# THE CHANGING WORKPLACE

WITH VAUGHAN WILSON FROM WILSON HURST PROPERTY SERVICES AND DIGITAL NOMAD CO-WORKING

DIGITAL NOMAD

WILSON+HURST

## The Changing Workplace

The last 20 years have seen some of the biggest challenges and changes to the Commercial Office environment

#### Changes include –

- 1. Green building design and implementation
- 2. Earthquakes and red zones
- 3. Change in ADLS re Christchurch earthquake
- 4. Reducing office stock re Christchurch and Wellington earthquakes
- 5. Changes in building seismic ratings

- 6. Security such as borne out of the WINZ office massacre
- 7. Changing decors, open plan, breakout areas, quiet areas with flexible furniture options
- 8. Working from Home borne out by Covid
- 9. Agile working, desk sharing and hot desking within organizations

- 10. Post Covid return to offices
- 11. Decentralization of office particularly for Govt Agencies
- 12. Old office stock redeveloped into residential, hostel, hotels and other
- 13. Green star rating and NABERS
- 14. Massive increases in cost of construction and general inflation
- 15. Increasing yield rates

# In this presentation we will cover

- ► New behaviours
- ▶ Technologies
- ► Millennial Workforce
- ► Mobility
- **▶** Globalisation

# Co-working and Flexible Offices

Prior to Covid the use of Flexible Office environments or what we call Co-working was growing rapidly both in NZ, other first world countries and developing nations such as India.

# Co-working cont.

Over the period of Covid, Co-working took a hit with companies providing these services struggling for survival in an environment where most staff were working from home during extended periods of lockdown and uncertainty.

- ► Coming out of Covid, there is a resurgence in Co-working in all markets. Companies of all sizes are seeing the advantages of Coworking to their business including —
- Reducing the tenure they have in conventional leased premises.
- Allowing for Hybrid work models and hotdesking of staff (effectively deck sharing across staff reducing square metre requirements).

- Reducing capital spend on items like office furniture and fitouts
- Promoting strategies such as "Hub and Spoke" and "Core and Flex"
- Attracting talent
- Promoting Company Culture

## ► Hub and Spoke Office Strategy

 where an organisation has one central office hub and smaller spokes—or satellite offices for employees, often geographically spread. The NZ Government is looking at utilising this strategy to spread out office needs around NZ and offer options to staff who are living outside of the main centres

#### ► Core and Flex Strategy

- borne out of Hypergrowth, for organisations that are growing very, very quickly e.g. think of Xero a decade ago. The strategy has a regular leased office space (core) supported by a single or more Coworking offerings (flex), often in the same building as the core. Good for organisations that are growing too rapidly to organise their own accommodation and without a known maximum office space need.

#### ► Challenges facing Co-working providers

- Availability of sites that meet customer needs including NBS levels, fitout, HVAC
- Capital to acquire and fitout premises, but furniture
- Increasing costs of operation including staff wages, electricity etc

- ▶ Companies are now seeking different types of Co-working to that prior to Covid. These include —
- Rather than open plan, more companies are seeking an office space within the Co-working environment that provides enhanced HVAC control, confidentially, noise control and borders to other Co-working users.
- Organisations are more and more seeking entire floor spaces or whole Co-working facilities.
- Printing is continuing to decline but availability of meeting rooms of all sizes with tele-conference facilities is growing – Meetings, Meetings, Meetings as the Hybrid model grows and staff of an organisation are never all in the same place.

- Smart booking of desks, meeting rooms and other facilities with Cloud and App based software allowing access to Co-working facilities.
- More and more Co-working facilities that are unmanned and do not provide secretarial services which are seen as historic.
- In NZ high levels of NBS for buildings to ensure safety for staff.
- Quality HVAC that not only provides good heating and cooling but filters the air for pollutants and disease – this is growing and will become more prevalent over time.

- ► More and more Co-working providers are partnering with landlords to provide Coworking in their buildings
- This model helps spread the business risk and availability of capital.
- The landlord benefits by being able to offer Coworking in their building but without the hassle of organising this themselves and the specialist skills and systems it requires.
- The Co-working in their building attracts tenants to the other floors

So why have companies been so keen to see their staff back in the office?

- Company culture works best and fostered best from a common location rather over the Internet.
- Millennials often have poor choices in their home accommodation to host a home office environment.

- Obtaining and retaining talent means offering office options that work for employees, often that means the person working at an office away from the main corporate office satellite office or overseas.
- Co-working options can provide a Hybrid environment often preferred by employees.

#### What is Company or Organisational Culture?

With all these changes, what is motivating companies, organisations and government agencies to get staff back into the offices – in a word "culture".

The Culture of an Organisation or Company is the collection of values, expectations and practices that guide and inform the actions of all staff.

Often the Culture of an organisation is expressed as a collection of traits that make that organisation what it is. An organisation with excellent Culture exemplifies positive traits that result in improved performance. The opposite is also true.

A common misconception is confusing Organizational Culture with an Organisations Mission Statement and its Goals.

Culture is created through consistent and authentic behaviours. Observing an Organisations Culture is not always easy but can be seen during their response in a crisis or how they adapt to a new customer demands.

#### Recent US surveys on Company Culture found:

Companies with healthy cultures are 1.5 times more likely to experience revenue growth of 15% percent or more over three years.

When workplace culture aligns with your employees, they're more likely to feel more comfortable, supported, and valued.

Companies that prioritize culture can also <u>weather difficult times</u> and changes in the business environment and come out stronger.

77% of workers consider a company's culture before applying for roles and nearly 50% of employees would leave their current job for a lower-paying opportunity at an organization with a better culture.

The culture of an organization is also one of the <u>top indicators of employee satisfaction</u>. It is one of the main reasons that almost around 65% of employees stay in their job.

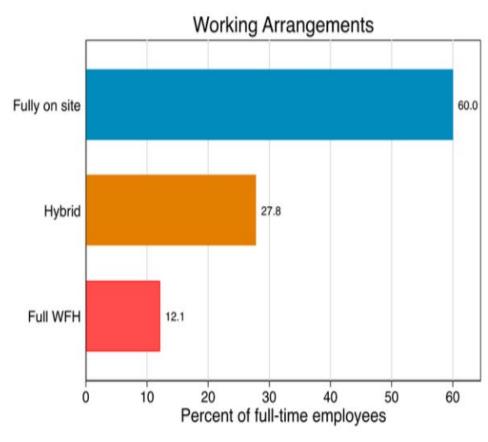
#### ► Hybrid Work Environments –

- Since Covid a Hybrid format of working some of the time from home and some from the office has become very popular.
- Employees and employers agree on some form of metric of how many days staff members will work from the office versus from home.
- Most say it is difficult to cultivate an office culture if staff always work from home.
- Some organisations are seeing financial benefits from a Hybrid model in terms of reduced office space and staff sharing desks and facilities when coming in different days.

- ► Other organisations see no cost saving in terms of office space as they want all staff in the office on the same day(s) to cultivate culture and group meetings and thereby sharing space is not as relevant.
- Organisations that promote Hybrid work models are across the board in terms of office users but trends are developing for differing types of companies, with some adopting more time at home that others.
- ➤ Similarly some larger cities overseas see the trends of working from home remain more intense due to the significant travel times staff incur to get to the office.

#### Below are some graphs from recent overseas studies





Front-line employees, mostly non-graduates, lower paid,

Professionals and managers, mostly graduates, higher paid

Specialized roles - IT support, payroll etc, often contractors

Source: US SWAA responses reweighted to US labor force using the CPS. Details on https://wfhresearch.com/

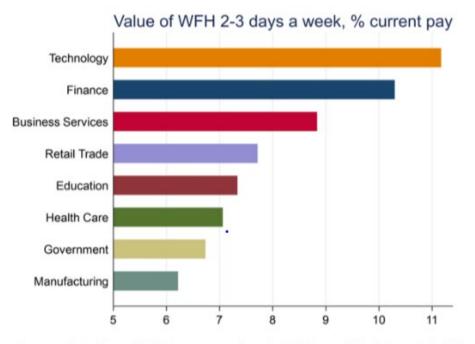
The graph above shows that generally professionals and university graduate roles that tend to be higher paid in an organisation have adopted the hybrid model more than other types of staff.

Further it shows that IT staff generally retain or prefer to retain the Working from Home model and this can achieved through the type of work they do.

#### WFH particularly high in tech and (to a lesser extent) finance Current WFH: all wage and salary employees by industry Information (incl. part of tech) 2.72 Finance & Insurance 2.18 Professional & Business Services 1.98 Arts & Entertainment 1.95 Real Estate Wholesale Trade Government 1.53 Construction 1.51 Utilities 1.42 Health Care & Social Assistance 1.33 Education 1.31 Manufacturing 0.94 Retail Trade 0.77 Other Personal Services 0.65 Hospitality & Food Services 0.58 Transportation and Warehousing 0.57 1.5 2 2.5 Days per week

The graph above further cements that IT roles can achieve the higher levels of Working from Home compared to other types of roles

#### <u>Happier</u>: Employees value hybrid-WFH as about an 8% pay increase



**Source:** Data from 17,087 responses through 2021, reweighted to match US population. Industries with 1000+ respondents. Details on <a href="https://wfhresearch.com/">https://wfhresearch.com/</a>

Graph showing different work types and how they value WFH compared to their remuneration

- ► Last graph above shows again IT roles and Finance roles have the greatest adaption to a hybrid and working from home role.
- ► The large NZ based IT firm Datacom are leaving 15,000m2 and relocating to a new building with only 4,000m2. The reason they can trim back on office space is the adoption of the hybrid model with many staff preferring to work solely from home and hardly ever coming to the office.
- ► Australian evidence from earlier this year suggests that on average staff spend 27% or longer of their working hours from home around 1-2 days per week. This appears consistent with New Zealand's larger cities.

# A couple of interesting trends in the Australian evidence:

The number of people working from home varies based on local response to the pandemic. In Melbourne, which was locked down for long periods (like Auckland), time working from home has settled at around 35%. In Perth, which wasn't as hard hit, the rate is only 11%.

People in urban areas are more likely to work from home. People in inner Sydney spend more time working from home than those that live further out.

#### ESG – Environmental, Social and Governance

ESG means using Environmental, Social and Governance factors to evaluate companies and countries on how far advanced they are with sustainability.

ESG is starting to be used to evaluate individual buildings, taking into account green building features, carbon emissions, and end of trip facilities for inhabitants of the a building.

It is assessing the social aspects of a building including common areas, health and safety, wellness, type of materials and their emissions in the building (asbestos, fumes, air quality).

ESG is being used to measure the property management of the building, the adherence to rules and legislation, the general upkeep and attention to inhabitants well being and needs.

Lenders are using ESG when considering lending requests and are looking at measurable and documented strategies around ESG for a specific property

This includes items such as an in-depth analysis of Resource Consent approvals, land development impacts, and reduction of carbon footprint for new builds and renovations

#### Passive House Theory

- ► The Green Building Council promotes green building attributes and technical specs for new builds. Most of the green buildings in NZ are of a larger, office format.
- ▶ Passive Houses are residences that follow similar attributes but with specific differences in terms of construction, ventilation and airtightness.
- ► The future will undoubtedly see these two trends combine in design for smaller buildings that may not necessarily fall into the confines of office or residential buildings.

► The continuing changes in Crown mandated building standards means the fundamental principles of design to lower NZ's carbon production will result in there being only a small upgrade in specification from base to Passive over the medium term.

- ▶ Examples will include retail such as bulk retail supplying its own electricity from solar arrays on the roof and providing excess electricity in the carpark to charge electric vehicles. Another example will be smaller office/industrial/retail units requiring minimal electricity as a result of passive house design, ventilation and solar panel installation and capturing water for non-potable uses.
- ▶ Other examples further out with technical advances include curtain glass walls that double as solar arrays generating electricity whilst acting as external windows.

#### Conclusion

- ► Technical changes in offices will be in the form of Passive/Green Building principles and mandates from ESG and how users and owners can minimise energy consumption and meet changing tenancy expectations.
- ▶ Use of offices will continue to flourish towards a Hybrid model tailored to an Organisations specific needs of its staff.

- Co-working will continue to be popular helping Organisations large and small with office requirements, again tailored to each companies needs.
- Culture will continue to be an important focus for Organisations and will determine the use of offices, hybrid models, geographic spread of organisations and how to obtain and retain staff.