

Stone Toads and Accidental Guinea Pigs: Is the Office Dead?

Most of us aren't working in our offices, but debates about offices are a leading lockdown sport. Surveys show roughly a third of us can't wait to get back in, a third of us never want to see an office again, and the rest of us are up to our wrists in banana bread. Never a home-screen day goes by without some kitchen table prophet predicting that COVID-19 has killed the office. So, is the office dead? Is it even ill?

Revolutionary change in the office market, or anywhere else, is rare because human beings are much better at talking about radical new starts than at making them. The First World War was the war to end all wars, the Second World War was going to create a classless society and many of us join a gym every January - but never go. Change is hard to do, which is why it is nearly always messy, patchy and accidental. In history, nothing as simple and universal as the "Death of the Office" ever happens. If it did, betting on the future would be easy and we would all be billionaires.

People are also yearning for the pre-COVID world. There will be a temptation to rush back into the office, pretending the pandemic isn't happening, resisting change, and grateful for even semi-normal economic activity.

We are all prone to thinking that what is happening to us right now (in this case, working from home) must be the long-term future. After all, this present feels pretty permanent. There is a lot of this behind the current bandwagon chorus about the end of offices, but offices are not a passing fad that can be dispatched by a few articles and a Zoom debate.

Offices were first invented over 5000 years ago as an ergonomic place for scribes to record the wealth of kings. They have endured ever since because they work phenomenally well. You can get a lot of things done at the same time in an office: discuss and write a report together, train and support colleagues face to face, learn what to do (and not do) by watching others, and all whilst escaping from a cramped flat, hyperactive toddlers or an unhappy home life. A well-designed office is an efficient, indeed never bettered, machine for getting things done.

The office market's capacity for change is also hamstrung by leasing history. Many occupiers are locked into long-term leases with upwards only rent reviews. Looked at one way, these leases are financial instruments of genius, funding savings and pensions. But for some tenants, office leases (especially if badly negotiated) can create an inflexible upwards only cost spiral. Especially in

times of crisis, the traditional office lease can weigh on a business like a giant stone toad, heavily restricting any change to smaller, more agile office models.

So offices as we know them are extremely unlikely to die out. But they will definitely change, because we have all been accidental guinea pigs in history's biggest working from home experiment. And, in the main, that experiment has worked. We have seen the future - it's Teams meetings in HD, shared screens, garish T-shirts and beards. When we emerge into our post (or living with) COVID-19 world, we must not lose sight of what we have learned about the benefits of working from home. Capitalising on those benefits will offer opportunities to both landlords and tenants.

The first thing we need to rethink is commuting, because though the office itself may be a good thing, getting to and from it usually isn't. Commuting is inefficient, stressful and mostly unpleasant. Even without pandemic pressure, for those of us living in London, the tube is a stifling and grubby tin can of germs. Even my commute (and I only live 14 miles from the City) is a 2 ½ hour daily round trip. That's 12½ hours a week of wasted time that I could spend living.

Maybe you commute by train. In which case you will know that trains are the loaded dice of an evil god. On nothing days they never fail to chug in, all punctual and perky. Then on the day you're running late for a meeting with your new CEO, they are suddenly and mysteriously all cancelled. You could drive or take the bus, but both are very polluting and (famously) in many cities move at the speed of a lame Victorian cart horse.

Lots of people, though by no means all, can work more efficiently from home: writing, drafting, making calls and getting through emails without interruption - even if the lap top sometimes feels like lockdown house arrest's ball and chain. So commuting less would be good for the environment, for our overstretched roads and trains, and enhance many people's efficiency.

Alongside recognising the advantages of less commuting, many occupiers are also posing the £billion pound office market question: why take 12 floors for 6000 people in a tower at £120 p.s.f., when you can take 4 floors and spread the rest of your space across 4000 living rooms?

Given these office premises' cost and efficiency pressures, working from home will substantially increase in the future to complement and partly replace the physical office. What we will probably see is not the death of the office, but the birth of the "blended" and dispersed office. This model will combine the virtual and physical office into a single network made up of a fluid mix of people working from work and home.

Occupiers will reduce their real estate footprints to save costs and to free up money to spend on their people, not their floorplates. They will still need some office space: to meet clients and colleagues, to train and support their people and to give them the option of a safe and well-designed place to work. Nonetheless, the blended office may mark the final demise of the glittering, macho-imperial centralised HQ with its End of the Roman Empire entrance and reception. Instead, the blended office will be dispersed across the country, radiating out from office hubs in towns and cities into hundreds of home satellites. And there will be no need to base the physical office in the old expensive cities – the blended office doesn't need to be bound by the geographies of the past. People can work in a blended office from any country in the world.

This is a massive opportunity for alert and agile landlords, because tenants may want less space, but to attract, train and retain the best talent they will need the best space, with the best add-on services they can afford. No graduate will be ambitious to join an organisation where you only know it's your first day because you're sitting with a new branded lap top in your living room.

The serviced office sector has an important role to play here. The COVID-19 recession may mangle it in the short-term, taking out those players who were all pizzazz and no pantaloons, but the provision of flexible, good quality serviced office space has an obvious place in a more cost-conscious, blended and dispersed office world.

The depth and speed of this change to a new office world partly depends on us all, and partly on the behaviour and character of a small virus, one hundred thousand times thinner than a human hair. If SARS-CoV-2 (to give the virus its full show name) mutates into a weaker form soon, or we get

lucky and it proves vulnerable to a fast-developed vaccine or retroviral drug, then the office world (and everything else) will probably change less and remain much closer to the old normal than many people now expect.

But if developing a vaccine or effective treatment for COVID-19 takes longer than hoped, then the changes to our working lives and the transition to a blended office model will be correspondingly more profound and all pervasive. In a world where a potent COVID-19 endures, offices will need to be at least two-thirds empty to preserve social distancing, and working from home will become the presumed norm. No prudent office based business, with remote working capability, will expose itself to the ethical and cost consequences of an incautious return to work that triggers a COVID-19 flare-up, brings suffering to its people and sparks yet more business disruption, a punishingly expensive deep clean and a dispiriting re-lockdown.

Occupiers will try to move to a more agile and blended office model after this crisis. How far they are able to make that change will depend on how much damage the crisis does to their finances, how stuck they are in old ways of thinking and in long-dated leases and, most importantly, how willing their people and clients are to change with them.

If they succeed, we will see the blended office, combining office and home working, serviced offices and even people working from home with no office at all, play a major part in the office market landscape of the future. Landlords and tenants should seize the opportunities this more varied and choice-led market will bring. We didn't choose the pandemic, but we can choose how we reinvent our businesses to respond to it.

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