



Real value in a changing world

Offices **2020** The future of offices

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REMEMBER THE DAYS OF CUBICLES,
CELLULAR OFFICES, AND BEING ABLE TO
SMOKE AT THE DESK?

**THE WORKSPACE HAS CHANGED
DRAMATICALLY OVER THE LAST
DECADE – WHAT WILL IMPACT THE
OFFICE SECTOR IN 2020?**





The Questions

- | | | | | | |
|----|---|-----|----|---|-----|
| 01 | Which drivers will be the true enablers for sustainable real estate? | 83% | 06 | What are the key factors that will enable fundamental change in the workplace and what will the office be "for"? | 63% |
| 02 | What will be more important and why: office location or office quality? | 73% | 07 | How will building life-cycles change and what does this mean for sustainable refurbishment and asset management? | 63% |
| 03 | Where will be the greatest change in location and why? What are the implications? | 70% | 08 | How and why will office tenure and the "landlord/tenant relationship" change? | 60% |
| 04 | How might the cost and availability of development funding and finance change and what are the implications for office real estate? | 67% | 09 | Given the challenges faced by real estate, will the industry be able to change? What talents and cultures will be required? | |
| 05 | How will new workplace technology impact on building specification and fit-outs? | 67% | 10 | How does a strategic "SWOT" analysis look for the industry over the next 10 years and what are the key success factors? | |



Key Messages

The sombre economic context will colour the next 10 years

- Expect cost control, prudent Return on Investment analysis and risk assessment

Offices are not dead. This is a myth

- Offices will become more important as a place to collaborate and as an investment class

Occupiers will become more powerful

- More strategic, better informed, driven by cost and controlling more of the pipeline

Technology will enable change

- But not to the extent some think

“Middle of the road” product will lose out

- Especially in core locations. Polarisation will increase

‘Green’ is the game changer

- It will become more intensive

...Obsolescence will become the major issue

- And the industry will be forced to adapt quickly



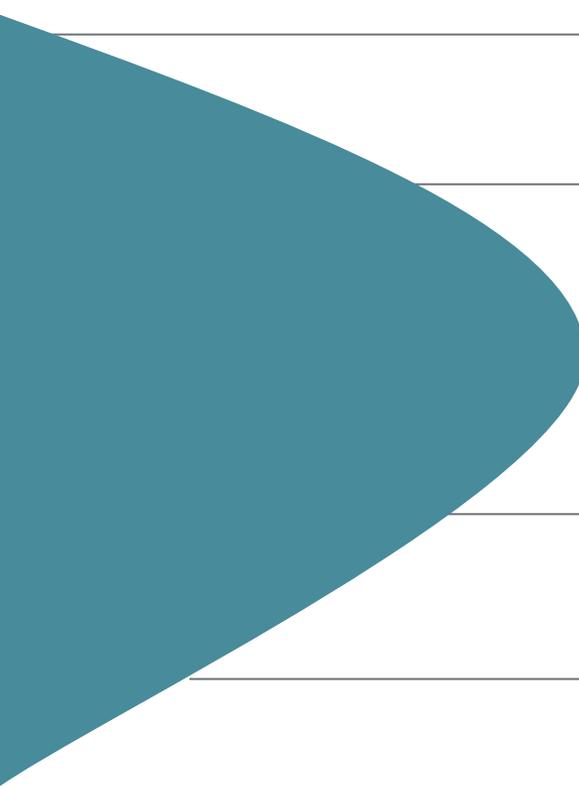
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Focus: Workplace and Specification





However, there are fundamental drivers for change

- 
- 1 **Continued cost consciousness:** rethinking of workplace an obligatory first step
 - 2 **A dearth of quality market solutions:** improve the existing portfolio through the creation of agile environments
 - 3 **Ubiquitous technological solutions:** enable improvements to the flexibility and productivity of the workplace
 - 4 **A shrinking talent pool:** will make greater and louder demands
 - 5 The workplace as a response to a **growing pressure to act sustainably and responsibly**



Focus: Workplace and Specification

The Five Game Changers

01 Electricity: 12V technology rather than 240V
- Could eliminate raised floors and could bring many older buildings back into play

02 Green Technology
- Photovoltaic rooftop generation, high efficiency heating, cooling, water usage, waste energy recovery

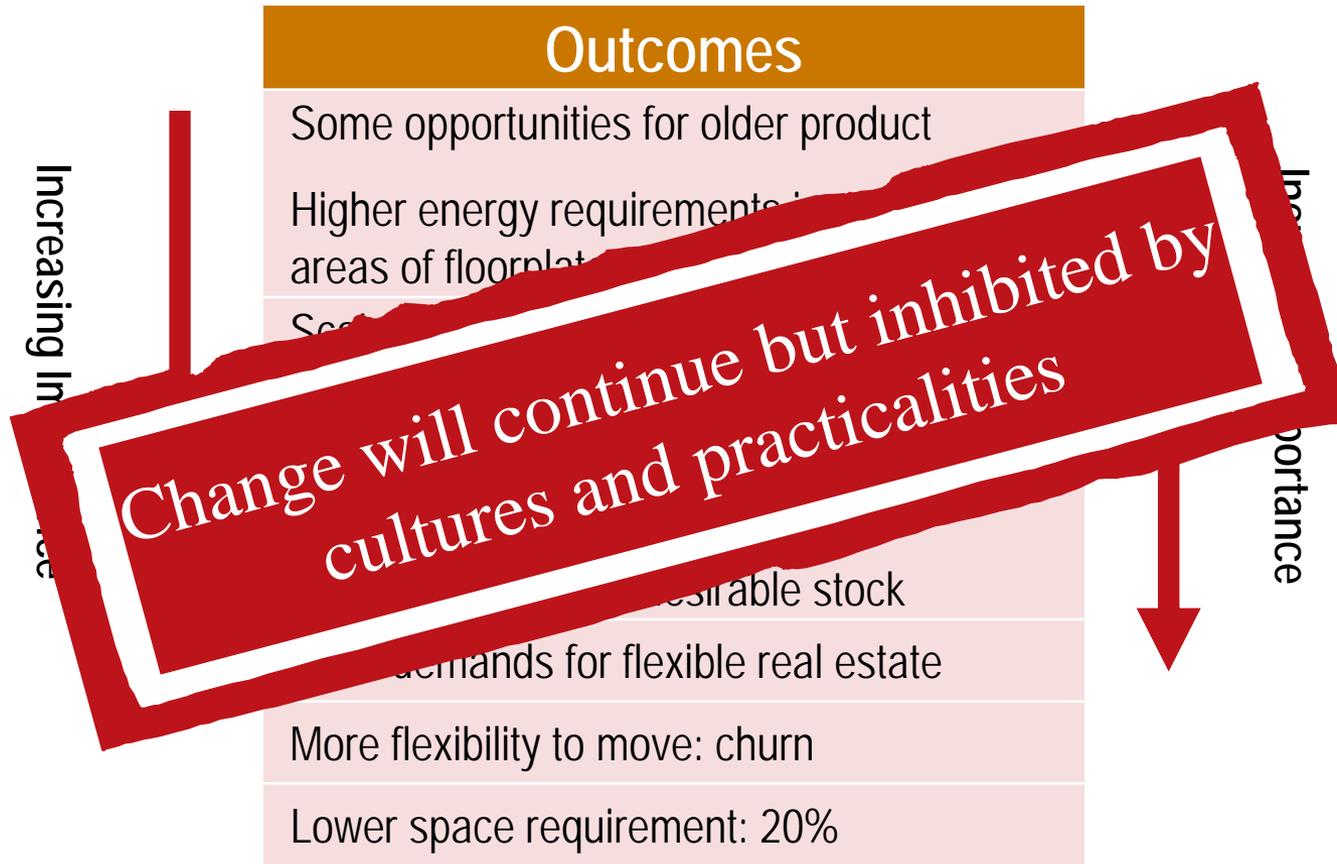
03 Cloud Computing
- Can empty offices of almost everything apart from people. It also engenders flexibility and fluidity in location

04 Collaborative Technology
- The ratio could shift to 70% social and 30% individual

05 Mobile technologies
- Enable core offices to be used more for collaboration

Technology is as much about flexible REAL ESTATE as it is about flexible workers

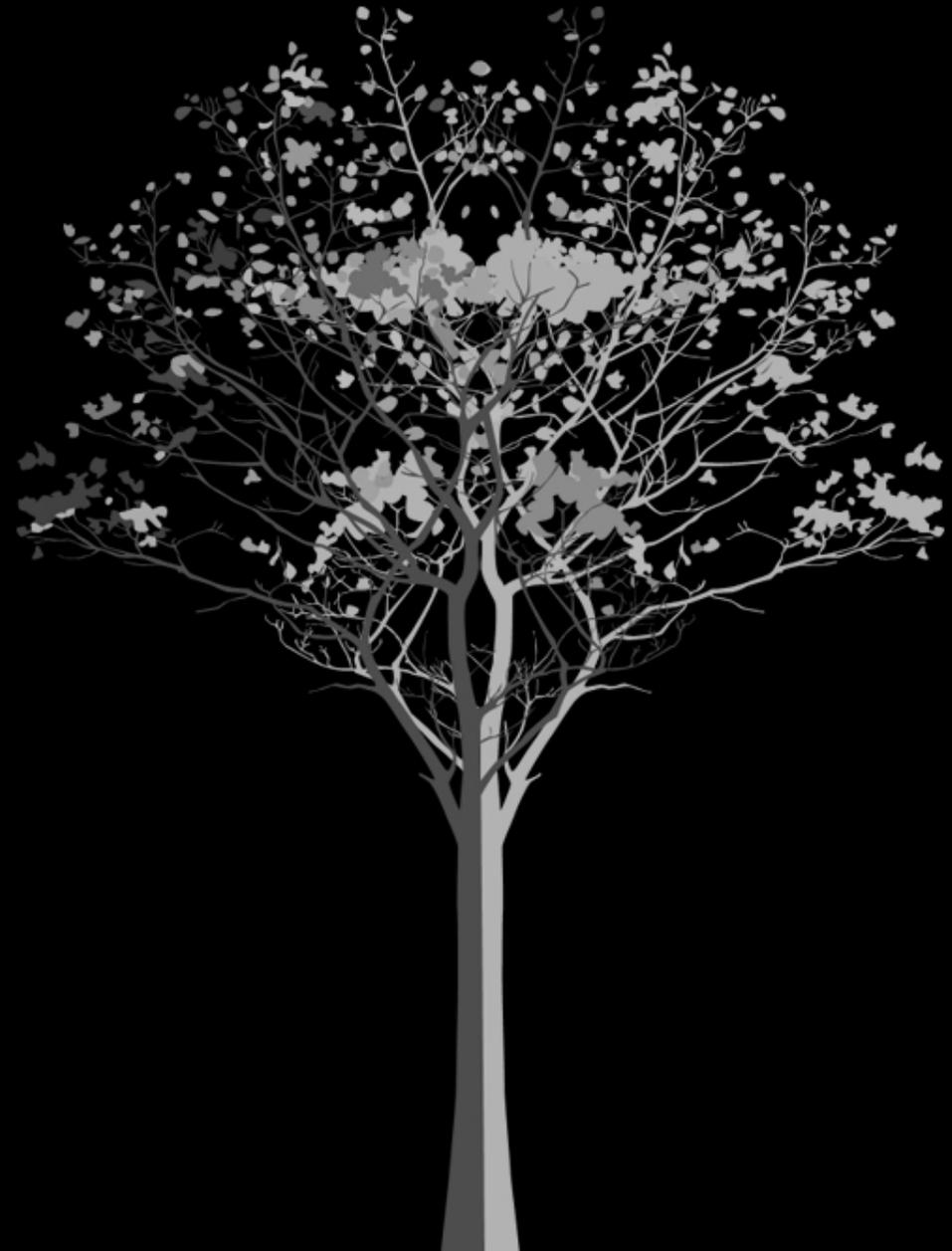
Inhibitors, Enablers and Outcomes





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Focus: Building Lifecycles



The Obsolescence Issue...

22% of UK commercial stock dates before 1960

53%

stock dates from 1950s-90s

In Ger. 'natural' rate of replacement and refurbishment is 1-2% p.a.

obsolescence is a runaway train

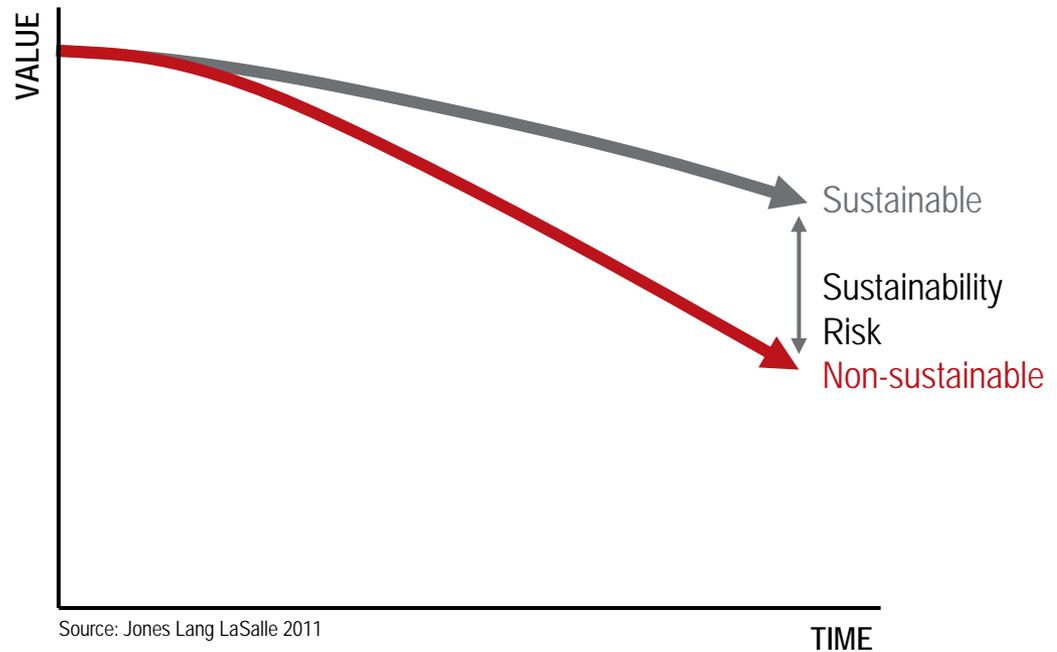


Focus: Building Lifecycles

How old will an old office building be in 2020?

The key drivers are

- 01 Green Legislation
- 02 Work Practices
- 03 Technology

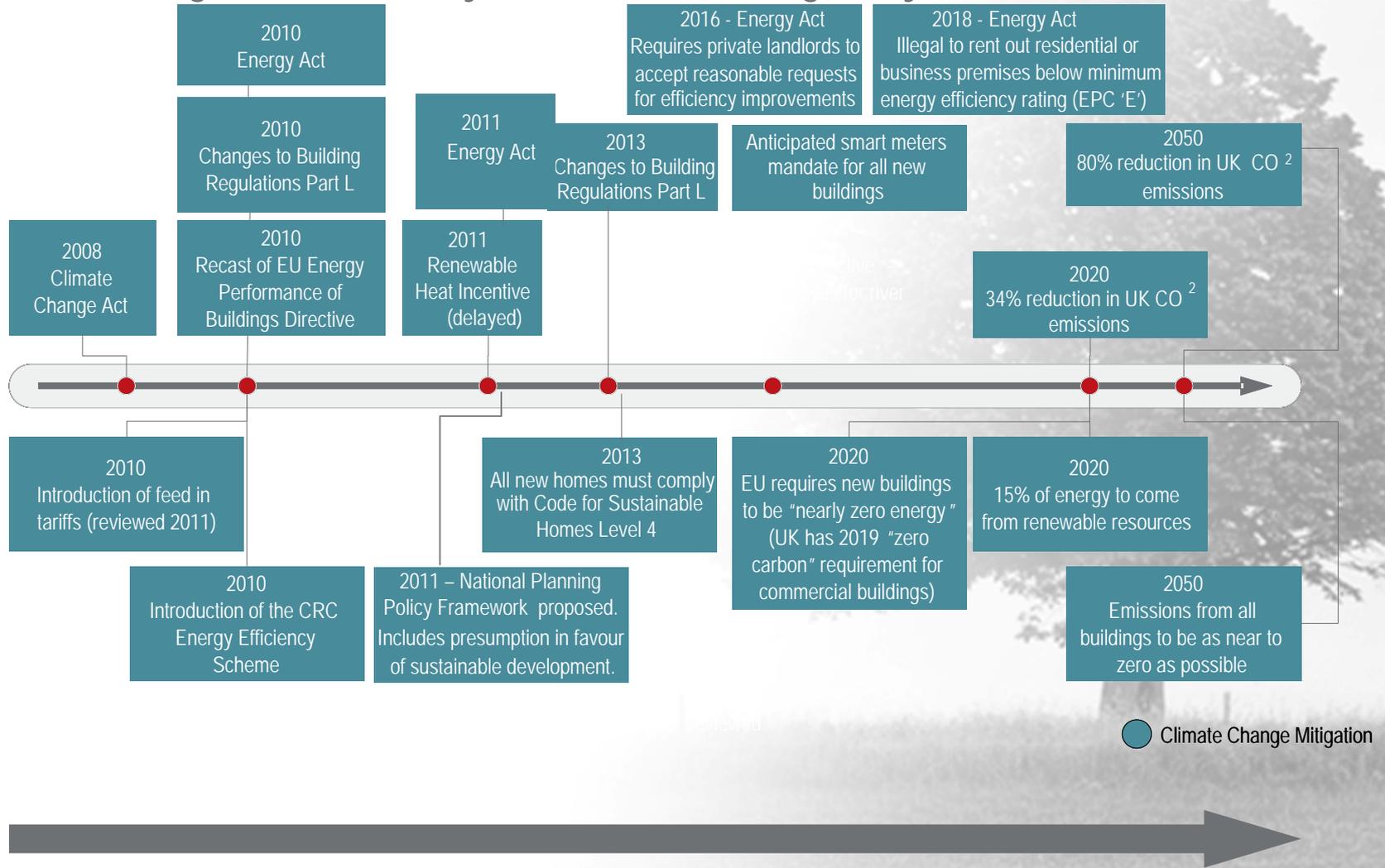


'95% of unlisted UK and continental European real estate fund managers believe there is a relationship between environmental performance and financial returns. However, the majority felt this relationship was difficult to quantify at the current time.'

Aviva Investors and the Environment Agency Pension Fund (2009)

Legislation

Green obligations are likely to shorten building lifecycles





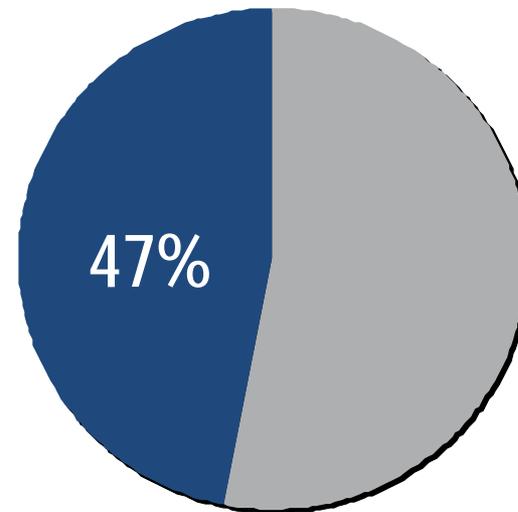
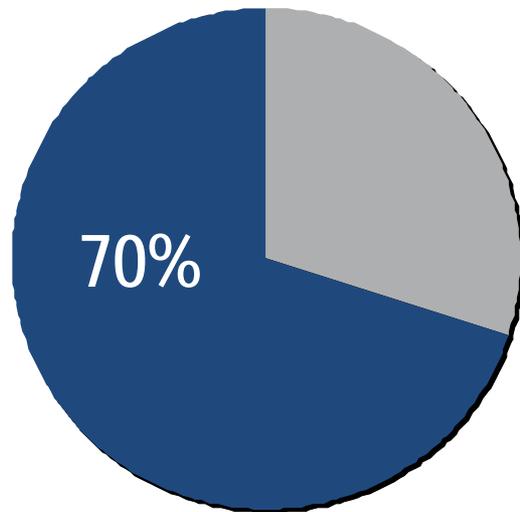
Sustainability is driving occupiers' decisions

CRE Executive Survey on sustainability

Respondents who think sustainability is a critical business issue

Today

2007

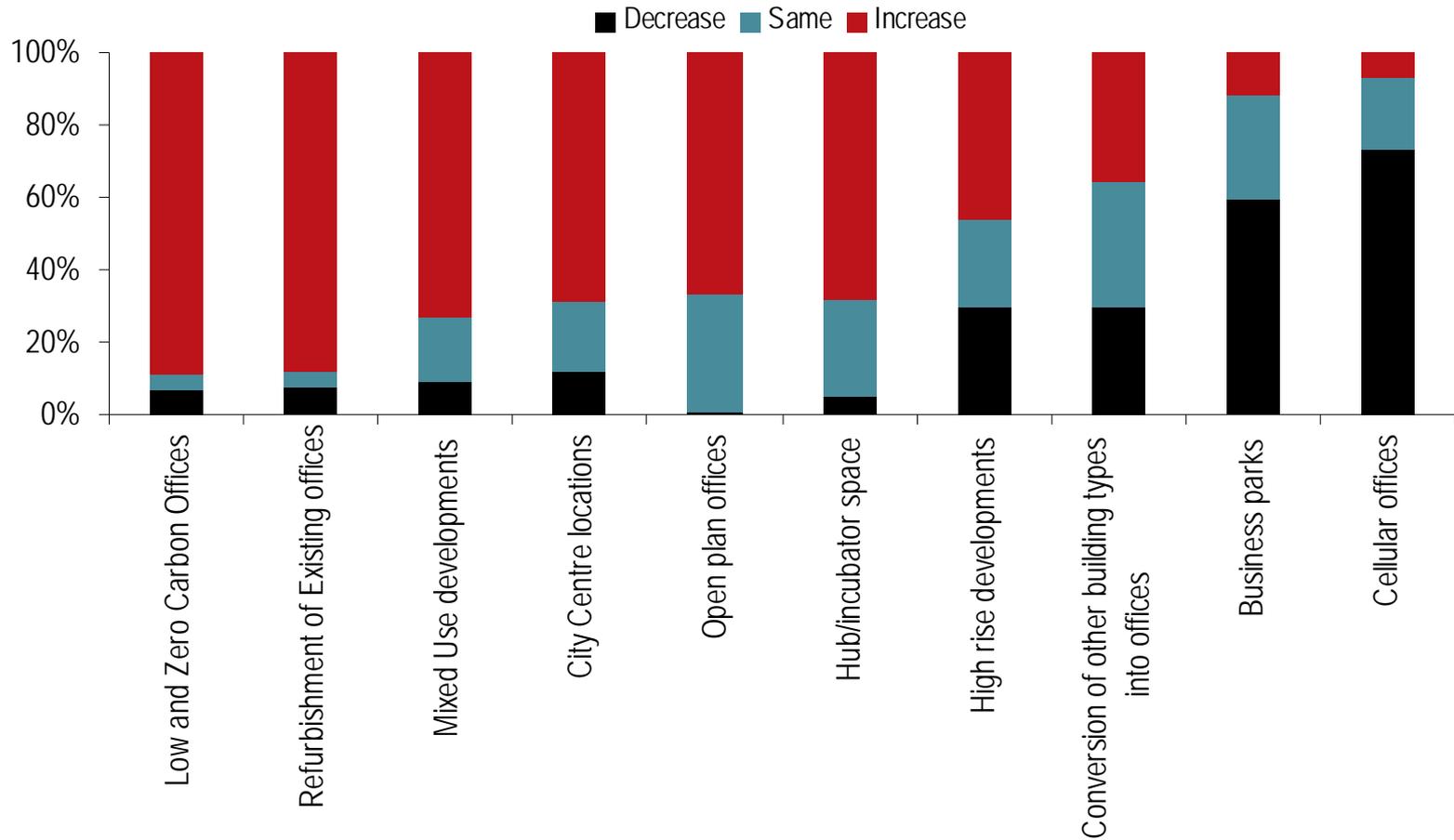


Source: Jones Lang LaSalle 2011



Workplace Needs are Driving Change

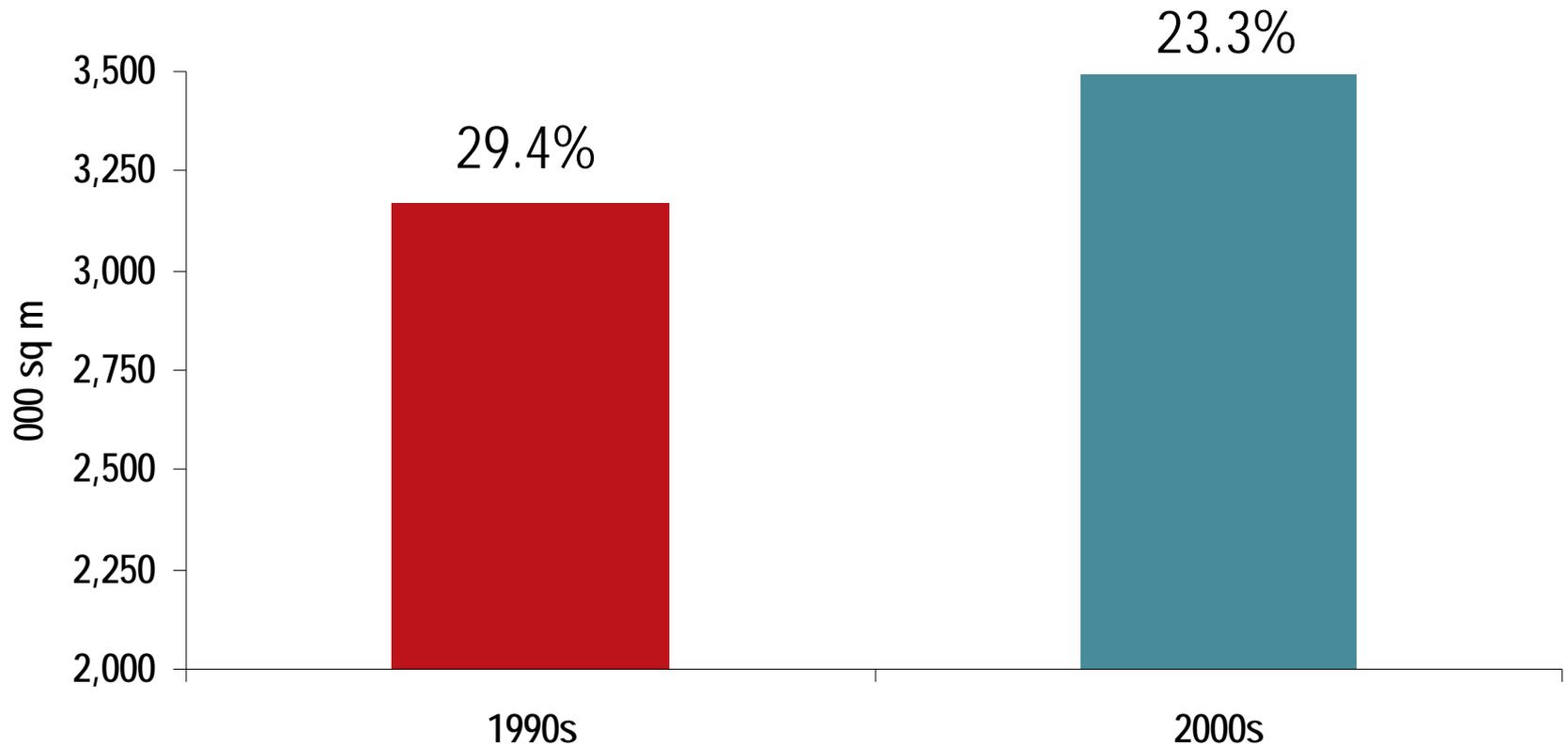
How do you think demand for different types of office space will change over the next decade?



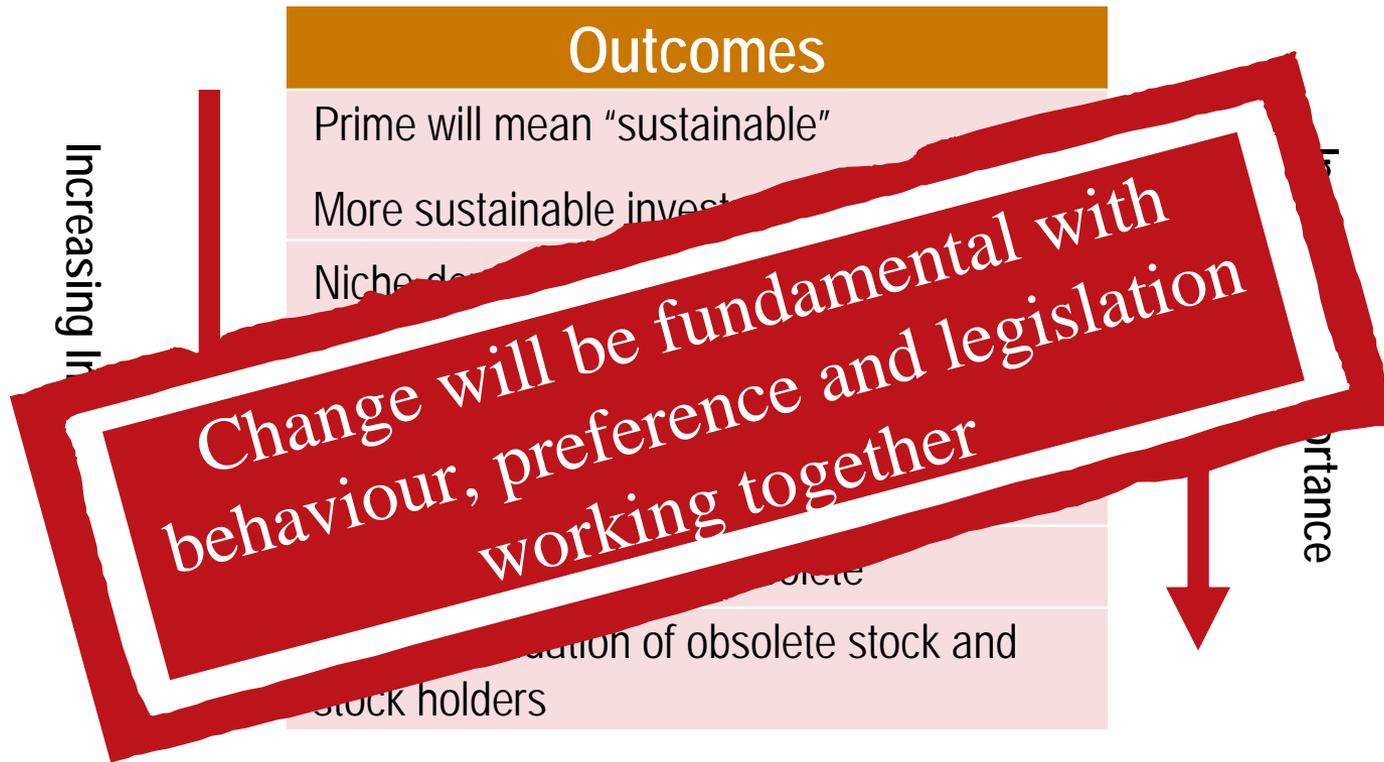
Source: BCO Survey of 50 CRE stakeholders, 2011

How is the Netherlands shaping up?

How much stock has been replaced in the big 5 markets? (Amsterdam, Eindhoven, Rotterdam, the Hague, Utrecht)



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Focus: Landlord & Tenant



Focus: Landlord & Tenant Relationship

The importance of property is changing in the eyes of occupiers

- Relocation is destabilising and costly
 - Companies will need to be increasingly certain of the office decisions they take
- Iconic buildings will increasingly be part of the brand
- The need to build and operate green buildings
 - Boards can no longer ignore the need for green certificates and metrics
- Corporate change is coming so fast, that real estate has to be flexible
 - Fixed assets are being perceived as an increasing strategic risk
- Real estate – particularly leases will have to be flexible
 - This means shorter
- Property has risen up the corporate agenda and real estate executives are nearer to Board level
 - The quality of staff in their team has risen as has their strategic reach

Offices will be seen to have a stronger influence on recruitment, retention, performance and productivity

Landlord & Tenant Relationship

What can we expect?

An improved ability to inform developers

- ✓ More demands on the branding of the building
- ✓ More off plan preletting
- ✓ Green leases or at least MOUs
- ✓ Longer leases to facilitate prelets of HQ buildings
- ✓ Shorter leases to maintain flexibility in the rest of the portfolio

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Conclusions

Conclusions from Today

01 Technology will change the way we work - but not as much as some people think

02 Technology will mean we need less space and can be more flexible in its use

03 Older stock to become obsolete faster – sustainability is the principal driver but not the only one

04 Occupiers will become more powerful and control more of the development pipeline



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Thank you

