



cresa:...



(Y)OURSPACE

MANAGING COMPLEXITY

(Y)OUR SPACE

GLOBAL LAUNCH | INDIA | AUGUST 2023

(Y)OURSPACE
MANAGING COMPLEXITY



Today's Agenda

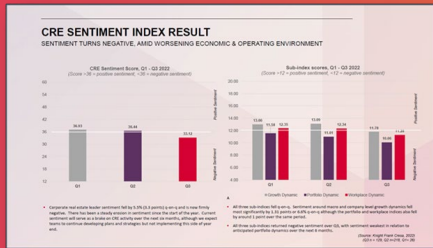
- What is (Y)OUR SPACE?
- Where are we now? Short-term outlook
- Where are we headed? Key findings of (Y)OUR SPACE Edition 3
- What does it mean for the room?

Today's Agenda

- **What is (Y)OUR SPACE?**
- Where are we now? Short-term outlook
- Where are we headed? Key findings of (Y)OUR SPACE Edition 3
- What does it mean for the room?

(Y)OUR SPACE is Knight Frank
Cresa's market leading research
campaign exploring the changing
world of work and the workplace.

KNIGHT FRANK CRESA GLOBAL CORPORATE REAL ESTATE SENTIMENT INDEX



- Quarterly observation, recognising volatility
- Started in January 2022
- Survey based – 12 short, sharp questions
- Assesses sentiment over the next 6 months

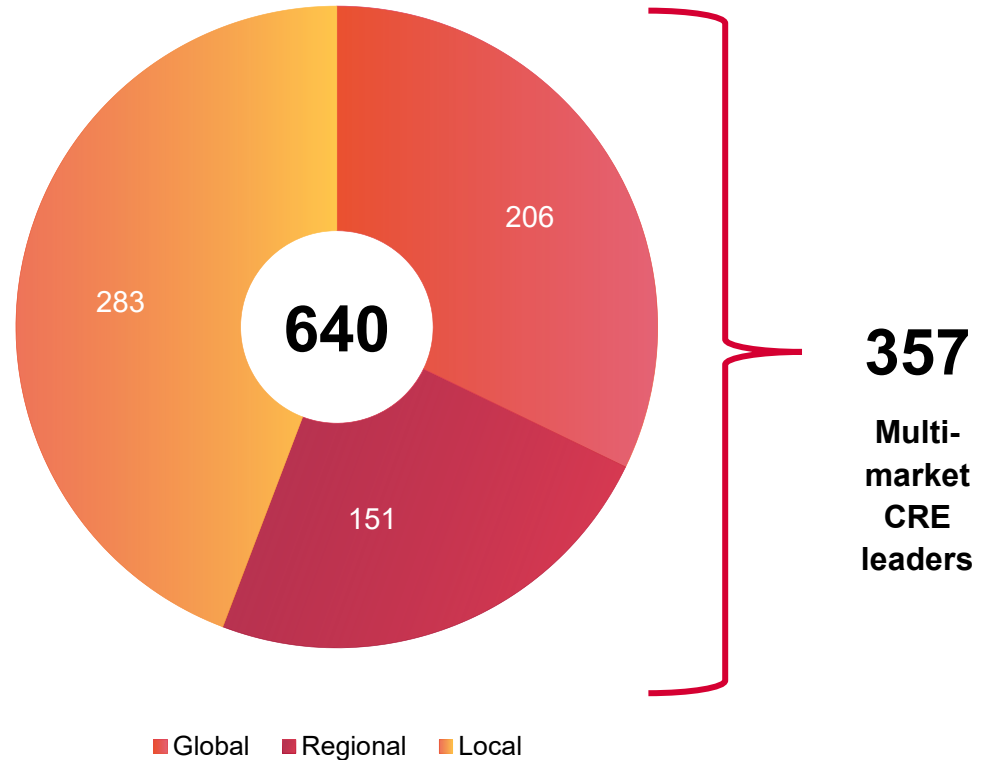
(Y)OUR SPACE



- Flagship occupier research product, published every 2-3 years
- Third edition launched late May
- Survey based – 640 CRE leaders surveyed in March / April
- Takes a medium-term (3 year) perspective on CRE Strategy

An extensive survey sample

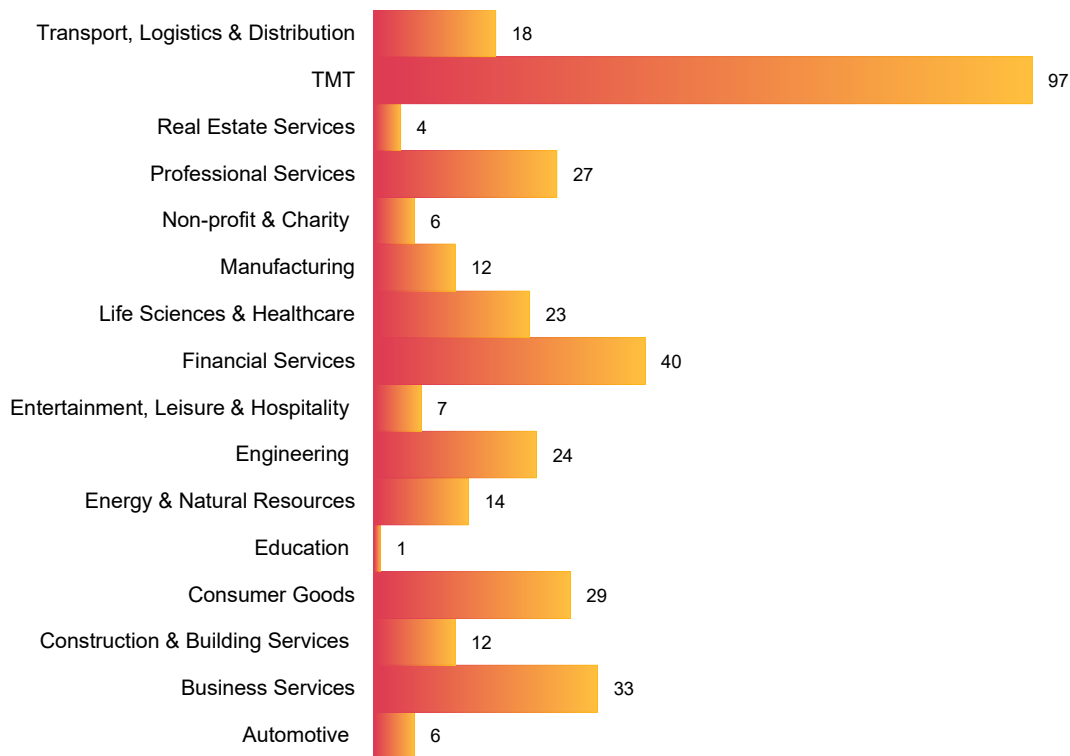
- Thank you for your support!
- 640 verified responses to the survey
- 72% increase in response rate from edition 2
- Huge analytical capability & opportunities to segment
- Initial launch data set focused on the multi-market respondents (357 responses)
- Local responses will be used to fuel local events & insight generation



Broad sector coverage

Enables a deeper dive into sector groupings and application to business development activities. Particularly powerful insights in:

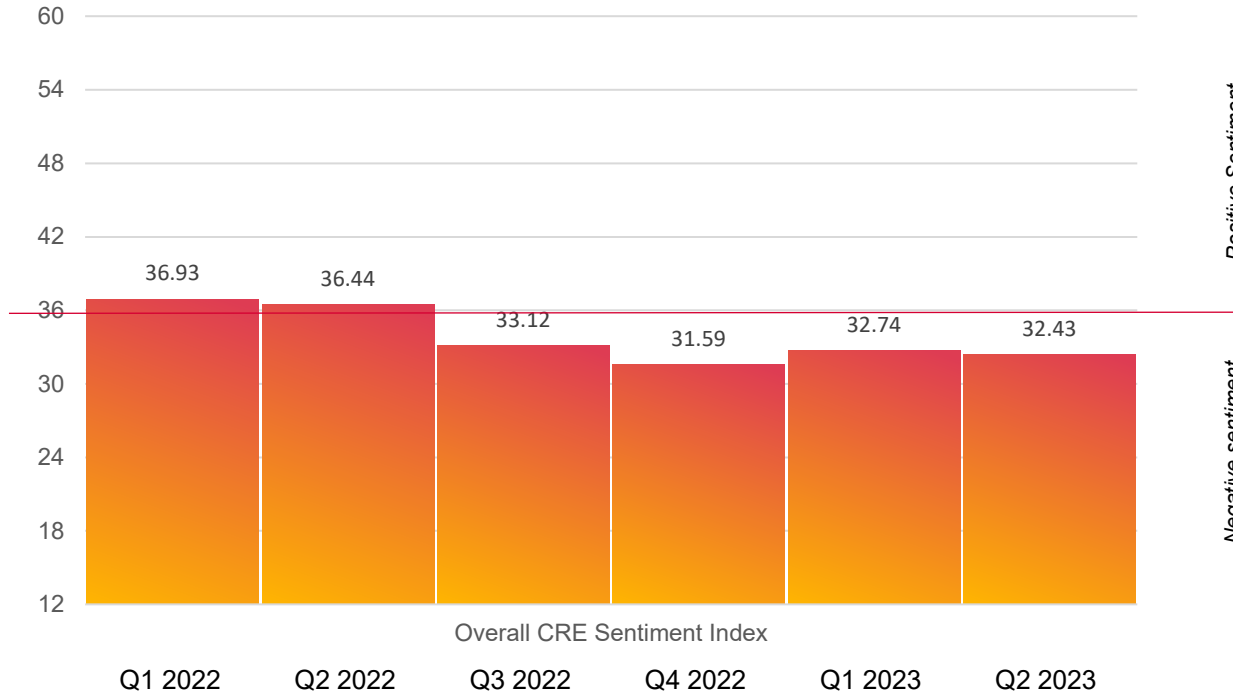
- TMT
- Financial Services
- Professional & Business Services
- Life Sciences
- Consumer Goods



Today's Agenda

- What is (Y)OUR SPACE?
- **Where are we now? Short-term outlook**
- Where are we headed? Key findings of (Y)OUR SPACE Edition 3
- What does it mean for the room?

CRE Sentiment – Q1 2022 to present



Positive Sentiment

Negative sentiment

Q2 2023 (Q-on-Q)

11.41 ↑

Growth

9.85 ↓

Portfolio

11.17 ↓

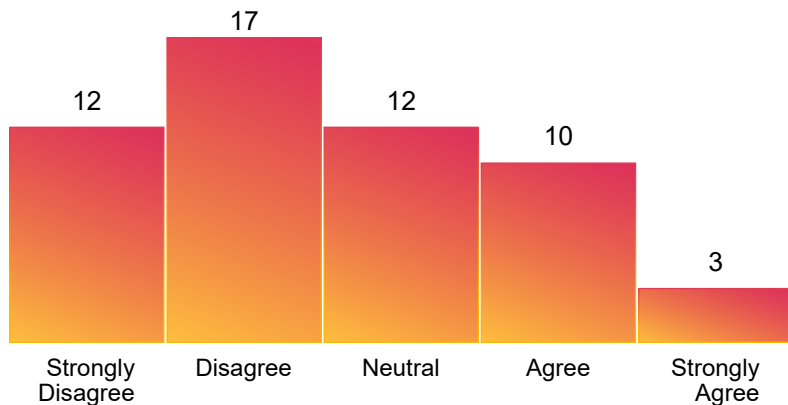
Workplace

Sentiment Scorecard (Q2 2023)

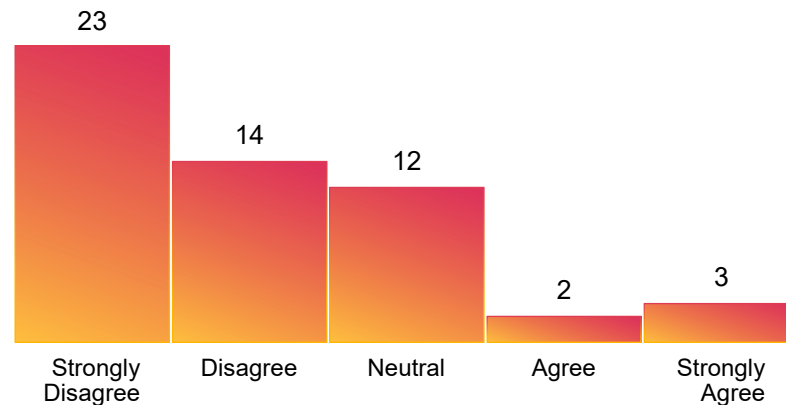
GROWTH DYNAMIC			PORTFOLIO DYNAMIC			WORKPLACE DYNAMIC		
Global economic growth	2.61	↑	Expanding physical footprint	2.04	↓	Back to pre-pandemic occupancy levels	2.04	→
Company revenue growth	3.24	↓	Relocating core facilities	2.54	↑	Significant changes to office design / config.	3.02	↑
Company headcount growth	2.78	↑	Increasing % of sustainable buildings	2.96	→	Increasing density of occupation	3.07	↓
Company capital expenditure growth	2.78	↑	Offshoring functions to new locations	2.31	↓	Enhancing office services / amenities	3.04	↓

Weight of opinion – Relocating and re-occupancy

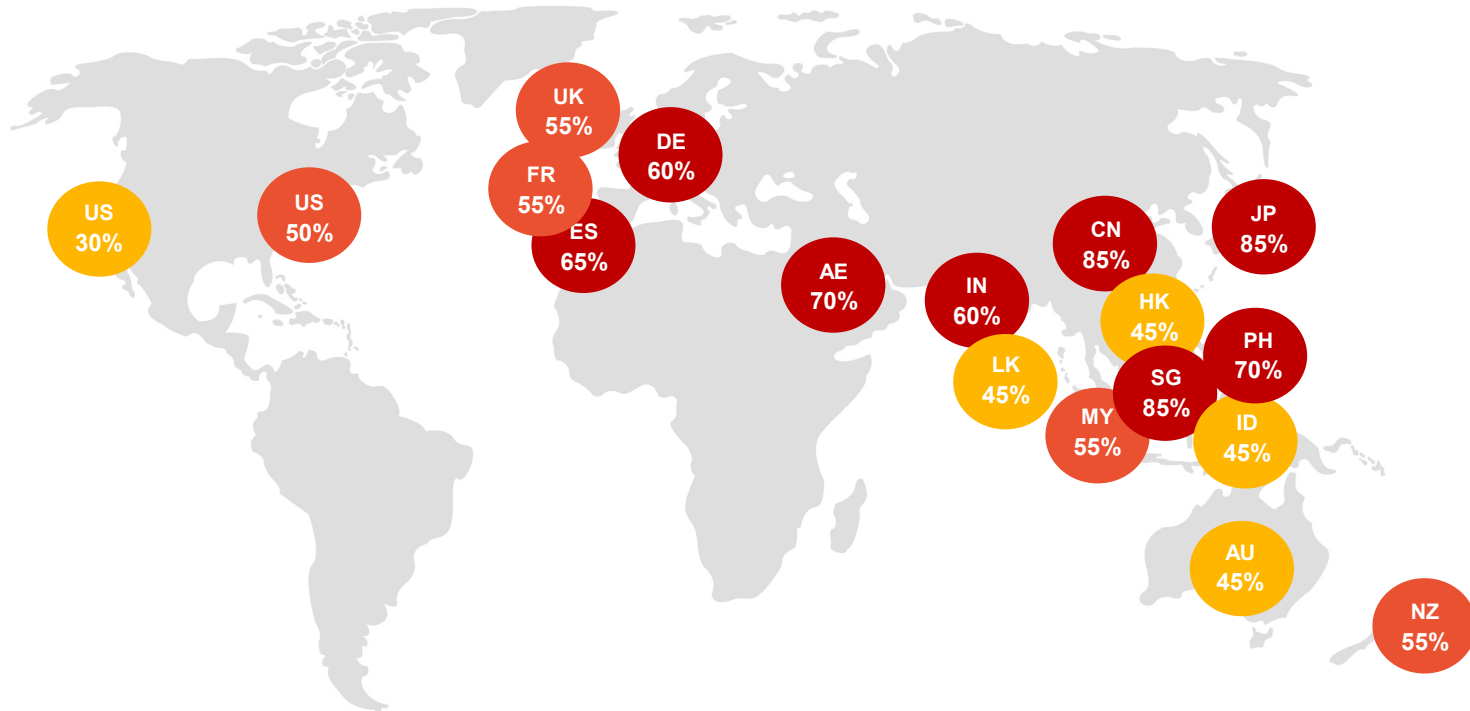
Q Over the next six months we will be relocating some of our core facilities



Q Over the next six months we will be back to pre-pandemic levels of occupancy in the majority of our office



Global office occupancy rates – a mixed picture



The great global workplace experiment

Phase 1

Lockdown =
enforced working
from home

Phase 2

Re-occupancy
but with
restrictions

Phase 3

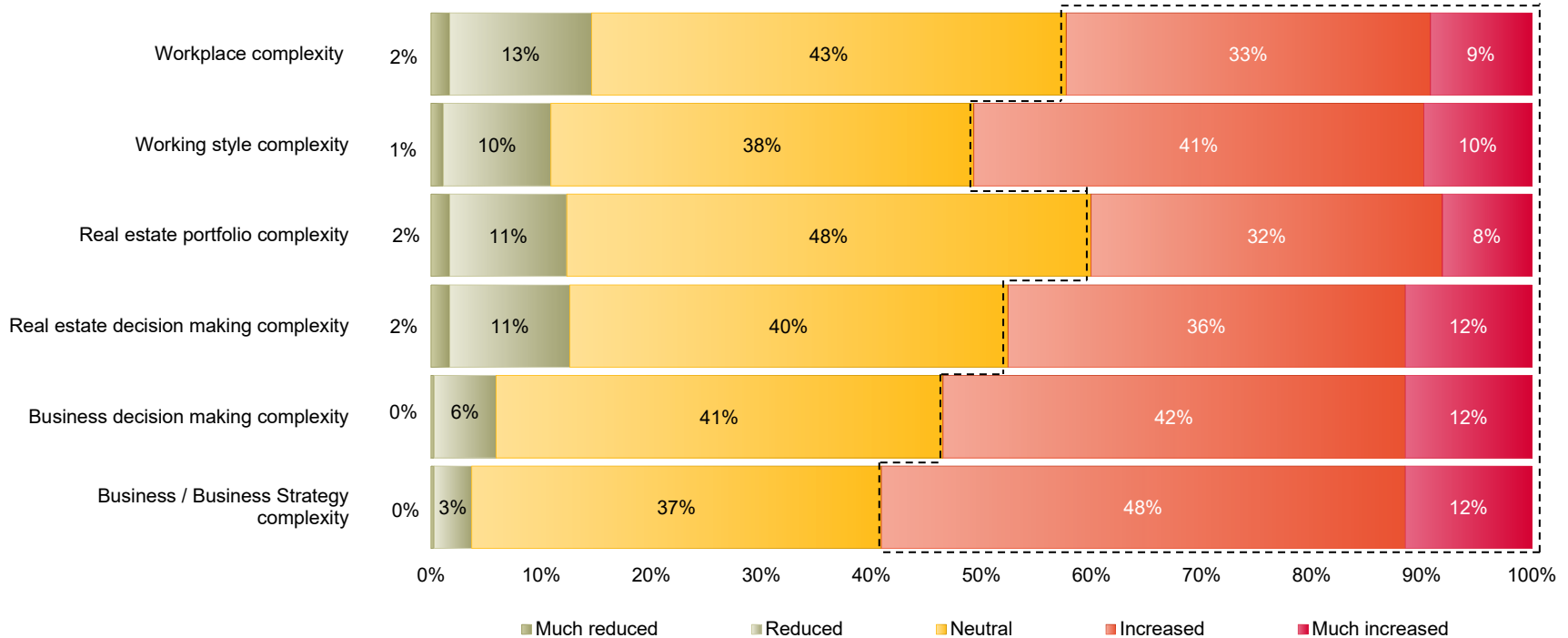
Restructuring
business &
reimagining
workplace

EXPERIMENTATION | EVALUATION | EVOLUTION

Today's Agenda

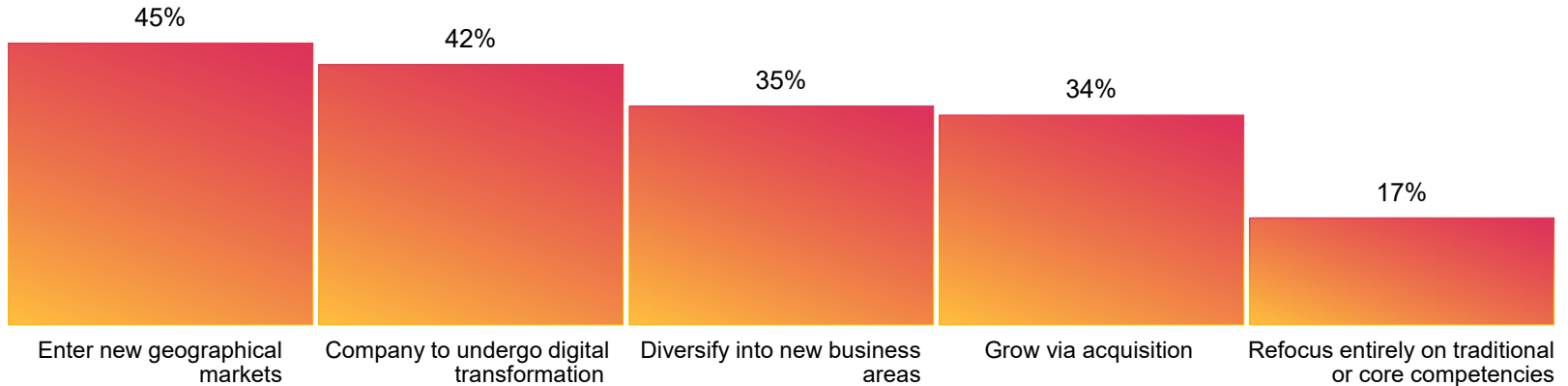
- What is (Y)OUR SPACE?
- Where are we now? Short-term outlook
- **Where are we headed? Key findings of (Y)OUR SPACE Edition 3**
- What does it mean for the room?

A more complex operating environment



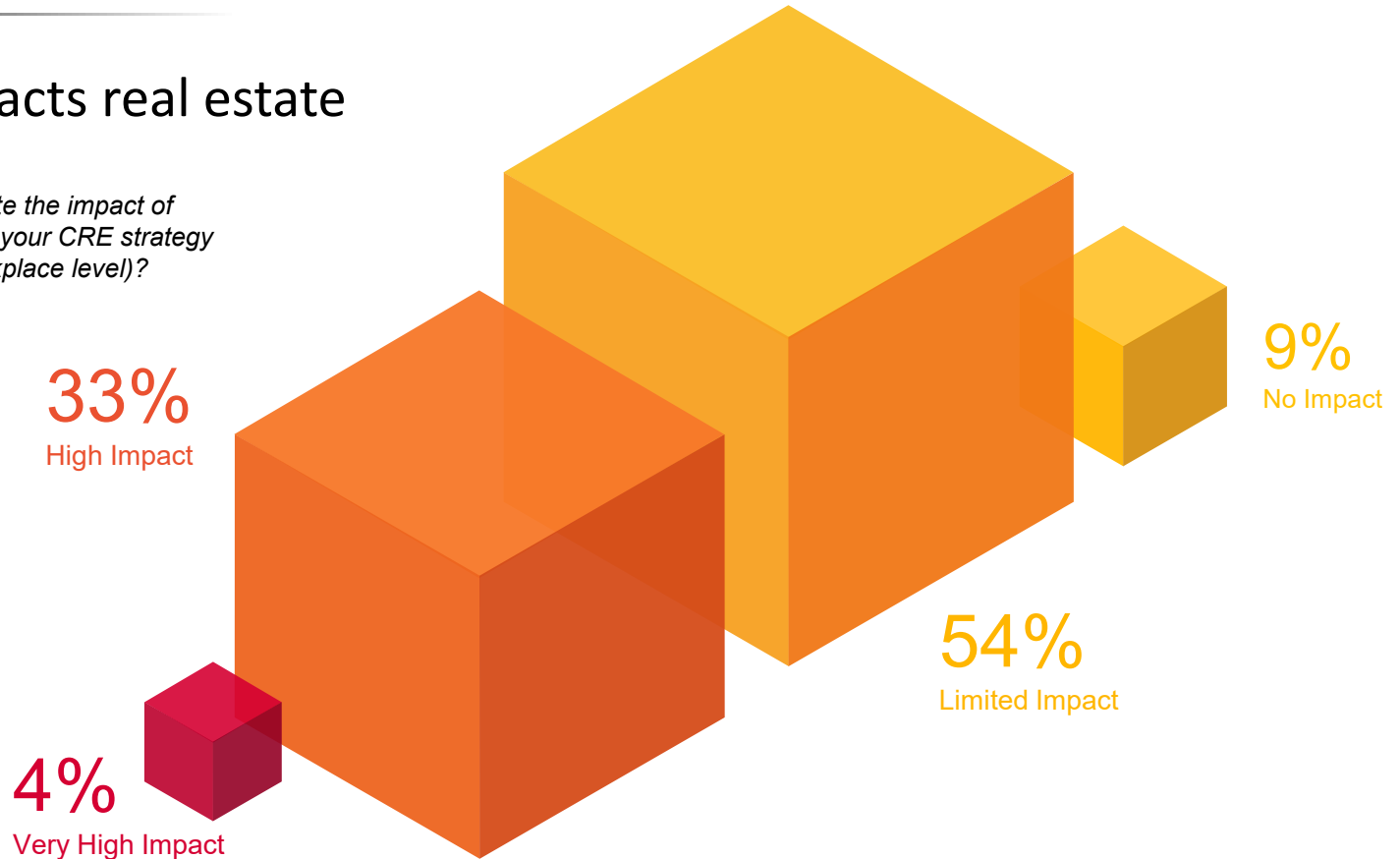
A significant business transformation agenda...

Q Which of the following do you expect to be part of your business strategy over the next 3 years?



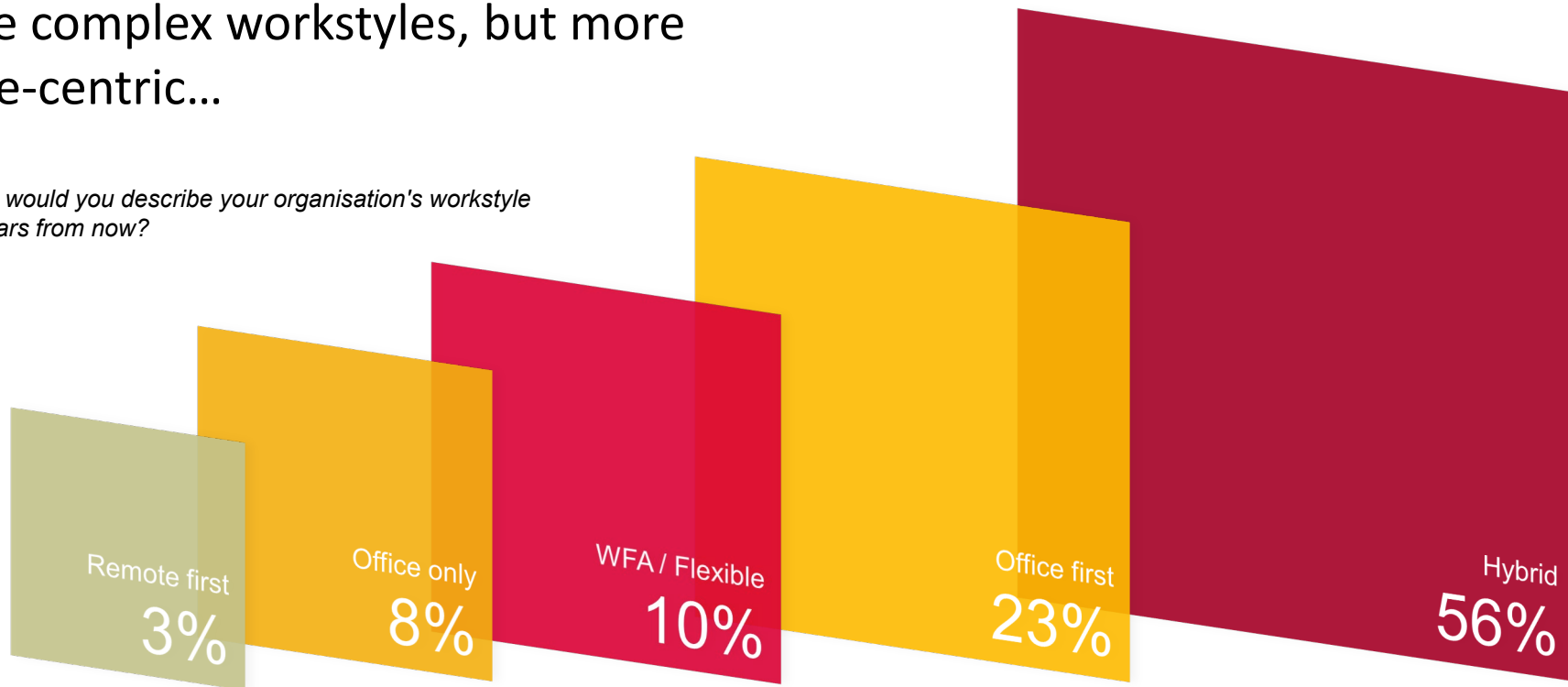
... which impacts real estate

Q *How would you rate the impact of these changes on your CRE strategy (portfolio and workplace level)?*



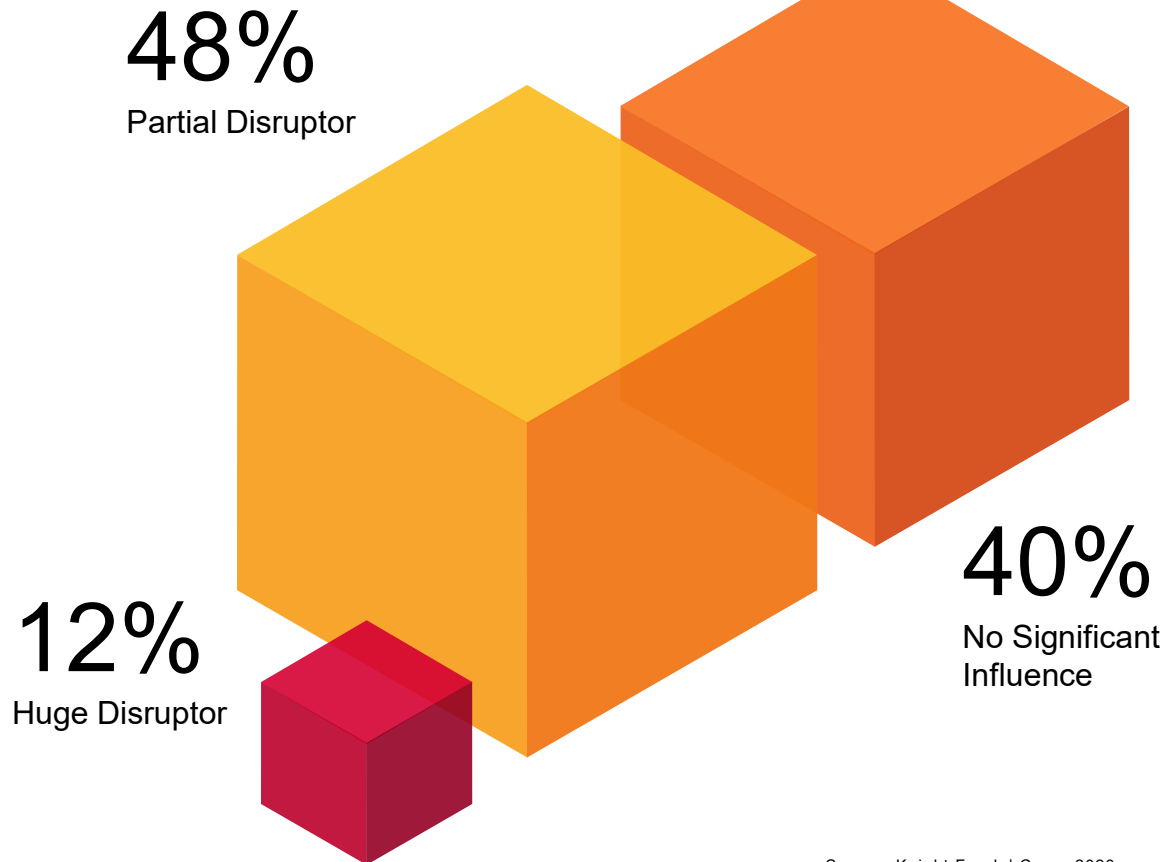
More complex workstyles, but more office-centric...

Q *How would you describe your organisation's workstyle 3 years from now?*

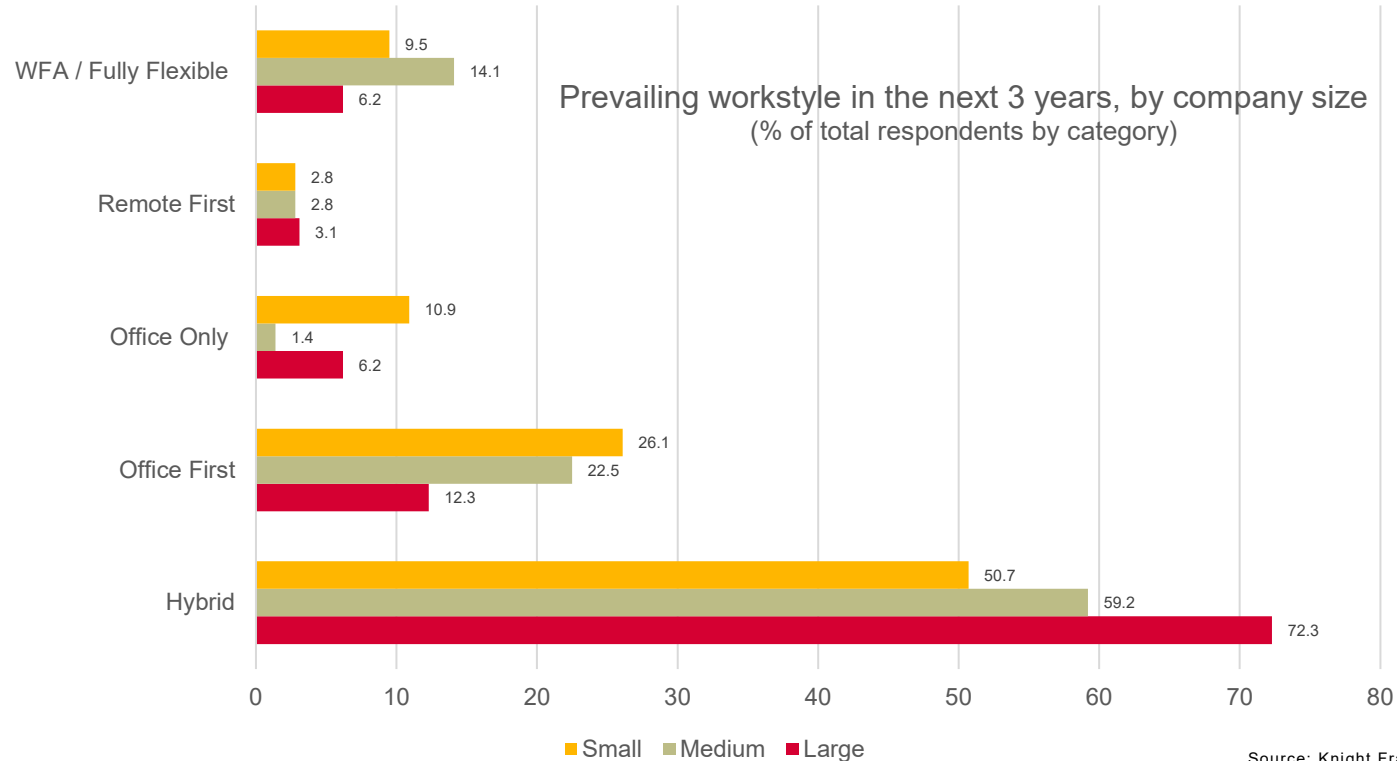


...which is a source of disruption

Q *What influence does this future workstyle have on the future workplaces you provide?*



Larger firms more likely to adopt hybrid



But the mood music is changing



CommonwealthBank



HCLTech



J.P.Morgan



BlackRock



Skadden



Flexible but with required office presence

Stipulating 3 days a week

Stipulating 4 days a week+

Real estate continues to be strategically important

Edition 1 2018

86%

- Talent attraction & retention
- Corporate brand & image
- Cost management & mitigation
- Increased collaboration
- Employee wellbeing

Edition 2 2020

90%

- Corporate brand & image
- Cost management & mitigation
- Employee wellbeing
- Talent attraction & retention
- Increased collaboration

Edition 3 2023

94%

- **Talent attraction & retention**
- **Increased collaboration**
- **Cost management & mitigation**
- **Corporate brand & image**
- **Employee wellbeing**

Q Do you have a specified cost saving target for real estate within your strategy?

39.2%

Yes

60.8%

No

Q If yes, what is the magnitude of that cost saving target?

39%

By 10-20% of existing real estate spend

40%

By 1-10% of existing real estate spend

19%

By more than 20% of existing real estate spend

1%

Unspecified

The result?

A return to 'Disruption = demand'

Q *What is the magnitude of change in total floorspace across your portfolio over the next 3 years?*

Increase
55%

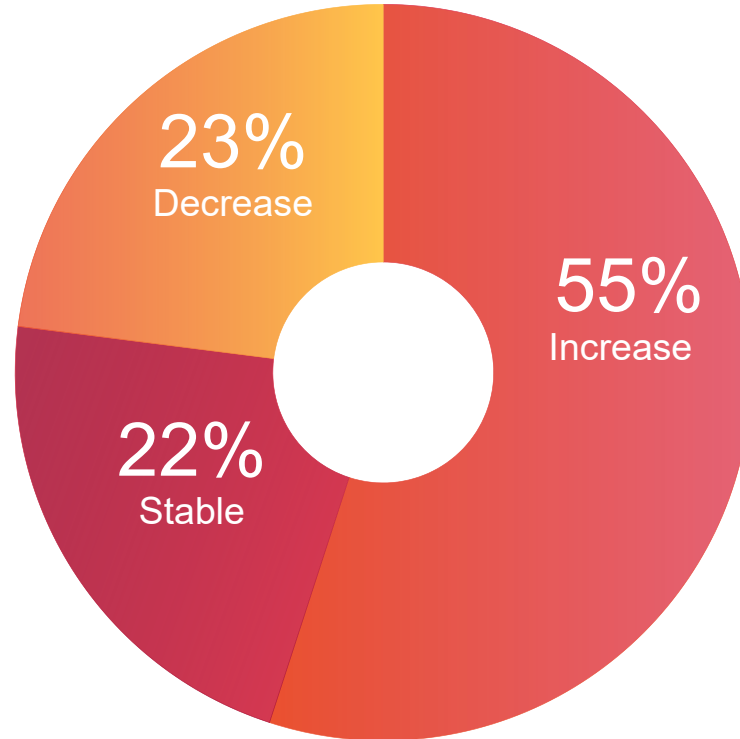
22%
Stable

23%
Decrease

4 in 10 planning to increase footprint by >10%

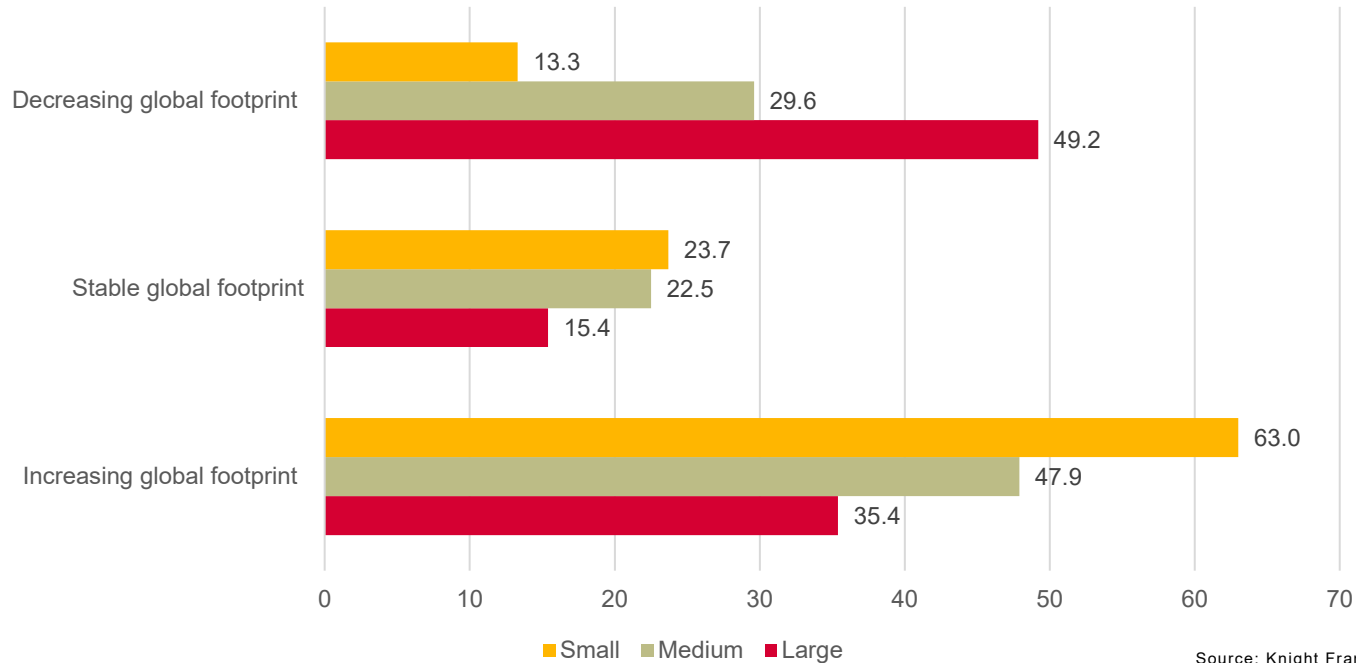
Q What is the magnitude of change in total floorspace across your portfolio over the next 3 years?

Decrease by 20% or more	5.8%
Decrease by 10-20%	9.2%
Decrease by 1-10%	8.1%
Stable	22.1%
Increase by 1-10%	12.8%
Increase by 10-20%	20.4%
Increase by 20% or more	21.2%



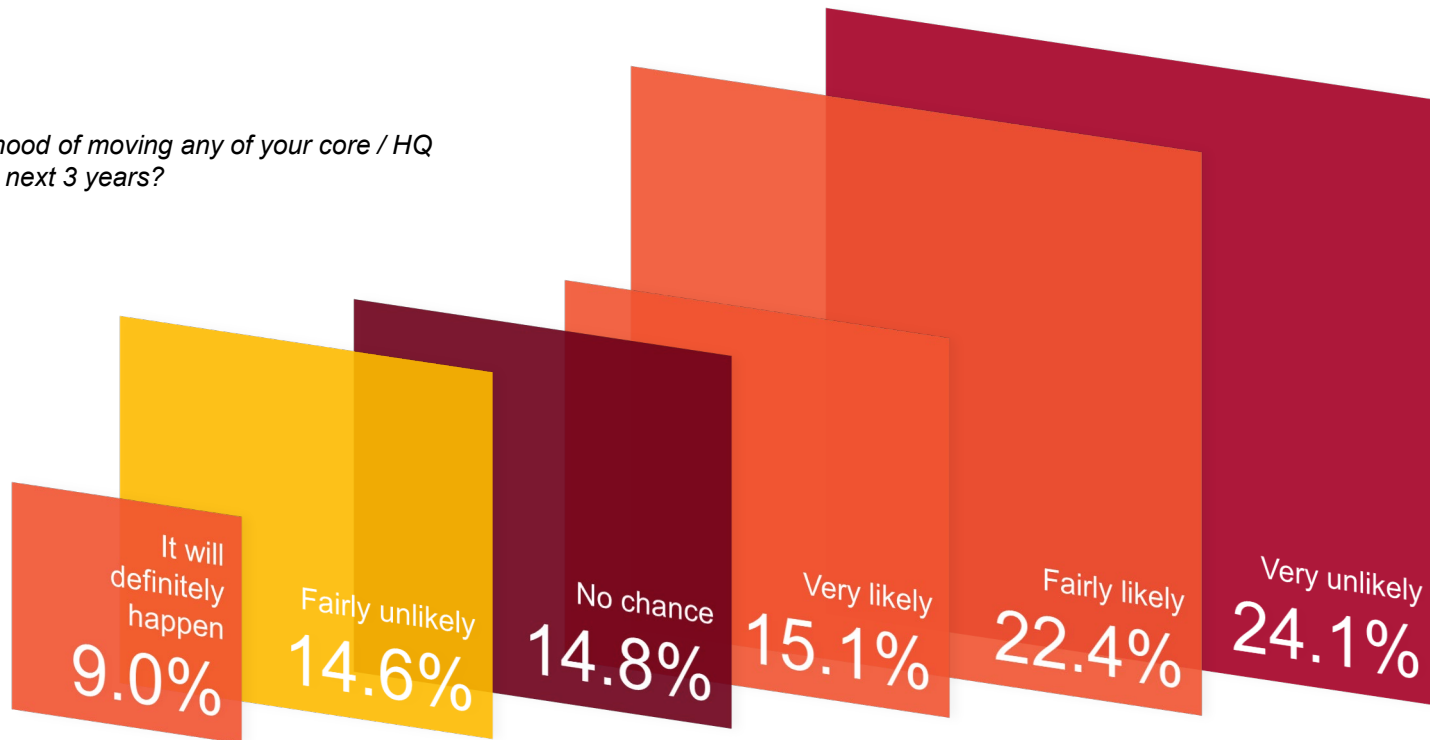
Larger firms more likely to reduce footprint

Global portfolio growth trajectory over the next 3 years, by company size
(% of total respondents by category)

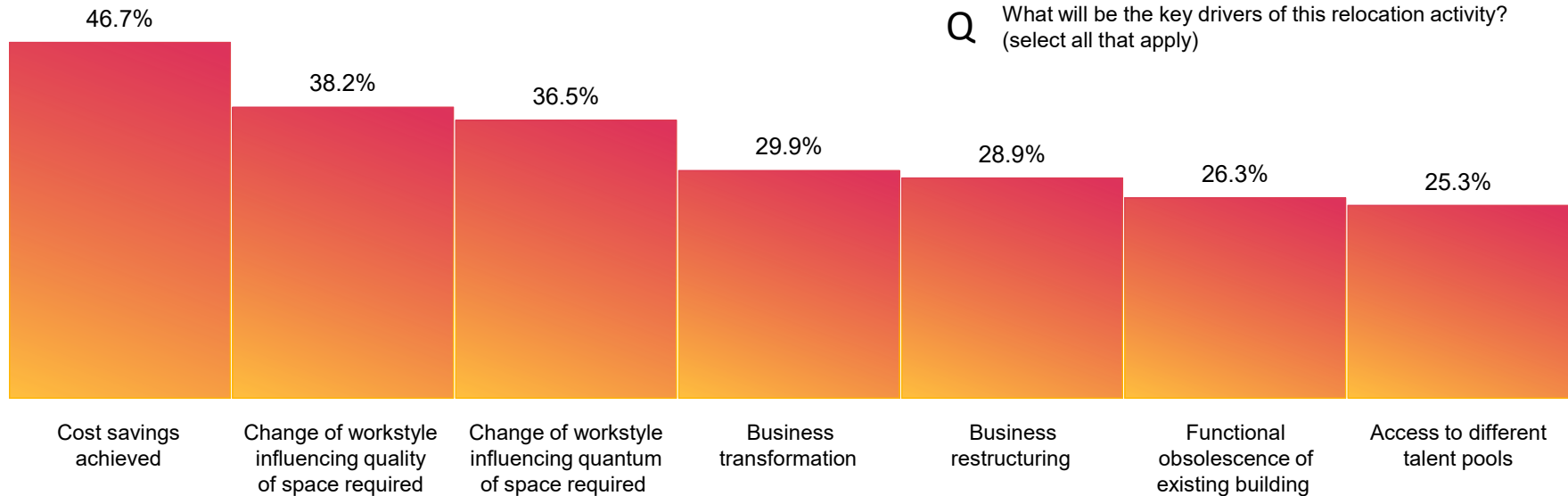


Increased occupier mobility

Q *What is the likelihood of moving any of your core / HQ facilities over the next 3 years?*

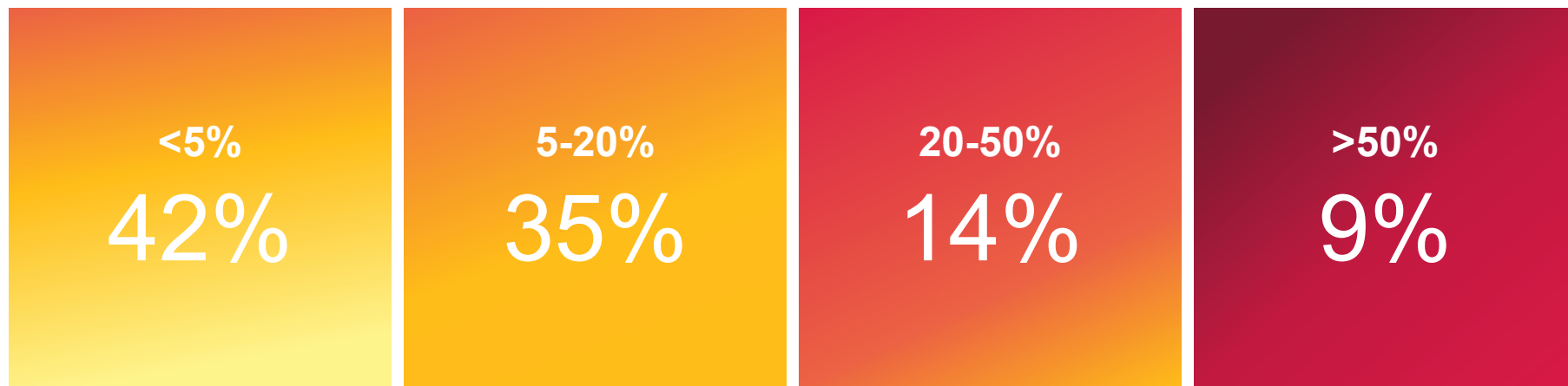


.... as obsolescence bites



Flight 1: The flight to flex

Q *What proportion of your portfolio will be in serviced / managed / co-working space 3 years from now?*



Flight 2: The flight to sustainable real estate

Q *To what extent does your company's ESG strategy / commitments influence the real estate decisions you make over the next 3 years?*

Not at all

7%



Small
extent

20%



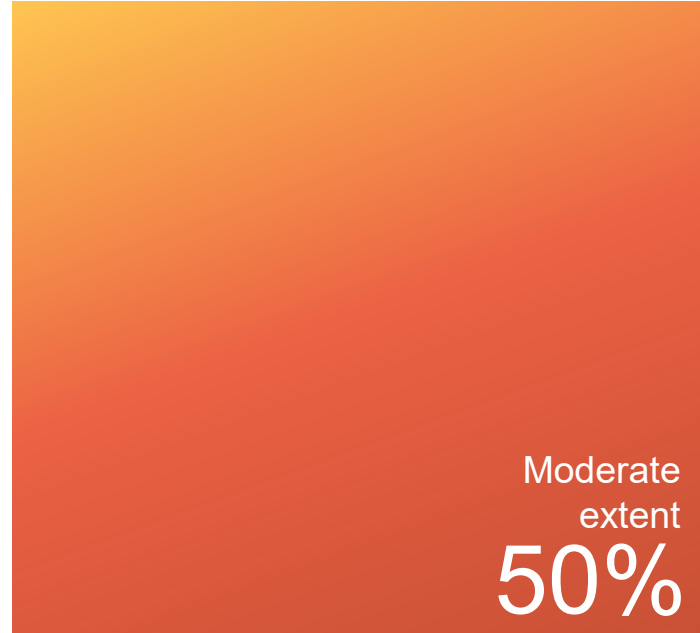
Great
extent

22%

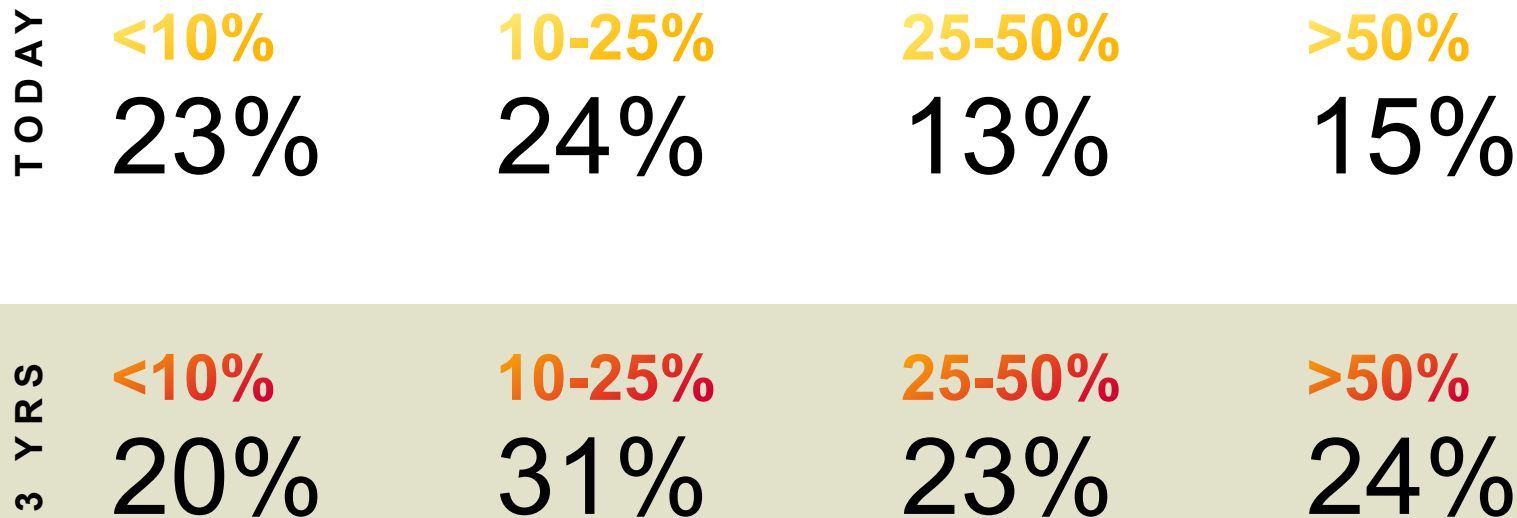


Moderate
extent

50%



Flight 2: With accredited solutions in growing demand



Q *What proportion of your portfolio has an environmental / sustainability accreditation today / 3 years from today?*

Flight to sustainability, London



- West End Base
- BREEAM EXCELLENT
- Led by CSO

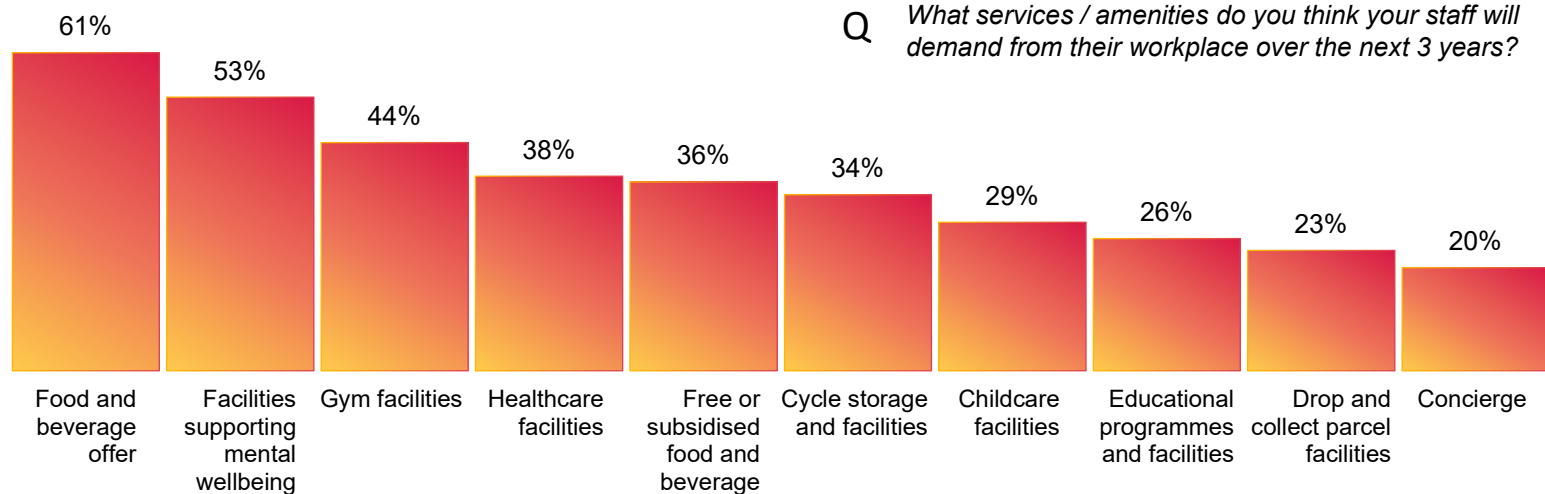


33,000 sq ft @ 2 Derry Street, W8

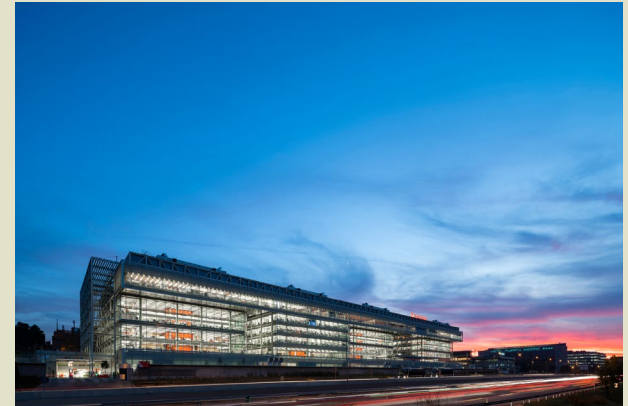


28,000 sq ft @ 22 Bishopsgate, EC2

Flight 3: The flight to (and extension of) amenity



The amenity-rich campus, Madrid



Education, the next wellbeing frontier?



Today's Agenda

- What is (Y)OUR SPACE?
- Where are we now? Short-term outlook
- Where are we headed? Key findings of (Y)OUR SPACE Edition 3
- **What does it mean for the room?**

If you are an occupier ...

- We are in the early moments of the 'evolve' phase
- Disruption will = demand
- Nuance to future office demand
- There's no 'one size fits all' solution
- Physical & functional obsolescence will be a catalyst for action
- Sentiment remains fragile & may slow progress

If you are an investor / landlord / developer ...

23% of global respondents have no frustrations as a customer

Top 3 frustrations:

1. Inability to offer flexibility (perception over reality?)
2. Lack of innovation in product / service offering (make experiences not places)
3. Lack of customer understanding & dialogue (navigate the nuance)

Service layer – Angel Place, Sydney



“For every complex problem,
there is an answer that is clear,
simple and wrong.”

H L Mencken

Contacts

Dr Lee Elliott

Head of Global Occupier Research

+44 (0)7468 729 187

lee.elliott@knightfrank.com

Tim Armstrong

Head of Global Occupier Research

+44 (0)7468 729 187

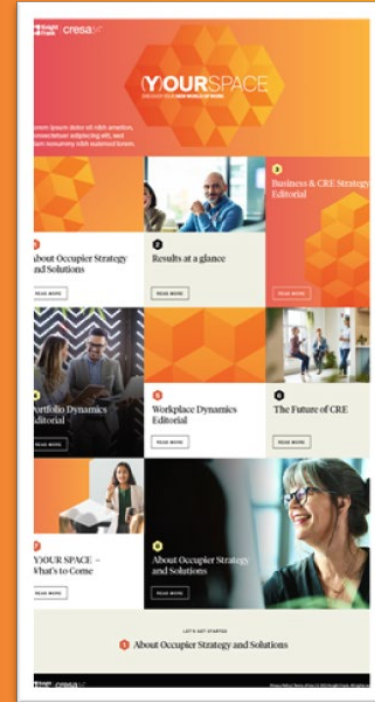
tim.armstrong@asia.knightfrank.com

Viral Desai

Senior Executive Director, Occupier Strategy & Solutions

+91 (0)80 6818 5699

viral.desai@in.knightfrank.com



<https://publications.knightfrank.com/your-space/>