

EVENTS CoreNet Global UK's 1 Big Day conference



Evolution of property: better space for better people

Delegates discussed more creative use of space to attract talent. **Sarah Townsend** reports

"Companies can use property as a competitive weapon." Those were the words spoken by Mike O'Connor, chief operating officer of Aon Risk Solutions, at the CoreNet Global UK Chapter's 1 Big Day conference in the City of London.

At the event, hosted by law firm Allen & Overy at its Bishops Square office on 27 February, more than 200 occupiers from global firms including Shell, Ericsson, Whitbread and Deutsche Bank discussed the importance of a solid property strategy in attracting and retaining high-calibre employees.

"The reality is we need to put the best team on the field if we are going to get returns on the bottom line. This is what determines our success," said O'Connor, in conversation with CBRE's



global head of portfolio services, Richard Hurst.

"It's all about creating a 'winning' environment – one in which people are happy and productive and free to work in whatever way suits the specific task they are undertaking at that moment."

The concept to which O'Connor referred has become known as "activity-based working" and is increasingly being incorporated into office design and layout. Workspaces are unassigned and employees instead use different parts of the office – for example, meeting rooms, cafes, quiet zones and presentation rooms – depending on the activities performed.

Aon last year launched a pilot to test this way of working at its Chicago headquarters. O'Connor, speaking after the session, said the company had managed to steadily shrink its property footprint by thinking more strategically about the space it uses.



One man's abandoned site, another man's soulful start-up space



Last month, developer Allied London revealed plans for a pop-up shopping village at Manchester's Spinningfields to drive footfall to its

400,000 sq ft "the Avenue" retail scheme. But it is not the first to build shops from shipping containers to make temporary use of surplus space. Entrepreneur Roger Wade (below, left) pioneered the concept in 2011 with his BoXPark shopping mall in Shoreditch (pictured). Wade, BoXPark's founder and director, told the 1 Big Day event how he transformed a slice of empty land awaiting development into a lively and lucrative enclave of one of London's coolest districts.

"I've always liked industrial design, that's why I opted to create a whole mall from containers," he said.

"We've been trading for 14 months, and I've learned a retail developer's work only begins once construction is complete. Success lies in how the scheme is operated – and that requires a compelling brand. We've added value to the site for the next landlord."

Another entrepreneur making creative use of surplus property is James Layfield, founder of alternative office provider Central Working. Layfield told delegates how he creates bespoke, fun and affordable work space for freelancers and start-ups: "We take places that are utterly horrific – basements, attics, abandoned shops – and turn them into exciting spaces that fuel business growth. We want a soulful, beautiful place, not a soulless hell hole of an office."

Meanwhile, Mark Anderson, estates director for Whitbread Hotels & Restaurants, told the conference how his company is changing the use classes of underused office and residential sites to open a string of new outlets. It aims to develop 2m sq ft over the next five years, increasing its portfolio to around 10m sq ft.



He insisted its intention was not to exit lots of properties to cut costs, but free up office space for future growth.

There are clear long-term financial benefits in reducing the amount of property a company needs. However, O'Connor pointed out that implementing a well-considered real estate strategy requires significant up-front investment, particularly when it comes to retrofitting and redesigning existing space. That means persuading the company's finance team it is worth forking out now. "You have to base your proposition on hard facts and ensure the numbers add up," O'Connor told delegates.

Meanwhile, Anthony Duggan, head of research at Deloitte Real Estate, presented the company's seventh annual survey of chief financial officers, this year from 84 listed companies with a combined

There is relatively little choice for corporates looking to change their real estate footprint

**Anthony Duggan,
Deloitte Real Estate**

market value of £672bn. The survey, published in January, has become a benchmark for gauging the financial attitudes of the biggest corporates.

This year it revealed, perhaps unsurprisingly, that reducing costs and increasing cashflow is the biggest concern for most (51%) respondents.

Duggan said this demonstrates how challenging it is for corporate real estate teams to make the case for investing in property during the downturn. The other issue, he told delegates, is the short supply of new offices as construction levels remain flat.

"There is relatively little choice for corporates looking to change their real estate footprint," he said. "If you are looking to move to new, more efficient offices that better suit your purpose, the lack of a development pipeline will make it very difficult for you to make the shift you need."

Yet many occupiers, Aon among them, have achieved change without moving to a new property. Duggan pointed to figures in the report, which show that the average net area per office worker has shrunk from 166 sq ft to 118 sq ft in little over a decade.

The key is more effective partnership working between finance and corporate real estate departments, said Neil Austin, global head of property services at the Royal Bank of Scotland. "Our chief financial officer's [CFO] strategy is very much a defensive one at present – it's all about cost saving. We are not seeing much expansion [across our real estate portfolio] and there has never been greater scrutiny of departmental spending."

"Despite that, there is opportunity, and it comes from us working with the CFO team and producing hard statistical evidence of the financial benefits of a more flexible approach to working."

However, as evidenced by O'Connor, corporate real estate is increasingly rooted in the role of the chief operating officer, rather than the CFO, said fellow panellist Patrick Morrissey, head of occupier consultancy at GVA. "There is a significant distance to travel before CFOs truly understand the link between employee performance and property."

Later at the conference, a session on the booming TMT (technology, media and telecoms) sector suggested it is the hip, young, start-up firms that are driving the office evolution to which earlier speakers alluded (box, above).

Simon Ward, a partner in Cushman & Wakefield's corporate occupier and investor services team, spoke of a growing appetite for "character and soul offices", with a "cool, funky image". Such offices would have natural light, art displays, communal chill-out areas, cycle racks, superfast broadband and in-town locations.

"It's all about using space to attract talent," he said, echoing O'Connor's opening words. ■

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