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Office fit-outs

Co-working improves standards

Traditional landlords upgrade fit-outs to keep up with flexible workspaces. **Claire Robson reports**

The growth of the flexible workspace sector has prompted traditional office landlords to offer everything from breakout areas and meditation rooms to rooftop terraces and members' bars.

"Until recently, the office market had been a pretty dormant sector and you had to work for a tech firm or hedge fund in Mayfair to enjoy a more interesting working environment," says Fora co-founder and chief executive Enrico Sanna.

The rise of co-working has changed all that. Sanna says standards of fit-out, design and amenities have improved considerably and traditional office landlords need to raise their game.

Serviced workspace operators have already taken a decent-sized chunk out of the traditional office market. A recent report by digital office broker Hubble, in partnership with JLL, found that flexible offices had a 6.3% share of the central London market at the end of last year, with a total of 14.7m sq ft of space.



Work it out: Landsec's concept Myo enables tenants to choose their own office design from three fit-out palettes

This share is projected to grow to 11% by 2023.

As co-working becomes more prominent, it is changing the landlord-occupier relationship. Tenants increasingly call the shots, demanding more flexible leasing terms and a new

standard of fit-out.

"The briefs we get from occupiers focus on how to create environments that help attract and retain staff," says Maria Cheung, interior design director at Squire and Partners. "People now spend more

time at work and there's a far greater emphasis on making workspaces more comfortable and energising."

Stefanie Woodward, head of interior design at Cushman & Wakefield, says these are exciting times to be a designer. >>

“Landlords face stiff competition and have to think more innovatively about the aesthetic and functionality of their office space,” she says.

Some major players have decided to follow the adage ‘if you can’t beat them, join them’ and have invested significant sums launching their own flexible office brands. For example, British Land has launched Storey, L&G has developed flexible leasing platform Capsule and Blackstone has taken a majority stake in The Office Group.

Agents have also had to adapt. For instance, Savills’ new service PIVOT allows landlords to let vacant space in their buildings on flexible terms while the agent works with the tenant to deliver a bespoke fit-out.

Savills’ associate director Simon Davis hopes PIVOT will “hit the sweet spot between costly speculative fit-outs and the conventional leasing offer”.

Financial viability

Landlords are varying their offers - from shell and core fit-outs and conventional Cat A to fully serviced space - to appeal to as broad a range of occupiers as possible and provide a workspace service that is both alluring and financially viable.

Landsec, for example, has introduced a range of solutions it can integrate as part of its 6.5m sq ft London office portfolio. Its new concept, Myo, offers tenants one- to three-year serviced leases and allows them to choose their own fit-out from three office designs. In addition, it provides access to shared space and meeting rooms that can be rented by the hour.

Myo’s first scheme opened in June at 123 Victoria Street, London, where 36,000 sq ft of space has been set aside for the new format.

Myo’s head, Oliver Knight, is pleased with the success of the scheme so far. “Three tenants have already signed up and we’re close to agreeing a fourth.



Peak comfort: The Office Group’s Summit House in central London



Themed fit-out: Bruntwood’s 111 Piccadilly in Manchester

That would mean 26% of the space has been taken just six weeks after opening,” he says.

Within the same building, Landsec has also speculatively delivered two floors of Landsec Fitted - fully fitted offices with everything set up ready for tenants to move in. Aimed at businesses with 500 sq ft to 5,000 sq ft requirements, the space is also let on more conventional terms to those wanting a hassle-free move. Landsec’s aim is to attract a significant premium and it has



Enrico Sanna
Fora

“To retain people, you’ve got to show them value every day

already let 7,500 sq ft to mining company Gemfields.

Landsec plans to roll out these concepts across other London office assets. It aims to invest in carefully designed reception areas, which can accommodate a range of amenities and collaborative spaces, and ensure that a high quality of workspace is maintained in different formats throughout the buildings.

It is not only in London that landlords are testing out new strategies. Bruntwood Works is enhancing its fit-out offer in several buildings across the north and the Midlands with a £50m refurbishment programme.

It is focused on providing fit-outs that incorporate six themes: technology, sustainability, biophilia, wellbeing, amenity and art. Key features will include a rooftop bar and restaurant at Blackfriars House in Manchester and a renovation of the entire ground floor of nearby 111

Piccadilly, which Bruntwood says will make the building Platinum WELL certified when completed in 2020.

“We’re listening carefully to our customers and responding to their demands,” says Andrew Butterworth, Bruntwood sales director. “That involves spending our own money on inspirational fit-outs, providing stunning shared amenities and integrating serviced office space into our buildings. We currently have 2,500 serviced desks across our portfolio and want to increase that to 4,000 in the next three years.”

At its Neo building in Manchester, Bruntwood Works has put aside an entire floor for communal space and created a large roof garden with event space and meeting pods.

Butterworth acknowledges that this approach requires significant capital outlay. “So many developers are used to

building something and then trading it as quickly as possible. They have no incentive to think strategically about the type of space they offer,” he says.

“We are long-term owners and see the value of different types of working environments. Time will tell how many others can adapt their business models to rise to the challenge.”

Cultural shift

Fora’s Sanna also questions how well changing demands can be met by traditional landlords, even those with the money for better-designed offices. “Creating an amazing experience is about more than fit-out. That’s just the aesthetic,” he says.

“To retain people, you’ve got to show them value every day through new environments, extracurricular opportunities and the chance to connect with our businesses. It requires a huge cultural shift.”

Adapting business models to focus on the type of service offered in the hospitality sector will require a different mindset from landlords.

“With this operational platform you have to respond to demands in such a detailed way and continually evolve your design features,” says Charlie Green, co-founder of The Office Group. “That requires a full commitment. Only those prepared to listen and respond to occupier requirements will be successful.”



Tina Batham
Office Principles

“Attention is now on offering a greater range of amenities

As the rise of co-working continues to raise the standards of office fit-outs, Tina Batham, project director at workplace consultancy Office Principles, says landlords will need to think innovatively to stay ahead of the game.

“Five years ago, it was considered progressive to offer showers and bike racks. Today, those things are a must-have. Attention is now on offering a greater range of amenities and more choice of working environments. That might include collaborative space, breakout areas, bookable meeting rooms, roof terraces, event space and go-to destinations that bring the building to life,” she says.

Under pressure

It might seem counter-intuitive to spend money on spaces that benefit all occupiers but are not lettable per sq ft, but it can help

landlords drive up rents and retain tenants.

In order to future-proof their businesses, Batham says some landlords are looking to create spaces that can cater for an occupier’s needs as they grow.

“You might have an entry level of incubator co-working space for start-ups, another floor fit-out for slightly bigger businesses on short-term leases and then room for more mature occupiers that want their own space,” says Batham.

“Occupiers can then move between those different workspaces. We’re now having conversations with landlords about how this kind of concept might work.”

Experimenting with these sorts of ideas will mean a lot of money spent in the short term. But, with the co-working revolution unlikely to slow down, it could be the difference between success and failure in the long run. ■