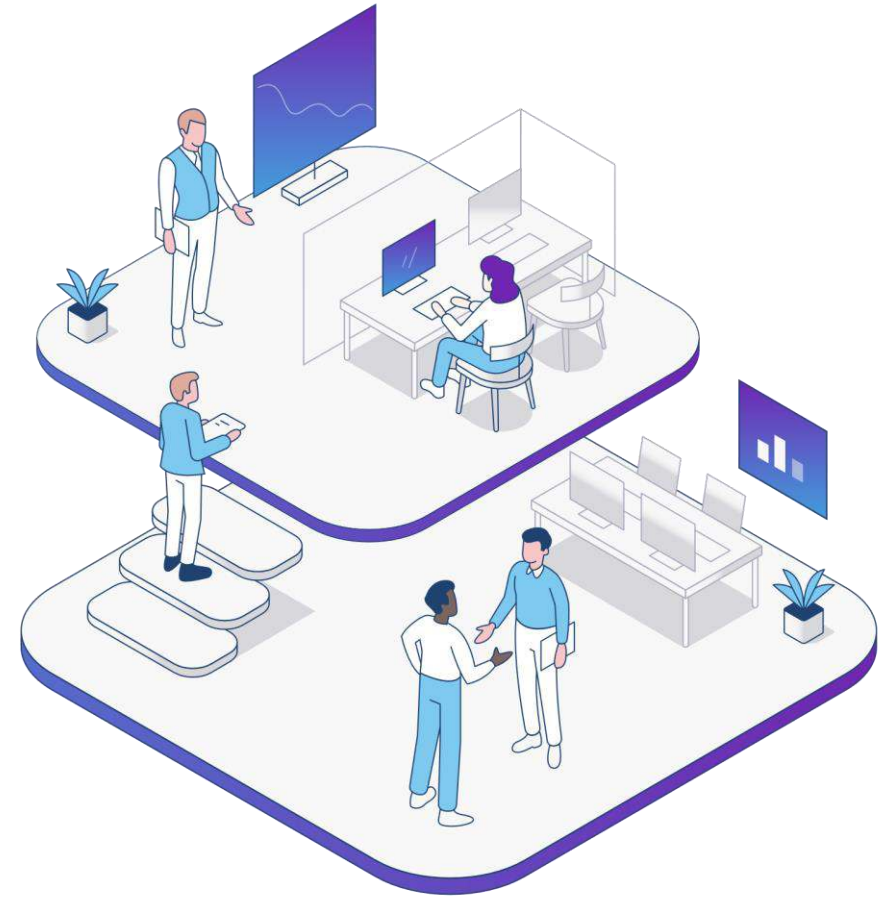# essensys

Real Estate | Complexity in the Office Market

How technology can help (and hinder)

Occupiers have expressed their opinions. Find out what they're saying in this essensys report

Primary Research: Includes responses from 2,500 UK based Office workers

Welcome

"Over the course of a couple of years the real estate industry, and more broadly how we live work and play, has been fundamentally altered, and the knock-on effects are still being realized.

Not only has the industry had to navigate the pandemic, which has changed the very face of the modern office, but it now has to contend with a recession, an energy crisis, extreme weather events, and a cost-of-living crisis – all of this against a backdrop of changing customer expectations.

It has become a nuanced complicated world to navigate. The future of the office, what it looks like and how space is consumed is being called into question.

Understanding what occupiers want, what frustrates them, how their concerns can be addressed, and how the changing dynamics of working habits are impacting them is incredibly important.

In this report we look at what makes office workers tick, the draw of being connected (to people), the impact on productivity, barriers to the return to the office, and what workers want to see in their offices. Throughout all of these topics, we address the role that technology plays in transforming how office space is engaged with.

Whilst it might feel like today's landlords and flexible workspace providers have a lot to contend with, there is also huge opportunity. It is important that there is a focus on solving the problems of today, providing occupiers with what they demand, in order to create the meaningful experiences and the best environments to support how they want to be working: in adaptable, frictionless, and flexible environments.

If you can address the core problems facing today's offices, then there is scope to ensure the future of the office, whilst being able to adapt to shifting dynamics as the world becomes more digital, more flexible, and more sustainable."

James Lowery
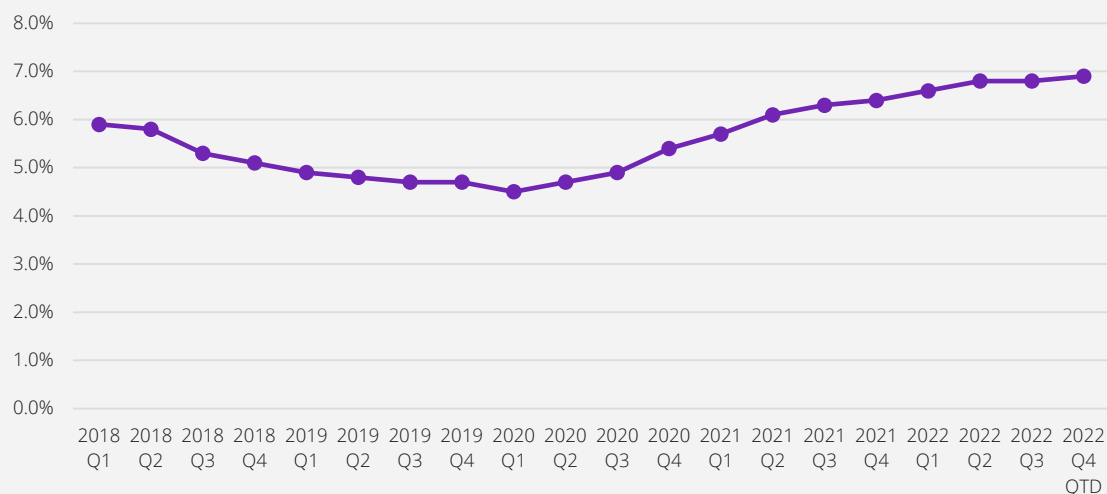CEO UK & Europe | essensys

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The UK office market

A challenging period for the industry

UK vacancy rates are rising; vacant inventory has not been higher since Q2 2015

94 **MILLION** square feet vacant

UK Vacancy Rate*

*Source: CoStar, UK Vacancy Data

Uncertainty in abundance

Modern workforces require office space that fulfills an **evolving set of needs** and it's a difficult task keeping up.

A growing vacancy rate shows office space is not being consumed and utilised at the rate it once was; and often occupiers are not getting what they want, consistently.

Move-in-ready, amenity rich flexible space is a growing demand for the UK's increasingly hybrid working practices. But it's a **complex** task to understand how to make this a reality. It can not, however, be achieved without the effective use of **technology.**

This research focusses on understanding technology's impact on the occupier experience today and what can be done to improve it.
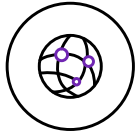
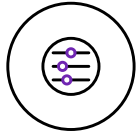It is now impossible to meet modern occupier requirements without technology

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Customer expectations are rising
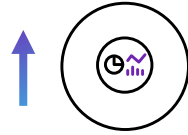
That has consequences for landlords

The flight to quality means landlords & operators are faced with several considerations:

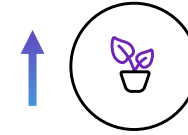**Location** of their assets and portfolio

Design of their spaces

Flexibility of space so that it allows companies to grow & shrink. This also accommodates hybrid working styles & patterns

Digitalisation and the occupier experience it empowers them to deliver

Sustainability strategies in response to decarbonisation initiatives and evolving legislation

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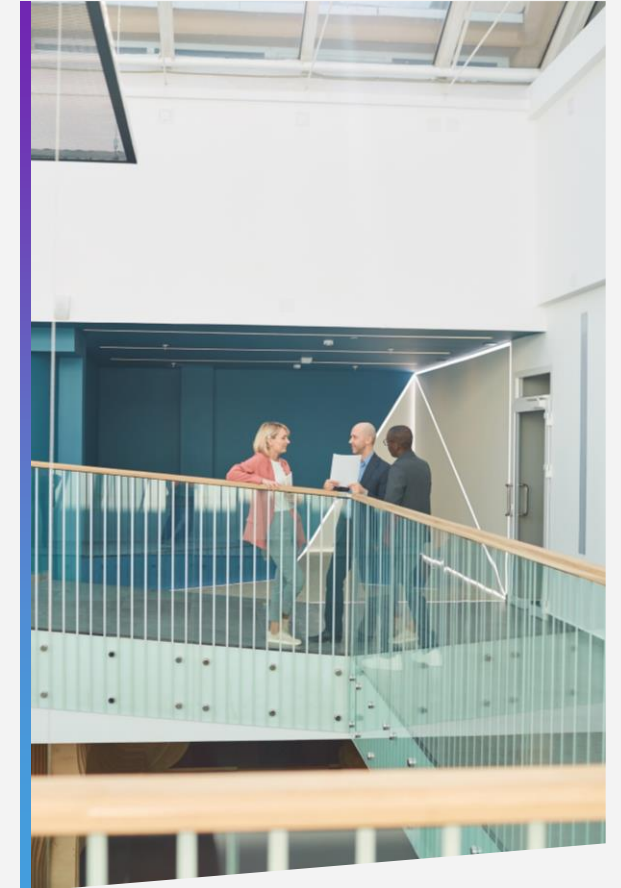
The flight to quality is accelerating

Making sense of occupier needs & what this means for in-building technology

1 We asked **2,500 UK office workers** what they expected and needed from an office when it came to technology.
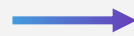
2 We discovered what technology **entices occupiers** back to the office, as well as the technology that's **driving them away.**

3 Read on to discover what **occupiers want** from in-office technology, and how landlords and operators can **tackle rising vacancy rates.**

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UK office workers are left wanting more from technology

Technology has the power to make or break occupier experiences

61%
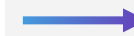
of UK office workers are **left wanting more**; they want technology in their building that they've experienced in other buildings

53%

of UK office workers are **frustrated** at the **state of technology** in their office building

11%

only 11% of UK office workers **think technology** in their office is **advanced enough** to meet their needs

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Office technology is impacting UK worker productivity

59%

Of workers believe they'd be more productive if they had seamless & consistent connectivity in the office.

This becomes 69% of 18-34 year olds, showing greater value is given to connectivity by the younger generation in the workforce.

23%

Of UK office workers stated that the **technology** in their building directly **hinders** their ability to perform effectively and impacts their **productivity**.

Overall, 52% of office workers do not believe the technology in their workspace enhances their ability to do a good job.

Alexandra McGregor
Global Head of Customer Success, essensys

"It's become evident that offices are about more than the physical building. Occupiers are looking for spaces that promote collaboration, productivity and wellbeing.

Whilst technology plays a big part in delivering these types of spaces, **great tech alone is not good enough.** You need a framework where tech facilitates but people are at the heart of any operation.

Occupiers are aware of how their workspace can help them to be more productive, and we're seeing our customers responding to that with the delivery of more comprehensive working environments – made possible through their strategy, their understanding of data and analytics, and underpinned by the technology that brings to life digitally enabled spaces."

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Staying connected or staying home

Our research shows **technology can serve as a pull towards offices** but conversely, it also shows getting it wrong drives people away.

We asked, what technology would **entice** people to work in an office **more than they currently did.**

Two of the top four technologies related to **connectivity** and **WiFi**.

69% of office workers under 34, believe the state of their building's WiFi performance, negatively impacts their productivity

The top 5 technologies to entice people back to the office:

1 Ability to **see** which colleagues are in the office

2 Superior internet & WiFi **reliability** in the office

3 **Seamless** WiFi across **all areas** of the office building

4 **Tech-enabled meeting room** spaces with digital collaboration tool

5 Ability to **access space** and services **across a network** of **locations**

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The **biggest cause of worker frustration is what should be the simplest thing** – unbroken connectivity to office and building WiFi
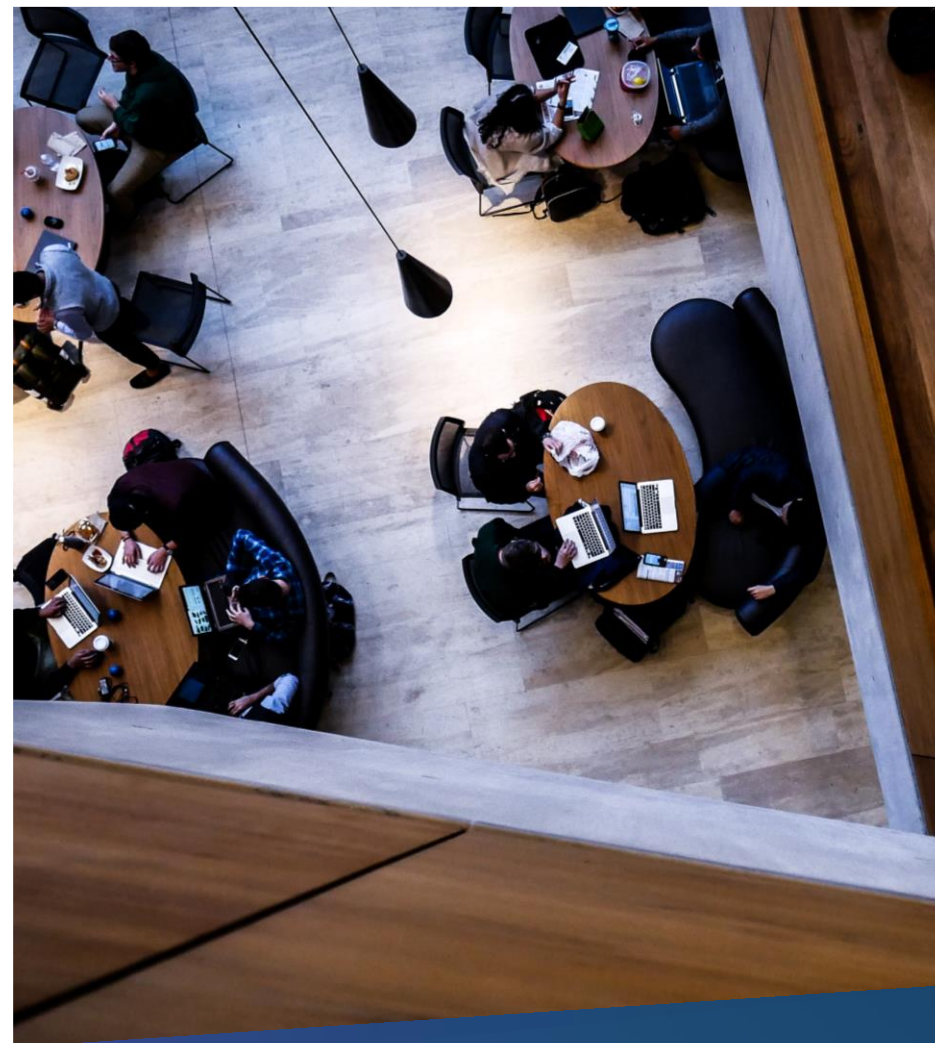

26%

want the simple ability to **work from multiple areas within a building** or across a campus securely, with uninterrupted WiFi.

24%

believe faster more reliable **WiFi** would **improve their output** in an office.

21%

often find simply **connecting** to the WiFi frustrating and difficult.

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The meeting room challenge

Another source of frustration for occupants.

75%
On average, 75% of workers have experienced it taking 30 minutes to identify, book and access a meeting room.

22%
of UK office workers find technology in meeting rooms is the tech that lets them down the most. This could include basic things such as connecting a laptop to a screen or hosting a conference call.

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# Meet people's needs, but not at the cost of security

95% of **Chief Executives** are **concerned** about a **data security breach** at their organisation

Whilst workers were vocal in their displeasure of the state of in-office connectivity and WiFi, there was an acknowledgement that improving this should not come at the cost of **security.**

Nearly two thirds (**63%**) of office workers stated they were concerned about the security of their organisations data that is accessed via in-office WiFi.

Interestingly, from a regional perspective this raises to **78%** of workers based in London.

A third of office workers said they were aware of a data security breach at their organisation already. Again, this was higher in London where **45%** of workers said they'd experienced a security breach. Therefore, seamless and consistent connectivity must also be highly secure.

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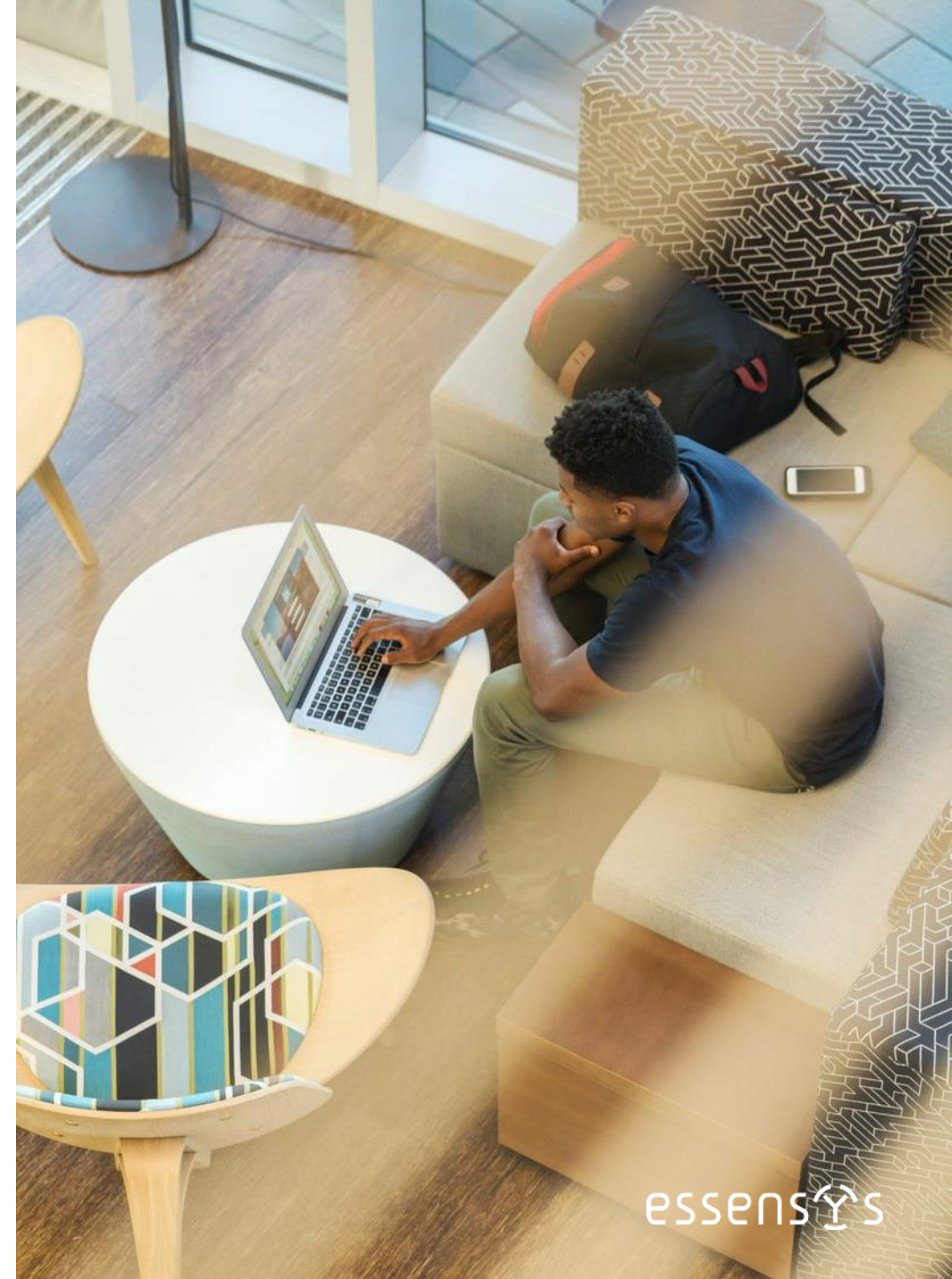
Protecting our future

Workers are looking at their offices to support a more sustainable future

87%
of business owners don't have the ability to monitor **occupancy levels**.

87%
of business owners don't have the ability to **control lighting remotely or automatically**.

83%
of UK offices don't have the ability to **monitor the quality of air**.

The built environment generates **39% of global greenhouse gas emissions**. The real estate sector is mobilised to instigate change, with major propcos and smaller companies alike setting net zero targets.

However, the UN has stated that progress in limiting any rise in global temperature to 1.5C (the internationally agreed target) has been **"woefully inadequate".**

Furthermore, **EPC regulations** are tightening; legal requirements state a commercial property must have an EPC rating of at least E before a new or renewal lease can be granted. However, from April 2023 this will also apply to **existing leases**.
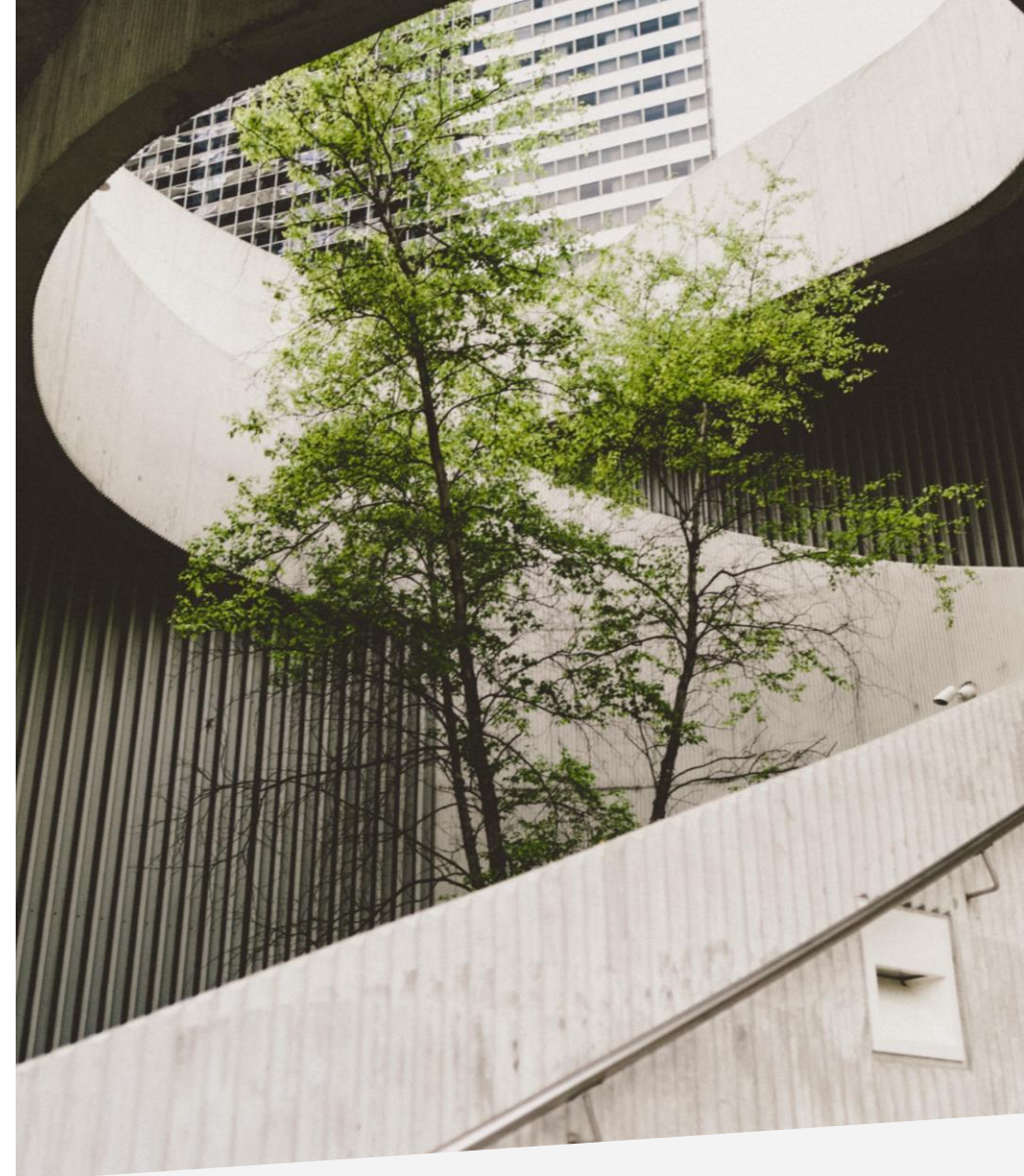
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Kally Kang-Kersey

Chief People Officer, essensys

"ESG will be fundamental to the future not only of our offices, but our cities, our communities – in everything we do. Smart and inclusive spaces are the focal point of any development whether that be a new mixed-use campus or the retrofit of a single asset.

Sustainability is at the forefront of many businesses near term and long-term strategies, the commercial real estate sector is no different. This is due to their values and their identity as a business, and the vocal demands from office workers who want to see a more sustainable future. In fact, studies are showing that 71% of workers consider a company's environmental record when deciding to take a position.

The transformation of real estate has been happening slowly, whilst targets have been set and progress has been made, there is much more to be done. Not only is it the right thing to do, as the future of our climate stands at a tipping point, but it will be an increasingly important factor in attracting and retaining tenants and answering the calls of a more ESG conscious workforce."

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Give the people what they want

More advanced, effective technology

It's clear that in-office technology can frustrate workers and impact their productivity. Whether it's **seamless and consistent connectivity, meeting room technology** or the ability to **identify, book** and utilise different types of **spaces** within a building, there are multiple sources of frustration for UK office workers.

Occupiers are seeking solutions to these problems so they can focus on collaborating and working, not waiting around.

Four Items to Consider:

Seamless, smooth and easy connectivity for those entering the building	The ability for occupiers to **access space** and services **across a network** of **locations**	**Tech-enabled meeting room** spaces with digital collaboration tools	**Simplification** of identifying, booking and accessing meeting rooms and spaces

In the journey to meet occupier requirements, security and sustainability must not be forgotten

Flexibility and digitalisation are driving factors in meeting the needs of the modern occupier but can't be looked at in isolation. There are other concerns and strategies to deliver on to meet occupier needs, most prevalent of which are cyber-security and sustainability.

In a digital world, there is a genuine concern from occupiers about the state of cyber security in the office. The risk versus reward profile of embracing technology firmly lies in the reward, but only when attention is paid to using the right technology. As flexible real estate becomes ubiquitous across the UK, more questions will be asked about the state of cybersecurity in offices.

Whilst cybersecurity is a technical requirement, occupiers are also interested in the bigger picture – sustainability is front of mind. Occupiers are now demanding more sustainable propositions, understanding that what we will do now will have a significant impact on the future, not just of the office but of wider society. It should not be overlooked.

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Conclusion

"The appeal of the office is about its ability to provide spaces that support collaboration, meaningful experiences, and human interactions. Spaces need to be more than a place to sit and send emails, they need to be adaptable. More than that they need to be flexible in the broadest sense. Whether that be supporting flexible layouts and amenities, enabling hybrid working models, or providing the flexibility to roam seamlessly across a building, space or portfolio.

It is clear that occupiers are no longer content to work in the way that they used to. In response we are seeing a rise in flexible workspace with research showing that in the long-term flexible office stock is due to reach circa 20%+ of total stock.

It's easy to understand the theory, but harder for landlords and flex workspace operators to provide the types of experiences occupiers demand, least of all because it is not a one size fits all type scenario.

So, how do landlords and flex workspace providers ensure that their proposition is fit for purpose? The answer is by addressing their technology strategy.

It is evident that technology has the ability to enable the delivery of a new way of working, provide new efficiencies, drive costs down, and be adaptable to occupiers needs. What is interesting is how alive workers are to the benefits of technology. Inadequate technology causes frustrations and can be a deterrent to coming to the office, where as technology done well can be a huge attraction to bring people back to the office and support the types of workplaces they want.

In a future that is set to be more digital, more flexible and more sustainable, the real estate industry must respond to the needs of the occupier, otherwise the gap between what people want and what they are offered will be too big, and they will look outside of the office for the answers to what they need."

James Shannon

Chief Product and Technology Officer, essensys

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Appendix: An incredibly complex time

Variables beyond our control are impacting occupancy. Don't add what can be controlled to that frustration, such as technology.

1/3
of workers found **commuting a challenge** as the UK contended with summer rail strikes.

Whilst June's rail disruption saw a **significant**

60%
drop in office occupancy.

When temperatures hit their peak in the July heatwave office **attendance dropped by**

32%
according to essensys occupancy data.

James Lowery
UK & European CEO said:

"A summer of hot weather and rail strikes adds to the challenges for commercial real estate as it seeks to re-attract people back to the office post pandemic. Ensuring in-office technology gives employees a seamless user experience is now vital to remaining competitive in the office market. Real estate's response to climate change and shifting working patterns is going to come under ever

closer scrutiny, with portfolio investment, including tech improvements, crucial to providing workspaces that optimise energy efficiency and create productive, high-quality office environments."

"Commercial real estate has obviously had a difficult couple of years in light of the pandemic and rising temperatures is yet another challenge to navigate. There has been a fundamental shift in attitudes around how and where we work adding to this, with employees expecting more of their working environments. Having the right digital backbone helps to improve operational efficiency, future proof office spaces, as well as making them productive places to work in the age of hybrid working."

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Want to hear more?

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