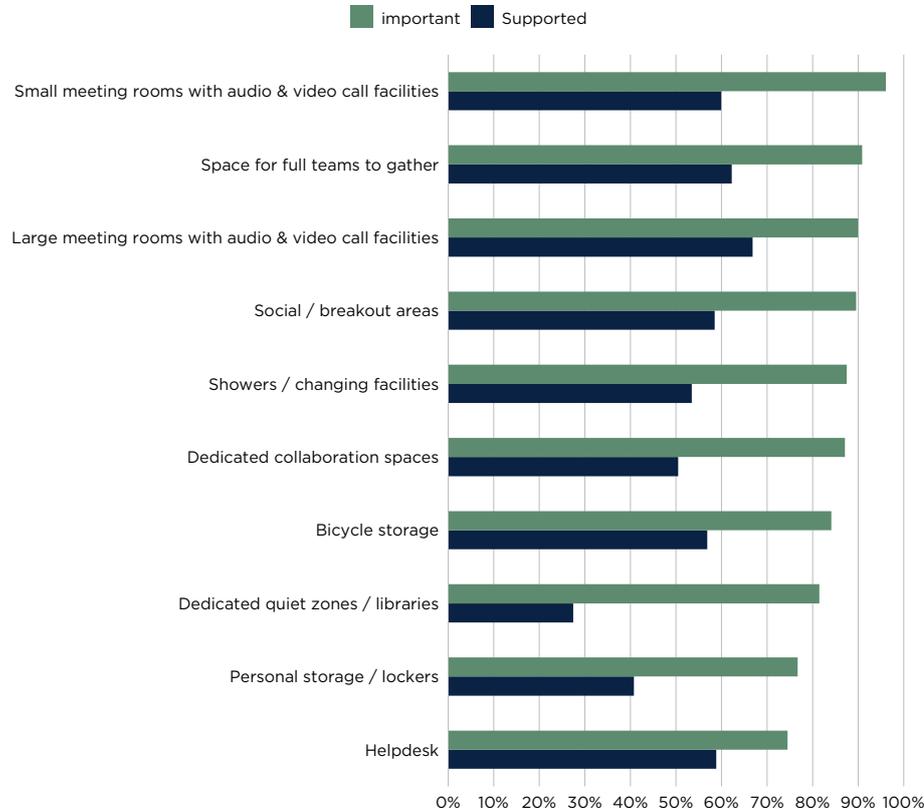
3.3 Do we have what we need to support agile working?

The survey asked about amenities and settings within the office required to support a future mobile workforce, both in importance and how well they are currently supported.

All categories scored higher in importance over how well they were supported. Small meeting rooms with video and audio facilities scored highest at 96% in importance with 36% less saying that they were supported. Unsurprisingly the technology that has been used through home-working will impact the office. The greatest delta of 54% was in dedicated quiet zones with only 27% feeling that this was currently supported whilst 81% rated it as important. The others that scored highly for importance were full team meeting spaces (91%), large meeting rooms with audio and video (90%) and social breakout areas, testimony to the human need to feel connected.

Offices will change to accommodate and support the levels of virtual and remote communication people have come to expect. This will need to be supplemented by acoustic treatment and specific furnishing requirements, bearing in mind that distraction and noise are cited as major open plan complaints and will be set to increase with an even greater reliance on technology.

What office design factors are important to office workers - are they supported?



Source: Savills Office FiT



All categories regarding amenities scored higher in importance against how well they are currently supported

3. DESIGN

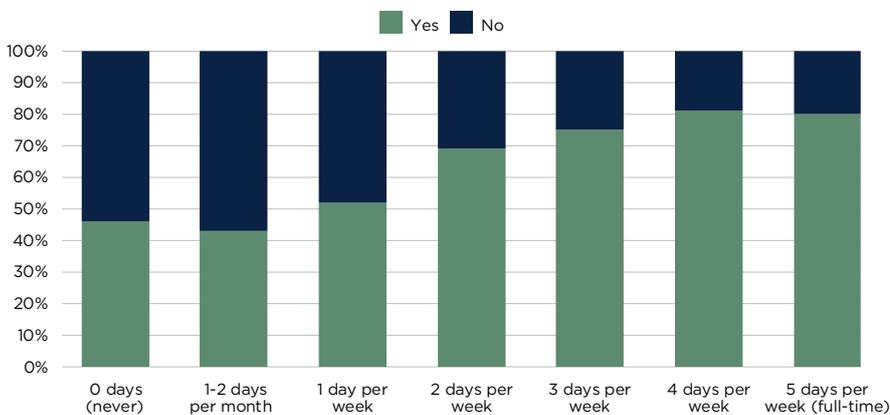


3.4 Is hot desking dead?

An agile workforce typically results in not allocating workspaces to individuals, both as the overall demand is lower and to provide space for a wider variety of settings to support activity based working. When asked if they would be prepared to share a desk in the future, 67% overall said they would.

Of those who expressed a preference to be in the office full time, 54% said that they would not be happy to share a desk, a similar result to those who said they would like to work one or two days a month from home. People wanting to work one day a week from home were fairly evenly split with 52% willing to share and 48% unwilling. For people who expressed a desire to work from home 2 to 4 days a week, approximately 70 - 80% are happy to use shared desks when in the office. Surprisingly, 20% of respondents who want to work full time from home would still want a desk allocated to them in the office.

Are you happy to use shared desk spaces when visiting the office?



Source: Savills Office FiT

67%

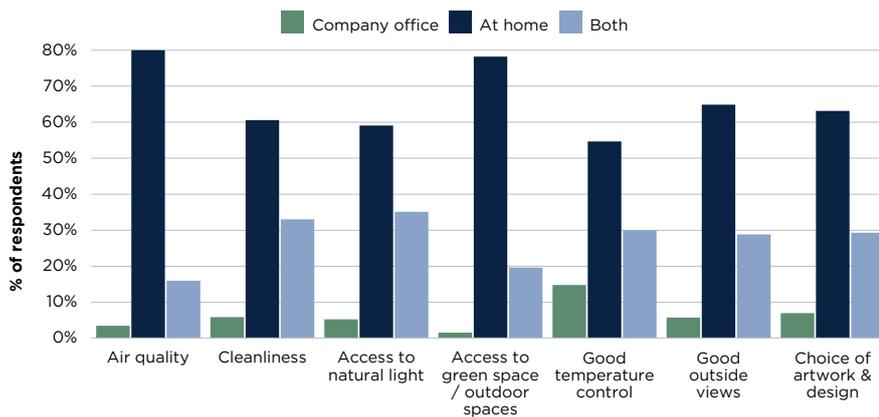
overall said they would be prepared to share a desk in the future

3.5 Does the office meet our fundamental needs?

There has been an ongoing drive towards wellbeing in the workplace, which will now be further accelerated by this experience. The lockdown period has given people time to consider aspects of their comfort and wellbeing that is delivered at home more effectively than in the office.

The survey results clearly demonstrate that people feel their fundamental needs, such as cleanliness, natural light and green space are better met at home. Plainly offices are constrained in terms of what they can provide, only 1.5% said that their offices enabled access to outdoor and green space, 5.2% with access to natural light and 3.4% to good air quality. Future design solutions will have to deliver skylights, large windows, operable fresh air opportunities, rooftop terraces, vegetation, balconies and courtyards, they have been more prevalent in building design in recent years but we need more.

Where do office workers believe environmental factors are best delivered?



Source: Savills Office FIT



Future design solutions will have to deliver skylights, large windows, operable fresh air opportunities, rooftop terraces, vegetation, balconies and courtyards

Key takeaways

- The majority of respondents believe that there will be a long-term impact on the design and size of the workplace (71% and 74%, respectively).
- High-density open plan workspaces will need to be rethought and reconfigured to allow for agile working.
- Office design must reflect a future mobile workforce, with up to 67% of respondents prepared to share a desk once it's safe to do so.
- Amenities must be considered; The survey showed that all categories regarding amenity scored higher in importance against how well they are currently supported in the workplace.
- Activities such as reading and concentrating are better suited to working from home, whilst others such as meeting and collaborating are best met in the office. Design must change to successfully facilitate all of these things under one roof.
- Whilst the trajectory towards the domestication of the workplace will continue, in contrast where we chose to live will shape future residential requirements as things like a home office and outdoor space become more important.
- Developers, investors and occupiers will need to consider future design solutions that can deliver green space, natural light and fresh air as employees prioritise their health and wellbeing.

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