UK Commercial – Summer 2019

SPOTLIGHT

Savills Research

What Workers Want: UK

savills

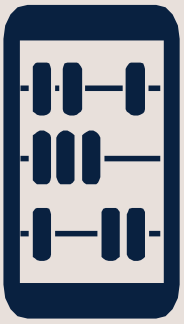
● Talent Retention ● Productivity ● Wellness

Introduction

What Workers Want Survey 2019

11 European Countries

14 UK Cities



200,000 Data Points

Welcome to the fourth edition of *Savills What Workers Want* (*WWW*) survey. The three previous surveys were undertaken in 2008, 2013 and 2016. This survey covers 14 UK cities and 11 European countries, and there are over 200,000 data points. This report will review and analyse the results from the UK respondents and identify key trends for landlords and office-based occupiers across all business sectors.

The office sector has transformed dramatically in the last two years. The preconception that landlords are a distant rent collector has changed, and a far more active and engaging landlord is required from tenants. This has resulted in new opportunities for landlords; these range from physical or building-related issues such as the design and layout of a building; the ability to create a community within an office; and the opportunity/need to offer different leasing agreements.

It is imperative that landlords understand the needs of their customers who are tenants and their staff. Occupiers are demanding more from their office space, and landlords are responding to this requirement. Real estate is being recognised as a recruitment and productivity tool by occupiers. Human Resources employees and advisors are becoming more involved and heavily influential in the procurement of office space for corporate occupiers after the location and specification of an office building has been critically assessed. All these variables can affect the productivity of the workforce and help attract and retain staff.

Evidence suggests occupiers are prepared to pay premium rents if they believe that the office building is in a location that caters for the needs of their staff, and the specification enables their productivity to increase. According to the British Council for Offices' (BCO) 2016 report on business costs, property costs are a relatively small proportion of an occupier's fixed costs; it is estimated that they are only 15%. Staff costs are the largest cost (55%), and they remain the highest component in a business. Hence why Savills ask office workers and not just the corporate key property decision-makers.

Office trends are increasingly driven by the employee rather than the occupier. It is important that occupiers understand their employees' needs when they relocate or open a new office. This is particularly important during the fit-out process when moving into a new office. It has become clear from this survey and the previous *WWW* surveys that employees feel happier in the office when they have had an influence or been consulted during the fit-out process.

Overall, younger staff are less loyal when compared to previous generations. Aside from a higher total remuneration, modern-day employees place a high importance on the workplace culture, which is heavily linked to the real estate. Therefore, occupiers can use this survey as an informative guide on how they can best adapt their office space in order to attract and retain staff.

Key findings

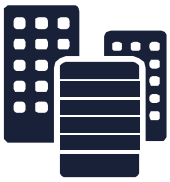
Where would you like to spend the majority of your working time?

Dedicated desk
60%

Working from home
19%

Standing desk
5%

Other
11%



80% of survey respondents work in an open-plan office.

Only 34% of respondents have been asked for their views on the office environment by their employer.

Location

The city and town centre undeniably remains the key location choice for office workers. This was the case in every region surveyed and across all age groups. It is clear from the survey that office workers place a high importance on public transport connectivity and proximity to amenities. The city and town centre is best able to cater for this demand, of course.

Layout

Open-plan offices are the dominant layout preference for occupiers with 80% working in this type of layout, which is the highest response level across Europe. It is clear, however, that office workers are not satisfied with the open-plan layout, and 45% of respondents believe hot-desking decreases their productivity.

Comfort

The most important factor for office workers for their ideal workspace was the comfort of work area with 92% of workers considering this important. However, only 48% are satisfied with the comfort of work area. Furthermore, 60% of office workers preferred to have their own dedicated desk. However, with hot-desking becoming more frequently adopted, occupiers need to find a balance between allowing staff to personalise their desk area whilst encouraging hot-desking.

Input

Office workers feel that they have limited influence on the design of their office, only 34% of respondents have been asked for their views on the office environment by their employer. If employees were consulted more thoroughly, this could have a seismic impact on their productivity. 65% of respondents believed that if the current design/layout of their office matched their ideal workplace, this would increase their productivity.

Security

Security has risen in importance from the two previous surveys, 77% of respondents place a high importance on the security of their office. Landlords need to ensure that tenants and their staff feel safe in their workplace.

Flexibility

Occupiers are encouraging their staff to work flexibly whether that be remote working or promoting hot-desking. However, a third of respondents believe the company they work for does not possess the relevant technology to allow them to work flexibly effectively. This would imply significant technological enhancements are required, otherwise, productivity levels could fall.

Technology

Landlords and tenants may be able to alter the perception of staff having less control of their workplace by using smartphone apps. This could result in staff becoming more productive if they feel they are more engaged with the building. However, the UK office worker has the lowest appetite for this type of app compared to other European countries in the survey.

Deliveries

The rise of online shopping has led to greater demand for parcel collection facilities. Only 27% of respondents were satisfied with the provision of parcel delivery/collection lockers at work. Occupiers and landlords need to consider how they can improve the provision of parcel lockers by potentially using redundant ground floor/basement space. Kerb-to-desk is an issue to deal with effectively.

Break-Out

Landlords and tenants need to ensure there are appropriate break-out areas or purpose-built cafés for their staff. 46% of respondents spend their lunch break at their desk. This could be caused by a lack of suitable eating areas in the building. Another potential cause is the rise of presenteeism where staff feel pressured to spend long periods at their desk.

Where do office workers want to work?

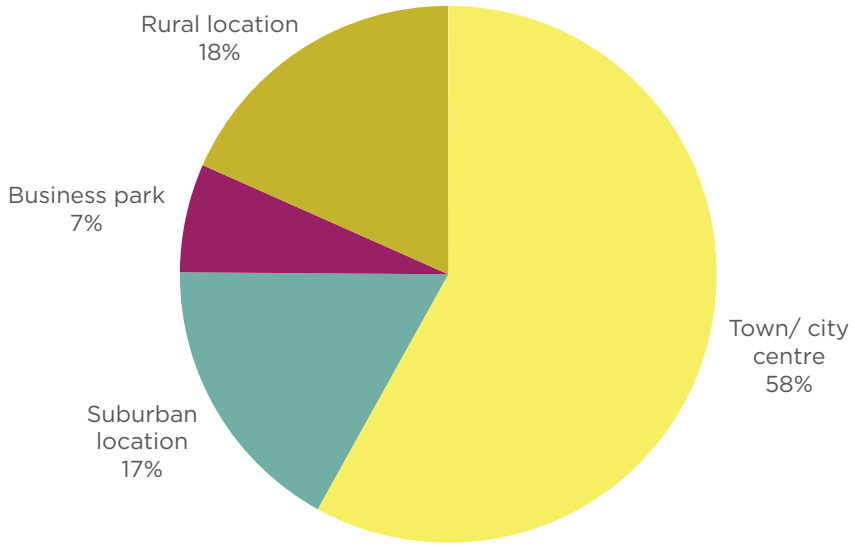
It is clear from our survey that the city and town centre remains the dominant preference for office workers throughout the UK. 58% of the respondents would most like to spend the majority of their working time in a city or town centre. The provision of local amenities, good access to public transport networks and the opportunity to cluster with similar businesses have driven this demand. This is the dominant preference across all age groups and geographies in the UK. Edinburgh has the highest proportion of respondents who preferred to work in the city and town centre at 80%. A key point here is that regardless of age, there were similar results across the four office location types for the various age groups – the city is the preferred location across all groups.

The quality of the city centre offering has improved across the UK in recent years with new mixed-use developments transforming the public realm. This has resulted in strong occupier demand for 'Grade A' city centre space. The development pipeline is constrained in all major regional cities with limited speculative development taking place. The preference for office workers to work in the city centre could result in greater pre-letting activity from corporate occupiers who have upcoming lease events in the next three years.

As shown in Chart 1 below, the business park in the UK looks to be an unloved option. However, office workers' response to the impact on their wellbeing is very similar to the result for the city and town centre. Also, satisfaction with air quality is much higher for business park workers. However, the satisfaction with the proximity to retail and leisure is significantly lower – this is being actively addressed by many business park owners across the UK, with amenity offering increasing significantly in the past few years.

A rural location was the second most popular location with 18% of respondents preferring to work there; Cambridgeshire had the highest proportion of staff who wanted to work in rural locations at 35%. However, only 4% of respondents across the UK work in rural locations. This indicates that there is an undersupply in office space in rural locations to cater for current demand. This creates an opportunity for rural workspace providers.

Chart 1: Where do office workers want to work (preferred location)?

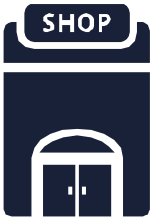


77%

of workers who work in the town centre, feel proximity to public transport connections are important in their ideal workplace.

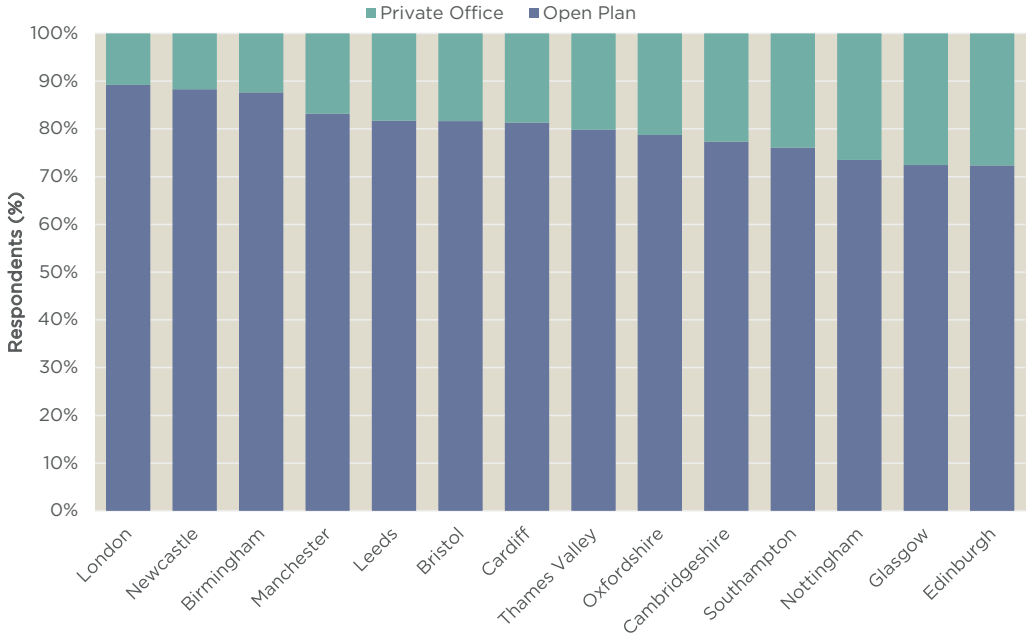
45%

of workers who work in a business park were not satisfied with the choice of retail and leisure facilities available.



Improving productivity

Chart 2: What type of office layout does your employer operate?



The layout of office space has changed in the last decade with occupiers predominantly moving from a private office/cubicle style fit out to an open-plan office. The benefits of open-plan working and hot-desking have been discussed considerably within the real estate industry. It is believed that an open-plan office style and hot-desking can encourage greater collaboration between colleagues and foster internal networking opportunities, particularly as the density of desks can be increased. More staff are working remotely which reduces their need to have a permanent desk.

Occupiers are actively encouraging hot-desking (not having a permanent desk) as they are able to occupy their office space more efficiently, which has resulted in a significant reduction in the amount of space corporates occupy. This has provided an opportunity to reduce real estate costs. Across the UK, on average, 80% of respondents work in an open-plan office, which is the highest rate across Europe. London has the highest utilisation of open-plan offices across the UK with 89% of respondents stating they work in an open-plan office.

However, despite hot-desking and an open-plan layout being adopted by the majority of occupiers, only 12% of respondents believe this way of working increases their productivity, which is the lowest rate in Europe. As shown in Chart 3 overleaf, 37% of 'open-plan' workers believe that the office layout has a negative impact on their productivity, nearly double the level of response for those working in private office space.

Additionally, 45% of respondents believed that hot-desking decreases their productivity. Over 60% of respondents would most like to spend the majority of their working time from their own dedicated desk as they enjoy the familiarity of their personalised workspace with only 3% favouring a shared desk (hot-desking).

Rising noise levels in an open-plan layout can prevent certain members of the workforce from completing work efficiently. Occupiers need to provide a choice of different working environments for their staff in the office to cater for the needs of workers who require a quiet space to work productively. This could be achieved with dedicated quiet rooms or quiet break-out areas where no phones are allowed. It is unlikely that occupiers will revert to a private office fit-out and therefore occupiers need to ensure there are multiple locations within the office where staff can work in different environments. At present, more of the respondents in London spend their working time away from the desk. It is less frequent outside of London. The onus is on the tenants to ensure that a choice of micro-locations is available for office workers to complete and concentrate on their current office-based task.

80%

of workers across the UK work in an open-plan office.

45%

of workers believed that hot-desking decreased their productivity. Only 12% believe it increases their productivity.

Flexible working

Chart 3: How does your office layout impact on productivity levels?

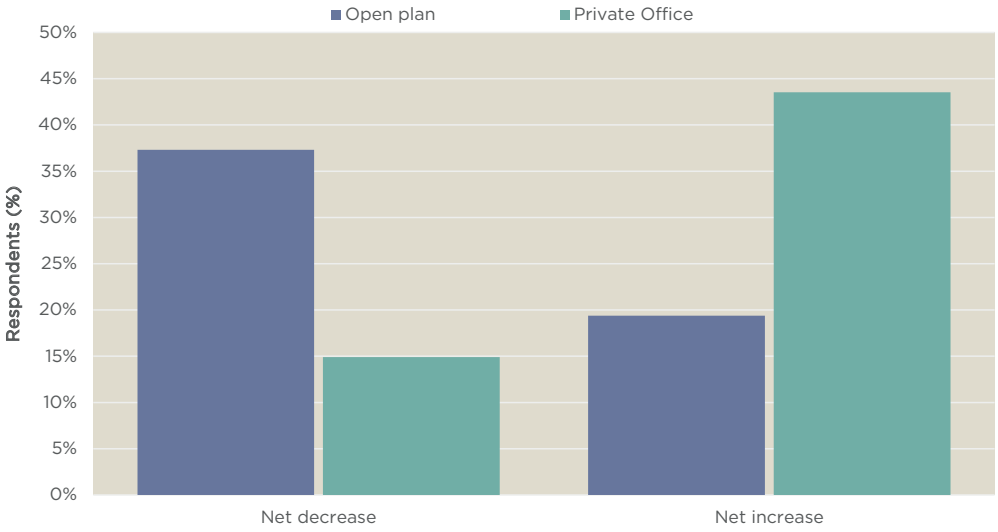
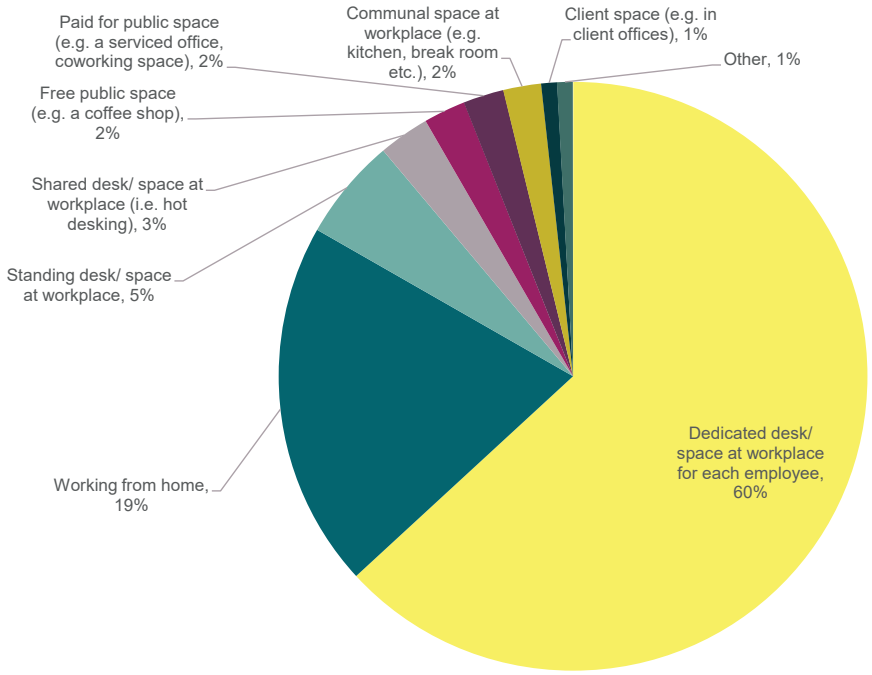


Chart 4: Where do office workers most like to work from?



Occupiers need to address the current imbalance between the move towards hot-desking and the desire for staff to have their own dedicated desk. This could be achieved by giving staff the ability to modify a shared desk. It is important that there is a variety of different options available to workers on how they want to work to ensure that productivity does not fall.

We predict, however, that the proportion of respondents who prefer to have their own dedicated desk will fall in the future. It is unlikely that younger members of the workforce will experience having their own dedicated desk with hot-desking becoming more increasingly adopted by occupiers.

Remote working is part of the modern office employees' daily routine for lots of workers. According to Work From Home Week, 4.2 million people regularly work from home in the UK. Our survey uncovered that 19% of respondents preferred to work from home. The majority of occupiers have embraced flexible working, with 54% of respondents believing that the company they worked for encouraged them to work flexibly. However, on average across the UK, a third of respondents believed their company did not possess the relevant technology that allowed them to work flexibly as effectively as possible. This view was most apparent in Glasgow with 42% of respondents believing they couldn't work remotely successfully due to poor technology.

It is clear from the survey that significant technological enhancements are required to ensure that productivity levels don't fall when employees are working remotely.

Specification – what type of fit-out and facilities must be in the office?

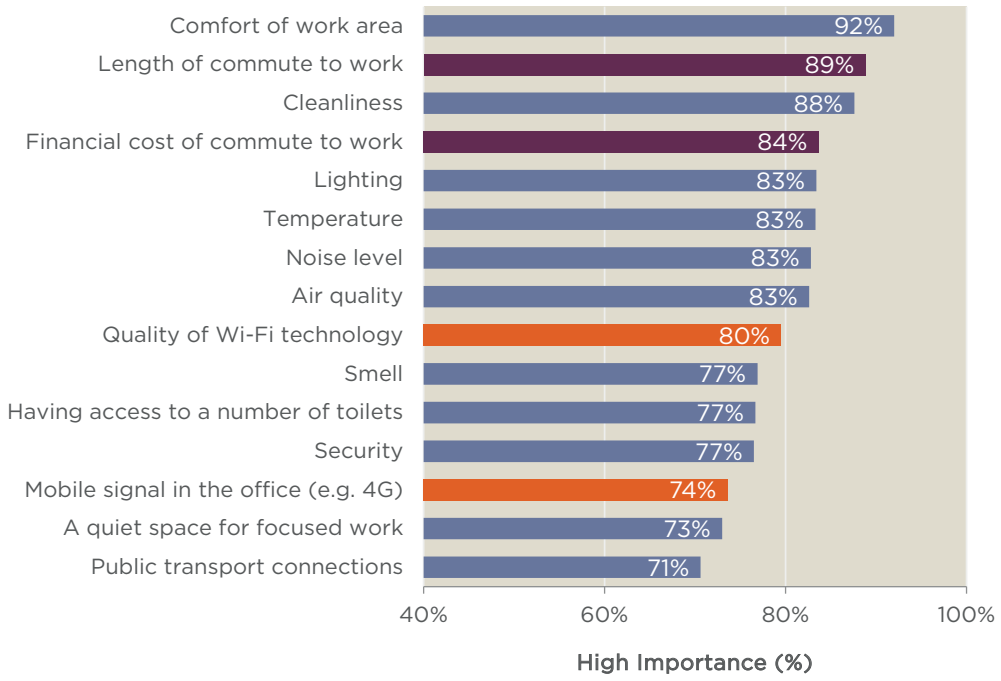
For this survey, Savills questioned the office workers on 49 different factors regarding their office space. The top 15 are shown in Chart 5, and Savills have broadly split what office workers consider important into three categories. The commute, the quality of IT infrastructure and having a variety of space to work in within the building. Occupiers will be concerned with how these factors affect the ability to attract and retain staff and maximise productivity amongst the workforce.

The most important factor in an office worker's ideal workplace was the comfort of work area with 92% of the respondents considering this as highly important. This was followed by the commute to work and the cleanliness of the office.

Occupiers and landlords are unable to impact on the financial cost and length of commute for an employee, however, they can impact the factors highlighted in blue and orange in the chart below. Office workers all have different requirements to ensure high levels of productivity. The ability to personalise a shared desk to an office worker's bespoke requirements could improve their productivity. New technologies could allow greater personalisation of the workplace. This could be as simple as using heated office chairs' which could help alleviate some office workers grievances over the temperature in the workplace.

Compared to the last two surveys, security has risen in importance. 77% of respondents place a high importance on the security of their office. Landlords and tenants need to ensure that tenants and staff feel safe in their workplace. Technological enhancements have resulted in landlords or tenants being able to install new features to make the office more secure. Facial and finger recognition technologies are a method of restricting entrance to parts of the building. There are examples of buildings in central London using facial recognition technologies to improve security. This trend will continue to grow.

Chart 5: What are the most important factors in an ideal workplace?



What factors had the lowest satisfaction rating?

The factors below scored the lowest satisfaction level amongst the respondents. This could provide an opportunity for landlords and tenants to build in these features into the specification and design of future office space.

Crèche
6%

Parent/nursing room
7%

Roof terrace
9%

Facilities for pets
10%

Gym
15%

The commute

63%

of workers would not add more than 15 minutes to their commute each way for their ideal workplace.

51%

of workers are satisfied with the financial cost of commute.

The length of commute to work is still a key factor for staff in their ideal workspace with 89% of respondents considering this important. The proximity to public transport links and road networks are a key determinant in the choice of office space for tenants. The car is the most frequently used method of transport across the UK with 47% of respondents driving to work. However, this varies across the UK, cities which have significant public transport infrastructure such as London, Glasgow and Edinburgh, where below 30% commute to work by car. Cambridgeshire and Leeds have the highest proportion of respondents who drive to work at 64%.

From the respondents who work in the town centre, 53% commute to work using public transport and a further 15% cycle to work. This would imply that office buildings in the city and town centre need to have access to strong public transport connections and appropriate provision of cycle storage and shower facilities.

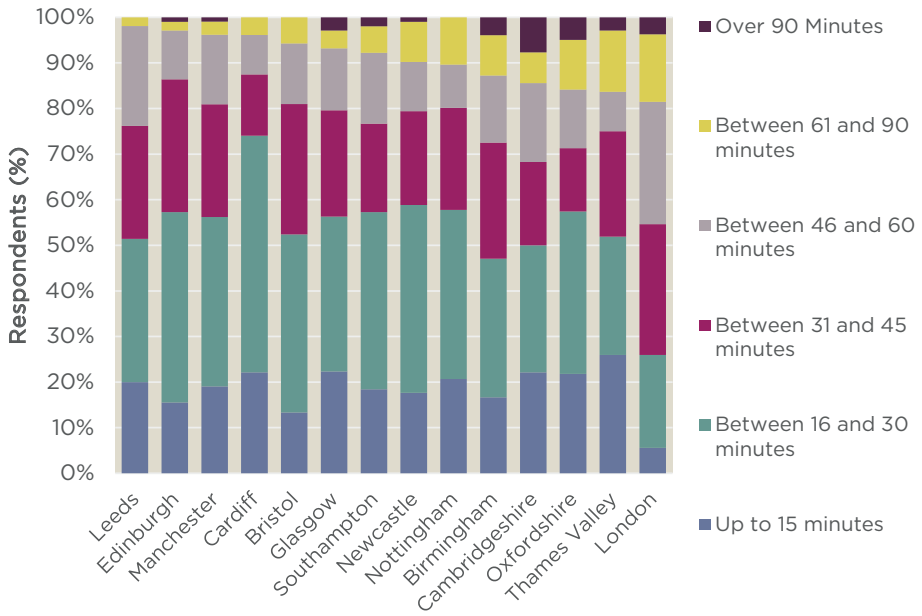
Analysing commuting patterns across the UK, 46% of the respondents' commute is over 30 minutes. London has the highest proportion of respondents whose commute is over 30 minutes at 74%. The length of commute to work was the second most important factor for an office worker's ideal workplace. Occupiers will need to consider the impact any relocation has on their staff commuting patterns, indeed 63% of respondents would not be prepared to add 15 minutes onto their daily commute for their ideal workplace.

The financial cost of commute is a key factor in an ideal workplace for an office worker with 84% considering this important. However, only 51% of respondents were satisfied with the cost of commute. Satisfaction levels varied from city to city; Edinburgh had the highest satisfaction rate at 73% whilst Birmingham had the lowest at 39%. This could be in part due to Edinburgh having the highest proportion of respondents who walk to work at 50%.

Occupiers could potentially widen the talent pool they recruit from if they listened and understood their staff's preferred requirements for their ideal office space. On average, 23% and 10% of respondents across the UK would commute up to an extra 30 minutes and an hour, respectively, for their 'ideal' office space. Despite the ideal being subjective, it is fascinating to see that many office workers would commute to a longer commute to work in a better office environment and one that meets their needs.

Overall, the office needs to be accessible from a variety of different transport means and in a cost-effective location for employees. Global heads of real estate and human resources staff are more frequently collaborating when deciding on their company's next real estate move,which is a trend that will continue.

Chart 6: How long does your commute take (each way) ?



Health and happiness in the office

What would you like to change most about your current workplace?

Internal design/ fit out
21%

Length of commute
17%

Personal workplace
15%

Location
12%

Line manager
12%

Other
11%

Colleagues
9%

External building design
3%

Wellbeing programmes- alongside much better employee engagement and development- within companies have become the norm during the past few years. Private health plans have been the standard offering, but now employers have developed supportive programmes to ensure that employees' wellbeing-both health and happiness-are satisfied. It is no longer about dealing with the effects but addressing the contributing factors before they become an issue. The office is also a contributing factor to the physical wellbeing and health of workers.

Companies are fully aware of the cost of ill employees. The impact is not just about absenteeism, but also reduced productivity when employees are not fully fit. The survey found that nearly two-thirds of UK office workers spend more than 70% of their time sat at their desk. London office employees spent a lower amount of their time at the desk and spent comparatively more time in break-out, quiet areas and outside space, including roof terraces. This shows regional differences in the UK driven by the types of office fit-outs and/or the type of work performed in an office.

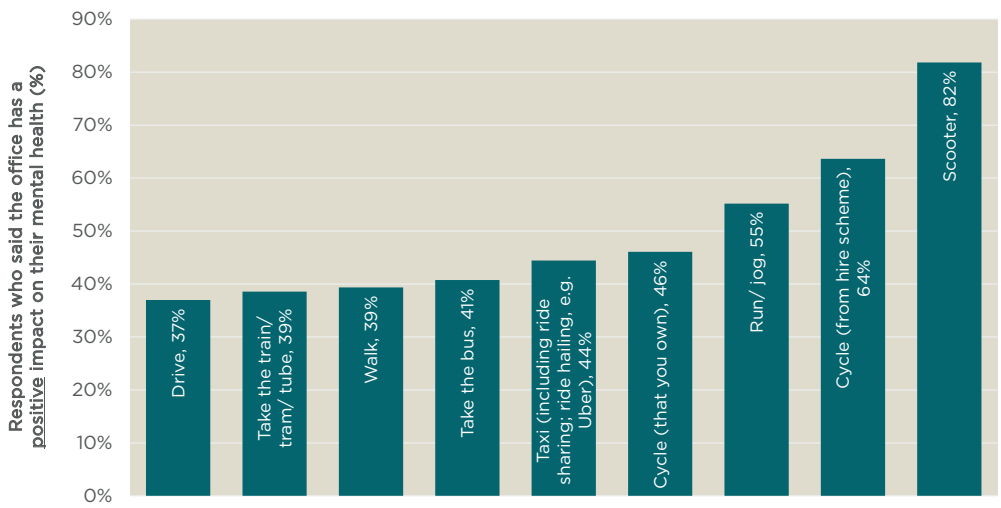
Furthermore, 46% of respondents spent their lunch break at their desk. This may be caused by a lack of suitable eating areas in the building. Another potential cause is the rise of presenteeism where staff feel pressured to spend long periods at their desk, which may ultimately result in falling levels of productivity.

Given the reliance on technology many businesses have, it is unsurprising that the survey uncovered that the amount of 'computer work' in an employee's typical working day is significant. Around 30% of survey respondents spend over 50%, of their working day on this activity. Email dominates a lot of the employees' time with a fifth spending more than 20% of their day writing or reading email. This could potentially have negative repercussions for employees' health in the future and therefore occupiers need to implement suitable health measures that could alleviate any future, health problems.

In terms of what the office employee would most like to change, this recent survey showed that 9% would most like to change their colleagues (12% their line manager). In Savills 2016 survey, 11% would like to change their colleagues – so what has changed? This represents an 18% improvement in the negativity towards our colleagues. Despite a division over Brexit, we see this as a positive for the UK office environment and an enabler of increased productivity in the future.

Finally, many other factors will contribute to the employees' happiness with the office. Not least, the commute to the office. Savills found it interesting to look at the method of commute and the employees' view on the offices' impact on their mental health. Of those that drive to work, only 37% believe the office has a positive impact, overall, on their mental health. Those that run/jog, the positive responses increases to 55% - we assume these are healthier employees or does the potential stress of driving associate itself with the destination, i.e. the office?

Chart 7: Do you believe the office have a positive impact on your mental health depending on your method of commute?



What next for the workplace?

Will office smartphone apps be the next step for workplace as a service (WAAS)?

Wellness and mental health are rising on the corporate agenda and occupiers are seeking to use their real estate to improve the wellbeing of their staff. Landlords are responding to this demand and are taking a far more proactive role as a service provider rather than a distant rent collector. Smartphone apps have been developed for office buildings and business parks which have included services such as concierge packages, providing access in and out of the building, booking meeting rooms, and parcel delivery services. In multi-let buildings, they have also been used as a portal for encouraging collaboration and providing networking opportunities for different tenants within the building.

Only 34% of respondents across the UK thought a smartphone app for their office would be useful. This was the lowest response across Europe. This could, however, be attributed to a lack of knowledge and understanding of the benefits of office buildings apps due to the limited provision of this technology compared to landlords across Europe. It is expected that these apps will become more adopted in the next few years, and we would expect that in future surveys, more respondents would find them useful.

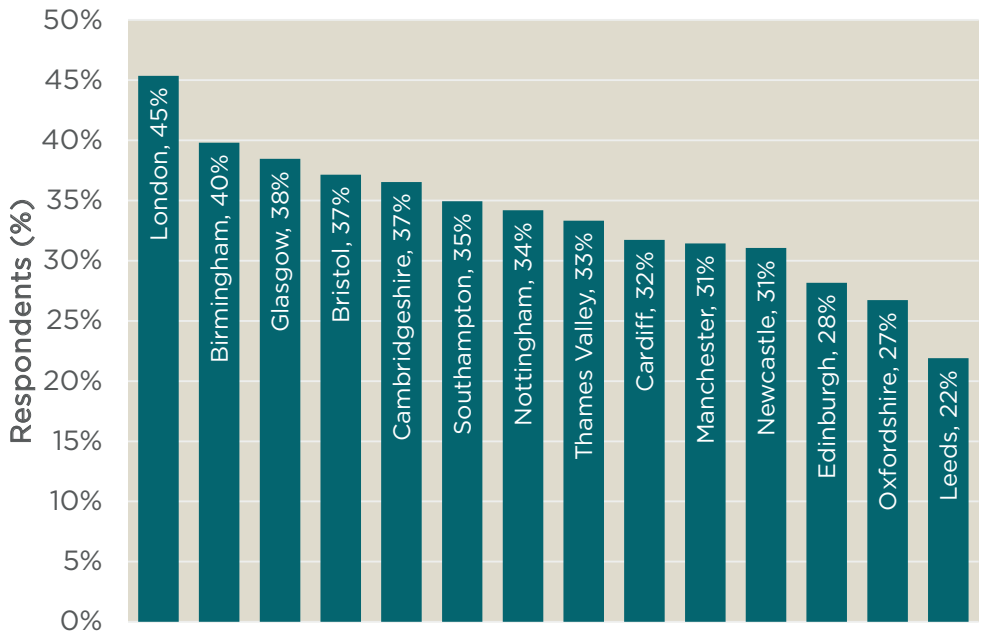
The quality of Wi-Fi technology has become a key factor in ensuring the smooth running of a workplace. This was evident from the survey, as 80% of respondents believed this was an important component in their ideal workplace. Tenants are increasingly using smart technologies, which are also becoming incorporated into office buildings and the need for strong connectivity is vital. David Garland, from WiredScore explores why connectivity has become such a priority for tenants.

"In a rapidly evolving digital economy where technology is increasingly central to operations, fast and reliable connectivity is the oxygen of modern business. This is being driven by three things: the widespread transition to cloud-based applications, smart devices and flexible workspaces. Shown by the results from the study, however, there is a clear disconnect between the understanding of modern occupiers that connectivity is paramount to a successful tenant experience and low satisfaction rates with current levels of service. Only 4% stated that the quality of Wi-Fi technology was not important in the office place. However, despite this, just under 50% of respondents stated that they were satisfied with the quality of the Wi-Fi provision in their office. The results for mobile phone signal are similar, only 6% of respondents stated that the quality of mobile signal was not important in the workplace, but only 54% were satisfied with their service.

These results have major implications. Whereas previously any disruption to an office's internet provision may have meant its workers were unable to send emails, the shift to cloud-based applications means any downtime now results in a complete inability to access files or carry out basic tasks. Similarly, as businesses transition away from landlines and increasingly operate purely through mobile, an adequate signal in the office is now a necessity rather than a luxury.

The need for access to strong digital connectivity and mobile signal is only set to grow further as cities seek to introduce more smart buildings and intelligent office space, driven by the vast amounts of data at their disposal. However, landlords looking to update the digital infrastructure of their assets need to do more than just incorporate smart devices and apps into their buildings. Under half of the respondents stated that they found their office apps useful. The smartest buildings are and will continue to be judged on their use of tech to meet their tenants'

Chart 8: How useful would you find a workplace smartphone app (% represents highly useful)?



> **The survey results show that engagement between landlords, tenants and their staff is key. This will help ensure that high levels of customer service are received from the tenant and their staff are likely to be more productive.**

Only 54% of office workers are satisfied with mobile signal in their workplace.

27% of office workers are satisfied with the parcel delivery and provision of collection lockers at their workplace.

34% of office workers across the UK would find a workplace smartphone app useful.

34% of office workers have been asked for their views on their office environment by their employer.

65% of office workers believed that if the current design/layout of their office matched their ideal workplace, this would increase their productivity.

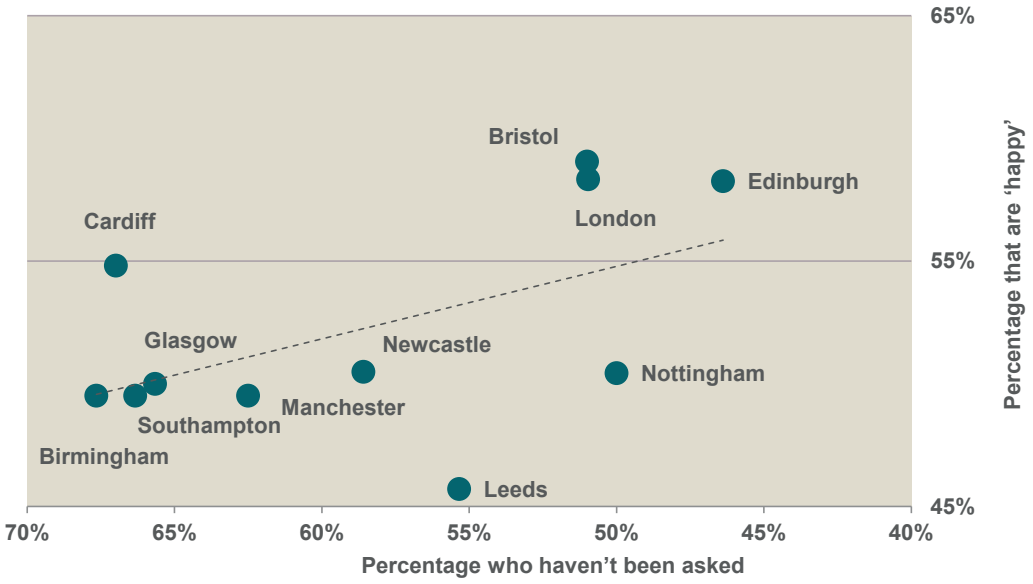
needs in the most effective and efficient way."

Office buildings need to be able to react to changing requirements from occupiers and their employees and ensure they can work in the most efficient way possible. A notable change in recent years is the rise in demand for parcel collection facilities. Only 27% of the respondents were satisfied with the current provision of parcel collection facilities. The UK has the highest online sales penetration rate in Europe at 19% and is forecast to increase to 23% in the next five years. Millennials are shifting their purchasing patterns online, 42% and 40% of 18-24 and 25-34-year-olds, respectively, considered parcel delivery and collection lockers important. Occupiers and landlords need to consider how they can improve the provision of parcel lockers by potentially using redundant ground floor and basement space. Kerb-to-desk is an important problem to solve.

The degree of control, on the working environment by employees themselves, has a large impact on the office employees' assessment of the impact that the office has on their physical and mental wellbeing. The level of control may be limited, but the perception of control should not be understated in importance. The 2016 survey showed that those with little or no control felt that the office had a much less positive impact on the physical and mental health. Those with more control, the opposite was true.

Engagement is key. From the 2019 survey, only 34% of respondents have been asked for their views on the office environment by their employer. The respondents believed that if there was greater engagement from their employers over their office space, this could improve their productivity. 65% of respondents believed that if the current design/layout of their office matched their ideal workplace, this would increase their productivity. The survey uncovered that 21% of respondents would most like to change the internal design/ fit-out of their workplace,which was the highest result. This implies that greater engagement with staff during the fit-out process is needed to meet staff requirements. The 2019 survey showed that those with more control were still much more positive about the offices' impact on them. Savills believes that this is the result of a higher degree of engagement with office employees and the increasingly positive impact of the HR teams within companies. Indeed, the UK cities that had a higher proportion of workers that had been asked about their office 'needs' were also more likely to be happier employees – again, engagement is key.

Chart 9: What proportion of respondents have <u>not</u> been asked about their office space and how many are happy with their office space?



Savills Commercial Research
We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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