

NOT A PANDEMIC, BUT DEMOGRAPHICS WILL DECIDE THE FUTURE AND VALUE OF THE OFFICE

'THE VALUE OF THE OFFICE' - OCTOBER 2020



A NEW STANDARD FOR THE FUTURE OF THE OFFICE

The global pandemic has massively accelerated our understanding of the opportunities for remote working. Those who only need a computer and telephone for their work have been putting home working to the test en masse since mid-March and, thanks to technology, have confirmed that this throws up few obstacles. From meetings, introductions and job applications to taking a training course online. What does this say about the future of the office? Will fewer of us be going to the office at the same time? Will workspaces become larger? Or will the office become a kind of clubhouse? The real estate advisers at Cushman & Wakefield expect that the future, and with it the value of the office, rests in the hands of those who work there, now and above all in the future. The gamechanger on the office market is that it is no longer the employer but the future workforce that will determine the organization's need for office space.

THE VALUE OF WORKING FROM THE OFFICE

Some office users quickly decided – perhaps too quickly – to overturn the office strategy entirely and ditch the office. Others calculated that we would work for half the time at the office, and the other half at home, or a mix of office and home working during a working day. And there are others who swear by a ‘smart building’, where you can work touchless in a green office environment with good food and drink on offer and a healthy climate, all at a 1.5-metre distance from each other. This in combination with regional hubs besides the main office, which will probably be smaller. All potential scenarios, but at the same time developments which are difficult to predict in the current crisis. It is therefore unwise to take far-reaching decisions on office space during a period of crisis.



What we can say at this stage, though, is that because of Covid-19 mandatory homeworking has led us to reassess the way we need to think about the value of offices and how we need to recalibrate existing workplace strategies. But the value of the office, and with it the recovery of the office market, is driven much more by demographic trends than by the pandemic. The future workforce and its generational makeup will determine the need for office space and what that office environment must or must not facilitate. The imminent demographic upheavals, in combination with the ongoing shortages in the labour market, will determine the need for office space, office workplaces and the function of the office itself. This will certainly not by definition result in less office space, but will lead to different office use and different workplace strategies.

ECONOMIC OUTLOOK IN THE NETHERLANDS

Worldwide research by Cushman & Wakefield indicates that the global office market will show the first signs of recovery from the crisis in 2022. Full recovery is expected in 2025. These recovery times can be compared to those of the financial crisis and recession in the years from 2008 to 2012.

In the Netherlands, the recovery will be swifter due to its strong economic foundations and the shortages in the office market at good locations in towns and cities. Since the Covid-19 outbreak, national vacancy figures in the Netherlands have been at their lowest ever and the economic forecasts for our country are significantly better than those for other European countries, and certainly compared to those in America and Asia. The IMF is assuming that the economic recession caused by the pandemic will gradually normalize in the final quarter of this year. The support measures will do much to prevent bankruptcies and rounds of redundancies, as a result of which a recovery will be visible as early as 2021 and the Dutch economy is likely to pick up by 3 percent.



BOOMERS



693 million boomers are still working



By 2030, all of the boomers will have hit the 65-year-old threshold

MILLENNIALS



By 2030, millennials will represent over 40% of the global working age population



The oldest millennial will turn 50 in 2030

GENERATION Z



Need help in developing social skills



Grew up with smartphone



Represent 26% of the global population

DEMOGRAPHICS AND THE WAR FOR TALENT

In the current decade around 700 million Baby Boomers will retire and we will see the first fifty-year-olds of generation X, while the total worldwide population will be dominated by 2 billion people in generation Z. A fifty-year-old Millennial may seem a long way off, but this will be reality at the end of this decade. The impending demographic changes are complete upheavals and will have a huge effect on the entire real estate market, and that certainly includes the office market. Employers, always in search of top talent, will have to stand out from their rivals within highly diverse generations, each with their own requirements and expectations as regards where, when and how they will work. For employers, this means that they will be able to make their mark in this war for talent by facilitating freedom and flexibility in the choice of workplace.

Where at present the Millennial is still the most strongly represented generation on the workforce, digital native generation Z, who assume that everything they touch is seamlessly connected with each other, will soon become the largest cohort of employees in the organizations' total workforce. Attracting, stimulating, motivating and retaining talented employees in all these generations demands answers to a wide range of needs and preferences within these diverse generations. Because, as research shows, it is perfectly possible for all generations to work from home, but that is not what all of them want. During the coming five years, office users will have to search for a sustainable and technical symbiosis between an optimal office environment and an optimal homeworking environment.

This vision is built on internal research and dialogue with internal and external stakeholders, in close collaboration with consultants and analysts from various disciplines. Major social issues such as climate adaptation, urban densification, urbanization and the energy transition outline the future prospects for spatial planning in the Netherlands and require a long-term vision. With the unique combinations of expertise within our company, we guide organizations in formulating the best answers to relevant real estate issues. And we make an impact on the future design of our communities, cities and country.



JAN VERHAEGH

Head of Office Consultancy
jan.verhaegh@cushwake.com



JEROEN LOKERSE

Head of Netherlands
jeroen.lokerse@cushwake.com



CHRISTIAN VAN CADSAND

Occupier Strategy Netherlands
christian.vancadsand@cushwake.com



ASAEL AKKERMAN

Head of Workplace Netherlands
asael.akkerman@cushwake.com