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UK Real Estate Report

Smart. Healthy. Agile.

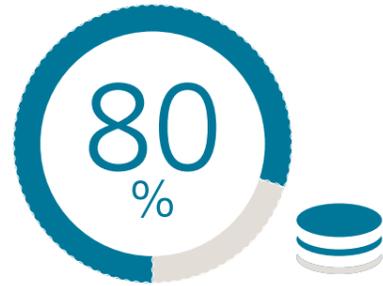


Outlook



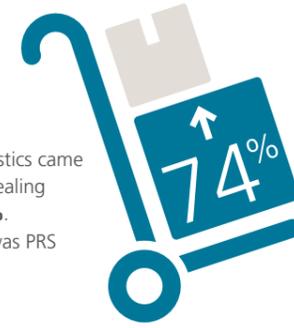
Just **14%** of real estate professionals were feeling optimistic in our 2016 poll; one year on and levels of optimism have more than doubled to **29%**.

70% of real estate professionals see London as over-valued; this has risen from **50%** in 2015.



80% think that Asian investors will continue to lead investor appetite for UK property over the next two years, up **14%** on 2016.

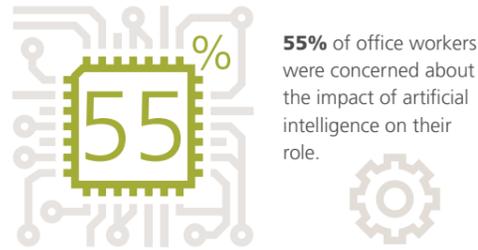
Distribution and logistics came top as the most appealing asset class with **74%**. Next most popular was PRS with **66%**.



Smart



65% of office workers were comfortable with technology which monitored their location whilst in the office. However, **39%** of real estate professionals were concerned that data protection laws would create a barrier to harnessing such data.



55% of office workers were concerned about the impact of artificial intelligence on their role.



90% of real estate professionals see tech companies as the main source of occupational demand in the next two years.



Healthy



Over **95%** of real estate professionals felt the office impacted physical and mental wellbeing.

86% of workers felt the office had a significant impact on their physical and mental wellbeing.



80% of office workers found the idea of gamifying the office environment to reward healthy and sustainable behaviours appealing.



52% of workers found wearable technology to allow their employer to monitor their wellbeing appealing.



Agile



WORK LIFE

86% of office workers felt that work-life balance, including agile working provisions, was the most important factor overall when choosing an organisation to work for.

60% of millennials found working remotely from a public space (coffee shop, park etc.) appealing; just **26%** of baby boomers liked this idea.



82% of office workers found the idea of working in a co-working or flexible space appealing; **89%** of real estate professionals think that co-working spaces will become a component of real estate strategies for large companies in the next five years.

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About the Research

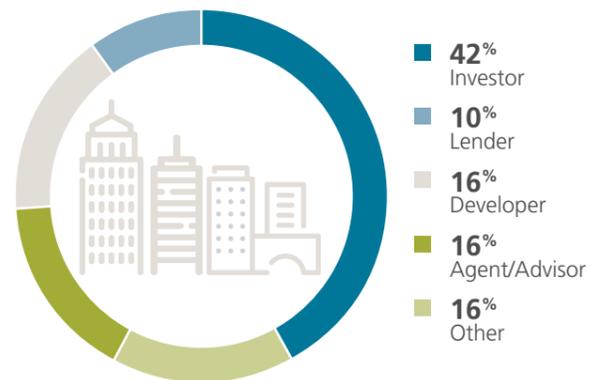
During July and August 2017, international law firm CMS, in conjunction with FTI Consulting, conducted two polls: one with 350 commercial real estate investors, developers and agents (representing over £400bn of assets under management) and one with 1,080 office workers in cities, towns and business parks across the UK. We also carried out eight in-depth interviews with leading figures from the real estate sector.

Generational bandings:

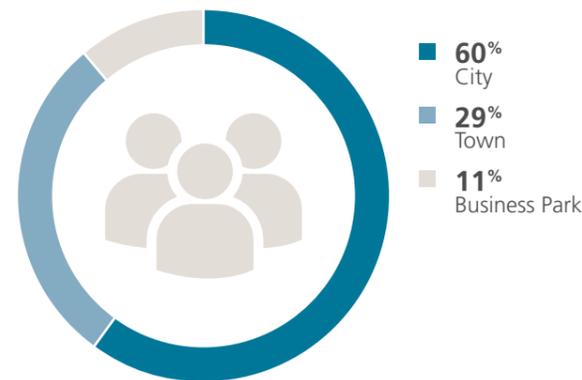
In the report, we draw comparisons across the generations classified as:

- 18 - 34 - Millennial
- 35 - 49 - Generation X
- 50 - 64 - Baby boomer

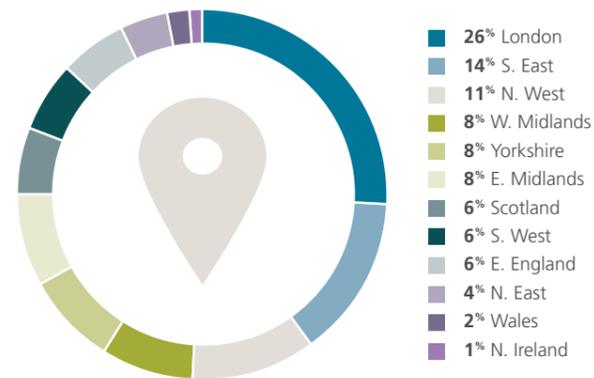
Real estate sector



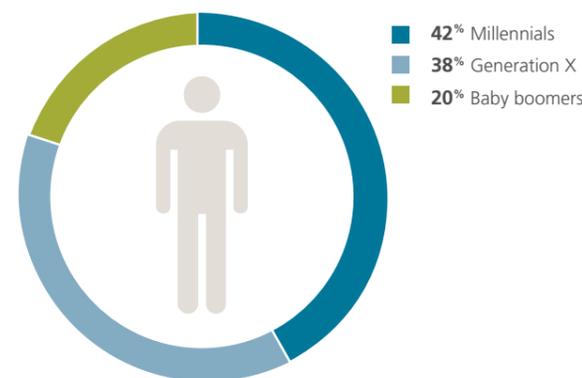
Location of office workers



Regional location of office workers

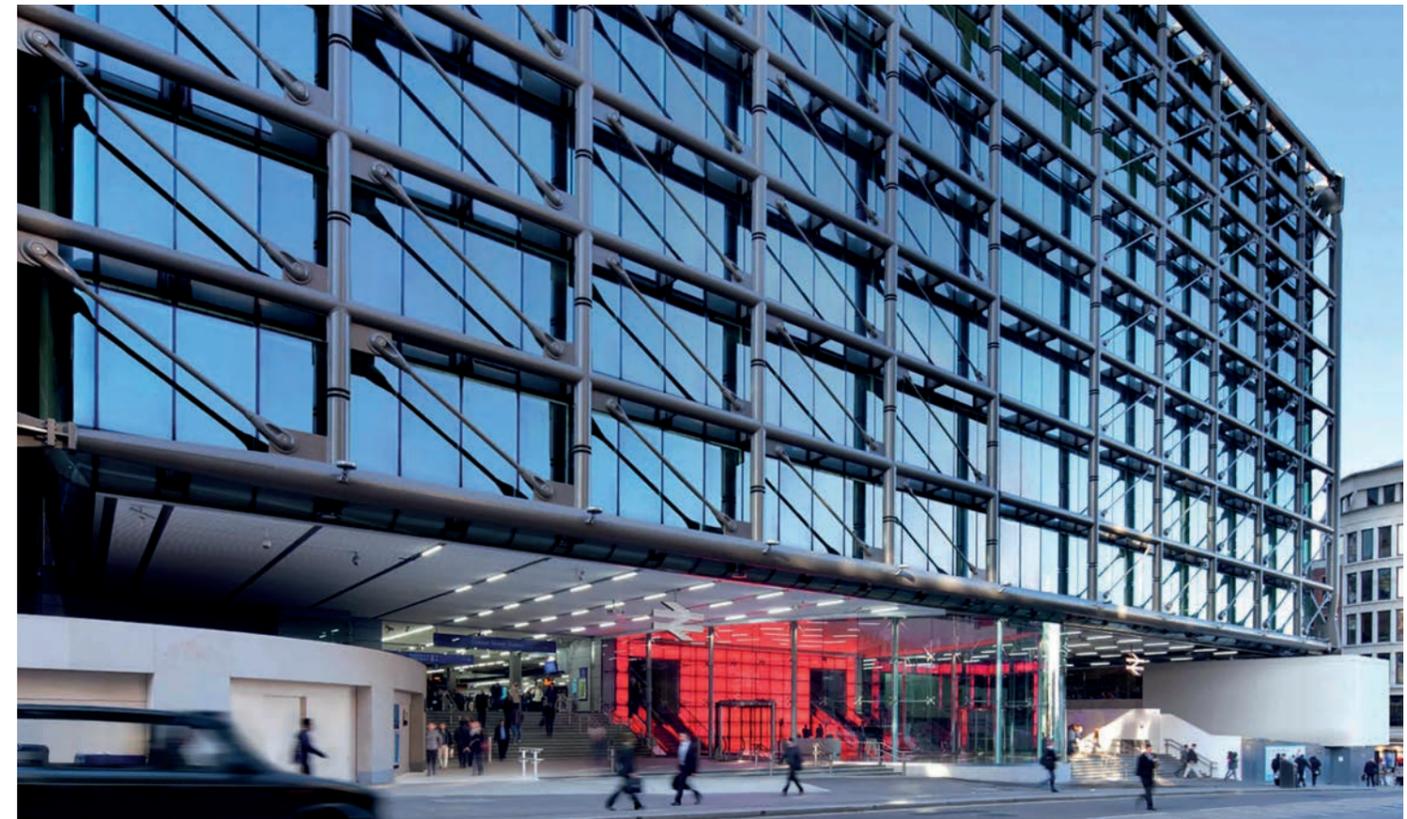


Age groups of office workers



“Ultimately people are working longer hours, but with more flexibility. This means buildings have to work a lot harder. That’s why offices are starting to feel a lot more like home environments. We used to talk about work-life balance but we are now seeing work-life integration. This creates a duality in buildings; a drive towards the hyper-tech and robotic, combined with a real emphasis on the very human and tactile elements.”

Harry Badham, AXA IM Real Assets



Rise of the experiential office

Smart, Healthy, Agile... offices are increasingly expected to display considerable prowess. What is driving this and what does this mean for those who invest, build or work in them?

Accelerating change in the workplace is also increasing pressure on offices. Technology and changing attitudes, partly driven by the growing millennial cohort, are transforming the very nature of work. What is more, the ‘war for talent’ coupled with concerns about the mental and physical health of today’s employees is drawing into question the role the office environment plays. The lines between home, leisure and workplace are blurring.

In the face of this dynamic picture, CMS set out on this thought leadership report, the fifth in our series. In addition to gauging the mood of the market, something we have been tracking since 2013, the office theme is tied closely to our own narrative as a business. Our merger required a new workplace strategy. We thought carefully about how to configure our spaces in a way that helps make our people feel happy and motivated, integrates our teams and expresses our brand.

In this report, we hope to highlight new ways of thinking about office space. Investors, developers and occupiers alike are evolving from space providers and users, into creators and curators of experience, wellness and community. Through in-depth interviews with eight industry figures we

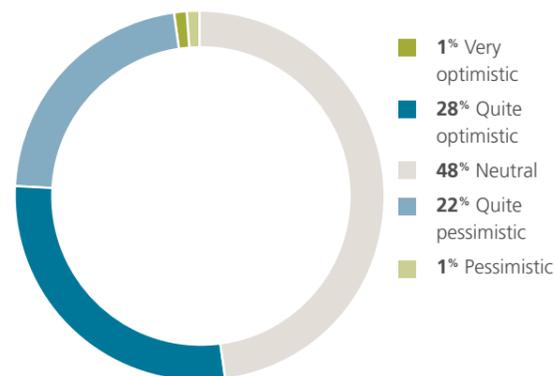
have drawn together insight from leaders in their fields. This is reinforced by data gathered from 350 professionals working within the real estate industry, predominantly investors and developers, contrasted with the views of over 1,000 office workers. This allows us to understand both perspectives and explore how these key trends will shape our futures.

We hope you enjoy reading the results and look forward to discussing them with you.



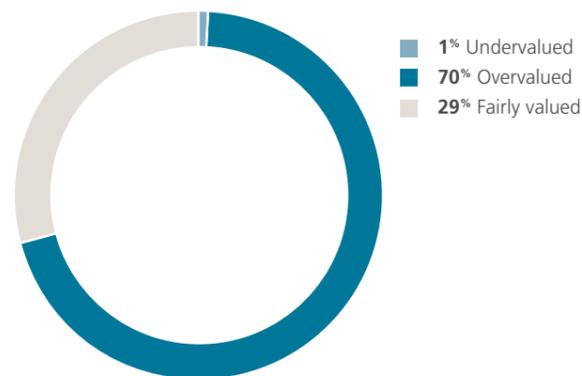
Dynamism or Downturn? Investment Snapshot

RE Sector: How optimistic or pessimistic do you feel about the UK real estate market in the short term?



When we gauged levels of optimism for UK real estate in last year's poll, just before the Brexit vote, only 14% of respondents were feeling optimistic. One year on and levels of optimism have doubled with 29% of our sector respondents in a positive frame of mind about the market. In fact, 63% were pessimistic in 2016 versus just 23% now. This perhaps indicates that in spite of an ongoing sense of uncertainty around Brexit, investors have recovered from the initial shock of the leave vote and have started to look to the future with greater confidence.

RE Sector: What is your current view of the London real estate market?

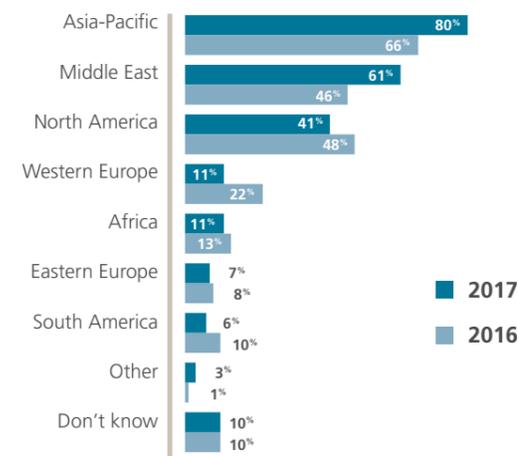


Meanwhile, 70% of real estate professionals see London as over-valued. This has risen from 50% in 2015. The London market has continued to heat up notwithstanding Brexit. We have not seen the price correction many domestic investors had hoped for. Transaction volumes in London have been steady over the past year with a string of high profile acquisitions and no sign yet of the exodus from the City many predicted. So who is buying?

“As long as there is uncertainty with the Brexit question, this will have an impact on the real estate market. Uncertainty in any form affects decisions and where possible these will be deferred. Despite this, I believe that London will remain a major international marketplace and an important global city.”

Michael Spies, Tishman Speyer

RE Sector: From which regions do you think we will see an increased amount of investment into UK real estate in the next 2 years?



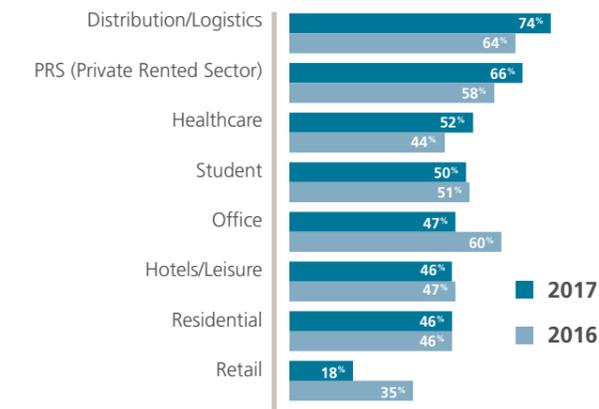
The depreciation in sterling after the EU referendum is no doubt enticing international investors. In London, 75% of all office transactions in Q1 2017 involved overseas buyers, and of those 90% were Chinese investors. It is not surprising that 80% of our respondents saw the Asia-Pacific region set to dominate the UK real estate market in the short term, jumping 14% from last year.

But the longer term outlook is more uncertain. When we carried out this survey for the first time in 2013, the Middle East led the way, but over the past five years, we have seen it overtaken by Asia-Pacific. Recently, the Chinese Government announced limits to overseas investment in a range of areas including real estate. In the wake of this, Dalian Wanda pulled out of a high profile deal to buy the £470m Nine Elms Square development site. Could this mean investment from China has peaked?

With uncertainty surrounding the UK's place in Europe, real estate professionals think Western European investment in UK real estate will continue to falter; this region is down by half from 22% to 11%.

CMS has been involved in real estate deals with Chinese investors with a cumulative value of more than **£4bn** over the past 12 months.

RE Sector: Rate the following asset classes on their level of appeal?



The rise of ecommerce, out-of-town shopping and the decline of the traditional high street, has transformed the landscape of the UK real estate market over the past decade or so. This has led our sector respondents once again to name Distribution and Logistics as the most appealing asset class, up 10% to 74% from 2016, and double what it was in 2013. It is often described as the 'darling' of the sector thanks to high yields and strong growth forecasts.

Against the backdrop of demographic and societal change, Healthcare and the Private Rented Sector (PRS) are two other asset classes favoured by our respondents. Housing shortages coupled with rising house prices, particularly in dominant cities, have fuelled the rise of PRS. Modern medicine and improved diets have led to longer life expectancies and therefore a huge growth in demand for retirement living and healthcare assets.

Conversely, the appeal of offices has fallen by 13% from 2016 to 2017, leaving this asset class lagging in fifth place. This may in part be down to some of the disruptive forces emerging in the world of offices discussed in detail in this report. There is a growing sense that in order to remain relevant, offices must change. Retail has been going through massive disruption for some time and sits bottom of our chart with just 18%. But those destinations which have evolved to provide 'experiential retail' are bucking the downward trend. Do we need to see the rise of the 'experiential office'?



White City Place, Mitsui Fudosan UK

Mitsui Fudosan UK

Eiichiro Onozawa,
Managing Director

Tell me about your company

While it is rarely used anymore, I like to refer to us as a blueprint company. We design the project on blueprints and self-fund our developments. Because we take a very long-term view of real estate, we prefer not to take on debt as that allows us the freedom to choose our own destiny. As an example, we would be happy to convert an office project into a residential or logistics scheme or anything else that may suit the market

at that time - with bank covenants, you may become restricted in your choices.

What projects are you working on at the moment?

The biggest project we are working on right now is the former BBC Television Centre in White City. We have re-developed this icon into a mixed-use scheme of offices, residential for sale, a bit of retail, a boutique hotel and a Soho House private members club.

We have also acquired and renamed the adjacent property, the former BBC Media Village, to White City Place.

These five refurbished buildings with office and retail space are already becoming a creative network hub and the commercial heart of White City.

Within the two schemes we have two million sq. ft. all built or refurbished speculatively. As developers we understand risk so we have no requirements on having to secure pre-lets as the initial driver. While construction is underway, we seek to attract the best companies for the project. A case in point, we have already signed up Net-a-Porter and the Royal College of Arts who appreciate the importance of this new district. We also recognise that

co-working is becoming a more important element within the business community, so Huckletree have also taken space.

“Market fluctuations happen all the time and are given in any economic cycle. Our long-term view and past experience allow us to remain focused. Therefore, we fully appreciate that while Brexit is a big factor, it is certainly not the end of the world.”

This is your first development outside Central London. What are you doing differently?

Placemaking is an over-used word, but it is very important in creating a new destination. The sense of community has to work not only for our tenants, but also for the local area. With the combination of Television Centre and White City Place, we aim to create a unique offering with a village feel.

We are also attracting media, technology, fashion and telecom companies. Since there is an acute shortage of studio space in central London we may see collaboration between the BBC and ITV sharing studios here, adding to the variety of businesses and igniting new activities in this area.

I understand the Imperial College campus is a neighbour?

Imperial College are opening up their White City campus and are about to construct new buildings for their graduate students. This should create a hub of intelligence, and become the impetus for future businesses. We

have developed a good relationship with the College so that we can potentially complement each other to unite knowledge with future space opportunities. Presently they have an old building that they have refurbished, called the UGLI building - 'but beautiful inside' is their motto! This is 60,000 sq. ft. of space for start-ups and is full of creative-minded businesses, from film producers, charitable bodies to graphic designers and everything in between.

These small and start-up businesses have great ideas and will grow, hopefully becoming our future occupiers.

Do your developments in the City have the same on offer?

In general, the amenities in the City are much better now than they used to be. But offices today are 'always-on' and the after-hours economy needs to catch up with this. If you go to Silicon Valley there are 24/7 facilities on offer for employees and their families. London will probably follow this trend, and we have contributed in providing an increased food and beverage offering within our completed buildings.

We are proud of 8-10 Moorgate and One Angel Court. They are both very sustainable buildings which complement the skyline. Properties will outlive you, which is why we believe the aesthetics of a building need to have a timeless element rather than be a statement piece.

What is your view on prospects for the UK market?

The UK has been enjoying economic ups and downs in five-year increments, and regardless of Brexit, I feel that we entered into the down cycle at the end of 2015. You now see overseas, especially Asian, capital buying many properties at trophy prices. On the other hand, you see that the traditional UK and US institutions are not investing in real estate at the moment. You could say that they are cautiously monitoring the market, revealing another side of the story. By no means am I saying

that we are in an economic crisis, but with contradicting market indicators surrounding us, I suspect we will be in a stagnant phase for a few years before seeing growth.

Market fluctuations happen all the time and are given in any economic cycle. Our long-term view and past experience allow us to remain focused. Therefore, we fully appreciate that while Brexit is a big factor, it is certainly not the end of the world.

When I worked in Manhattan, I witnessed Lehmann Brothers go bust right in front of my eyes. Their building suddenly went pitch black one night in 2008. Watching from my office, that was a really scary time and place; you felt it was a real financial crisis. I am confident the UK is not in this state, especially with the resilience it has shown thus far.

We believe in the UK market, therefore we have the ambition to expand in London. Understanding and taking into account the cyclical nature of the market, the projects we are looking into right now are likely to be post-Brexit engagements.

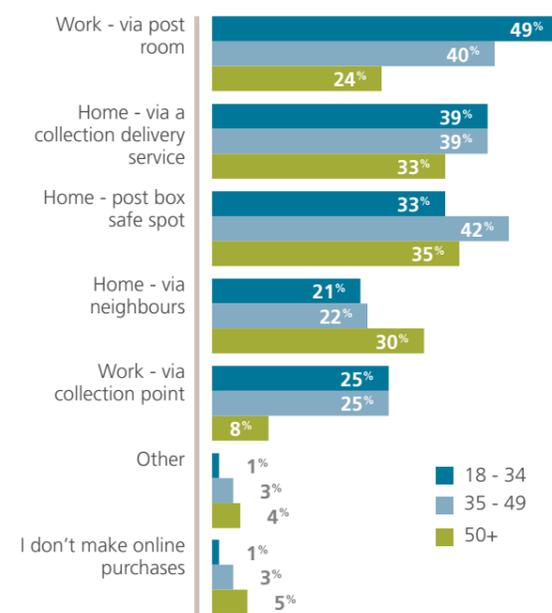
Eiichiro Onozawa



Can Offices Deliver? The Logistics Angle

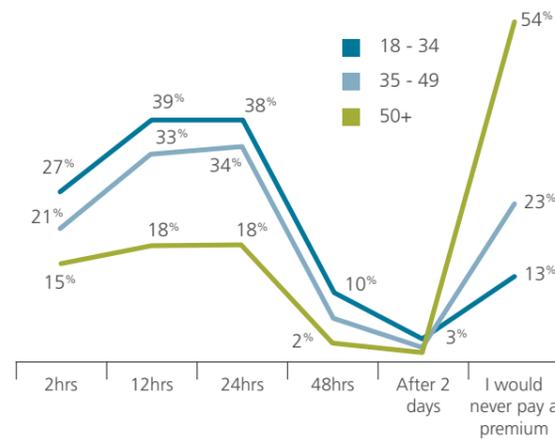
One little considered consequence of the growth in online shopping and the booming logistics sector is the surge in personal deliveries to office post-rooms. Workers enjoy the convenience of having packages delivered to their workplace instead of waiting at home for them or going to collect in-store. The millennials amongst our respondents particularly favoured this option, with 49% opting to receive deliveries this way; this figure is double that of the baby boomers.

Office Workers: Where do you usually get online purchases delivered to?



Unable to cope with the volume (requiring extra staff and security checks), it has been reported that some major businesses have banned personal deliveries to the office altogether. Perhaps having dedicated collection lockers within the office is a solution. 57% of the office workers we surveyed found this appealing, though only 31% of the real estate sector respondents thought workers would want lockers.

Office Workers: If you were purchasing an item online, which delivery timeframes would you be willing to pay a premium for?



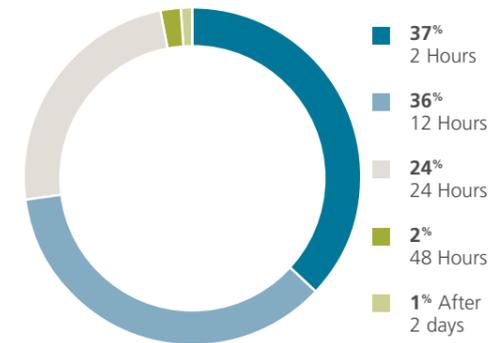
Equally interesting is the increasing demand for faster delivery, particularly amongst millennials; 27% of them would pay a premium for their package to arrive within two hours and 39% within 12 hours. The question is, can our delivery infrastructure cope with these turnaround times?

There is a shortage of urban logistics space which is particularly acute in London. One prediction is that we could see vacant office space and underutilised basement car parks used as temporary storage depots for packages in urban centres. Will an 'Airbnb' style disruptor appear in the market to co-ordinate this? Perhaps this could even open up to the general public, with city-dwellers offering empty garages to logistics companies.

“ Following the Deregulation Act 2015, London Airbnb properties can be let for a maximum of 90 nights a year as 'temporary sleeping accommodation' without the need for planning permission. Temporary storage or distribution facilities would not benefit from a similar explicit exemption and so planning permissions, possibly temporary, may need to be obtained, adding a potential hurdle to any new flexible approaches. ”

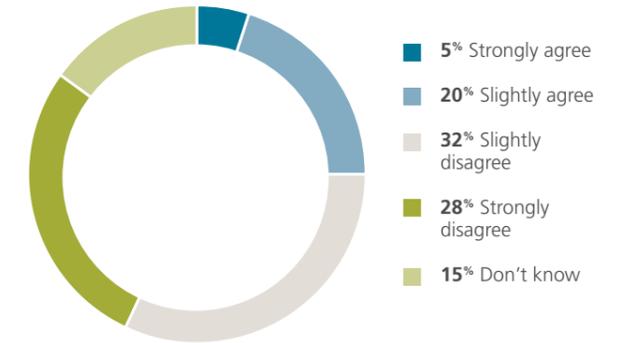
Martin Evans, Head of Planning, CMS

RE Sector: When planning to locate distribution centres, which delivery timeframe do you believe should be catered for?



In order to meet delivery timeframes, the real estate sector has recognised the need for a variety of distribution centres, from out of town 'big box' warehouses located near to transport intersections, to more centrally located smaller units placed to meet the last-mile delivery challenge. The rise of drone delivery infrastructure offers a potential solution in response to ever shortening turnaround times.

RE Sector: Office buildings will need modifications to allow for drone delivery within the next 2 years?



Will we see delivery shoots appearing on the rooftops of offices for drones to drop packages into? 60% of the real estate professionals we surveyed thought this was unlikely within the next two years, but a quarter thought it was likely. It is still early days for this technology and there remain many questions to answer, particularly around security.

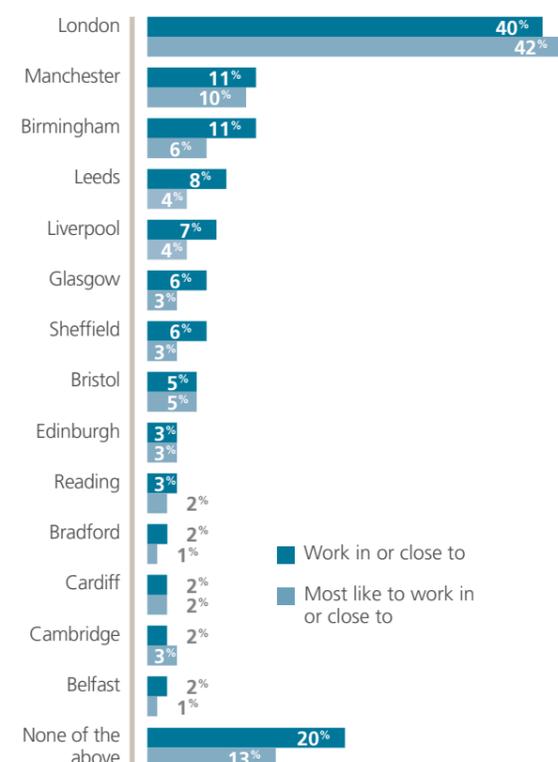


Amazon Prime Air's first trial delivery by drone in the UK took place near its distribution centre in Cambridge towards the end of 2016. According to TechCrunch, the first products the drone delivered were an Amazon Fire TV and a bag of popcorn to a customer living a few miles from the centre. The process took 13 minutes from the customer placing their order to delivery of the package.

Magnets For Talent: The Best Cities To Work In

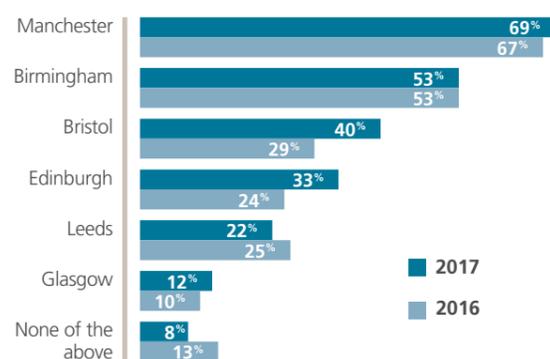
Of the 1,080 office workers we surveyed, the majority were based in London and wanted to work there. Manchester came next in overall popularity (10%), with Birmingham third (6%) and Bristol coming in fourth (5%). But interestingly, when it came to Birmingham, of the 11% who worked in this city only 6% wanted to work there. Perhaps this hints at a potential talent-retention issue.

Office Workers: In which city do you work, and in which would you most like to work?



Where the office workers would most like to work mirrors the top three choices of the real estate professionals when rating the appeal of regional cities.

RE Sector: Of the big six regional cities, which do you think are most appealing as investment prospects?



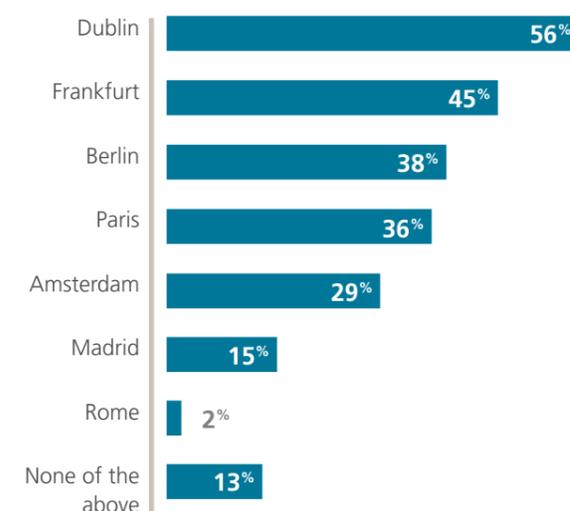
Manchester continues to top this table and is the only British hub outside London with a direct flight route to China, which opened in 2016. Seen as a flagship example of UK-China collaboration, progress continues on the billion-pound Airport City development on which CMS is advising. Asian capital is also flowing into residential in the North West. CMS is advising Far East Consortium on one of the UK's most ambitious housing-led regeneration projects, the Northern Gateway, which will deliver 10,000 homes.

Top 'cities or towns to watch' outside the big six - Cambridge (1), Reading (2), Sheffield (3). All three have ranked consistently in the top 5 since our first report in 2013. All have a USP: Cambridge in life sciences, Reading as part of the 'tech corridor', and Sheffield in advanced manufacturing.

With Birmingham remaining static, Bristol saw the largest increase in popularity, jumping 11% from 2016. It continues to develop its tech and creative cluster, leading some to dub it 'Silicon Gorge'. From Trackener, a company offering wearable tech for horses, to Open Bionics, a company creating groundbreaking 3D-printed robotic arms, there are a whole host of interesting TMT businesses choosing Bristol as their base.

And looking further afield...

RE Sector: Which of the following European cities do you think are particularly appealing as investment prospects in the next 12 months?



Brexit has raised the threat of certain companies moving all or part of their workforce into the Eurozone after the UK formally breaks its ties with Europe. The pressure is particularly acute in financial services. In the light of this, many European cities are positioning themselves to benefit. But can they really challenge London?

The Global Financial Centres Index, published in March 2017 by Z/Yen, showed London at the top, slightly ahead of New York. Although with Singapore gaining on them both. When looking specifically at Europe, the only other financial centre in the global top 20 is Luxembourg at 18. Frankfurt is at 23. London has a huge lead in Europe.

London's regulatory system is not likely to change as a result of Brexit; nor is the court system. The key swing factor may be the availability of skilled staff and financial passporting. If London-based financial firms are unable to recruit from across the EU or transact equitably, they will perhaps increase their presence in Dublin and Frankfurt, as our sector respondents predict.

“Brexit does London no favours, and some EU cities are jostling for those UK firms moving staff and functions to stay within the single market. But London is the world's leading financial hub, with Frankfurt and Paris distant runners-up. London's resilience has been proven through recurrent crises, and it is sure to remain in the premier league for the foreseeable future.”

Simon Morris, Head of Financial Services, CMS

“ Instead of value per square metre, we think in terms of the populations that work within our buildings: 250,000 people globally; nearly 30,000 in the Rockefeller Center alone. These populations have a tremendous collective procurement power. ”

Rockefeller Center, Tishman Speyer

Tishman Speyer

Michael Spies, Senior Managing Director, Innovation, India and New Markets

How optimistic are you about the short-term future of the UK real estate market?

As long as there is uncertainty with the Brexit question, this will have an impact on the real estate market. Uncertainty in any form affects decisions and, where possible, these will be deferred.

Despite this, I believe that London will remain a major international marketplace and an important global city. We are in London for the long-term; we have five properties currently and have plans for more. We are also still enthusiastic about key cities in continental Europe. Berlin is very dynamic and Paris is incredibly vibrant. There are a range of opportunities out there.

What is Tishman Speyer's view on the office of today?

Over the last 15 years we've seen an evolution in the workplace. A trend we have seen globally is a focus on density and efficiency. Law firms for example have moved the same number of people into, on average, 20% less space.

Demographics are playing a part. As the baby boomers approach retirement there is an intense employer spotlight on the recruitment and retention of millennials, who will soon be the biggest cohort.

In parallel there is the rapid and enormous influence of technology, coupled with the fact that people are working harder and longer, which creates an interesting constellation for the opportunity to enhance the workplace.

It was from many years examining these trends that Tishman came up with its 'Zo' concept, which was originally inspired by the Greek word

for life, zoe, and the concept of being 'in the zone'. It's all about bringing convenience and holistic support into the workplace.

Through Zo we offer a comprehensive suite of amenities and services for our tenants such as backup child care, on-site health screenings and medical services, yoga and meditation, laundry, travel planning, volunteering opportunities, personal grooming and rideshares. It's appealing to companies because we reduce employee time spent out of the building at appointments, and for employees who benefit from greater convenience.

Why have you introduced the concept of Zo?

With the benefit of technology, the reality is that people are living and working from wherever they are. People have hectic lives and it's important that we create breaks through wellness and recreation to allow people to continue to perform at their best. We are giving tenants the tools to create a better work-life balance and staff the ability to choose from a menu of services, picking what they value most.

Of everything that's on offer, yoga and meditation are some of the most popular. The digital information we are bombarded with everyday makes it increasingly difficult to switch off. The mental aspects of wellness are as important as the physical.

Zo has been rolled-out at the Rockefeller Center in New York City, and will be expanded throughout our global portfolio in short order.

Wellness is increasingly recognised as important. What's different about Zo?

Zo represents a transformation in how we think about our assets. Instead of value per square metre, we think in terms of the populations that work within our buildings: 250,000 people globally; nearly 30,000 in the Rockefeller Center alone. These populations have a tremendous

collective procurement power which can be leveraged to deliver value and convenience.

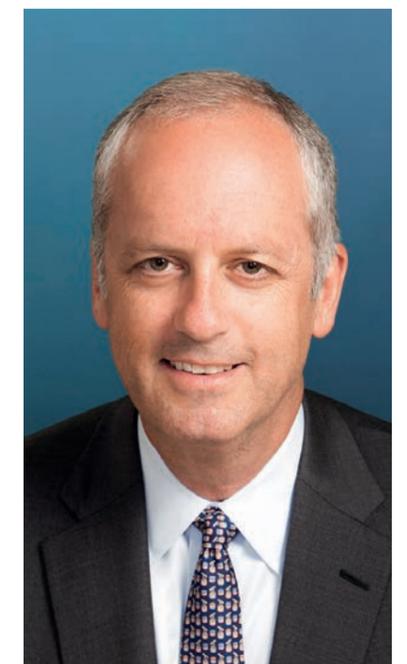
Zo is reflective of a global phenomenon. It consciously brings a whole dimension into the workplace which has nothing to do with work. The Zo concept has come from fully engaging with our tenants and listening to what they want.

Our job is to help our customers figure out their human capital strategy. Real estate doesn't just stop at the bricks.

How will office space continue to evolve?

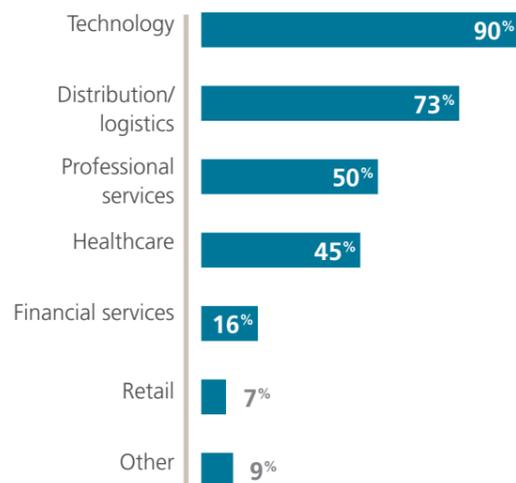
The issue of flexibility is going to become more and more prominent. There are fundamental questions being asked. Is the institutional lease still relevant? Why have we accepted upwards-only reviews for so long? Why don't lease lengths reflect business-planning cycles in the real world? We will see increased preference and pricing towards flexibility.

Michael Spies



New Kids on the Block? Changing Occupier Demand

RE Sector: Where do you see occupier demand coming from in the next 2 years?



In the next two years, our respondents expect the technology sector to dominate occupier demand, followed by distribution and logistics. This mirrors the top two in last year's survey. The big shift is in financial services lagging in fifth place with just 16%, having dropped 21% from 2016.

The predicted decline in demand from financial services can be traced to Brexit. In May 2017, The Independent noted that the largest global banks in London plan to move about 9,000 jobs to the continent in the next two years (still a relatively small number given that around 700,000 work in financial services in London). Arguably, however, Brexit is simply exacerbating the major structural changes already hitting the sector.

The impact of technology on white-collar jobs has been most pronounced in financial services. Reportedly, Goldman Sachs in New York has replaced 600 of its equity traders with 200 computer engineers thanks to automated trading programmes, leaving just two traders in situ. As artificial intelligence (AI) develops, there will be further opportunities for human tasks to be replaced by machines in this sphere.

It is unlikely that any industry will be immune to the far-reaching impacts of AI, but the technology is still in its nascent phase.

Encouragingly, in London the fall in financial services take-up over the past decade has been matched by a like-for-like increase in take-up by TMT businesses. This underlines how important it is to build the UK's attractiveness as a technology hub. This will be key to maintaining a vibrant office scene in the future.

Material Change in Footprint 2006 - 2017 (Million sq. ft.)

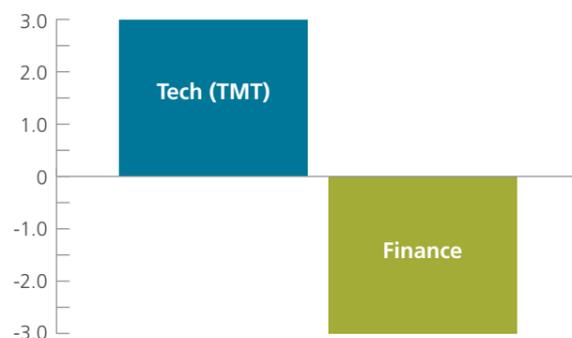


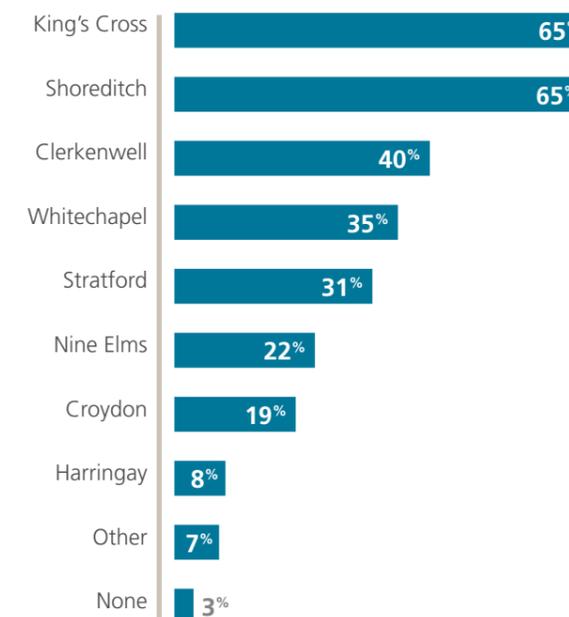
Figure 1 - EG LOMA, April 2017

55% of the office workers we surveyed were concerned about the impact of artificial intelligence on their role. Simultaneously, **56%** of real estate professionals shared concerns that artificial intelligence and the rise of the autonomous workforce would lead to a contraction in jobs and consequently office take-up.

Many of the investors and developers we interviewed commented that TMT occupiers are interesting businesses to work with. They tend to have a dynamic workforce with younger business leaders, making them agile decision-makers and more open to change. They often push boundaries and set trends. Distinctively, Deliveroo has a one-acre roof terrace at Blackstone's River Building in London, which it views as a huge talent-attractor.

Holding its own against Silicon Valley, London continues to develop as one of the main global destinations for technology talent and businesses. Seen as a confidence indicator, in early 2017 Snap Inc. (formerly called Snapchat) established its international headquarters in London, advised by CMS.

RE Sector: Which of the following fringe London hotspots do you think will be particularly appealing to TMT occupiers over the next year?



King's Cross and Shoreditch are tied as the most popular destinations for TMT businesses, although Shoreditch remains the epicentre of 'tech city'. In early 2017 construction completed on Derwent's White Collar Factory on 'Silicon Roundabout'; it is now occupied by tech tenants including Adobe and Box. King's Cross is also proving popular with Google choosing to locate its new UK HQ there. CMS is delighted to be working with Google on its landmark development, the tech giant's first design and build project anywhere in the world.



Google HQ, King's Cross

Google

Joe Borrett, Director of Real Estate and Construction, EMEA AsiaPac and India

Google has been in 6 Pancras Square for 12 months now and has just gained planning permission for a new £1 billion, 800,000 sq ft HQ to be built in King's Cross. What is the ethos behind the new office development?

Every Google office is designed with the same universal purpose: to create amazing work environments that help Googlers perform at their best every day and enable Google to thrive.

The main principles behind the new-build are the same as in 6 Pancras Square - these are principles which have evolved over Google's lifetime globally.

It is all about creating space to ensure and encourage collaboration; spaces that allow easy interaction and serendipitous meetings between

Googlers and others. Surprise conversations make a difference. We want everyone to talk to each other more and who knows what will come from chance encounters. Better solutions to business come when you create a community.

How do you create this synergy?

There is no template - unique workspaces are one of the greatest parts of our culture and every office is different. Our employees play a big part in giving each office a fresh look and feel.

You have to create meaningful space with interactivity and intentionality. You don't create a football pitch and then give a team a rugby ball to play rugby on it. You have to create the right space and conditions so that everyone can work and play together. If you haven't got the right pitch in the first place, you're never going to achieve your goals!

There are three parts that make up an office - the physical real estate, the people and the technology. And these

“ Our real estate is flexible. We can take down a room or create a new space overnight. For us change is not a big deal. This gives everyone a new mind set and stops the fear of the unknown. ”

three parts have to interact seamlessly. In our buildings we have engineered lots of work settings for different situations and scenarios. We have cafés, open plan areas with a variety of different furnishings, big rooms, small rooms, a library, quiet pods and lots more. Googlers find the right environment in the building for the task they are undertaking.

The café is an important element as eating and drinking creates interaction, understanding and relationships.

Joe Borrett



What makes Google different?

Our real estate is flexible. We can take down a room or create a new space overnight. For us change is not a big deal. This gives everyone a new mind set and stops the fear of the unknown. Change stimulates and creates new choices. And choice is important because it creates empowerment and responsibility.

The people are the most important part of our business. Our ability to attract talent is paramount for a knowledge-based company. We have something called Googlegeist; it's an ongoing assessment tool which allows all employees to have an input. We have actionable feedback on everything about the building. It's all about empowering your staff.

We are not time orientated. It is not about arriving at 9am and leaving at 6pm. It's about what you produce, not how long you are sitting at a desk. This allows people to have better lives.

So why King's Cross?

We locate our offices in vibrant and

creative neighbourhoods that inspire our employees. A building must be very well connected to the city's transport system, both above and below ground. King's Cross is one of the most accessible areas in London - we have three major overground train stations from which you can travel all over the country and to mainland Europe, plus six Underground lines that intersect.

We want access to the largest talent pool possible and don't want that hindered by other factors. Ease of getting to work is a big part of the work-life balance equation.

And your favourite feature at 6 Pancras Square?

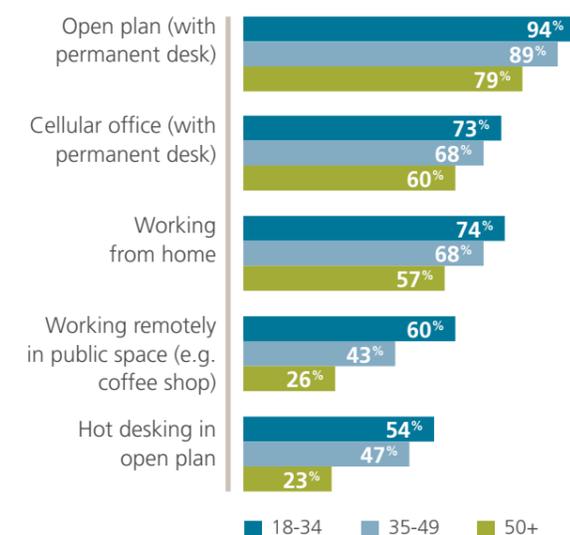
The staircase. It has a beautiful architectural design and allows easy movement and mingling. You bump into people on the stairs. They link all the floors so no one feels cut off. Lifts offer a barrier to natural interaction.

We've gone from a big slide in Zurich to a really magnificent staircase in London ten years later.

The Future is Flexible: Agile Working

While technology has in some ways led to a feeling that it is impossible to switch off from work, the flipside is that it is also a great enabler of flexible working. And agile working provisions help promote better work-life balance.

Office Workers: In which format do you prefer to work at least some of the time?



According to our research, most office workers want to work in a variety of different ways and in different locations. When we split out our results by generation, a desire for access to a range of formats was consistent across all of them, with most respondents choosing two or more of the options. This reflects the agile working ethos

86% of office workers felt work-life balance (including the ability to work in an agile way) was the most important overall factor when choosing an organisation to work for. This was **15%** ahead of the next most popular choice, salary rise, making work-life balance a clear number one priority.

of allowing people and teams to work across an entire workplace and indeed outside it, in a multitude of settings. Agile working is about accommodating personal choice and variety to allow people to perform at their best.

Open plan was most popular overall amongst millennials, but two thirds of them also wanted access to a cellular office. Such duality is perhaps explained by a desire for dynamic collaborative spaces for team interaction, but also quiet space for focused work.

As well as helping with space optimisation, open plan engenders more information sharing which has led to an increasing number of companies opting for this layout

“ We see corporates choosing locations as much as buildings, because many of their staff are choosing to work in the café downstairs or on the grass surrounding their building, rather than the building itself. ”

Kevin Chapman, Lendlease



Collaboration Zone, CMS Cannon Place

since it first became popular in the 1980s. A recent Gensler report estimated that over eight million workers in the UK are now working in open plan. Following the CMS, Nabarro and Olswang merger in May 2017, the firm now has a 50,000 sq. ft. floor plate of real estate lawyers in open plan, collaboration and quiet spaces, allowing truly agile working.

Remote working, working from home and hot-desking were selected by significantly fewer of the baby boomers than the millennials, perhaps betraying the ‘presenteism’ of the older generation. Amongst the younger generation, such a view is less prevalent with 74% wanting to work from home and 60% in public spaces.

“ It is not about arriving at 9am and leaving at 6pm. It’s about what you produce, not how long you are sitting at your desk. This allows people to have better lives. ”

Joe Borrett, Google

At the CMS Annual Real Estate Conference in 2016, speaker Dr. Paul Redmond, an academic on generations at work, commented that “the millennials want seamless integration of leisure, home and work. They want work-life balance now, not in the future, and they will be prepared to leave to get it.”

“ Group meetings in collaboration spaces can work well because opinions tend to come out differently in a less formal environment. Younger employees in particular feel more comfortable. ”



Nova, Landsec

Landsec

Carissa Kilgour, Workplace Director

So what does being Workplace Director entail?

It's a brand new role. I focus on everything to do with the future of work. We have over 1.4 million sq. ft. to build out, so I help Landsec consider who our customers of the future are, what products we need for them and how we deliver these.

Why is the workplace changing more quickly than in the past?

Around 75% of the workforce will be millennials by 2025. This generation has voiced their opinions and challenged the status quo.

The power has shifted slightly due to the scale of this generation. What matters to them in the workplace is purposeful, meaningful work and they want their values aligned to the organisation they work for.

This new generation have been brought up to express their views in a more open way. There are more voices out there because of technology - blogs, social media, Youtube, the smartphone - these have all given a platform to people who perhaps wouldn't previously have had one.

How are organisations adapting to the workforce of today?

Many organisations now have flatter structures, especially with the big voice of the millennials. Spaces are being configured to create a more egalitarian feel.

Changing working habits mean space can be optimised, so we are seeing smaller desks and more sharing. The employee journey has changed and so spaces are needed that are conducive to the types of work people are doing: areas with soft furnishings; meeting rooms with and without tables; quiet spaces for concentration; private small rooms for phone calls; and smaller break out areas for coaching conversations. The millennial need for regular feedback requires areas that are optimal for this.

Group meetings in collaboration spaces can work well because opinions tend to come out differently in a less formal environment. Younger employees in particular feel more comfortable.

Importantly, areas where you make coffee and run into each other lead to increased distraction but also increased absorption through sharing of ideas. People form better relationships and are more connected, which can only help the business.

But some distractions are unwanted. How do you minimise them?

The average millennial has an attention span of six minutes. They check their phones around 150 times a day. In truth this is something we are all being subjected to. We are bombarded by push notifications. Email is non-stop. This is why it's so important to have spaces within the workplace where staff can seek solitude and practice mindfulness.

Excess noise must be unavoidable in certain areas?

The acoustics in an open plan environment are fundamental. White noise can be used to create masking sound. Soft furnishings and what you put on the walls really make a difference. You want to create an ambience but also quiet the louder voices.

On a similar theme, you shouldn't assume that every occupier wants lots of natural light. It depends on the type of work being done. Some

media and technology businesses need darker spaces for screen-based working or filming. Some clients opt for circadian lighting which is linked to our natural wake and sleep cycle, so it mirrors the journey of the sun. The lights are brighter in the middle of the day and darker towards the end.

Landsec has been through its own journey, making decisions around these kind of issues over the course of our move to 100 Victoria Street earlier this year. Tenants appreciate that we are able to share our own experiences.

You're from the US originally - are they ahead of the UK in office provision?

They are very different markets. In general there is more space in the US so they are not as focused on efficient space allocation as in London for example. Though less mature in terms of real estate optimisation, the US tends to be more mature in terms of wellness and amenities for staff. One fun example is at LinkedIn's offices, where they have a wall of silent disco headsets. Another is when I visited jet.com and it was 'bring your parents to work day' - what a great idea!

Does Landsec plan to move into the co-working arena?

We have The Office Group, London Executive Offices and Regus all within our portfolio. What I would say is that landlords and co-working providers are not the only players. We are seeing examples of larger corporates sub-letting parts of their office space to the likes of WeWork as they see this as a way of bringing ideas and innovation into the business. Microsoft offer 300 co-working spaces in their building in New York.

Looking further into the future, will we still need offices?

Absolutely. What's certain is that the need for interaction is paramount. In the future, the way organisations will drive value is through innovation, and to innovate you need human connection. This drive for innovation will create greater demand for lab spaces for people to experiment within.

Carissa Kilgour





201 Borough High Street, The Office Group

Together is Better: Collaboration and Community

Steve Jobs put it neatly when he said, “innovation comes from people meeting up in the hallways.” Innovation and creativity tend to occur most when people come together. This is why many companies are actively looking to increase the number of ‘bumps’ employees have. Real estate decisions can facilitate this.

69% of office workers and **71%** of real estate professionals rated communal and break out areas as very appealing and a positive factor in office buildings.

There is a trend towards the creation of specific ‘collaboration zones’ within the office and more emphasis on communal, large open areas such as atriums, canteens and roof terraces. In these areas, people have room to circulate, linger and chat.

82% of office workers we surveyed said they would like their office to feel more like a community. Almost exactly mirroring this, **85%** of real estate professionals felt occupiers wanted to create a sense of community, showing workers and landlords are on the same page.

Large, open areas that are full of light are a draw for workers. Some architects refer to these spaces as the ‘campfire’ where people gather to talk and unwind. This raises the question: are cubic feet more important than square feet? This could lead to changes in how space is valued.

Co-working is a strong expression of the desire for greater collaboration and connectedness at work. **82%** of the office workers we polled found working in a co-working or flexible space appealing. WeWork does not consider itself a real estate company but instead, a ‘community of creators’ underpinned by technology. Members are part of a social network both online and offline.

Looking further ahead, as technology continues to change the nature of work itself, collaborative rather than individual work may become the main source of competitiveness for companies. Artificially intelligent machines may increasingly be able to perform repetitive and logic-based tasks, but they are not able to replace human creativity. This trend only elevates the importance of the office as a place where bright minds come together.

“In the future, the way organisations will drive value is through innovation, and to innovate you need human connection.”

Carissa Kilgour, Landsec



“ Having public spaces co-mingle with private spaces offers huge potential to create exciting destinations. ”

Chiswick Park, Blackstone Property Management

Blackstone Property Management

Ed Hodgson, Director

How are you adapting the office space you own to fit customer needs?

We have made significant improvements to every property we own in London with the needs of our customers in mind. Chiefly we want to create working environments that have a point of difference. One way we do this is by empowering the most interesting and often the best spaces in a building for communal use. By providing relevant communal space we are able to support a valuable and beneficial sense of community within the buildings - a more dynamic social eco-system within and between occupiers is seen as a real benefit to end users.

Though we might be giving up some areas which could have been income-producing, being generous in terms of the 'big spaces' in our buildings boosts both leasing velocity and tenant retention.

At Lacon London, we developed a significant communal terrace at the top of the building and supported the impressive 6,000 sq. ft. reception with various working zones alongside a café - the environment is excellent as the space is used as an extension of the workplace and is seen by occupiers as a major 'talent attractor'.

What's the best example of your new approach to asset management?

We are particularly proud of our 330,000 sq. ft. Adelphi development at Covent Garden Riverside, which is now fully leased to customers ranging from Conde Nast to WPP to Spotify.

When we bought The Adelphi the thesis was to reposition it as a high quality workspace - we knew the bones of the building were strong - an island site with flexible modular floor space, incredible views and unique identity. Our task was to create more

permeability throughout the building. Adding greater volume to the reception spaces and opening up alternate entrances helps our customers feel their brand is supported by the experience of their visitors to the building.

Sympathetic and thoughtful design has improved the quality of workspace. For instance we introduced two major atria and, where it has been possible, we exposed unique and striking original heritage features. Again, maximising and empowering points of interest and character allows us to enrich the daily experience of our customers.

The Chiswick Park development set the original standard for 'wellness'. How is it adapting now?

'Enjoy-Work' was the mantra when Chiswick Park launched in 2000, and it's more relevant now than ever before. The customers at the park have always been called 'guests', and it's amazing that the property industry ever called them anything else.

At Chiswick we are taking wellness aspirations to a new level, with a focus on driving knowledge and learning. This relates to the idea of offices acting like a 'town hall' with programmed education and cultural events. We are also examining plans for a proprietary technology platform which will help companies to collaborate within the park.

It will become truly 'smart', through an app which will allow people to do everything from navigate to free desks, to pre-order a cappuccino so it's ready to pick up upon arrival in the café. The app will communicate back with building management, producing volumes of useful data in order that peoples' experiences are enhanced.

How are you influencing the surroundings of your buildings?

The relationship between office uses, leisure and wider amenities has changed dramatically in recent years - historically there was a deliberate separation. Now public realm and

community spaces are used to enhance the overall sell of the office environment - having public spaces co-mingle with private spaces offers huge potential to create exciting destinations. It is principally a private landlord's responsibility to improve the streetscape and ensure that an appropriate environment is procured.

Ensuring variation and mixing up adjacent uses and amenities is how we are drawing a broad range of progressive customers to the Estates we manage at Chiswick Park, Devonshire Square and St Katharine Docks - it has proven to be a successful way of attracting occupiers from their traditional locations.

What will you be doing next to stay ahead of the game?

We are keen to offer bespoke and flexible options for our customers. In addition to procuring pre-built office space, we've also delivered turnkey solutions across the portfolio. This allows our customers to outsource some of their real estate decisions to us, which can take the strain off their in-house teams. We are offering a menu of options which we can build to suit.

Ed Hodgson



Hotel, Members Club or Office? Space as a Service

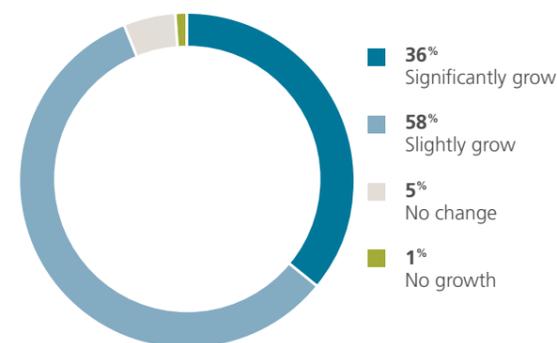
Premium offices are increasingly brand-led and highly stylised; some have concierge-type services for employees; others have introduced multifunctional spaces that transform in use from day to evening. The lines are blurring between offices, hotels and members clubs. Is this the model for future workspace?

Co-working providers are the clearest exhibitors of the shift towards a hospitality and 'space as a service' mentality, referring to their customers as 'members'. Shared offices have been one of the major success stories in recent years. They not only provide the affordability, flexibility and support that start-ups and small businesses often require, but they also provide a model that is attractive to any business looking to follow flexible growth patterns and adapt quickly to changing economic fortunes. The Brexit-related uncertainty has undoubtedly fuelled the co-working boom. According to Savills, serviced office take-up across the UK increased by 176% in H1 2017, reaching 1.07 million sq. ft.

“ We very much see ourselves as being in the hospitality industry. By providing flexibility with the right design, product and service, then we have offices that people want to be in. ”

Charlie Green, The Office Group

RE Sector: How do you expect the demand for co-working space to change over the next 12 months?



An emphatic 94% of the real estate professionals we surveyed expect demand for co-working space to grow over the next 12 months. With co-working on the rise, there is mounting pressure for landlords to revise their leasing terms in order to compete with the flexibility offered by co-working providers.

“ Leases to co-working providers are becoming commonplace in the market. This has led to a softening of alienation provisions to provide for occupation by “members” without the consent of the landlord. Careful drafting ensures that the certainty so important to landlords exists alongside the flexibility required in a co-working model. But we are yet to see a general departure from traditional alienation provisions which are the norm in UK institutional leases and such flexible terms are generally made personal to the co-working provider. ”

Clare Thomas, Real Estate Partner, CMS

Such is the rise of the 'flexible market', some traditional landlords are looking at how they can access it directly by launching their own co-working spaces. The Canary Wharf Group was one of the first movers in 2013 when it launched Level 39 in One Canada Square; so successful it now extends to levels 24, 39 and 42! More recently, British Land launched its flexible workspace brand, Storey, where a focus on wellbeing supports growth and productivity. Other landlords are accessing the sector by investing in existing co-working brands, such as Blackstone and The Office Group.

Co-working spaces are often seen as being hives of disruptive, creative energy. This aura is drawing the attention of traditional and larger businesses, who see shared space as an avenue to attract creative talent and syphon innovative ideas. Some companies are basing creative teams in co-working spaces or even sub-letting part of their own space to co-working providers.

80% of real estate professionals agreed there will be an increase in traditional landlords successfully launching their own co-working brands in the next five years.

89% of real estate professionals agreed that adopting co-working spaces will become a component of real estate strategies for large companies in the next five years.

What all of this amounts to is the potential for fundamental change in the offices sector. We are moving towards a more fluid age when companies, small to large, choose a mixture of spaces. From long term leased, to short term (serviced offices); from membership (co-working, clubs) to public (libraries, cafés, parks); not to mention home, variety will be the space of life. This will change the composition of space required by the market, with developers and investors reconfiguring their portfolios accordingly.



The Office Group

Charlie Green, Co-Founder and Chief Executive

What differentiates you from traditional serviced offices companies?

We've never considered ourselves to be a serviced office company. When we set up the business, we very much wanted to challenge the serviced office model. With that start 14 years ago, where we are now is a business

that challenges the traditional form of lease.

We very much see ourselves as being in the hospitality industry. By providing flexibility with the right design, product and service, then we have offices that people want to be in.

In many ways the real estate market is stuck with a model that's not responding to the needs of businesses today. Flexibility is fundamental as

companies need the agility to grow, downsize or exit space. The traditional lease, bound within the parameters of the 1954 Act, is anachronistic and cannot keep pace.

Technology is driving the behavioural changes that are shifting the emphasis to the user of space and not the provider. If traditional landlords cannot adjust their models, they will struggle in the face of modern competition, responding to what users of space want.

There are challenges and constraints the real estate market faces that other industries don't encounter. The time it takes to acquire, design, gain planning consent and actually build means that the market will struggle to coincide with a wider macro-economic climate. But this then should place even more emphasis on what that real estate ends up being and how it is delivered, and ultimately, what the relationship between the owner/provider of space is with the user.

We do anticipate further shifts in how space is presented in terms of pricing. In every other area of life we're experiencing dynamic pricing, paying only when we use something. We'll see more of that in property and we may see a restructuring of how property is priced in the UK. The fact that rent and service charge are calculated in sq. ft. is a system weighted heavily in favour of the landlord. Occupiers often don't understand it and find it difficult to calculate. People want simplicity and very clear monthly bills. Again, it's all part of changing the arm's-length relationship with a tenant. It's all about constant contact with our customers and building relationships.

Who are your customers?

The nature of work is changing and technology is a leveller that allows smaller companies to compete with larger ones. In the UK 99% of businesses employ less than 250 people and 96% of businesses in London have less than ten people, so we see huge scope for growth. And we're attracting established corporates as well, including 'new' corporates, such as Dropbox, who have a permanent office with us. They started out with three people and now have over 150. They have grown with us and created their own space within ours.

As well as individual members, micro businesses and SMEs, other larger corporates taking space include Facebook, Disney, Deloitte and Santander. Blue chip companies are placing their digital and creative

teams with us as they see this as a way of retaining talent.

We started with a 5,000 sq. ft. converted pub in Islington and now have 36 buildings with 1.25m sq. ft. and 15,000 members predominantly in London, but we also have offices in Bristol and Leeds. With six buildings under construction we will soon grow to 22,000 members.

“The traditional lease, bound within the parameters of the 1954 Act, is anachronistic and cannot keep pace. Technology is driving the behavioural changes that are shifting the emphasis to the user of space and not the provider.”

London is the most sophisticated market in the world in terms of its flexible offering. There are a lot of operators but there is space for them. Flexibility is even more appealing in a volatile market. Brexit has led to an increase in enquiries but has had no impact on pricing.

We are looking at new opportunities to open up additional revenue streams from our real estate. There is potential around the dual use of space. We rent out areas in the evening for events. Very recently we held a wedding at our office in the Shard.

Apart from flexibility, what else is appealing about your spaces?

A huge amount of detail goes into the design. We do not roll out a one-size fits all approach to our offices. A lot of co-working providers choose the industrial look - exposed brickwork and pipes - and have this across the

board. Instead we let the building branding be dominant; we appreciate its quirks and the idiosyncrasies of the local area. The West End is different to Shoreditch so there should be a reflection of that. We want our members to have ownership of the space and be proud of where they work. We limit the TOG branding at buildings and therefore the buildings belong to the companies that work in them, not to TOG.

Now that Blackstone is a partner, what does this mean for the future strategy of TOG?

Culturally, Blackstone was a strong fit for TOG and we've very much enjoyed working with them. We see this as a being a very strong relationship with a partner who can help us grow with funding, incredible market knowledge and excellent networks. The focus is very much on growth in London, but if we find the right buildings where we believe we can create something beautiful and brilliant in other markets, then we look forward to Blackstone's support moving into those markets, but only when the timing and buildings are right.

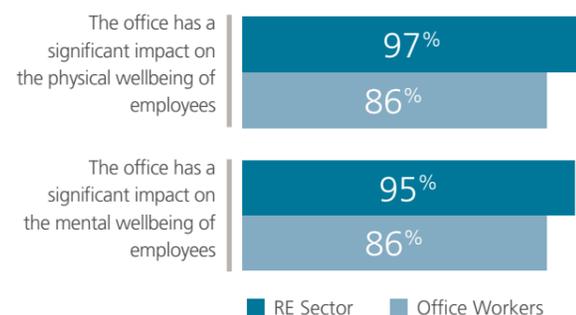
Charlie Green



Happy and Healthy: Wellness in the Workplace

Given modern lifestyles, problems relating to breathing, vision, posture, weight and mental health are all on the rise. Both office workers and real estate professionals overwhelmingly agreed that the office impacts both mental and physical health.

RE Sector and Office Workers



“Stress at work has more than doubled since the 1990s at an estimated cost of £16bn per annum to the UK economy. Companies want an antidote to this.”

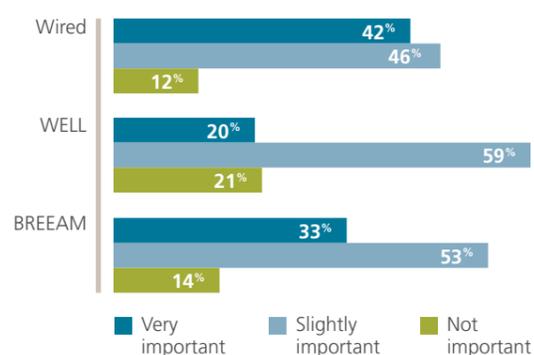
Harry Badham, AXA IM Real Assets

Employers are responding proactively and real estate decisions are important in this regard. Investors and developers are increasingly focused on creating spaces where staff not only feel physically comfortable, but also

engage in activities which enhance their wellbeing and overall happiness. This in turn improves the bottom line for businesses through productivity-gains and reduced absenteeism.

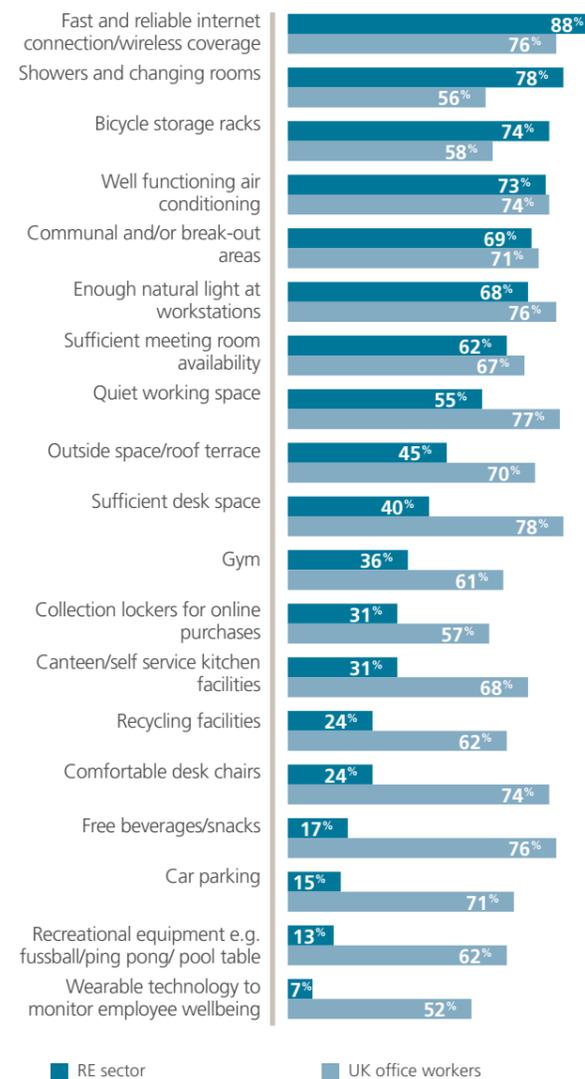
It is within this context that the WELL Building Standard emerged. WELL building certification is like a nutritional label confirming that all the ingredients that go into a building are healthy for its inhabitants, including things like air, water, nourishment, light, fitness, comfort and mind.

RE Sector: How important do you think the following certifications are in making buildings attractive to occupiers?



The fact that 79% of real estate professionals saw WELL building certification as being important in making an office building attractive to occupiers shows how seriously the industry is taking this issue. Indeed, despite its fairly recent inception, WELL is not far behind the more established WiredScore (connectivity) and BREEAM (sustainability) rating schemes in the eyes of our respondents.

Office Workers & RE Sector: Which of the following are particularly appealing to have in office buildings?



Of the office facilities which workers and real estate professionals rated most highly, fast and reliable internet connection came top for both workers and real estate professionals (76% and 88%). Today, digital connectivity is business critical; hence the success of WiredScore, which has certified over 30 million sq. ft. of space in the UK in the two years since it launched.

Other factors which could be considered as the 'basics' of a comfortable and well-functioning office environment all rate highly for office workers such as sufficient desk space (78%), comfortable desk chairs (74%), natural light (76%) and decent air conditioning (74%). The real estate professionals appear to underestimate the importance of some of these, particularly chairs (24%) and desks (40%). Perhaps this underlines the importance of specialist fit-out contractors.

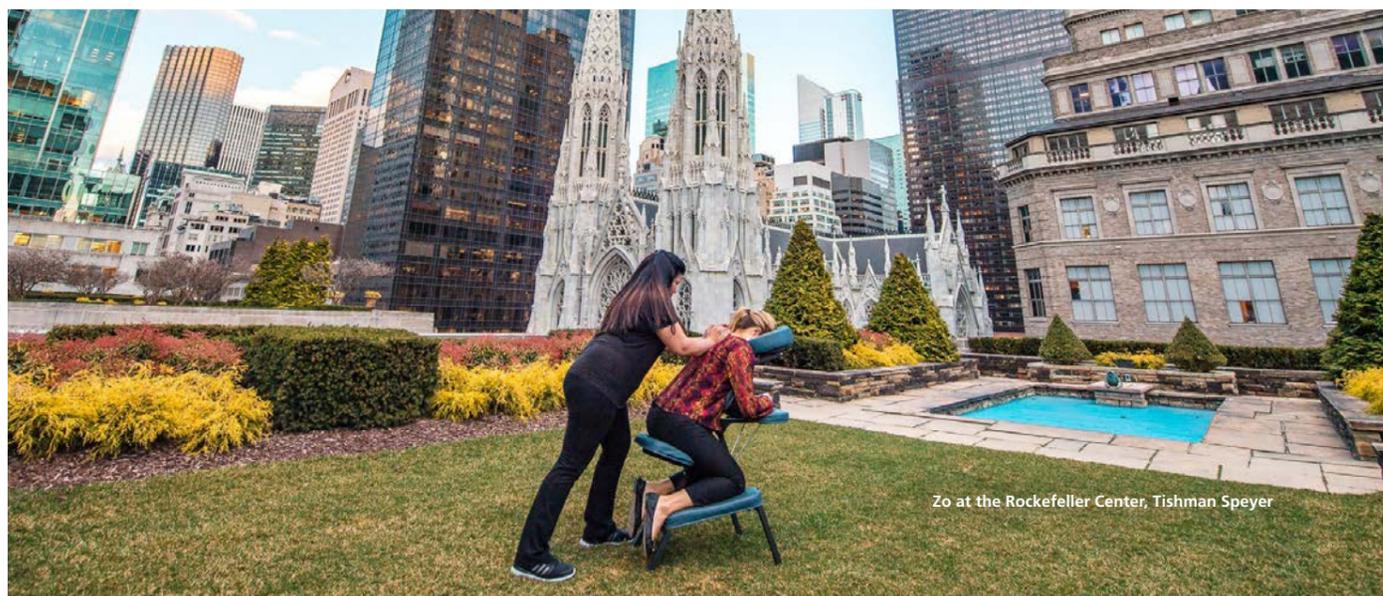
Many of the components associated with wellness provision such as gyms (61%), outside space (70%) and canteen facilities (68%) were all popular amongst office workers.

However, there is divergence in views between office workers and the real estate sector respondents. The majority of workers find recreational equipment appealing, but this is underestimated by most real estate professionals. Another surprising result was how positive the office workers felt about wearable technology allowing their employer to monitor their wellbeing with 52% in favour, whereas just 7% of real estate professionals thought this would be appealing. This would give employers reams of valuable data on their staff, though this undoubtedly raises data privacy concerns.

Overall, what is apparent from the results is that office workers find the full range of provisions appealing, with all of the options being selected by more than half of the respondents. This shows that workers today are increasingly demanding in terms of office amenities. The office is in effect expected to provide multiple environments: a space to work; the comfort and convenience of home; plus leisure and recreational opportunities.

“Tracking the wellbeing of office workers with wearables raises some complex issues, especially in the light of the forthcoming new GDPR regulation across Europe. Consent, security, transparency of use, monitoring and the even stricter requirements in respect of health data to name a few. There is also a risk of wellbeing concerns triggering duty of care obligations. However, if there is a will, there is a way and it is interesting this is something some workers would appear to welcome rather than resist.”

Elle Todd, Partner, Head of Digital & Data, CMS



Zo at the Rockefeller Center, Tishman Speyer



International Quarter London (IQL), Lendlease

Lendlease

Kevin Chapman, Director,
Offices and Origination

What has been the inspiration behind your approach to office development?

In 2011 and 2012, we sensed there was frustration in the London office market, a feeling that customers wanted something more from the office development world.

In 2011, we interviewed a number of real estate and workplace leads at some of London's largest office occupiers and also visited Lendlease's home territory of Australia, where the workplace agenda in Sydney in particular seemed to be ahead of London. It could be something to do with being in a corner of the world where they have to work really hard to attract and retain the best people.

In 2011, Australia had already embraced the concepts of agile working, health and wellbeing and understood their wider business benefits. Lendlease had been working with Commonwealth Bank and Westpac on new headquarters projects where they were really pushing the boundaries.

Kevin Chapman



How did you respond?

A great deal of the responsibility for new ways of working really lies with the occupier, not the developer, but we wanted to develop the perfect 'chassis' upon which our customers could create their own vision of the ideal workplace. So, we did three things:

Firstly, we promised to promote side cores rather than central cores in our buildings. The core to the side of a building promotes a strong arrivals experience for office occupiers, allowing them to see out across a whole floor, thus, enhancing a sense of belonging and encouraging collaboration.

Secondly, we have celebrated staircases: their role is often underplayed in the workplace, but treated in the right way can really enhance mobility and agility, encouraging people to walk between floors rather than taking the lift.

Thirdly, at the design stage of our developments we targeted 100% fresh air delivery through the offices. Typically, the industry is recycling around 20% of air, which could mean that if someone in accounts has a cold, by the end of the week everyone has caught it.

These initiatives have been very well received at our International Quarter London project in Stratford and have started the wellness drumbeat for the development.

What's next?

We are finding the workplace agenda is increasingly focused on staff engagement and how this can be improved. Your staff could be fit and healthy but still not engaged or motivated in their role. To achieve this, we believe the spaces around the office and the neighbourhood they work in become as important as the building itself.

With this in mind, we see Corporates choosing locations as much as buildings, because many of their

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staff are choosing to work in the café downstairs or on the grass surrounding their building, rather than the building itself. The whole experience creates a sense of belonging and serves the flexible, agile workstyle many of us are now adopting.

In this respect, we are lucky in Stratford as we were able to create the workplace that is the International Quarter as well as sharing with our neighbours such as the Queen Elizabeth Park and Hackney Wick.

We also see education and culture as an increasingly important contributor to this wider workplace agenda. These create opportunities to collaborate and innovate, essential for progressive businesses to thrive and grow. In this regard we are really looking forward to welcoming UCL, the London College of Fashion, the V&A and Sadler's Wells to Stratford.

How will you respond to the rise of flexible offices?

A flexible workplace offer, alongside the more traditionally leased space, is becoming essential for any workplace destination. We are exploring a number of exciting ways in which we can deliver this across our projects, not only the short-term leasing model but also innovation spaces, project rooms, event spaces and drop-in cafés.

Super Smart: Technology in Buildings

As the industry moves from selling a product to providing a service, investors need to take greater control of both the hardware and software sides of their buildings. In other words, they need to be smart. With the rise of the internet of things, huge amounts of data are now being collected on buildings and their occupants. The challenge is harnessing and using this information.

There is an increasing expectation that physical spaces must operate optimally in order to produce cost savings and help the environment. Smart buildings are tied closely to this sustainability agenda. The UK Green Building Council is currently running an Innovation Lab on this theme with members including Carillion, Landsec, Canary Wharf Group and Marks & Spencer. The vision for the smart office is one that is fully energy-efficient.

64% of millennials and **32%** of the baby boomers we surveyed were concerned about their organisation's impact on climate change.

However the smart building proposition is about more than running a building. There is potential to offer a digital layer of services to make the 'user experience' of each and every person who enters an office as enjoyable and 'frictionless' as possible.

Personalisation of experience has its benefits and challenges. On the one hand, it can make both workers and visitors feel their needs are better met in an office environment, making them more engaged and efficient.

At the same time, there are concerns about how personal data is used. There's the risk of 'commodification' of human labour. Surprisingly 65% of office workers were comfortable with sensors tracking their location in the building. Yet, when plans were revealed last year to put monitors under desks at The Telegraph, there was a journalist-led revolt which spread across the national media, leading some commentators to call for further regulations on how employee data can be used, from making data completely anonymous through to an outright ban on data use for employers. There is a recognition of the challenges by the industry, with 39% concerned that data protection laws could hamper the ability to fully digitise the employee journey through the office.

Office Workers:



RE Sector:



The next level opportunity in smart buildings will be for organisations that collect data from occupiers on space and facilities utilisation to sell this back in an advisory function to other occupiers looking to make cost-savings.

“ From a privacy perspective, where the data collected constitutes personal data, steps will need to be taken to ensure that its collection, use and safekeeping complies with data protection legislation. By providing adequate privacy notices and employing techniques such as pseudonymisation and anonymisation, there are real opportunities to aggregate, analyse and profile the data and use the output to design and make buildings smarter, greener and more cost-effective. However any proposed use of the data for HR purposes, or sharing or selling it as a 'value-added service' is likely to create further privacy concerns which would need to be addressed. ”

Ian Stevens, Technology & Sourcing Partner, CMS

All Work and... All Play: Gamification of the Workplace

It is estimated that we spend over three billion hours a week playing video games worldwide. With games like Candy Crush and Pokémon Go sweeping the globe, are we all starting to turn into 'gamers'? Some dismiss this as a waste of time with damaging consequences as people are no longer enjoying the 'real world'.

However, research points to some psychological advantages of playing games. They provide structured experiences which can be used to improve mental agility including decision-making, creativity, problem-solving and all-round learning. These are all important skills in today's knowledge-based economy, but also for health and wellbeing.

Some companies have already spotted the opportunity to 'gamify' working environments in order to encourage employees to change and improve their behaviours for their benefit and the businesses in which they work.

As an example, Salesforce has launched an app called SuMo which "harnesses the power of behavioural motivation and gamification to predict, automate and accelerate sales performance." Using game mechanics that include nudges, competitions, points, badges and leader boards, SuMo monitors and motivates every user to adopt behaviours in line with the company's "winning way", which leads to more sales.

Google encourages employees who travel for business to play their Travel Expense game. If they spend less than they have been allocated on a trip, they have the choice to receive this in their pay packet, or as credit to spend on a future trip, or to donate the surplus to charity.

Gamification is the application of typical elements of game playing to other areas of activity.

Not dropping litter and recycling are other behaviours that could be encouraged through gamification and reward. This would be advantageous to landlords wanting to keep the public realm around their buildings tidy.

So perhaps it is time to combine work and play. The office workers we surveyed were very positive about the idea with 80% finding gamification appealing. However only half of the real estate professionals expected gamification of the workplace to increase in future. This is a clear mismatch. Are real estate investors and developers missing a trick?

Office Workers:



RE Sector:





Twentytwo, AXA IM Real Assets

AXA IM Real Assets

Harry Badham, UK
Development Director

How will your 22 Bishopsgate development respond to the changing office landscape?

Developing a building which will have a very large and varied population - the size of a small town - means you can achieve things which you cannot in other stand-alone buildings.

News has spread about the vertical village we will be creating at Twentytwo, and innovative companies want to come and talk to us. The tech giants are keen to explore how they can collaborate on the building and apply their skills.

We need to move on the conversation about smart buildings. For years we've had building management systems but we haven't used that data in a clever way. From a facilities management perspective, there's a real opportunity to proactively rather than reactively maintain energy and utility systems. But the soft stuff is important too, focused around user experience.

What do office workers really value?

It's all about control. People want to individually make their own decisions about how they regulate and get the best from their environment. Previously buildings were all about 'us and them' - 'them' being the unseen people in the control room. We're at the point where every light and fan coil in a building can be addressed individually. At Twentytwo, as with all our office developments, we offer workers the democracy of choice.

Ultimately people are working longer hours, but with more flexibility. This means buildings have to work a lot harder. That's why offices are starting to feel a lot more like home environments. We used to talk about work-life balance but we are now seeing work-life integration. This creates a duality in buildings; a drive towards the hyper-tech and robotic,

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combined with a real emphasis on the very human and tactile elements which are extremely important.

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Is the building becoming more important than location?

Often customers are more interested in what's around their offices than what's in them. So at Twentytwo we have taken the public realm and amenities that would usually be outside the building and put them within. We have thought about using space in different ways, moving from mixed-use to multi-use. A restaurant for example can be used as somewhere for someone to work, or as a meeting space, or for presentations and as a bar or club in the evening.

On the seventh floor we will create 'The Exchange', an information hub where people can come in for talks and education. This creates the ability to incubate great ideas and for

businesses and staff to share this for their own learning and inspiration. There will also be subsidised rents in The Exchange for small and medium sized enterprises to add to the mix within Twentytwo. We are very keen to help lead the push to reinvent the City for the next generation and a greater variety of businesses.

Do you have a role in the wellbeing agenda?

Stress at work has more than doubled since the 1990s at an estimated cost of £16bn per annum to the UK economy. Companies want an antidote to this, hence the huge focus on wellness. We believe developers can play a part in solving that problem, and our contribution is to give up space that we could lease in order to benefit the common good. Higher than normal ceilings in all office floors and double height floors in certain areas of Twentytwo will ensure that there is lots of space and light. The lift stop-off and change over points have been planned so they route staff via amenities and canteen areas.

How would you sum up your approach at 22?

Twentytwo is about rebalancing perceptions - making sure it is seen as a people-focused building rather than a business-focused building. All the customers we speak to are driving towards this.

Harry Badham





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