Hybrid working: the best of both?

We have a tantalising opportunity to combine the best aspects of remote and office working. Companies, employees and investors all stand to benefit if they can find the right mix.

The cat is out of the bag and there is no going back. In what is possibly the largest social experiment ever, the pandemic revealed that remote working is viable. People want to do more of it, but not all the time. Lockdowns also reminded us of the advantages of working alongside colleagues in an office.

There is no shortage of surveys showing that many people want to spend part of their time working remotely. The direction of travel is clear – remote working is here to stay and a significant number of employees would like to combine it with stints in the office. For them, the attraction of hybrid working tends to be a combination of better work-life balance and the promise of still being able to escape to the office. We are, after all, social animals. Offices provide a level of interaction that you just can’t substitute with remote working.

For employers, hybrid working opens possibilities to create more productive and healthier office environments that increase employee satisfaction and retention. It is also an opportunity to attract talent from further afield. For professional investors only. Not for use by retail investors.

Joanna Turner
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What will the office of the future look like?

Offices still have their future assured as places where people work, meet, collaborate and instil corporate identity. We are going to see various experiments in hybrid working, but the most successful ones will probably be based on what employees and employers actually want. For example, classic sit-anywhere hot desking may not be appropriate if a major draw of being in the office is to connect with your team.

Instead of basic workspaces or cubicles, we’ll probably see more generous open spaces, better meeting areas, hot desking systems and videoconferencing facilities. Technology will have a key role in making hybrid working a more seamless experience. We may only have seen the tip of the iceberg so far. Anyone for augmented reality offices or an immersive online VR meeting? Given how quickly we embraced Zoom and Teams, this may not be such a daft idea.

There will also be more focus on wellbeing features. These include anything that makes for a more healthy, pleasant and productive environment, such as better ventilation, natural lighting, collaboration space, food facilities, cycling facilities and design that creates a sense of space and calm. Having a great work environment can reduce employee turnover and increase tenant satisfaction and retention.

What does this mean for property investors?

Offices are a cornerstone in any diversified property portfolio, not least because they provide exposure to many different parts of the UK economy. Offices account for approximately 54% of the LF Canlife UK Property ACS portfolio, where they have a dual role – to provide income and also capital appreciation from active management such as renovation.

Having fewer people in offices each day could mean that the supply of office space will exceed demand over the short term, especially in secondary markets. However, for investors with the right exposure and approach to managing assets, offices will continue to provide decent returns.

With occupiers seeking more flexible office designs and features such as air purification, we expect demand to be focused on the best quality grade A offices, mainly in the South East of England and the Big 6 markets. Some regional city centre offices will also offer good value as a result of the government’s ‘levelling-up’ agenda. The LF Canlife UK Property ACS is well-positioned to provide exposure to these areas, having a focus on city centre multi-let assets located in the London, South East and Big 6 markets.

A further area of opportunity lies in local co-working offices or ‘Third Spaces’ in suburbs or towns, giving people the option to work in an office setting without a full-scale commute to a central office.

Time for hands-on property investing

Real estate ownership has become a more interactive and hands-on affair in recent years, and this trend has been accelerated by the pandemic. It is essential for landlords and investors to work closely with their tenants and customers to understand their needs and preferences and what kind of lease arrangements will work best.

The pandemic has transferred power to customers and occupiers, who now have flexibility about how, when and where they live, work and play. Landlords need to respect their choices and respond to them.

Footnotes:
1 https://www.unleashgroup.io/2021/07/20/is-virtual-reality-the-future-of-hybrid-work/
2 Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester