

WHAT TO EXPECT IN 2018

1. FLEXIBILITY

The term 'flexibility' when referring to real estate requirements isn't necessarily new, however we expect this trend will continue to grow throughout 2018, impacting both owners and occupiers of office buildings.

We expect to see the rise of co-working environments in office buildings. For building owners who are targeting the smaller occupier it could mean more competition as these occupiers consider a small suite or a co-working environment.

We also expect to see co-working providers starting to target major corporates, rather than focusing on start-ups. We have seen this start to happen in the USA, where large co-working providers have begun competing with traditional landlords for major tenant leases. We expect that, if not in 2018, this trend will hit Australian shores sometime soon.

In addition, we expect to see occupiers subleasing space to co-working providers. This strategy will allow the sublessor occupier to provide additional space for growth if required and to collaborate with the businesses the co-working provider brings in, resulting in enhancements to productivity and increased innovation opportunities within their own workplace.

The term 'flexibility' can also be applied to lease terms. To minimise risk and maximise opportunities, we are increasingly seeing more occupiers seeking shorter lease terms. Understanding how your business will be placed in 10 years' time is a difficult endeavour, particularly for emerging and growing firms. However, this trend is being balanced by the impact of incentives on leasing costs, with a longer lease term resulting in a larger lump sum to contribute to fitouts.

2. SECURITY & SAFETY

The importance of security and safety within office buildings and the occupants of the building will be a priority of most occupiers and owners throughout 2018. Security in buildings is becoming more prevalent and building owners are now considering more advanced methods; security such as facial recognition, finger print scanning and phone ID scanning, rather than the traditional pass cards.

The aim is to provide a level of security that is non-intrusive without detracting from the experience of visitors and staff within the building. The implementation of these new security methods will provide a safer working environment for occupants and their visitors. This will become even more important, given the trend towards flexible working hours and more people coming and going from office buildings.

Another important aspect of security that businesses need to consider is cyber-security. Hackers are becoming extremely prevalent and without the right security in place, there can be major risks to the businesses and people inside.

There will be a renewed focus around safety and security in 2018, for both owners and occupiers, and we will continue to see new innovative technology emerge within office buildings.

3. TECHNOLOGY

With technology constantly evolving, smart buildings and robotic technology are expected to gain significant momentum in 2018. Smart buildings utilise imbedded sensors and analytic technology to allow owners and occupiers to monitor and adjust energy usage, lighting levels, daylight penetration, fresh air, humidity and temperature control, elevator usage and other metrics to improve user comfort and maximise energy savings.

Sensors are also used to measure occupancy patterns for meetings, workspaces and circulation paths to optimise the utilisation of leased space and provide real time data for future adjustments within the workplace. A leading example of this is The Edge in Amsterdam, occupied by Deloitte. This building is often cited as the most intelligent building in the world with advanced smart building technology embedded throughout. In Australia, buildings like 200 George Street in Sydney are leading the way in smart building technology.

AI (Artificial Intelligence) continues to be a hot topic under the technology umbrella. AI is essentially when a machine mimics the cognitive functions of a human, such as learning or problem solving. AI will impact occupiers over the medium to long term, and likely result in a reduction in physical staffing roles, as well as the creation of new roles that will optimise the benefit that AI can provide.

Businesses are starting to look for 'growth without expansion'. This refers to a reduction in their physical head count, while experiencing growth across the company with new products and processes, increasing services offered and growing market share.

Although we don't expect the total headcount across workforces to diminish in the near future, we expect employees to be more highly skilled, with process driven jobs disappearing. There will be a gradual upskilling of the workforce, and companies will start to battle for human talent even more than now; this won't all happen in 2018, but we will start to see aspects of it come into play.

4. SPACE CONSOLIDATION & SHARED FACILITIES

There's no doubt workspaces are becoming denser. Over the past few years we've seen some occupiers moving from a 1:10 staff/sqm ratio to a 1:8 staff/sqm ratio for some parts of their workspaces, a trend we are expecting to increase, particularly within major CBD areas where space is becoming more expensive.

Today's workplace is more mobile and flexible with staff working offsite and from home, it's becoming harder to justify allocating a desk to every employee when occupancy rates are decreasing. As occupiers continue to seek new ways to consolidate space and save on real estate costs, density ratios are being driven down.

Another way occupiers are reconsidering their real estate requirements and total amount of space is analysing their 'core space'. 'Core space', defined by Peter Black – National Director, Colliers International, is the minimum space required for a business to function efficiently with no excess space for expansion, short term project spaces, seasonal work surges or large meeting spaces that are only used occasionally.

Owners need to understand their occupiers' core space needs versus their 'flexible space' needs. Many modern office buildings provide shared facilities (flexible space) within their asset that is specific to the building's occupiers. This space could incorporate project space, meeting spaces, collaborative spaces, event spaces, administrative areas for printing and copying.

Ultimately, this means occupiers can reduce their tenancy size and still have the flexibility to use shared building facilities. This trend will also directly impact landlords as the benchmark within office buildings moves in favour of shared facilities. More building owners will need to deliver these services to maximise their tenancy profile and not lose out on rent due to reduced NLA requirements.

5. PLACEMAKING

Building owners and occupiers will consider "placemaking" as a core component of the future strategy for any commercial building and workplace.

Given the rise in mobile technology, people now have a choice of working in a physical place of work, a co-working space, working at home or other third spaces. There will need to be a compelling reason for people to come to a workplace to physically perform their work duties.

Building owners are using programmed cultural activities, wellness amenities, improved ground plane experiences and partnerships with occupiers, retailers and service providers to make a place that attracts and connects with the new hyper mobile workforce.

With active government involvement, our CBDs will become more pedestrian friendly with more people using public transport, cycling or other non-car alternatives to commute to work. We are already seeing a reduction in car parks in the major cities. This is an opportunity for landlords to convert underused carparking space to other uses like after trip facilities or even retail and service spaces.

The top five trends we expect to impact owners and occupiers in 2018 have been derived from our office experts.

We expect each of these trends to intertwine with technology changes continuing to disrupt the status quo, and improving our buildings and workspaces. We'll see a focus on placemaking with better, more user-friendly cities and buildings. Occupiers will continue to consolidate and drive the utilisation of their space and we'll see the rise of core and flexible space strategies.

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