

Scholarly thought on the future of real estate

In early spring, EG launched its inaugural student essay competition for all apprentices, undergraduates and post-graduates in real estate. Our judges have now deliberated and delivered their verdict on the winner and two runners-up



For its inaugural competition, EG invited all those on apprenticeships or studying a real estate course at undergraduate or postgraduate level to submit – in no more than 1,200 words – their vision for the future of real estate.

To provide inspiration, they were asked to respond to the thoughts expressed by Eden Dwek, director of expansion at WiredScore, in EG's feature *The Future of Real Estate: A next-generation view* and offer their perspective on:

- the sentiments expressed;
- what the office will look like in a post-Covid world;
- how the pace of technological change can transform the places in which we live and work in the future; and
- how the sector should respond to these challenges.

EG's five-strong judging panel convened in early June to identify the winner and two runners-up. Scooping the first prize – publication in the EG, a year's free subscription to EG magazine digital edition, mentoring from one of the judges, and £250 in vouchers – was Joe Flanagan from Henley Business School, University of Reading. The two runners-up, who will each receive industry mentoring, a year's free subscription to the EG magazine digital edition and publication in EG, were Greg Donald from Edinburgh Napier University and Damon Stone from Oxford Brookes University.

Speaking on behalf of the five judges, Paul Collins said: "Joe provided a well-crafted challenge to Eden Dwek's future gazing. He started by briefly exploring the said benefits of 5G networks to office users: efficiently transferring huge amounts of data to and from lots of people, as well as inanimate objects and equipment. He, however, argues that the more primary need for office users is to provide more flexible occupational lease/license terms to match business needs – with 5G in support."

Judging the entries

EG appointed a five-strong judging panel, which combined a mix of industry and academic expertise. The participants were:

- Sue Brown, managing director of Real Estate Balance
- Paul Collins MSc FRICS FHEA, senior lecturer at Nottingham Trent University
- Vivienne King, real estate industry leader, commentator and non-executive director
- Jen Lemen BSc (Hons) FRICS, partner at Property Elite

- Dominic Wilson, proptech pioneer and trustee at Centre for London

All entries were anonymised and sent to the panel for blind judging, based on agreed criteria and weighting.

Eden Dwek's vision as expressed in *The Future of Real Estate: A next-generation view*, EG, 9 January 2021

Outlook

2020 has forced us to rethink why people come to the office. Instead of relying on the office as the default place to work, the industry needs to focus on the characteristics that make the office a space that promotes productivity, social interaction and collaboration.

Future offices need to be adaptable and flexible to ensure they deliver what workers want. Whether that be somewhere to focus without distraction, a space to collaborate, or a place with more reliable internet connectivity for accessing documents and making video calls. The concept of the office is here to stay, but what that office looks like in a post-Covid world is another question.

Catalyst

The evolution of mobile connectivity, with the introduction of 5G, will have wide-ranging implications for our industry and the wider built environment. It is set to trigger one of the biggest technology changes since the industrial revolution, touching almost every sector.

It will enable remote surgery, allowing us to move away from centralised hospitals towards community-based healthcare environments. This will improve life expectancy and create new opportunities for later-living amenities. It will allow autonomous vehicles to operate, which will change the layout of our streets, with vacant parked cars a thing of the past, and mobility-as-a-service truly realised. And it will enable the development of a new generation of smart buildings, where offices of the future will be able to autonomously provide the optimal conditions for productivity, collaboration and engagement. These are only a handful of examples of how 5G will change how we think about real estate and how we design places in the coming years.

Most influential

If data is the new gold, then behavioural scientists are the ones selling the shovels. Data means nothing



COMPETITION WINNER
Joe Flanagan
 Henley Business School,
 University of Reading
 MSc real estate

A response to Eden Dwek's view in *The Future of Real Estate - A next-generation view*

Eden Dwek's views on the importance of 5G connectivity in shaping the future of the office, and the real estate industry more generally, are very convincing.

Fundamentally, real estate developments that are 5G-compatible will be able to analyse and communicate their own internal conditions and adapt accordingly. For example, lighting and heating can be altered based on whether users are actually in the room, which has the potential to both save on costs and create a more environmentally efficient home or office. Furthermore, 5G connectivity could allow for more efficient asset management, as sensors on chairs or desks can accurately report office occupancy trends. With this in mind, Dwek's assertion that data analysts are going to be instrumental in shaping the future of the real estate industry is hard to dispute. 5G-compatible real estate has the ability to know itself and its user's preferences, but data analysts will be key in examining this information and advising stakeholders across the industry on how best to get the most out of their assets given the information garnered.

The future of tech in real estate and how the sector should respond

Unquestionably, technology will change the way we live and work, and it could

be argued that industry stakeholders will have to adapt or die in order to remain competitive. For example, developers will need to ensure that any new projects have appropriate technological capabilities, in order to avoid rapid economic and functional obsolescence. Furthermore, landlords will have to embark on extensive retrofitting schemes in order to reposition their assets and meet future market expectations. A significant amount of capital expenditure will be required across the office market in order to transform the current stock that is built to old design standards into modern, competitive assets. Perhaps previously, such repositioning was seen as a way of generating a premium on space, but in the future, it will be seen far more as a necessary risk mitigation strategy.

From a planning perspective, the demand for smart buildings could apply pressure on what is currently considered a restrictive and discretionary planning system. Market sentiment is one thing, but developers have to be able to act on this sentiment, something that is not currently easy to do given planning constraints.

Technological advancements will also change the way real estate service firms operate. Instead of seeing the steady march of artificial intelligence and virtual reality as a threat to their current business model, service firms should see this as an opportunity to embrace new ways of marketing space and attracting potential clients. Ultimately, where there is challenge, there is also opportunity, and early adopters of technology across the industry will place themselves in a prime position to thrive in the future.

The importance of flexibility to the future of the office

It is, however, important to note that



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Eden Dwek's views on the importance of 5G are unsurprising, given his position as a director at WiredScore. Therefore, it is important to discuss the future of the market in a slightly more objective way. Despite the pivotal role that 5G and technology more generally will play in shaping the future of the industry, I believe that technological advancement is a close second behind flexibility when considering the future of the office.

Flexibility is a term that has been bandied around throughout the

without appropriate insight analysis driving informed actions. Offices, retail and the wider built environment will continue to evolve at an exponential rate over the coming years. Real estate businesses that are focused on understanding the data they are gathering will be best placed to deliver what users want and stay ahead of the game.

The full article is available at: <https://www.egi.co.uk/news/the-future-of-real-estate-a-next-generation-view>



RUNNER-UP
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 year 4

Real estate and technology: a useful servant or a dangerous master?

Right now, most of us have access to something that is far more powerful than the spacecraft that put the first person on the moon. It's relatively small, and most of the time is only an arm's length away. It's a smartphone. The smartphone is a great example of how technology has soared over the past few years; however, it is just one example. The majority of industries have seen and are continuing to see a huge leap towards a more technologically advanced future, and it is happening every single day. Real estate and the built environment are no different.

The future of the office

Eden Dwek recently posted his take on

technology in real estate in *The Future of Real Estate: A next-generation view*, published in EG. The article provided a great outlook on the advancements in technology, how they may impact our industry, what the future might look like, as well as touching on the impact Covid has had on the industry.

The Covid pandemic has certainly been challenging and has made us reconsider many things. The extra time on our hands has allowed us to rethink things that we might not usually consider, one of these being the use of the workplace.

Dwek notes in his opening statement: "...the industry needs to focus on the characteristics that make the office a space that promotes productivity, social interaction and collaboration. The

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pandemic, and it is sometimes hard to ascertain exactly what stakeholders mean when they refer to flexibility in a real estate context. My views are that it is the flexibility of lease agreements that will change the office industry. Over the last decade or two, there has been a shift away from the UK's traditionally long and uncompromising 25-year leases, but what the pandemic has highlighted to many is that lease agreements are still not flexible enough to give occupiers the room for manoeuvre they desire.

concept of the office is here to stay, but what that office looks like in a post-Covid world is another question.” I completely agree with this statement. As previously mentioned, Covid has allowed us to rethink things. The workplace is no longer just viewed as the place of work. We instead began to appreciate the true usefulness of the workplace. It was no longer just the place we had to be on Mondays at 9am. It was a community, it was a place we went for comradery, to be productive together, to innovate together and to create and find solutions together. It is no secret that the workplace might look slightly different after Covid.

Another aspect Covid has brought into the spotlight is technology. The workplace was replaced with a virtual one, and

The current dichotomy in the industry sees landlords understandably wanting to tie their tenants into longer leases in order to secure a stable cash flow, while tenants want their agreements to be as flexible as possible, in order to change their space requirements as and when they need to. Certainly, in recent times, the balance has shifted very much in the occupier's favour. A post-Covid office market will be a buyer's market, and landlords will have to embrace flexibility to remain competitive, especially as serviced office providers such as Regus and WeWork will have an office model that will continue to disrupt the market.

If this year has taught us anything, it is that we live in an uncertain world, and having office space leased with frequent break clauses and short notice periods is the most logical step for occupiers looking to future proof their operations.

Crucially, the increased prominence of flexibility in the office market is a realistic and universally applicable change, something that cannot always be said about views on the future of the office market.

Ever since the start of the pandemic, speculation over the future of the office has been rife, with just about every real estate publication, service firm and property company offering their views on the landscape of a post-Covid 19 office market. I have found myself increasingly frustrated by these opinion pieces, largely due to the general assumption that the “office” is a homogeneous entity. There is a tendency to discuss the future of the office in extremely broad terms, often neglecting large swathes of the market. Increasingly, I read of the office of the future as a state-of-the-art technological hub, with

even things such as family gatherings or Friday night drinks were replaced with an online alternative. The pandemic as a whole helped emphasise the progress technology has made and the potential usefulness of it. It leads us to the question: “what will the workplace look like post-Covid?”

The first aspect of this question is what will the need for offices be post-Covid? According to McKinsey & Co, a survey that was carried out concluded that 41% of people working from home found that they are more productive than they were before, 28% said that they are as productive as before and 80% say they enjoyed working from home.

I believe that instead of focusing on whether or not the office or working

unrivalled sustainability features. This might be the case for the future of best-in-class, grade-A office space, but it is certainly not a realistic view for the vast majority of the market.

Perhaps I can be accused of being unimaginative or cynical, but I like to consider myself a realist. Before the pandemic, the most important considerations for companies when leasing space were location and cost. The run-of-the-mill SME in the UK wants to have access to an office in a location that facilitates the effective operation of their business, at the most competitive price point possible. I do not believe the vast majority of UK office users consider exceptional technological features as a deal-breaker when it comes to selecting office space, and I do not think a post-Covid market will see a significant shift in this way of thinking.

“The future of the office” that is so widely discussed by industry stakeholders is actually the future of the top end of the market and is therefore only really relevant to global tech giants, investment banks and magic circle law firms, that generate the surplus needed to afford state-of-the-art space. In a post-Covid office market, the most significant change will be that flexibility, alongside cost and location, will be the primary criteria for occupiers when selecting space. It is my view that landlords unwilling to provide adequate flexibility will become increasingly marginalised in a market that now demands agility.

Reference

■ Kingston (20 January, 2021) *How the arrival of 5G will impact on smart cities and real estate*

from home is the better option, it is about finding a balance between the two. The past year or so has shown us that with the help of technology, having an alternative working environment can be beneficial. Knowing this, and remembering the good aspects of an office leads to the question, why not do both? McKinsey & Co has stated that post-Covid we will see the rise of alternative working patterns. So instead of spending Monday to Friday in the office, we may see the office used a few days a week, and when it is being used, it can be used for what it does best, and that is collaboration and community. Group projects can be brainstormed in the office and then the individual work can be brought home to be done. Therefore,

“I believe that we are already seeing changes that are of industrial revolution magnitude”

Greg Donald

we are harnessing the best of both worlds between the two working environments.

Along with the change in how we use the office, we will also see a change in how the office will look. Like previously said, the new working patterns can allow the office to be used for what it does best. This also means that the original design of an office can be changed to suit this. This may mean redesigning the office to fully support collaboration, which may mean having the majority of the office open plan and designed as collaboration space.

Advancements in technology made the past year a lot easier than it could have been, and we may see further technology implemented into the office. An article by Barker helps illustrate what is possible for the post-Covid offices, but to summarise some of the key points, we may see the likes of more advanced air conditioning and natural ventilation, automated doors, smart technology such as access systems that reduce the need to touch surfaces, more facilities that encourage healthier commutes to work such as changing rooms and showers, and how can we forget our favourite friend over the past year, more advanced video conferencing.

Technological growth and its impact on real estate

Technology is changing our day-to-day lives, it is changing where we work and it is changing where we live. Dwek discusses in his article the advancements in 5G and how they will continue to revolutionise our industries, and I agree. He then goes on to say that it will lead to some of the biggest changes in technology since the industrial revolution. I personally believe that we are already seeing changes that are of industrial revolution magnitude. We have cars that can drive themselves, drones that deliver our packages, robots that can do surgery and buildings that are tremendously eco-friendly. I believe we are already in a technological revolution and I believe it will continue to affect our industry.

We will continue to see the rise of technology in our homes and workplaces such as high-speed internet (if it can get any faster...) and more smart technology that monitors our utility usage and then uses this data to ensure we use our utilities efficiently, among many other



RUNNER-UP

Damon Stone

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The future of real estate: a postgraduate's perspective

An incredible characteristic of the built environment are the people who work within it, each providing their own experiences, opinions, expectations, and aspirations. This is clear from the individual “outlook”, “catalyst” and “most influential” sentiments portrayed by company leaders –including Eden Dwek – in EG’s *The Future of Real Estate – A next-generation view*.

Do you agree with the sentiments expressed?

“... the industry needs to focus on the characteristics that make the office a space that promotes productivity, social interaction and collaboration” (Eden Dwek) ... yes. Arguably, Covid-19 is a catalyst for the already apparent “flexible working” trend. Prior to Covid, 22% of UK-based employees “occasionally” worked from home. According to Eurostat in CBRE’s *2021 UK Real Estate Market Outlook*, this was twice the EU average. Therefore, the industry needs to focus on providing unique spaces which promote these elements - to prevent offices from becoming obsolete.

“Hybrid working is not going away” (Tushar Agarwal)... yes. With national lockdowns and demands to work from home, companies have experienced, in most cases, higher (or at least the same) levels of productivity, proving in the long term that large amounts of office space will no longer be a necessity.

Once providing quantity, landlords will be required to deliver more quality as “value will be derived from the overall experience and service tenants and their employees are able to extract from their offices” (Richard Brazier).

“Retail is dead” (Tripty Arya)... no. British people have proven one thing since the third lockdown lifted: they will journey out into the rain and cold to enjoy the typical experience of the high street; shopping, eating and

technological advancements. However, I believe the technology that will make the biggest difference in our homes and workplaces of the future is the continued push towards sustainability.

I believe we will continue to see new technology, design and construction



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drinking in their thick winter coats. Bricks-and-mortar stores won’t die, they will, however, evolve. Ibrahim Ibrahim in the podcast *What’s Next in Corporate Real Estate* provides brilliant insight for the future of retail: as e-commerce continues to grow, much of retail will convert from standard transactional fulfilment centres to grand spaces of recruitment (mostly for media brand platforms) and communities (with the customers interests at the forefront). These will be spaces that cannot be created on a webpage. Titus’s indoor skate ramp, Ikea’s dinner club and Levi’s in-store jean customisation/repairing service prove that retail stores can be and are becoming distinctive places, offering unique experiences for the customer.


ESG is “increasingly [becoming] the focus” for employers, developers, and investors. However, Sarah Bissessar’s point in *The Future of Real Estate: A next-generation view*, that “sustainability issues... have seen a steep change in how the general population is thinking about the planet”, I believe, is untrue. For the short and medium term, sustainability isn’t a top-down issue, but a bottom-up one. Witnessing the number of cars returning to our roads since the end of lockdown, the huge piles of litter across our parks and the unnecessary energy usage that still occurs; the general population needs to do much more to improve. Employers, developers and investors can only do so much. It is down to every individual, not just a select few.

What will the office look like in a post-Covid world?

The typical office in a post-Covid world will encourage creativity, sustainability,

that aims to improve environmental conditions and keep up with the growing demands of environmental issues, urbanisation and population growth.

In terms of how we respond to this rapid technology growth, there is a common misconception in many



ESG is “increasingly [becoming] the focus” for employers, developers, and investors.

wellbeing and, as Dwek highlights, flexibility. After the pandemic, offices will be – for many – optional. Therefore, landlords will be required to offer attractive incentives and services which cannot be provided by working from home.

Creativity will be encouraged through improved, open-plan, creatively designed spaces. This will include instant connectivity via online meeting-ready, cloud-accessible systems and tools to record and develop ideas. Co-operation between employees will be a main driver for companies occupying offices, which will force landlords to provide the best areas for collaborative thinking.

Offices will become more sustainable. Through automatic systems which reduce electricity, heating and water usage, businesses who require offices will be encouraged to become (and remain) tenants, due to more efficient, cheaper spaces. Using internet of things and sensors, landlords and tenants will be able to measure, modify, and maintain their properties, providing the most optimal workspaces, decreased rents and increasing goodwill to attract the very best local talent.

New opportunities for flexibility will arise. Fixed 10, 15 or 20-year whole-building leases will become rare, if not extinct. Instead, these will be replaced by shorter, more flexible leases. WeWork has reportedly lost significant sums of money during the pandemic, yet its business methodology is discussed daily and is an exciting prospect for the future of flexible workspace. In order for landlords to compete, they will need to provide tenants a higher level of flexibility, offering floor-by-floor or by

industries – not just real estate – that technology could end up putting us out of work. Of course, we must be careful, Dwek helps illustrate this when he says data is like the “new gold”. It is precious, and often with what’s precious, we don’t want it falling into the wrong hands.

sq m monthly leases compared to the current fixed-term lease. These spaces will become more dynamic, allowing tenants to move, reshape and increase/decrease in size. While this will be difficult for landlords and property managers, who will need to provide these levels of flexibility in efficient, cost-effective ways, this will encourage new ways of thinking and spark new innovation for building managers.

Wellbeing has become a growing concern during Covid-19 and will continue to develop after the pandemic. A focus to provide biophilic, naturally lit, clean workspaces – catering to the individual – will increase. Amenities, including cafés, restaurants, fitness suites, wellbeing centres and increased WC facilities, will become more common within office buildings. As a result, mixed-used buildings will grow in number and become more common. Because of this, the distinction between where we work and where we leisure will decline, forcing landlords to provide a property that is capable of adapting to all aspects of people’s lives.

The refurbishment of CBRE’s Henrietta House in London focuses on providing higher levels of creativity, sustainability, flexibility and wellbeing through collaborative space, client amenities, on-site wellness facilities, SMART building technology and sustainability solutions. When this development proves successful, which it will, it will encourage other businesses to do the same.

Challenges faced by the built environment

The built environment is slow to respond to change. Given its inefficiencies, including high transactional costs, lengthy construction times, and planning constraints, property does not adapt to change quickly. However, we as people change every day. Something Dwek highlights is the growing pace of technological change. We have created technology that is able to capture images of black holes, pack 3.5m items for 65,000 grocery orders a week, and automatically drive cars, but the properties these are developed in remain much more fixed. This is an issue and requires new

Going forward, we should look to use technology as it is, a tool. When used correctly, it can benefit us greatly – just look at the past year or so. We should harness technology to grow our industry, face the oncoming challenges and benefit the lives of others. We should use

methods of thinking to implement our flexibility into the buildings around us.

For our homes, British homeowners are able to purchase an automatic Google Nest thermostat, Amazon Alexa home-control device, and EV car-charging station for less than £1,000. The issue is that these are all optional, third-party devices needing to be bought and installed into the property at the homeowner’s will. Homes in the UK are still built as they were five, 10, even 15 years ago; including a combi boiler, standard flush toilet, radiators connected to a manual thermostat, and a standard car parking spot. We need to begin future-proofing our new homes and retrofitting our current ones by providing more sustainable, technologically friendly buildings; not relying on the individual homeowner to reach into their own pocket to instigate change.

How should the sector respond?

The property sector should respond with a similar approach as current office landlords, focusing more on quality over quantity. Property will never be as adaptable as other asset types but, with the correct mindset and understanding, it can be just as effective. With the growth in proptech, reaching just upwards of \$16bn of venture capital in 2019, it is inevitable that technology will continue to shape our buildings.

For offices, we have a responsibility to pursue the most useful, effective, and efficient technology; with the aim of providing the greatest experience and opportunities for every tenant. For houses, we have a responsibility to deliver the best, sustainable, and future-proofed homes; delivering the correct tools to allow homeowners the ability to save money and reduce their individual carbon footprint.

Mistakes will be made but, by remaining flexible, vigilant, and creative, we can deliver the best possibilities for the built environment and provide the most future-proofed, sustainable, high-quality buildings.

References available to view online

technology as our servant, and not our master.

References

- McKinsey & Company – *Reimagining the office and work life after Covid-19*
- Barker – *What will the office fit-out market look like in a post-Covid-19 world?*