

A woman in a dark jacket and trousers is walking from left to right in the foreground, silhouetted against a city skyline. The skyline features several prominent skyscrapers, including the Willis Tower. The sky is filled with dramatic, grey clouds. The overall mood is contemplative and urban.

What's the purpose of the City in a post Covid-19 world?

SERIES ONE:
WORK

#MCMskunkworks Misson 2

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Introduction

Did you know that London is a City of about 9 million residents, and pre pandemic, 5.03 million people commuted to work from all regions or from outer London to inner London daily according to the Office for National Statistics? Not anymore.

The pattern of use of Cities has changed fundamentally forever and largely due to the fact white collar knowledge workers will not be commuting 5 days a week every day to their place of work in City centres. All the staff surveys and data and C suite statements over the past several months point to the same conclusion that says there will be a balance and a commuting pattern for most workers of 2-3 days a week in the central office hub and 2-3 days somewhere else – home or a third place in their community or remote from the City centre. Hybrid working as it is now referred to is here to stay.

The City will become a destination not a routine.

Commuters do not just go to work they impact the environment, frequent shops, use public transportation, take taxis, shop, eat meals, enjoy entertainment, cultural and leisure venues and are the lifeblood of the income for the city and its businesses and infrastructure.

Of course, that has temporarily changed in the current emergency measures of fighting Covid 19 and will likely continue for many months. But let's look beyond Covid 19 and post vaccination when we return to a world of no social distancing and other restrictions.

We believe there are many positive outcomes from the changing pattern of use of Cities and the MCM Skunkworks programme, our internal Thinktank and Innovation Lab, has researched the issues, engaged with our clients and others and we are offering our opinions and bold ideas for a better future for Cities that people will love.

Our series of big ideas for a better future for cities, will focus on 5 unique themes- work, living, infrastructure, culture & entertainment and the environment... in the overall context of the question: In a post Covid 19 world- What's the purpose of the City?

#Daretoimagine

Designing a future that people love.

"The pattern of use of Cities has changed fundamentally forever and largely due to the fact white-collar knowledge workers will not be commuting 5 days a week every day to their place of work in City centres."

"The City will become a destination, not a routine."

SERIES 1: WORK

Time to Reset

Hybrid working as it is commonly now called is here to stay. The impact of 2-3 days in the central hub office will mean the overall space requirements for most organisations will be less. Before you may think I am talking about the death of the office, I am not. There is still a great need for offices as places for nurturing and mentoring, collaborating, creative and special experiences and the place that is the cultural glue for organisations. However, the fact remains that the reason to come to offices will be as a destination not a routine.

These thoughts and ideas are addressed to commercial office building landlords, owners, funds and property companies who are right now wondering what do we do to attract occupiers and keep our buildings full?

I have a positive message and three ideas and suggestions that will ensure commercial property owners can be leaders and their offer to their customers relevant in the new world of hybrid working. I think now is the time to take a fresh look at the positive opportunities all commercial property owners have to reset the commercial property industry and at the same time bring people and their organisations back to the City.



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Members, not Tenants

Landlords ask the question of yourself, who is your customer? Is it the CEO that signs the lease and pays the rent? Is it the Corporate Real Estate Director that finds the office space for their business and negotiates the lease terms? Is it the Property Agents that offer the property to their clients to consider? No. None of the above. Your ultimate customer is the hundreds or thousands of people that occupy your buildings and experience being in them.

Let's look at the extreme examples. LandSec and British Land each have between 6-7 million ft² of office space in London alone. That equates to approximately 60,000 people in each company's portfolio that will occupy those buildings. That is more than the population of cities such as Winchester, Salisbury, Canterbury or Hereford. That's one hell of a community.

If our industry reset our mindset and focused on the real customer, the people, then what's on offer to attract and retain and satisfy the customer must be very different than just a high-quality reception, toilets, and bike racks.

In today's new world of hybrid working, occupants have a choice to be in an office building or not, and supporting their lifestyle rather than supporting just their time in the office building will be the winning formula.

My suggestion is to look at all your occupants as a single community, as members of an exclusive club. The members have privileges and perks and benefits that the landlord provides because they are part of the club. When I say the members, I mean for all property companies every single one of the occupants of all your office portfolio.

Here is how it can work.

Via an app offered to all members.

Two grades of membership – Gold which is free and costs the individual or their company nothing and Platinum which the member's company pays a small uplift in service charge to provide a wider range of perks or special services or places. Not all buildings can provide a complete array of spaces or services to the members but throughout a portfolio of buildings, we may find co-working drop-in space, meeting rooms, specialist VC Zoom rooms, event space, bike and shower facilities, wellness clinics, concierge services, free wifi, gyms, fitness classes, TED talks, cooking classes, etc.

This idea of perks or amenities provided by landlords is not new and certainly, the Co-Working industry has excelled in this. And to be fair many landlords are providing some of these, but the difference is considering them as a collection of assets available to the entire community of your members not just on a building by building basis.

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I mentioned supporting the lifestyle of members and not just work and this is also where there is a big difference. Because of the buying power of the population of Bristol in the extreme version (and it would apply to much small numbers for other landlords) property companies should be able to negotiate significant discounts or free access to lifestyle products and services such as Spotify, Netflix, Just Eat, Uber, cinema tickets, theatre tickets for example.

Even supporting people working remotely and life away from the City via discounts to apps such as WorkClub which connects people to places to drop in and work or apps like Juno which provide wellness benefits to employees, would be in the spirit of lifestyle support. Some landlords may choose to take a wellness or environmental stance for the assets and perks, addressing a greater social purpose agenda.

I see this as a win-win for property owners and occupiers. The occupiers will see the value to their own staff and the recruitment and retention positives. Landlords will find it is another opportunity to partner with occupiers and all their people...deepening brand loyalty and differentiating their offer from the competition. Many of these ideas are free for landlords to provide as well.

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Connected Communities

For many larger commercial landlords, the pandemic has been a perfect storm as many of their asset classes have tanked. Retail has been suffering for years and now city offices have taken a giant hit in values.

Both LandSec and British Land in Autumn 2020 reported a write down of their total portfolio values to the tune of about £1billion each and no doubt others are in similar re-valuation mode. In my view landlords such as these and others that have a mixed portfolio of uses and multiple locations across the country, have an opportunity to help both retail and offices back to life by connecting the communities of retailers and occupiers.

Connect the members of their property club as I have already described to their retail customers. It would be easy to see how the members of the property club that occupy office space anywhere in the country can benefit from special promotions targeted at them from the shopping centres owned by the same landlord and or individual retailers. Discounts, loyalty schemes for members, special events by invitation only, curated experiences for the members, and more.

Town centre retailing such as Liverpool One owned by Grosvenor and Regent Street owned by the Crown Estate could benefit as well as out of town locations. This should be an easy step for property companies that have retail portfolios as they are well advanced in the marketing and promotion of their shopping destinations in partnership with their retailers. This idea taps into that expertise by introducing a new community of potential customers – the property club members to the equation. The value to the office occupier members is obvious as this is another way to support their lifestyle away from the workplace.

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Dynamic Leases

Flexibility is one of the most critical concerns for corporate organisations. The ability to pivot quickly change and be nimble. That is why the Coworking industry has flourished. Quick in and out. Expand and contract at a whim.

I recognise some landlords already offer shorter leases and more flexible terms and more services as a response to the popularity of Co-Working operators. However, I do not think it is taking advantage that property companies have to offer something even greater and more valuable to both the occupier and the landlord.

My suggestion is what I call a Dynamic Lease.

A dynamic lease allows the occupier to move at any time to another space within the same landlord's property portfolio (any building) at any time without penalties even if there is no lease break. Occupiers can take more space or less space providing they sign up for at least say 5 years minimum and the occupier may move to any building in the portfolio regardless of the market rent being less or more.

Of course, the usual delays and legal costs that are born by the occupier would still apply.

The Dynamic Leaseholder will pay a premium for this type of totally flexible lease say an extra 5% over market rent, however, in return they get the assurance that when they need more or less space it will be in a timely manner and not constrained by lease breaks.

The Landlord wins by retaining occupiers within their portfolio and builds huge loyalty, saves on potential voids and remarketing costs, and ultimately receives higher rent for the same spaces. And most importantly is providing occupiers with something they greatly value, flexibility. This is a market differentiator and disruptor that will sway the occupier's choice of a landlord.

Can these ideas be the start of the true landlord-tenant partnership the industry has always talked about but struggles to achieve?

Dare to imagine if landlords offered all of three of these to their tenants now when many tenants are in a crisis. A gesture of amazing goodwill and a chance to reset.

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