

The future of real estate



Contents



INTRODUCTION — Executive summary 3

WORK — 4

- The future of CBD's
- Fewer tall buildings
- Office design
- Assessing & leasing office space
- Dispersal of businesses
- Spectrum of workspaces
- Choice of work locations
- The role of hospitality

HOME — 12

- Liberation
- Moving out of the city
- The reinvention of suburban living
- Designing new living spaces & places
- Environmental & Sustainability concerns
- The renaissance of community
- The third space close to home
- Repurposing cities
- Placemaking

SOCIAL — 18

- Mental health issues with working from home
- Local, local, local
- Home entertaining
- Revamping the high street
- Third spaces as social hubs
- Bigger chains distracted, smaller companies succeeding
- Multifunctional businesses
- All day Vs Traditional peak times
- Less alcohol, more recreation

Executive summary



This report is about the role of individuals and their relationship with buildings and with each other – and that is what makes this a historic turning point

Jeremy Wakeham



Jeremy Wakeham is CEO of the Business Division and a commercial real estate partner

'Covid-19 has proven to be the catalyst to accelerate profound change in the way we live our lives and use our buildings. This change was already happening, but slowly, and it was difficult to see how it might ultimately change the buildings around us. The world over, our real estate is wrestling with the challenge of catering for new demands and this presents extraordinary opportunities for the more innovative and agile investors and developers.

As a law firm that represents successful people and innovators around the globe, we have a unique insight into not only commercial offices but also residential property and the hospitality sector, which has led us to question the future of work, home and play. In doing so we have sought the opinions of a wide range of experts, investors, owners and entrepreneurs. We are grateful to them for their time and fascinating insights.

There are many interesting talking points in this report, which potentially reveal a very different world to come. There are some overarching themes that can be traced throughout the work, home and play sections:

- Flexibility will be at the heart of the development of all types of property and a single use district will not be sustainable. This applies to the Central Business District just as much as it does to the suburbs. Both shall need to reinvent themselves.
- In the workplace, flexibility will come in the form of increased choice. The office is going to become just one option among a range of workplaces, and the hospitality industry may be best placed to fulfil the need for a 'third space' outside of the home and office where people can work but also socialise (and perhaps exercise).
- During the pandemic our homes have become our offices and our children's schools, as well as our families' places of shelter. This will change the homes we want to live in and build, as well as loosening constraints on where we will choose to live. The variables are dizzying, but we can expect to see our communities transform as some areas benefit from their location and amenities and others face decline, possibly followed by reinvention.

A radical change in thinking like this will open up the regions around cities and further afield, and will provide opportunities for developers, particularly those focused on sustainability and the environment, in the creation of new communities.

- We have examined what the new world of socialising will look like, where and when it will happen and whether the focus of entertaining will switch to the home. Socialising is the second biggest reason for city living and understanding this holds the key to appreciating why this period of change is potentially so fundamental and what the role of the city will be. If the city gives up some of its predominance as the focus for investment and development in these areas, this latent demand may reappear elsewhere and in other forms.

This report is about the role of individuals and their relationship with buildings and with each other – and that is what makes this a historic turning point in attitudes and practices, because the effects will be felt by individuals across all areas of life. The pandemic has caused untold emotional, physical and economic cost. Outside of the direct impact, there is a moment for society in economic and social recovery to pause for thought and make choices about where to go from here.

These trends point to entirely **new approaches** to the provision of real estate. New types of funding, new attitudes to investment, ownership and the use of technology to bring it together. We expect that passive investment in commercial property may no longer deliver predictable returns, which may put off some investors, but in turn will attract others. We see exciting new opportunities for innovators and investors to develop novel models and services. The creative, independent operators will thrive whereas many traditional industry stalwarts will find it harder to adapt. Getting behind the right targets at the right time will be crucial.

We would like to thank everyone from across the industry who has collaborated with us to produce this record of thoughts on the impact and changes that this period has the potential to bring about. This is just the start of an ongoing debate and we welcome your views on the issues it raises for the future of work, life and play.'

Work



INTRODUCTION

The office work paradigm was shifting before the pandemic, but this period has given us clues about how much the process of change might have been accelerated and an insight into the directions that these changes might take us that we didn't have before – some of which we might not have expected.

Overwhelmingly the view from our respondents is that there will be a dramatic increase in the demand for flexibility in the workspace. The days of whole buildings being occupied by a single tenant for a single purpose – in this case for use as offices – they say are over. This will have a significant effect on areas like Central Business Districts ('CBDs') which were built for one purpose, and one purpose only. The irony being that spaces that have historically been designed with a single purpose, might find themselves no longer fit for purpose, as workers want to be able to live, work, shop, socialise and workout in a singular multi-purpose environment.

And this demand is unlikely to be fulfilled by the traditional serviced office or co-working space providers. The old co-working space models are dead, they say. In order to survive, these businesses will need to offer something else and it is the hospitality industry that our respondents predict will adapt to meet the demand.

Whatever the profile of the landlord or the building, our respondents believe owners will have to work harder in order to make the asset work for them. This may mean re-purposing space, providing additional flexibility or diversifying the tenant portfolio.

Some of our respondents wonder whether the era of long lease terms and fixed rents has also had its day. Perhaps the future is more collaborative – and landlords will come to see the relationship with their tenants more as a partnership, where landlords share in the upside during the good times, but shoulder some of the burden during the bad times. This increased risk may deliver heightened rewards for the innovative.

'It's the biggest home working experiment in history'

Richard Pickering, chief strategy officer at Cushman & Wakefield and property market commentator

Our research indicates that in the future the office is going to become one amongst a range of options. Whilst in some cases offices may remain pivotal, they are going to compete with client offices, home, local hubs, hospitality spaces and other working spaces closer to home.



'The choice will become home, work and a third space'

Katrina Kostic Samen, founder of KKS Savills and architect

THE FUTURE OF CBDs

The future of central business districts is uncertain, at best. CBDs need re-thinking if they are to survive in the future and to avoid subsequent 'sudden deaths'.

'I suspect we are going to be talking about the failure of the CBD, in a lot of cases. Big, tall office buildings... have a questionable future'

Yolande Barnes, chair of the Bartlett Real Estate Institute at University College London and property market commentator

'It's going to be about resiliency. The scientists are telling us that this won't be the last time this happens, so the more that we can think about building resiliency into our workplaces the better'

Katrina Kostic Samen

As more people work from home, co-working spaces or hospitality venues closer to home, so the importance of the CBD office or headquarters will diminish. Nectar Efkarpidis, director at Molonglo, designer and theorist, thinks that CBDs are going to be characterised by lots of empty building space and that new ways of working and living in them will evolve.



Over time our respondents think that what people will want, and what investors and developers will need to provide, is greater flexibility in the office environment and a more activity-based approach to working. Understanding how to meet this new demand for flexibility presents an opportunity for investors.

Owners and developers will need to identify how to configure a building so that it can be quickly repurposed for the different uses and types of working demanded by occupiers, evolving previously homogenous single use buildings into mixed/multiple use environments. The aim will be to change the utility of a space within days, so a building isn't just tied to a particular usage, or a single occupier.

'If you can change the use of a single space over the course of weeks or even days, then you can really maximise income and decrease risk because you're not tied to just one archaic use which might go out of business'

Yolande Barnes

Whilst it has historically been standard real estate practice to own, invest in or manage entire buildings which have one fixed usage, there is a prevailing view that generating a return on investment in future will require the creation of places that people not only want to work in but also to play and socialise and even live in.

For investors, single use occupancy of an entire building by one tenant has the potential to be deeply problematic in a recession, where exposure to the risk of default on the tenancy is multiplied. A building that is diversified and occupied by lots of smaller occupiers with individual covenants offers a way to spread risk. Some of our respondents insist that there is a lot of demand for office space from small businesses, so even in a recession if a few small occupiers within the same building were to default others will be able to step in and take their place without there being a significant rental void.

Yolande Barnes envisions that CBDs will become characterised by more mixed use spaces where people work, live and socialise in one space, which will engender more fluid and creative ways of working.

'You don't want to be tied to a traditional 20th century asset, you want to decrease risk by being multiple use and not just tied to one company'

Yolande Barnes

Our respondents agreed that the era of the office as a place almost exclusively for head-down solo working was likely to be over. Businesses that see this as an opportunity to reduce their real estate requirements will need to re-think their office space according to the importance of the roles and type of work that people are going to carry out in them. It will no longer be acceptable to require an employee to travel 1.5hrs by public transport in order to reach an office to carry out tasks which could have been carried out at home. This means social interaction, and interaction between teams is likely to have more prominence than ever before.

'Think WeWork on steroids. If time is limited in the office, you'll want to maximise what people get from it, like social interaction. It's a more creative environment than the usual single use office'

Yolande Barnes

Whilst no one thinks that office occupancy in CBDs will disappear, the state of the market in the mid-term remains uncertain.

'All of this will be factored into new leases; the lower demand will be priced into the rent. It's going to take a few years for landlords to fully find out how bad it is out there and how few people are now interested in investing in this market'

Chris Miller, founder of White Rabbit Fund and hospitality sector investor

It remains to be seen how quickly landlords will adapt to changing demands within the market and in what ways. Will lease terms come down? Will landlord contributions and other incentives increase? Will we see the birth of a more collaborative enterprise between owner and occupier in office leasing, with landlords sharing in the upside of the good times, but suffering the down side when times are tough? Yolande Barnes takes a longer term approach and talks of how investment will be driven by how much income can be generated. Ultimately the greatest return, she says, is generated through placemaking and creating an area that people want to visit.

'The value of your real estate investment is going to be the income it can generate over time so you need to invest cost effectively in a place people actually want to come to... co-living will be attached to co-working spaces'

Yolande Barnes

FEWER TALL BUILDINGS

In the foreseeable future our experts anticipate a move away from tall office buildings. Commentators like Robbie Kerr, director at ADAM Architecture, predict that people will not want to stay in a lift for more than four floors – which obviously has direct implications on the maximum height of buildings.

Robert Adam, founder of Robert Adam Architectural Consultancy, talks of how tall buildings in city centres are generally occupied by service industries whose employees are most capable of home working. This will ultimately result in a decrease in demand for commercial space within tall buildings from within the class of their most typical occupiers.

'Tall buildings will not disappear overnight, but they may decline'

Robert Adam

Whilst the market might call 'time' on demand for tall buildings, it can take a while for large organisations to change direction and so there are practical hurdles to overcome which might mean that the pace of change in demand could be slower than it might have been.

'It looks like the party is ending but there are always a few drunks left that won't go'

Robert Adam

Tall buildings were statements of intent from the people that built them and the businesses that chose to occupy them. Things have changed, and this type of machismo is no longer driving occupier needs. The new design led focus that is emerging and which will undoubtedly grow in importance for understanding the real estate needs of a particular business is unlikely to place emphasis on the altitude occupancy. There may be design difficulties and cost implications with occupying taller buildings – which in many ways are the epitome of inflexibility in a market that demands exactly the opposite.

'The twentieth century model was an institutional investor putting money into a single use institutional asset class building which is just as big as it could possibly be on that particular site. It is just so completely defunct and irrelevant in a world where increasingly creativity depends not on that rather industrialised form of work, but much more fluid and creative ways of working'

Yolande Barnes

OFFICE DESIGN

In the good old days you could work out the real estate requirement for a business by simply multiplying the office workforce by the prevailing floor space allocation per person at that time. You would instruct an agent and they would go out and find you 10,000 sq. ft. or 20,000 sq. ft. and you would fit it out – historically with office units, or more lately with rows of open plan desks. The design stimulus in making real estate decisions was limited.



That is over, and effective use of space in the post-pandemic environment will be far more design led. Occupiers will consult their design team first, explain the types of tasks that they are expecting employees to carry out and the occupancy rate based on how frequently they are expecting employees to come to the office. This will produce a result that is different for every business. Occupiers will be going into the leasing market with a more focused and developed sense of what they want from their space.

'We believe the office will change to accommodate more precise functions that come about from people needing to be together. The old ways are cookie cutter, the new ways will be more customized'

Nectar Efkarpidis

Richard Pickering predicts that office design and occupancy will become a tool to attract and retain talent. In the history of the modern office, we have not seen a time when the real estate strategy of employers has put the employees' needs at the forefront in this way.

'It's about recognising the value of real estate, not just its cost. How does real estate service my agenda to attract the best people to my business? ... Again, the best people on board making them productive, that's worth the investment in good space.'

Richard Pickering

With the data from the property agency platforms and boom in the market for homes outside of the central metropolises, Richard's prediction may well be tested early if employees are willing (and able) to vote with their feet. The design and function of buildings will have to take into account the needs of the occupiers (and their employees).

'You've got to think to the longer term, and I think you've got to think what was the trend, what did occupiers want? I think what we're seeing through Covid is an acceleration of what we want... which is more flexibility'

Richard Pickering

ACCESSING & LEASING OFFICE SPACE

Work life will feel more constrained because there will be more operational control in the future around processes like entering the office, booking tables, desks and rooms, and larger group meetings are likely to be prohibited.



'You're going to have empty offices with artificial routes through buildings, it will make office spaces depressing places to work. They won't be humming with activity, debate, discussion, banter...'

Robbie Kerr

And because of the acceptance that working from home is possible, the assumption is that the office lettings market will be hit hard. There's plenty of anecdotal evidence that companies are already cutting their office space.

'Office space is expensive and if you can function with less of it, especially if there's an economic crisis, it's a no-brainer'

Robert Adam

In the short term some of our respondents believe that if people can get out of leases they will, without hesitation. Larger companies might downsize into co-working spaces and high value service businesses may not need luxury offices if more people are happy to work from home.

Central to office leasing is the legal process, which remains clunky and expensive and will need to respond to this call for flexibility. Occupiers are likely to demand something far more flexible and modern to keep pace with their more agile requirements and our respondents have begun to consider what that might look like.

Nectar Efkarpidis foresees a future where office space can be switched off or switched on and accessed via a mobile app like Uber or Grab. There are attractions for investors here too, bearing in mind the vast majority of offices are leased by small companies with under 200 employees. Streamlining the letting process will give investors greater access to this market.

The technology to enable much easier and more seamless leasing processes is already available – it's possible to authenticate remotely, utilise payment systems that don't require bank transfers and to harness virtual reality and remote access technology to see or access properties.

'There's no reason that an office space can't be leased in the same way you book an airline ticket or a seat at the theatre, you don't need an agent'

Nectar Efkarpidis

And the need to lock people in for a long period of time will be superseded by the emergence of a new service that can be turned on and off as required.

DISPERSAL OF BUSINESSES

We will see larger businesses disperse their offices more widely over a greater area to meet employee demand. Businesses don't want to lose employees, and in particular younger members of staff who are more likely to be starting families and to have embraced more agile ways of

working. This will mean the proliferation of working spaces and business satellites of one form or another popping up in clusters closer to where people live, enabling them to take meetings away from home and access admin support, whilst at the same time enabling them to deal with domestic chores more efficiently.

'In today's fast paced society there is an increasing desire from employees to strike the right work/life balance. If there's an environment near a person's home that enables them to work productively, but at the same time to attend to personal matters such as running family errands, employees are going to want that'

Marcus Loo, CEO of Savills Singapore

As out of town space becomes more attractive, so green space will become more abundant and enable better wellbeing and the promotion of healthier lifestyles.

'Businesses will be more dispersed, away from the centre of cities... which will enable people to be healthier and not have to put up with pointless deserts like The Shard'

Robbie Kerr

Jonathan Harbottle, founder and director of development company Land & Partners, sees this move as being part of a more sustainable approach to development, which even for occupiers and their employees has increasingly become an expectation for the spaces they use.

'People will still want to live and work in cities. Since medieval times people have moved from rural areas to city centres. The difference will be that we'll have buildings not generating carbon and green spaces peppering city centres'

Jonathan Harbottle

SPECTRUM OF WORKSPACES

All of our respondents envisage that the future of work will be characterised by a spectrum of different workspaces co-existing, from the CBD office, home office working, suburban co-working hubs, to local high street workspaces. Big companies with centrally located office spaces are already looking at regional clusters of employees to see if they can establish satellite offices closer to where people live.





'An organisation may start looking round for regional clusters, actually looking at their workforce, where they're living, and find out if they can hire a function room from a hotel, for a day or two a week, to get their regional clusters together'

Yolande Barnes

Some of our respondents are uncertain as to whether the current providers of co-working space will be able to respond to this growing demand, questioning its relatively high cost and a perceived inflexibility. The trend within this market over recent years has been towards private modular serviced offices, diluting the appeal of social interaction between highly innovative businesses which was originally an important part of the draw.

The environment is not special enough for people who are looking for a buzzy and creative environment in which to work, socialise and be energised. In contrast to the current co-working model that is built around a single purpose, some of our experts believe the future of co-working will be a membership model that meets multiple needs. Employer owned spaces are regarded as unrealistic for smaller businesses and traditional co-working models feel, to quote Philip Harvey, senior partner at agency Property Vision, too betwixt and between even if their commitment to co-working has spurred on the market to this point.

'The whole WeWork flexible space idea, I disliked it... I'm either going to work from home or the office. Why would I travel all the way to a place that isn't my office?... It's pointless'

Philip Harvey

Robbie Kerr sees home and office work converging and says that, despite everyone proclaiming home working as the new reality, people will still value the office as a means to get away from the home. He envisages a lot of smaller flexible work spaces springing up around nodal intersections, where people can enjoy facilities that aren't accessible from home, but don't require long commutes to reach. Interestingly our experts envisage entrepreneurs creating these smaller hubs and believe they will not need the scale or financial commitment of a large operator to run and function.

'I can see these places gathering around hubs, enabling people to get together with other professionals'

Robbie Kerr

This model is not without its challenges, but it opens up opportunities for investors in the hinterlands outside of the main metropolises where competition might be less fierce.

CHOICE OF WORK LOCATIONS

What is clear is that there is no one size fits all solution to workspaces beyond the office, which is destined to become one among a range of spaces that people utilise for work.

'Yes, some people are going to want more space in the house, some people are going to want at least a walk to their office down the garden, some people are going to want to go to a hub with the people they used to share the train ride with'

Philip Harvey

Respondents note that the demarcation between home and office is a relatively recent construct and that we may be moving back to some of the elements of a pre-industrial framework/mindset.

'This idea that work and home are separate only came in with the industrial revolution. That clear demarcation is probably going to go and I think the impact it has on planning is very important'

Robert Adam

To limit the range of workplace options to the CBD office, the home office or co-working is too simplistic and downplays the opportunity. The range of locations that people are working in has boomed exponentially during the pandemic and this trend is going to continue as innovative businesses develop new offerings.

'The choice is no longer home or office. It's home, vs your neighbourhood, vs CBD office'

Yolande Barnes

'It's not a case of you're either in the office or you're at home. You're going to be in a much more flexible series of interconnected workspaces, to be joined together through technology'

Richard Pickering

And the drive to multiple workspaces is global, even if the reasons are sometimes local.

'Can you imagine you have your parents, children and helper all living in the same apartment? Circumstances such as these are not ideal for working from home unless one lives in a big apartment, which is not the norm due to the higher residential prices in Singapore and Hong Kong'

Marcus Loo

But it is not all doom and gloom for the CBD office. Whilst the general trend is for growth in both the variety of and time spent in non-traditional working locations, when face to face meetings do occur there is still going to be a role for the client office or company HQ.

THE ROLE OF HOSPITALITY

The feeling among our respondents is that it is the hospitality sector, rather than traditional co-working businesses, that has the greatest potential to meet the demand for a third space between work and home. There is a natural coalescence between demand for a third space to work in and the industry generally. People want to socialise, a change of environment and things that they can't get at home (e.g. artisan coffees, and table service).

With an existing network of sites in a wide variety of locations, some of which may only need modest repurposing, many are predicting hospitality venues will prove to be more nimble and faster to adapt.

'The evolution spurred by WeWork will carry on, but the model will fail. They are too labour intensive, all they do is package up rented accommodation and break it down into small spaces. The problem with that is that it costs a lot of money'

Nectar Efkarpidis

'I don't know how anyone would make money doing it, serviced offices are suffering, a lot of it feels incredibly risky'

Mat Oakley, head of UK and European commercial property research at Savills

'Hospitality is going to eventually take over a lot of the co-working functionality, it's better positioned to fill that gap'

Islam Mahdy, chairman and CEO of leisure operator Credence Hospitality Development

Before the pandemic there was already a notable trend in remodelling hotel foyers to meet working needs, with super-fast Wi-Fi and sockets. Global groups like Selina and Zoku have made it official policy to think hard about how they can service workers not going into the office.

'The pressure is on hospitality to deliver a workspace environment as part of their model'

David McDowall, Group COO of brewer and pub group BrewDog

The fact that people will be looking for a more sociable space if they are not coming in to work as much and are missing out on traditional office socialising will also drive hospitality's appeal in this context. BrewDog pubs have changed their offering in light of this trend so it's now possible to rent a table with Wi-Fi and sockets by the hour to use as a workspace.

'What we're seeing is people who are working at home taking an hour or an hour and a half away from their day at home to get a change of scenery, grab some coffee, possibly have some lunch and work from a different environment'

David McDowall



Home



INTRODUCTION

For some, the almost universal experiment in full time working from home will have been a liberating experience that has enabled them to take more control over their working day and eradicate lost time spent journeying to and from the office. For others the experience will have caught them unawares and the challenge of making the domestic environment function as a fulltime place of work will have been exhausting. What is certain is that people are already voting with their feet and the markets have seen a surge in interest in property outside of the main cities and commuter belts.

Homes are taking on a new level of importance. Our respondents anticipate that people will expect their homes to deliver much more because they will no longer serve a purely domestic purpose - they will become places that fulfil home, workplace and social needs. And as more time is spent at home, for one purpose or another, the immediate locality will have to satisfy needs that were previously met elsewhere. Wherever people live, they will expect amenities, variety and infrastructure to be provided locally.

Suburbia too offers potential returns for investors, as our respondents think that it will need to reinvent itself as a destination that people spend time in, rather than simply travel to or from. Ultimately this is about creating a sense of community where perhaps it had been lacking, for which you need the businesses, shops, services and amenities that make community possible.

The developers of our new settlements will also have to embrace these themes and our respondents think that, consistent with the call for community and all that involves, new home buyers will also drive demand for sustainability in new homes and settlements. Developers may have to deliver on sustainability and environmental promises as never before.

LIBERATION

Who could help but feel liberated by the realisation that work which was traditionally only carried out in the office could be done from home? In many cases this has given people back useable hours within their day not spent on public transport in an effort to reach the office. People feel more in control of how their time is spent and as a result are re-assessing their home needs.

'People have more control over their work time, so they can work harder and then switch off earlier. You can get all your work done then you've got the evening free'

Mark Williams, Reader in Human Resource Management at Queen Mary University's School of Business and Management

Of course this liberation isn't universal, and there are those whose homes are not conducive to remote working, for whom this period has been extremely difficult both in terms of efficiency and wellbeing.

MOVING OUT OF THE CITY

Our respondents point to a trend which is seeing an increase in the number of people moving from city centres to locations that are further afield than people had traditionally considered. These locations are not rural, but offer a feeling of being outside of the central metropolises while still being well served by the kind of amenities and resources they are used to. We have seen spikes in demand for well served villages, market towns and coastal areas within an hour and a half journey to the cities.

'For the last 30 years, cities have sucked everything in. Now they are breathing out and seeding particles wherever they land'

Yolande Barnes





Even the dream for the wealthy seems to have changed. Historically the ideal was a country pile with a few acres and lots of outbuildings. This ideal has shifted, and what the likes of Philip Harvey are picking up on is a desire for a smaller home on the edge of a village that operates as a bolt hole from the city, and typically sits alongside a property in town and a similar sized property at the coast.

'20 years ago, the dream was a house in five acres, half a mile outside the local village. That's shifted in the last few years, people don't want all their eggs in one basket, they want more flexibility, they want two or three smaller houses'

Philip Harvey

THE REINVENTION OF SUBURBAN LIVING

People's expectations and requirements might have moved on, but suburbia has been slow to adapt. A theme from our respondents was that the suburbs feel tired and lacklustre and in their current configuration are ill equipped to accommodate the resurgence in demand for community that the increasing amount of time spent at home has brought about.

'The suburbs are knackered. They aren't community hubs because they were built to be driven out of, so there's nothing there'

Robbie Kerr

'Early 20th century suburbia that have very little to offer, homogenous outdated houses, there's no 'there', there... the challenge is to create new settlements around them... it's difficult to urbanise a suburb, but it needs doing'

Yolande Barnes

But the suburbs might fight back, especially where there are serviceable rail links.

'That could be a role for these new types of investors. If you're really interested in long term income and a long-term gain, buying up suburbs isn't a bad way to go, especially if they have a good overground link'

Yolande Barnes

Suburbia could be a resurgent target for investment if innovators are able to cater for the needs of the modern suburban occupier. This means hotels, gyms, restaurants, and a wealth of third spaces that cater to the needs of a suburbanite that is spending more time at home than they have done in the past. In planning terms, suburban development and re-development and the prospect of easy conversion opportunities has always presented lower risk for developers and investors. The suburbs may be knackered, but for the investor they might present a significant opportunity.

'All you need to do is convert the garage to an office'

Robert Adam

DESIGNING NEW LIVING SPACES & PLACES

As people spend more time at home than in the office, so designers and architects in our sample are adamant that homes are no longer just homes.

'The home won't just be a trading commodity you return to, play video games, have sex and go to sleep. People will be more interested in their living space and urban planners will have to stop thinking work only happens in the centre of town'

Robert Adam

There is also a prevailing sense that new settlements will be characterised by mixed use, mixed tenure, and mixed community features. Developers will have to think harder about how to achieve this and these design considerations are likely to rank higher up the agenda than they have done historically.

'The norm is a nod to placemaking with a duck pond in the middle of a housing estate, but new settlements need long term management and curation not build it and bugger off'

Yolande Barnes

Some respondents forecast the potential for an entirely different approach to residential development, and with it the possibility of a new subdivision within the asset class for investors.

'You will have places that might be discontinuous. So you might buy one apartment and it might be 70 or 80 square metres and at the same time you might also buy a second space that is non-contiguous on the same floor that gives you total privacy that you can go and do your own thing'

Nectar Efkarpidis

Spending more time in the home will lead to more in-home entertaining. In our respondents' view this will elevate the importance of these aspects of the home and this will be felt in design. In the 1990s the Duchy of Cornwall built a development in the South West of the UK with living space at the front and work spaces at the rear. Although derided at the time by the estate agents, these units were hugely popular. Robert Adam thinks designs that buck the general norm and cater for evolving needs might once again outshine traditional housing developments.

'The Field Farm development was a punt at the time. Estate agents didn't understand it but it's a proper multi-functional home and people love them'

Robert Adam

ENVIRONMENTAL AND SUSTAINABILITY CONCERNS

By taking cars off the roads and grounding the package tour aircraft fleet, the pandemic has offered a moment for more intense reflection on environmental and sustainability needs. Philip Harvey is excited by



Environmental Social and Governance (ESG) approaches to development and has seen a spike in interest in developers who incorporate sustainable development within their schemes. Lucian Cook, head of UK residential research at Savills, and Mat Oakley think that the ESG agenda has come into greater focus with Covid-19. They believe people are thinking about sustainability credentials in a way that they haven't before.

'Placemaking is going to become much more important alongside those environmental things, and housebuilders will want to develop and build a reputation based on both their eco credentials and also their placemaking credentials'

Lucian Cook

Building in an era of falling aggregate commuting times has one immediate environmental benefit, notes Jonathan Harbottle.

'To date building homes away from the city meant lots of commuting and all these emissions. Once you have solved carbon emissions and avoided the need for regular commuting, you can have more homes outside the city in these communities'

Jonathan Harbottle

THE RENAISSANCE OF COMMUNITY

More people are 'choosing local' and they are doing that out of a heightened sense of community spawned by spending more time around the areas where they live.

'Local services will proliferate, supply chains are changing, people will go more local. Trade wars and Brexit were already making self-reliance a big thing. The international supply chains will be dismantled'

Nectar Efkarpidis

People have embraced local services and retailers during the pandemic and have questioned their use of larger national providers in a way that they hadn't previously. In some instances consumer confidence in national retailers was undermined by shortages and local shops, butchers and fishmongers were able to step-in. People discovered that there was more choice on their doorstep than perhaps they had appreciated.



'As people have refocussed on getting provisions nearby, local businesses have seen a real boost... there's been a nice re-discovery of traditional local shops'

Richard Pickering

'My view now is that some of these local shops have served us so well and done such a good job that we actually feel a certain amount of obligation and loyalty to them'

Robert Adam

Our respondents felt that the pandemic led to a change in patterns in the way that people consume. Online retailing has been providing a lot of the basics for people. This has freed up time meaning people can enjoy sourcing local products which they are prepared to pay extra for.

Some of our respondents think that a resurgence in the local economy might herald good news for the high street. Assuming demand stays constant, as the traditional grab-and-go food retailers of the CBD close, this money will be spent closer to home. Our respondents think small independent retailers that are more agile and able to control their overheads will be faster than the bigger national outlets in adapting and will ultimately be better placed to capitalise on this shifting situs of demand. On the flip-side, it is not a foregone conclusion that the national outlets of the CBD will be able to cope on the high street.

In the post-pandemic residential market we might see a growth in the importance of proximity to local amenities at the expense of proximity to travel infrastructure. If you are making the journey into the CBD less frequently, the importance of how you can spend your time in the environment around your home is elevated.

'We are going into localism mark 2. I can envisage polarity between neighbourhoods in the future, between those which do and don't work, how long it takes to walk for a pint of milk, or beer'

Yolande Barnes

THE THIRD SPACE CLOSE TO HOME

Working from home leads to the risk of the two concepts blending into one. There is a definite sense that home workers need to get away from their home – even if it is just to separate aspects of work from domestic life.

'There's a third space between the office and the home and the need it meets is getting together with people like yourself'

Yolande Barnes

This means the high street could become a space for these social interactions. High streets might replace city centres when it comes to the third space. Chris Miller quotes a UK government report to illustrate the point: 'High streets will become community assets... the intersection of human life and activity based on social interactions'. High streets might be repurposed to meet this need.

'Do you really want an out of town business park where everybody has to drive to or do you want a traditional street scape with lots of buildings that are highly flexible and where their uses can flex and you can change quite quickly?'

Yolande Barnes

Some of our respondents think a private members work space on the high street will have lots of potential – a bolthole close to home for people who want to be surrounded by like minds and relevant resources.

'Lots of space on the high street could be repurposed, but the membership thing feels interesting'

Richard Pickering

For investors, there might be opportunity to develop third spaces in areas which might have been traditionally overlooked, and according to our respondents these include old churches and suburban business parks, as well as the hospitality sector mentioned earlier. Hotels and restaurants are already repurposing large spaces to attract local demand and coffee shops and pubs, and are experiencing different trading patterns as a result as they are full of people with laptops from breakfast on.

'Any new hotel development now has to address how they deal with co-working. All new cafes that open will be plugged into the internet. Public spaces with seating will make allowances for people with laptops'

Islam Mahdy

REPURPOSING CITIES

The pandemic has seen a whole range of repurposing and diversification within businesses. What was perhaps unexpected was the extent to which these businesses plan to continue to adopt and adapt those ideas as part of their mainstream business model. Restaurants have started selling home cook kits and groceries as well as takeaway food. Because of the success enjoyed by some restaurants during lockdown, some of our respondents even think there is investment potential for high end restaurants to offer delivery – something which would have been unthinkable a few months ago. For our respondents the end of the single-use, single-occupier office building is in sight.

‘Offices will be repurposed. Since the war the trend has been for single purpose buildings but I envisage lots of office blocks being turned into mixed use ‘vertical villages’ with apartments and work spaces, a deck and food growing all in one building, with management curating and promoting what the building offers and does... cities won’t expand out but up’

Jonathan Harbottle

Yolande Barnes thinks that we will see more mixed use spaces where people work, live, earn and socialise in one space. She thinks that the way that out of town shopping malls in the US have been repurposed might offer a clue as to the direction that development might take.

‘Failed out of town shopping malls will be repurposed, almost as a small town. Knock the roof off, knock through and turn the car park into housing and hey presto you’ve got a small town’

Yolande Barnes

PLACEMAKING

Placemaking is a buzzword that has come to define a lot of the debate around the future of real estate after the pandemic and is perhaps best characterised as the creation of a space with a unique community which enhances quality of life. So far as investors or developers are concerned, it represents a shift from value in property, to value in income from property.

Our respondents think that the days of huge capital growth in property without a corresponding level of innovation or investment are in the past. With the current era defined by low inflation and very low interest

rates, investment yields in what have been the historically prime locations are at an all-time low. Fine you might say for long term institutional investors, but others will be eager to drive greater returns through innovation.

Investors are thinking much more about the places they are creating and placemaking becomes the thing that impacts positively on investment because it creates value in the wider area.

‘In future, if we say income streams are going to be the main driver and with low and stable interest rates, there can be no capital growth without rental growth, then suddenly you are going to start concentrating a lot more on what your occupiers want and what they are prepared to pay for and what is going to give you the growth’

Yolande Barnes

Yolande insists that landlords should not be motivated by the highest rent anymore but by what she calls ‘the greater good’, because ultimately that’s what will drive income over time.

‘Think about how you maximise the yield from land... you’re going to have to husband the land better than you have done historically’

Yolande Barnes

At the heart of successful placemaking is the careful curation of the destination and the offering.

‘In order to have them work as whole places, the signs are that almost counter intuitively you don’t need lots and lots of separate landholdings, but you do need some kind of entity to curate and manage the place’

Yolande Barnes

And for Philip Harvey, being able to evidence the thought process that has gone into this curation has other practical upsides.

‘Placemaking is everything... the whole idea of placemaking is at the forefront of the minds of planners and of developers because they know they’re going to get an easier ride through the planning process if they can sell it to the planners that it’s good for the local community’

Philip Harvey

Social



INTRODUCTION

Patterns of social behaviour have been affected during the lockdown in a way that is unlike anything that has happened before. More time being spent at home has inevitably meant more time spent socialising closer to home, and our respondents think this trend will lead to the resurgence of the local high street.

It is unclear whether the boom in home entertaining, daytime restaurant trade and other social trends that have become prevalent will be here to stay. However, what all of our respondents agree on is that as people spend less time in their traditional workplaces and more time remote working, they will also socialise nearer to home. They see this as leading to a growing importance in third spaces – those semi-social spaces such as bars, cafes, restaurants and hotels - which offer potential to replace the social network that was previously built around the office.

Our respondents predict that the more agile independent and smaller scale operators within the industry will adapt fastest to this growing need. The chains that have been so dominant and which to a degree rely on homogenisation of the offering may prove too cumbersome and will not be able to compete with the independent and smaller scale operators that can offer a product that is truly tailored to local needs.

None of our respondents working in the food and drink sector believe socialising is going away because of Covid-19. Some frame their position as a gamble, but ultimately believe that people will always crave social interaction. The question is what will socialising look and feel like in the next few years?

'Socialising is a fundamental human need... it's not going anywhere... We are on pause at the moment but the question is how will it come back?'

Chris Miller

Lockdown has changed the times when people socialise. Because of home working people have been able to socialise at times of the day where before they might have been travelling or working. People are also using semi-social spaces during their working day as a way to get a fix of social interaction. This has delivered much flatter trading figures throughout the day, without the historic reliance on the spike of pre-evening drinking that used to be provided by capturing the commuter before they return home.



'We're all going to be looking for our own social fix which we'd normally get at work... if I'm not sitting with my team in the office, I'll look for that hit elsewhere'

Philip Harvey

Socially distanced afternoon walks or early evening games of golf, rather than evening pub sessions, have become achievable. Activities traditionally associated with the weekend have been able to shift to the weekday because people working from home have more control over their working hours.

But whilst socialising will continue, David McDowall notes that there are whole groups of people that might have historically socialised together fairly frequently because of the coalescence in their travel plans and working hours, who might not naturally socialise together ever again.

'The busiest time of day in our pubs is 4-7pm, it's full of particular sets of people who go for a pint or two once a week with colleagues. In many cases those people will never get together like that again'

David McDowall

MENTAL HEALTH ISSUES WITH WORKING FROM HOME

Working harder with less social interaction is simply not good for mental wellbeing and there is a clear link between burn out and working from home. Employees working from home lose out on socialising at work and need to find a local equivalent.

'People are naturally social, they look for connections with each other. Feeling socially isolated is as bad for you as smoking 15 cigarettes a day. It's the epidemic of our time'

Islam Mahdy

It's also noted that a lack of sociability can negatively impact on an individual's career path. They are not promoted as readily as they might have been pre Covid-19 because they are missing out on social interaction and face to face engagement with their managers.

'If people are going to work from home, they are going to have to replicate the social side of things so that f2f interaction that people are missing might be reframed in a social setting somehow'

Mark Williams

Our human behaviour expert anticipates home working increasing routinisation and the intensification of work. Short and repetitive tasks will become even more frequent and where people were once self-organised they'll be increasingly centrally managed by technology. Again, this can have negative consequences for mental health.

'You'll be more tightly controlled and monitored. Ultimately employers will be giving people less scope to do more innovative thinking and work'

Mark Williams

What is clear from our respondents is that in their view employers will need to quickly work out what it means to be social in this new era, and how to actively harness and create opportunities for the right type of socialising – both among employees and otherwise – that will be required if this new model of working is going to flourish.

LOCAL, LOCAL, LOCAL

As people continue to spend more social time locally they expect quality and choice closer to home from the venues that they used to socialise in.

'If you're going to be local, you'll support local businesses that support you'

Katrina Kostic Samen

It might be too early to draw any long term conclusions, but in some cases historic hubs of socialising have almost dried up, while others have flourished. David McDowall has picked up on a particular shift.

'Anywhere around financial districts are ghost towns, closer to residential areas is a different trajectory... the pace of it and the way people are interacting with each other is quite interesting'

David McDowall

Home workers are clearly frequenting local, independent food and beverage retailers in a way they have not done historically. Independent cafes and coffee shops, for example, are coming into their own and even local pubs are doing well if they adjust their model and offer deliveries.

'We're doing loads of beer, pizza takeaway and home delivery... before Covid-19 1-2% of our turnover was delivery, that's now close to 15%'

David McDowall

Our experts are quick to point to local concerns in their own area that have benefitted from rising to the lockdown challenge. Typically they have broadened their offering out from a core competency.

'A restaurant near me has turned into a takeaway that has a small grocery and serves good coffee. They've reopened and part has remained a shop through lockdown and it now feels like the hub of where our community hang out'

David McDowall



HOME ENTERTAINING

Our respondents suggest that home entertaining has usurped public venues when it comes to socialising. In this context restaurant deliveries have proved very popular, particularly from high end restaurants, and several of our respondents think quality gastro pubs and restaurants will continue to offer delivery options. The novelty and luxury of amazing food being delivered to your doorstep has clearly tapped into a latent demand that was not being serviced before the pandemic. Similarly, the cook at home market was a fledgling sector before the lockdown but has developed to the point where it is a real contender within the hospitality market.

'The development of the delivery and cook at home market: what probably would have happened over a five year period, it's just been done in three months'

Chris Miller

REVAMPING THE HIGH STREET

Sympathetic local authorities working with local food and drink producers could revitalise moribund high streets and help them become destinations for a whole range of social, instead of retail, activity.

'I'd like to see vacant buildings repurposed... or local food offerings supported. I want to see local producers engaging with sympathetic councils and investors... where they pay rent based on turnover, it needs to be fluid'

Katrina Kostic Samen

As the emphasis of community and localism continues, Katrina Kostic Samen thinks that there might be even further interesting innovations still to come.

'Wouldn't it be amazing to have an education classroom on the high street that people could drop in to and that delivered university level seminars and lectures... what if there are allotments on the rooftops of buildings... there'll be more local manifestations of this kind of thing on the high street'

Katrina Kostic Samen

THIRD SPACES AS SOCIAL HUBS

People were already using bars, coffee shops and restaurants as work venues before the pandemic and to an extent the pandemic has both normalised this behaviour and increased its prominence. Robert Adam thinks that as people spend less time in the office there

will be a shift in the industry from serving the demand for eating and drinking on the go, to more of a coffee house feeling where customers are there for work and meeting, rather than purely for eating and drinking.

'Like a 17th century coffee house where you can work and meet others'

Robert Adam

BIGGER CHAINS DISTRACTED, SMALLER COMPANIES SUCCEEDING

The general view is that more nimble and creative companies will do well in the wake of Covid-19. The companies in trouble will be the larger restaurant groups.

'The people who are in real trouble are the people who have the large scale funds, the large scale restaurant groups with 100, 200, 300 leases who are going to spend the next two to three years of their life renegotiating those lease positions with landlords who really have a lot of power'

Chris Miller

David McDowall is convinced that the companies which are going to work outside of the metropolises will have to exhibit multiple functionality, despite the fact that being particularly good at one thing has historically been the model that successful players have subscribed to. What is happening now is that the most successful operators are drawing together different elements of their offering.



'What we're going to see is more of a blurring of the lines between different types of offers, and I think that's a really difficult thing for hospitality operators to get right, because the standard model has quite rightly always been be great at one thing and be famous for one thing'

David McDowall

MULTI-FUNCTIONAL BUSINESSES

Amongst local provision that is prospering respondents often note that it is being repurposed, so restaurants might start selling groceries as well as take away food, for example. Pubs have responded to this trend in order to survive and evolve.

'Pubs and bars that survive will become cafes in the day and do things like turn into a cinema at night. Diversification and flexibility of these spaces across the community will be key'

Philip Harvey

Restaurants and bars are actively targeting the co-working or private members space, where they try to emulate the look and feel of 'a Soho House lobby' (David McDowall) to provide workspace alongside traditional food and beverage retail. Hotels which might have focused on business or tourism are having to offer something more multi-faceted. A business hotel might also offer workspace facilities or staff development training, for example.

'I think hotels which have traditionally been very geared towards the business conference or the tourist will actually increasingly have to start to think how do we serve local and national businesses in terms of workspace, learning and teaching space, staff development training and all that sort of thing'

Yolande Barnes

ALL DAY VS TRADITIONAL PEAK TIMES

Our respondents have recognised a flatter curve when it comes to trading times, with reduced footfall at traditional peak times. Hours that were traditionally quiet are now busier. Going forward venues that can make themselves attractive and have good footfall all-day are going to do better than those that have focused on trading at the historically peak times.

'What is happening in more residential locations, is that it is far more spread out across the seven days of the week, and it's far more spread out across breakfast, lunch, dinner'

David McDowall

LESS ALCOHOL, MORE RECREATION

Some of our experts talk of socialising moving away from environments or situations where the focus revolves around the consumption of alcohol, to include more recreational activities such as walking, cycling and golf. In part this is being driven by a reluctance to congregate in places that sell alcohol when meeting with friends and a preference for more socially distanced activities where sociability is still facilitated but not at the potential cost of contracting the virus.

'Recently over lockdown I have been doing socially distanced walks with various friends or professional friends who live close to me. And we've spent time walking together and talking about lifestyle trends, business and market drivers that affect us and I think more of that's going to happen. A great lifestyle balance for us as we come out of lockdown, that is productive and allows us all to stay connected and socially engaged, which is also important'

Philip Harvey

But it's also noted that where people are utilising hospitality spaces across the day and not just in the evening the desire is for coffee and soft drinks, rather than alcoholic beverages.

'The biggest selling draft product in one of the UK's biggest pub chains is Pepsi, and they sell more coffee day in, day out, than the majority of wide scale coffee operators'

David McDowall

We will have to wait and see before we can say whether attitudes towards socialising and what it means to be sociable have changed for good. However, it would seem inconceivable for attitudes not to have changed in some way or another, and possibly dramatically.



Methodology

Murmur Research was commissioned by Withers to investigate the impact of Covid-19 on the future of home, work and socialising. They conducted interviews with 15 experts who are well known figures within property, architecture, land development, hospitality and academia.

THE EXPERTS

Robert Adam –
*Robert Adam
Architectural
Consultancy*

Yolande Barnes –
*University College
London*

Lucian Cook –
Savills

Nectar Efkarpidis –
Molonglo

Jonathan Harbottle –
Land & Partners

Philip Harvey –
Property Vision

Robbie Kerr –
ADAM Architecture

**Katrina Kostic
Samen –**
KKS Savills

Marcus Loo –
Savills

Islam Mahdy –
*Credence Hospitality
Developments*

David McDowall –
BrewDog

Chris Miller –
White Rabbit Fund

Mat Oakley –
Savills

Richard Pickering –
Cushman & Wakefield

Mark Williams –
*Queen Mary School
of Business*

