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PLANNING FOR THE HYBRID



Liz Donnelly, Legal Director at international law firm DAC Beachcroft, considers some of the factors shaping future commercial office space.

As we move from COVID crisis to COVID chronic phase, I see corporate occupiers using the time to take stock, ask the view of their employees and review their options. Longer term decisions continue to be delayed. What is emerging is that the majority of office workers enjoy working from home - but only some of the time. There is a real desire to come back to the office, but in a less full-on way. It is challenging to plan ahead in this climate but a certainty is that hybrid office workers are here to stay.

I see five factors influencing future occupier decisions; factors that are changing key performance indicators (kpis) and with it, the way property is valued and rents set.

- 1. Well being.** A physical manifestation of this is natural ventilation. While it is very expensive to retro-fit, naturally ventilated offices will be a feature of new builds. This plays to the zero carbon agenda, which is also getting much more widespread support. Multiple entrances will avoid congestion as people come and go; technology will help ensure that people touch surfaces less.
- 2. Space (quite literally to breathe).** Less people in the office doesn't necessarily mean less space. Some epidemiologists predict a major health crisis every five years so social distancing may become more of a constant feature. Certainly those in the office will be less accepting of battery-hen style rows of desks.
- 3. Flexibility.** We have seen length of leases in the retail sector reduce significantly and it is now quite rare to see one longer than five years. Shorter leases, with a break, will become the norm for some office space, but there is a financial trade-off. Occupiers are accepting that this flexibility comes at a price. Those willing to take a longer lease for business continuity and to spread initial outlay will get consequent cost benefits.

- 4. Relationship.** The quality of the relationship between landlord and tenant has been evolving and will continue to do as landlords become more sophisticated service providers, less simple rent collectors. In challenging times landlords taking the time to talk to their tenants about their ability to pay and their anticipated requirements are strengthening relationships for the future. Well managed buildings will become an important kpi not just for the occupier, but for the investor too.
- 5. Location.** Travel to work is a widespread concern; walking and cars becoming even more of a preference. The central city office isn't dead, it is just evolving, but expect to see more developments in smaller, previously more "dormitory" towns. As Simon Jenkins said in "The Guardian" this Summer; "If I was in the property game, I would buy anywhere with a cathedral". Some offices will not be able to meet the location or quality criteria, but repurposing into housing is an acceptable and growing option.

Another certainty for me is a continuing war for talent, despite the unfortunate current context of higher unemployment. Employees with the right qualifications and right attitude will always be highly sought and the quality of the office environment remains an important asset. Pre-COVID design decisions were increasingly people-centric; this is another trend that COVID has accelerated.



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