

In a post Covid-19 world, what's the purpose of the City?

Ken Giannini says look at all your occupants as a single community, as members of an exclusive club

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 remote from the City centre.

The City is now a destination not a routine.

Commuters do not just go to work they frequent shops, buy public transportation tickets, take taxis, shop, eat meals, enjoy entertainment 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 lockdown measures of fighting Covid 19. But let's look beyond Covid-19 and post vaccination when we return to a world of no social distancing and other restrictions.

London based Architects MCM believe there are many positive outcomes from the changing pattern of use of Cities and the MCM Skunkworks programme, their internal Thinktank and Innovation Lab, has researched the issues, engaged with clients and others and we are offering their opinions and bold ideas for a better future for Cities like London.

The MCM Skunkworks team are publishing a series of 5 essays and opinion pieces focused on unique themes- Work, Infrastructure, Living, 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?

The first in the series is related to Work, and Ken Giannini shares his ideas on how landlords of commercial office space can react to the fact hybrid working is here to stay and therefore most occupants need less space in their central office location.

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 is now as a destination not a routine.

This essay is addressed to commercial office building landlords, owners, funds, property companies who are right now wondering what the heck do we do now to attract occupiers and keep our buildings full?

I have a suggestion that is of its time. A time when the world has started to cooperate, collaborate, and work towards a common purpose. When work, life, values, and priorities are shifting. Employers are seeking to look after their people in a holistic way in and out of the office.

What if landlords came together with their occupier clients to support lifestyles not just workstyles?

I have broken this down into three big ideas.

1 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 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, what's on offer to attract and retain and satisfy the customer must be very different than just high quality reception, toilets and bike racks. In today's new world of hybrid working these occupants have a choice to be in an office building or not and supporting their lifestyle rather than supporting just their workstyle or time in the office building, will be the winning formula.

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



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mean for all property companies every single one of the occupants of all your entire 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.

I mentioned supporting the lifestyle of members and not just workstyle 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. >>>



LEFT: 'Instagram' artist curated space in Conde Nast International



RIGHT:
KPMG, Reading



>>> Deepening brand loyalty and differentiating their offer from the competition. Many of these ideas are free for landlords to provide as well.

2 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. British Land and LandSec 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-evaluation 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

BELOW:
Havas HQ, London



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.

3 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 Co working 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 Lease holder 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.

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. This is a market differentiator and disruptor that will sway occupier's choice of 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 differentiation and a chance to reset. ■

ABOVE:
Havas HQ, London

