



OREGA

FUTURE OF THE OFFICE REPORT 2022



INTRODUCTION

As we learn to live with the aftermath of the pandemic, we are learning to live with new ways of working.

The old way of five days a week in the office appears to be disappearing as many employees and employers alike embrace the new hybrid ways of working.

But what will be the consequences of this for the office sector? Will businesses be looking to significantly downscale their office space requirements? What will be the prime function of the office going forward? And what part will flex space play in the new arena?

ZACH DOUGLAS

CEO and Co-Founder
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There has been so much debate on this topic. Rather than speculate we decided to research. We commissioned survey company Survation to carry out our second independent survey of 2,000 UK office workers and 500 business leaders. We wanted to know what companies are planning for their real estate strategies and how they want to work in the years ahead. And as the UK's leading provider of flexible workspace under management agreements, we also wanted to understand how they see flex space developing.

We included office workers in the survey so we could debunk some of the myths that have been circulating about what workers actually want from their offices and their attitudes to their places of work.

The research was carried out in the summer of 2022 and builds on our survey carried out in 2021.

We hope this report will help landlords and investors understand the current and future needs for British businesses, enabling us all to plan and help create the workplace of the future.



THE CHANGING FACE OF THE OFFICE

HYBRID WORKING IS HERE TO STAY

“Before the COVID-19 pandemic, how often were you expected to be in your office?” V “After the COVID-19 pandemic and as we return to a more normal way of life, what is your expectation of what will be required of you in terms of office working?”

There is no doubt that the pandemic has fundamentally changed the way many office workers work. Our Survation survey confirmed an extension of the trend we saw last year with the move to a more hybrid way of working (both working in the office and remotely) which now appears here to stay and appears to be welcomed by employees and employers alike.

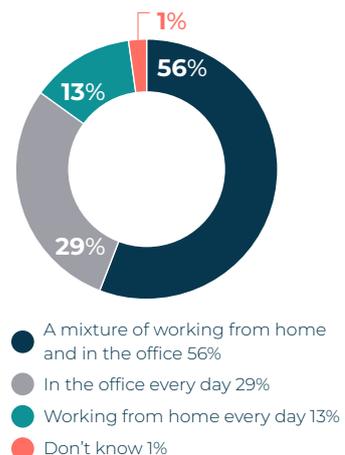
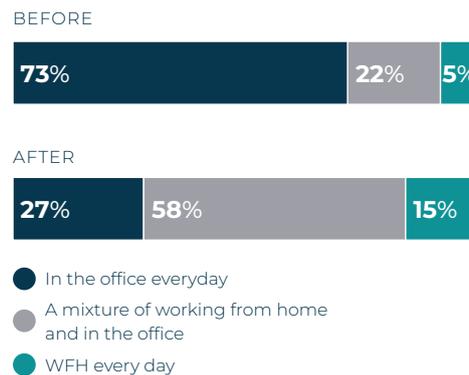
According to our latest survey, before the pandemic, 73% of workers came into the office five days a week and a hybrid model of working was only used by 22% of office workers. Even less, 5%, were working from home every day.

This has seen a massive shift with now only 27% of workers coming into the office every day, 15% working full time from home and the majority, 58% saying they are embracing a hybrid way of working, most commonly working three days in the office and two remotely.

Fortunately, most employers seem to be happy with this trend. From our survey of 500 business leaders, 56% of business leaders said they would prefer their staff to do a mixture of working from home and in the office. This was a significant increase from 48% when we asked this question last year and shows employers have become more confident about their employees moving to hybrid working.

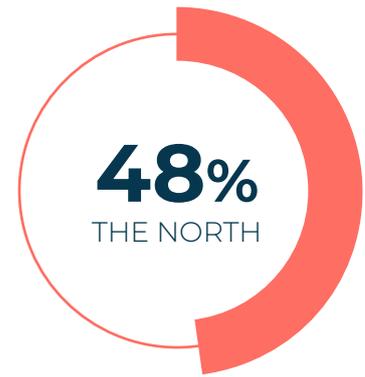
Interesting the percentage of business leaders supporting hybrid working was the highest (64%) in London, perhaps due to the associated extra travel costs to the capital but even in the Midlands, 54% of business leaders and in the North 48% of business leaders voted for hybrid working – debunking any myth that employers are keen to return to the old ways of “5 days in the office” working post the pandemic.

In normal times would you prefer your employees to work remotely or in the office.



Percentage of businesses who prefer their employees to follow a mix of home and office working.

A hybrid way of working was particularly favoured by those business leaders in the transport, construction and banking, finance and insurance industries. It was least popular, perhaps unsurprisingly, for those in public administration, education and health.



36%

said the measures taken to continue working through Covid by remote means improved productivity.

40%

of employees saying new methods of working have helped their mental health improve.

Impact on Productivity and Mental Health

Fortunately for businesses, this new way of working does not seem to be impacting on productivity. 44% of employees said they felt remote working during the pandemic has had no impact on their productivity and over a third, 34% said their productivity had increased in the period with only 15% saying it had had a negative impact.

These figures are largely reflected in the attitudes of business leaders, where 36% said the measures taken to continue working through Covid by remote means improved productivity, 30% said it had had a negative impact and 30% said it had stayed the same. Business leaders in London were the most supportive with 40% saying using remote working methods had improved productivity.

Only in two industries: Banking, Finance and Insurance and in Public Administration, Education & Health, did more business leaders feel the new methods of working had a greater negative than positive impact on productivity.

But overall, there has been a positive response, again debunking any myth about employers' negative attitudes to new working methods.

Some type of remote working also seems to have been good for mental health issues too, with 40% of employees saying new methods of working have helped their mental health improve either significantly or somewhat, 31% said they have stayed the same and only 27% a decline.

Given concern for mental health and wellbeing of staff is now high on the agenda for employers – with 85% saying it was one of their most important considerations – new ways of working may appear to be a win win all round.

THE CHANGING FACE OF THE OFFICE HYBRID WORKING IS HERE TO STAY

27%

of workers coming into
the office every day.

15%

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58%

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WHAT BUSINESSES AND EMPLOYEES REALLY WANT THE MYTHS BUSTED

The office is still important to employees and employers alike. Businesses and employees told us they still want to keep working in the office, even if only two or three days a week.

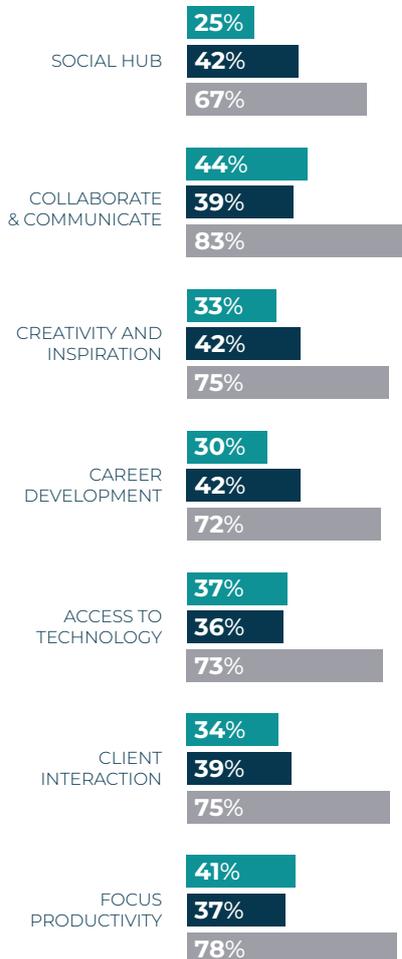
It's just that its role is changing.

Businesses still believe the office is central to their business. 83% said it was an important place for staff to collaborate and communicate, 78% said it was essential for focus and productivity and three quarters 75% said it was important for creativity and inspiration and for client interaction.

The benefits of the office are also replicated by the views of office workers. On a score of 1 to 10 on the importance of the office as a social hub, 57% of employees gave it a 7 or above and one in four (24 %) gave it a 9 or 10.

And in terms of function, on a score of 1 to 10, 66% of employees surveyed said the office as a place to collaborate and communicate scored 7 or above, followed by a place for focus/productivity 53%, ability to access technology 51% and career development and training 50%.

When thinking about reasons for staff to attend the office, how important are each of the following



83%

Collaborate & Communicate

78%

Focus / Productivity

● Very important
● Quite important
● Total



A VOTE FOR ESG PRIVACY AND A QUIET PLACE TO WORK

Employees were also keen to point out what was most important to them about the office and the facilities they most valued. Attitudes were consistent across all the age ranges.

High on the list (with a vote of 7 or above) were environmental issues such as fresh clean air (73%), suitable and controllable temperature (72%) and direct access to natural light (71%) but the ability to develop relationships with colleagues, (73%), a quiet space to concentrate (69%) and privacy (62%) scored highly too.

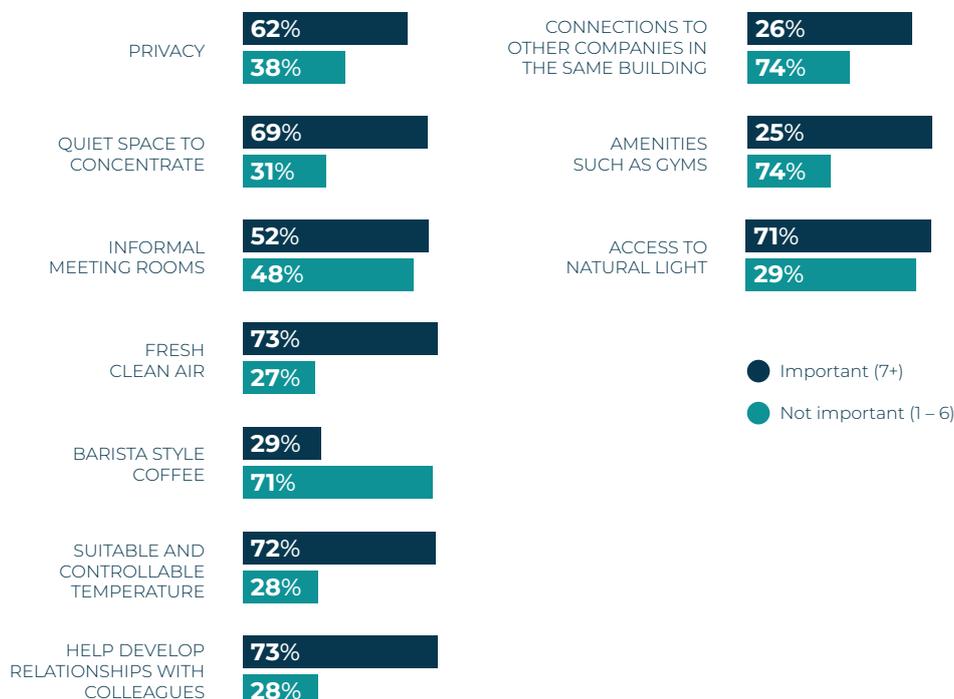
Interestingly down the bottom of the list were facilities such as barista-style coffee services (29%), gyms (25%) and connections to other businesses in the same building. Indeed 74% of respondents said this was not important (voted 1 – 6).

This shatters the myth that many developers believe – that they need to add fancy or expensive amenities into offices. And it contradicts the perception among many serviced office providers that workers want to mix and have exposure to workers in other businesses, a belief that this would be particularly attractive to young workers.

Over 70% of the 16 – 34-year-olds surveyed said their priorities for the office were to provide quiet spaces to concentrate (70%), fresh clean air (73%), have controllable temperature (72%) and direct access to natural light (71%). 73% also mentioned the benefit of access to colleagues. Given the difficulties many young people faced as they tried to work from home in unsuitable accommodation, a good office environment certainly has its attractions.

Another interesting finding from our survey was that employees that embraced hybrid working of two or three days in the office were also keen to have their own desk. 62% said they still wanted their own dedicated desk and only a third 34% said they were happy to hot desk. Perhaps unsurprisingly those aged 55 plus were even more keen to have their own dedicated desks (71%) – but 62% of younger workers (aged 18 – 34) said the same – debunking another myth that young people are much happier to hot desk than other age groups of workers.

On a scale of 1 – 10, where 1 is not important at all and 10 is very important, how important are each of the following as factors in getting the most from your office?





THE DRIVERS FOR CHOOSING OFFICE SPACE

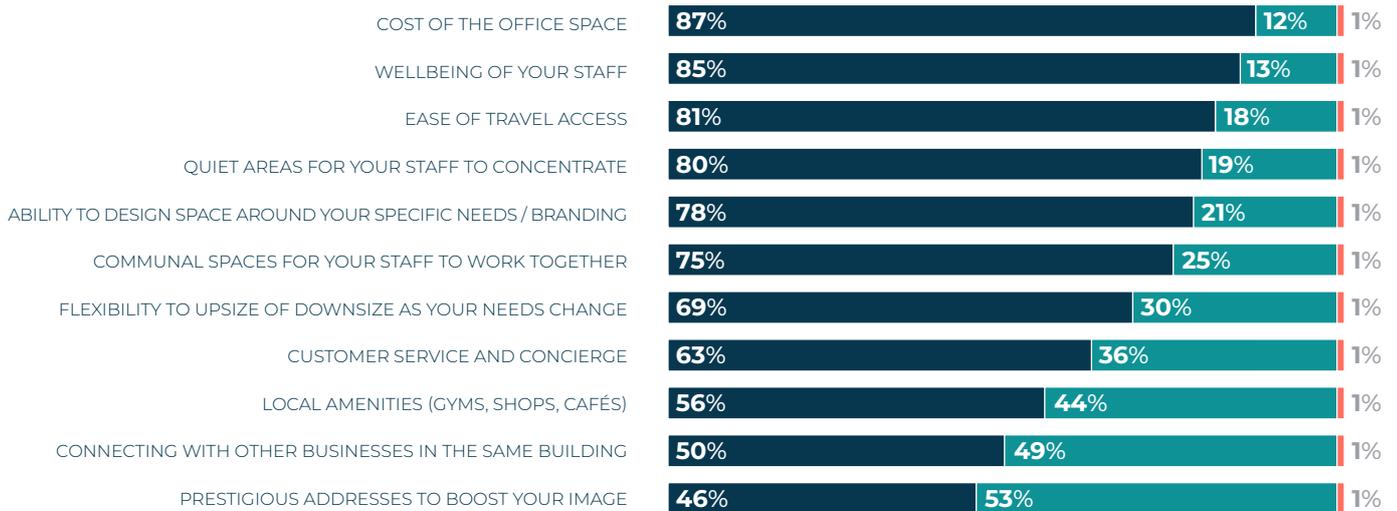
As last year, and perhaps unsurprisingly, the top driver for companies choosing the right office space remains cost. 87% of business leaders said the cost of office space was a key consideration in making their decision.

But the wellbeing of staff came a close second at 85%, followed by the ease of travel access at 81%. These indicate that concerns about looking after and retaining staff are still high priorities on the agenda for business leaders.

More than two thirds of business leaders also wanted the flexibility to upsize and downsize as their needs change.

How important are the following considerations when making decisions about your office?

- Important
- Not important
- Don't know

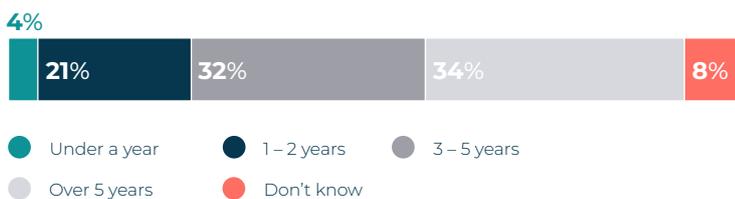


Good news for landlords however is that if the office meets the criterion that businesses need, they are likely to stay.

A fifth (21%) said if their office requirements were met, they would stay between 1 – 2 years in the space, 32% said between 3 – 5 years and more than a third, (34%) more than five years.

This shows more a more positive attitude than a year ago as companies have worked out their needs. The views were reflected across most industries we surveyed, although of those companies in public administration, education and health, the desire to stay more than five years rose to 53% of those canvassed.

If all your office requirements were met, how long would you anticipate staying in the office?



- Under a year
- 1 – 2 years
- 3 – 5 years
- Over 5 years
- Don't know

WHO IS MOVING?

OVER A THIRD OF BUSINESSES PLAN TO REDUCE THEIR SPACE

The pandemic and working from home have continued to radically change businesses' view of leases and future property requirements.

Although 63% of business leaders we surveyed said they were not looking to reduce their office space – well over a third, (37%) said they did plan to reduce their space, a figure which grew to 42% in London. This was particularly high in

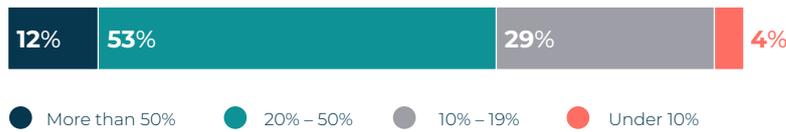
those working in Banking, Finance, and Insurance (51%), Energy & Water (50%) and Transport & Communications (48%).

However, plans are not for a radical reduction with only 12% of businesses planning to cut office space by more than a half. The majority (53%) plan to reduce space by 20 – 50% and 29% to under 10%. In addition, many of the businesses looking to reduce their

office space are looking to switch from long leases to flex.

Only 10% of businesses surveyed planned to look for larger offices.

By how much are you planning to reduce your office space?



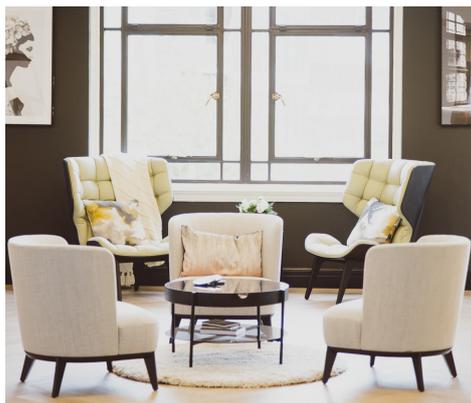
When your current lease ends, which of the following do you expect to happen to your company's office arrangements?

Interest in using a hub and spoke model of working – in the main office most of the time and then from a local serviced office near to the employee's home is also increasing in popularity.

When asked what they'd do when their lease ends, over a third (34%) of businesses said they would retain the office as it is and a further 21% said

they would keep their office space and allow employees to also work in flexible workplaces near home. The most dramatic change seems to be in London where only 22% of businesses said they would retain the office as is and 24% said they would keep their office space and allow employees to also work in flexible workplaces near home.





A new way of thinking – the Flexible Future

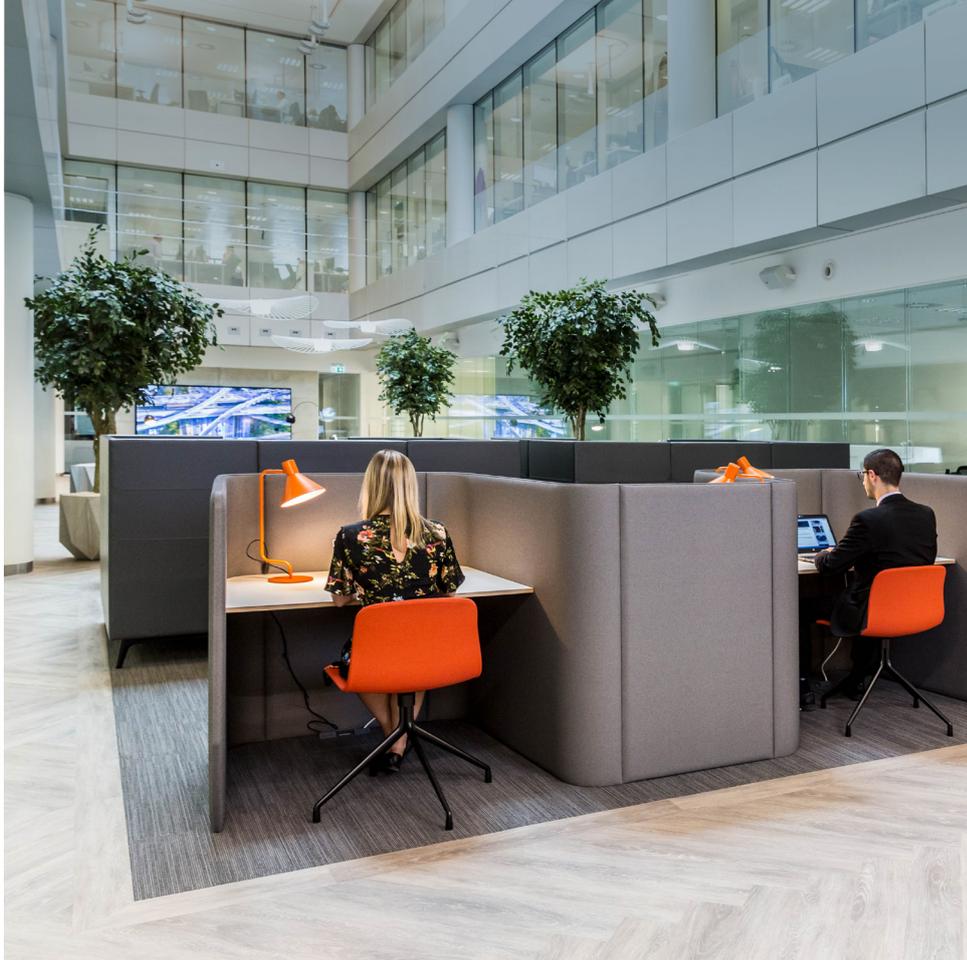
Well over half (55%) of business leaders said the pandemic had led the company to rethink its existing leasing models, much higher than the 49% who said as much last year and particularly high in London, with 60% of businesses rethinking how they lease their properties.

In terms of industry groups, those most actively rethinking their traditional ways of leasing were those businesses in transport and communications, (75%), banking, finance and insurance (59%) and manufacturing (58%).

Many firms do not know what they will need in the long term so having the freedom to upsize and downsize is crucial. There seems to be a post-pandemic desire to move to alternative models with flex space becoming a more attractive proposition.

A substantial 59% of businesses surveyed said they would consider some form of serviced office. This was higher in London and the South whereby 61% and 59% respectively of business leaders said they would consider such offices.

In terms of industry, a massive 79% of businesses in energy and water said they would consider flex space, 66% of those in banking, finance and insurance and 65% of those in transport and communications.



Which of the following statements best reflects your view?

42% of office workers also stated they would like to work in the office and near home in flex or serviced office space rather than working from home. This rose to 45% among men and 44% among the 16-30 aged group, but slightly lower (41%) for women. Flex space certainly seems to be here to stay.

59%

My company would consider a serviced office

32%

My company would not consider a serviced office

9%

Don't know



LIP SERVICE TO A SUSTAINABLE OFFICE?

Business leaders claimed ESG was high on the agenda. In a range from 0 to 10, 63 % gave sustainability a 7 or above in importance, with 13% giving it a 10. In terms of industries, 31% of those in Transport & Communications and 29% of those in Public Administration, Education & Health gave it a 10.

Employees have made it clear that clean air and natural light are important to them, so it is disappointing that nearly half (48%) of business owners do not yet have a sustainability plan in place for their office space.



How does the following best describe the sustainability plan for your office?



Business Confidence Remains High – if Not in The Economy

We also asked business leaders how they felt about their company's prospects. 70% said they felt confident about the prospects and only 8% were pessimistic, illustrating growing confidence from a year ago. This figure of confidence grew to 75% for businesses in London and was higher in bigger businesses than smaller ones. 72% of businesses with 100 – 249 employees were optimistic about future prospects and 82% of those businesses with more than 250 workers.

Such confidence appears to be reflected by employees although not quite as strongly. 61% of employees said they

were very or quite optimistic for their company and only 14% were pessimistic. This was consistent across the age ranges, although older people (65 plus) seemed the most positive.

This optimism appears to be reflected in attitudes to staffing levels with 81% of employees thinking their bosses will either keep staff numbers the same or increase them and only 14% think staff numbers would be reduced. This optimism is shared by the younger workers where 83% believe numbers will remain high or be increased.

Despite confidence in the businesses, they work in being high, confidence for UK PLC was not so high – with only 23% of employees saying they were quite or very positive for the UK economy and 55% saying they were pessimistic.

This perhaps this indicates that the way businesses are now being run is appreciated by many of those employed in them, despite the overall macro picture.

HOW OPTIMISTIC OR PESSIMISTIC ARE YOU ABOUT YOUR COMPANY'S PROSPECTS OVER THE NEXT 12 MONTHS?

Optimistic

70%

Neither Optimistic/ Pessimistic

21%

Pessimistic

8%

Don't Know

1%





CONCLUSIONS

So, what can landlords and investors learn from our survey? As always there are opportunities if we acknowledge the changing working landscape and plan accordingly.

Firstly, hybrid working appears to be here to stay and most employers are accepting of this. Given overall hybrid working does not appear to be negatively impacting productivity in most industries, but is also providing a positive impact on mental health and is preferred by most employees, we are unlikely to see a return to the full 5 days a week office working.

Secondly the office still has an essential role to play in the world of work: as a place to collaborate and communicate, to focus on productivity, inspire creativity, provide access the best technology, enable client interface and for career development. But employees of all age groups are also looking for privacy and a quiet place to work – which is far more important to them than gyms and fancy barista style coffee.

Thirdly the ESG agenda cannot be ignored. Employees have put a premium on working in natural light, with good fresh air and controllable temperatures. Employers recognise the importance of ESG – but how many of them are really putting this into practice? It is disappointing that nearly half of

businesses (48%) still do not have a sustainability plan in place. This is an area that cannot be ignored if the best staff are to be retained.

And finally, flexibility is becoming key. Over half (55%) of business leaders said Covid had led them to rethink about existing leasing models, and when their leases are up one third of businesses are looking to reduce their office space. Many will keep existing space (34%) but another 21% said whilst they would keep their office space, they will allow employees to also work in flexible workplaces near home. More businesses than before are looking at flexible leases, serviced office and hub and spoke space, particularly those office occupiers in Central London

Of course, this is change. Employees expect more and more from the offices in which they work – and so do companies if they are to keep their workers happy. The UK market is not giving up on the office – but to survive it must certainly adapt to the call for flexibility and a quality product – clean air and a quiet place to work.

61%

of businesses in London said they would consider some sort of flexible/ serviced office space

55%

of business leaders said Covid had led them to rethink about existing leasing models



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