

UK Education - April 2021

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SPOTLIGHT
Savills Research

UK Higher Education Spotlight



Returning to work - Offices, work and workplaces on a post-Covid campus

“More staff were being packed into less space, resulting in higher levels of staff dissatisfaction”

In this edition of our Higher Education Spotlight we delve into the question of how and where staff might work in a post-Covid environment. The last 12 months has seen the concept of agile or remote working being tested on an unprecedented scale. Numerous staff surveys have been undertaken, and few tangible conclusions drawn. However, employers in both the corporate and HE sectors are facing questions around work and workstyles that may affect both capital expenditure and organisational efficiency going forward.

At the time of writing this edition of the Spotlight the UK government has said remarkably little about how office work fits into its roadmap out of lockdown. One sentence tucked away at the back of February’s document on the subject suggested that the guidance to “work from home if you can” would not be removed until the 21st of June at the earliest.

Of course, only a relatively small proportion of the workforce can work from home, most notably those in office-based jobs. Interestingly, there is no official data on how many people in the UK actually work in offices, with estimates ranging from eight to ten million people. However, looking ahead it is this group of workers over whom the biggest questions around work hang. These questions include: Have they worked happily and successfully from home? What elements of the office environment have they missed? Has the organisation for whom they work benefitted either in cost or productivity terms from a more agile workforce? Will people just return to their old ways of work once it is safe and possible? What property opportunities might changes in workstyles offer to employers?

1 Where was the office & work debate pre-Covid?

A simple, but often overlooked, fact about work is that most people work to live rather than live to work. Thus, while much of the research and debate around the office prior to Covid-19 was about improving staff attraction and retention, it was heavily skewed towards the needs of the employer rather than the desires of the employee. Agile working had undoubtedly been on the rise for a decade, but many organisations remained resistant to it.

For decades many organisations saw their office space as more of a cost than a benefit, and the number one focus of heads of real-estate was around reducing that cost to the organisation through such measures as increasing occupational densities and the introduction of hot-desking and other similar initiatives.

However, an increasing body of survey evidence, as well as the rise in institutional interest in ESG policies and wellness, started

to draw into question whether packing more people into smaller spaces was the best thing to do to deliver a productive workforce.

This change was led by those industries that were competing hardest for staff, and the quality of their workspace started to become a tool in their recruitment and HR arsenal. Elsewhere in the economy though little change was taking place. The majority of office workers in the UK still worked in environments that would be familiar to their parents or grandparents. This is particularly true of those in ‘back office’ roles where the non-customer facing elements of an organisation were the last to see any improvement in their work environments.

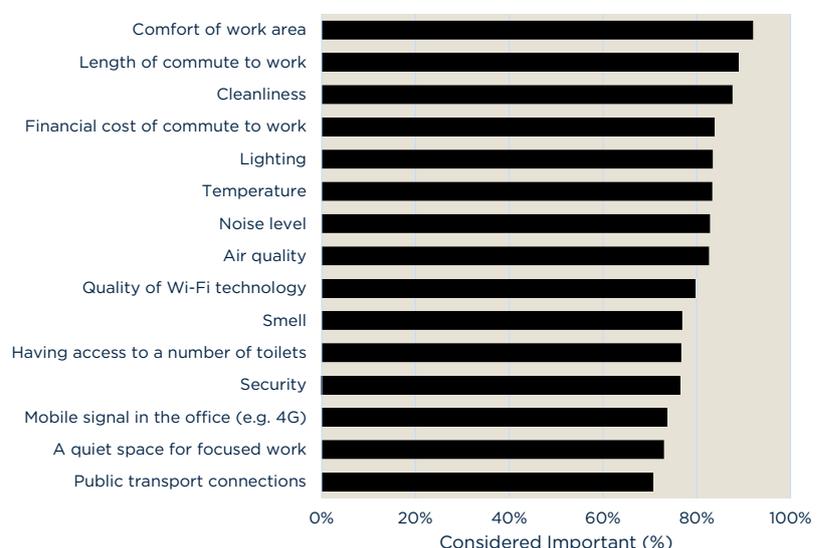
In the Higher Education sector, while the primary focus was heavily on the student experience, the office space in which those who were tasked with delivering that enhanced student experience was often being overlooked.

Indeed, on many campuses the support functions were being moved to worse workspaces to free up space for better customer-facing areas.

Another challenge to workplaces that was rife prior to Covid-19 was a shortage of suitable property for those organisations who were looking to expand or improve their facilities. Competition from other uses was intense, and universities often found themselves unable to acquire strategically located buildings that would fit their estates strategies because residential or other developers were prepared to pay more for these desirable buildings and sites.

For institutions that were expanding this meant that more staff were having to be packed into less space, resulting in higher levels of staff dissatisfaction with noise and comfort in their workplaces.

What do office workers want: Comfort, short commute, and quiet



Source Savills What Workers Want 2019

“Open-plan workspace are not inherently bad, but badly designed open-plan workspaces are”

Occupational densities appeared to be the factor that was causing most dissatisfaction in offices prior to the arrival of Covid-19. Research by the British Council for Offices (BCO) over the last decade shows how densities have changed in the typical UK office. Average occupational densities had risen from one person per 12.5 square metres in 2008 to one person per 9.6 square metres in 2013. By 2018, 24% of the office floors surveyed by the BCO fell into the band of one person per eight square metres or below.

Unsurprisingly, while this might have reduced the overall rent and rates bill of an organisation, it started to have a negative impact on some aspects of staff experience. Savills regular What Workers Want surveys showed a steady rise in staff dissatisfaction with noise in open plan office space in particular. Indeed, in the 2019 results of that survey more than one-third of respondents suggested that working in an open-plan environment was having a net decrease on their productivity.

This does not mean that open-plan workplaces were inherently bad, just that badly designed open-plan workplaces were. It is relatively easy to mitigate the acoustic impacts of rising occupational densities, and where that is implemented as part of the wider comfort debate the results are almost always positive.

As the chart on the preceding page shows, the second most important factor to get right in a high-performing workplace is its location. 89% of workers said the length of their commute was of high importance. It is a reasonable assumption that relatively few workers actively enjoy their

commute to and from work, and in the context of the massive involuntary swing to home-working that we have seen over the last year, this might well be the most significant signpost as to how things might change in the future.

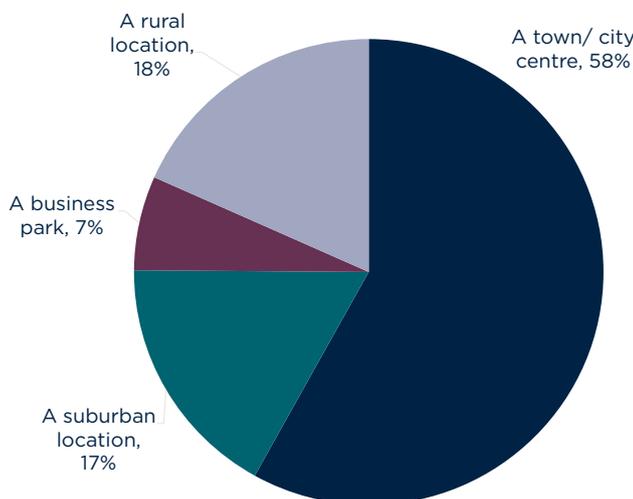
Before this crisis there was an increasingly sensible debate arising around flexibility and agility. Different tasks are done better in different environments, and different people work effectively in different ways. For example, working parents will be happier and more productive if they can structure their days to fit the rhythms of the school day, rather than the traditional 9am-5:30pm in an office that requires them to commute for up to 60 minutes at each end of that day.

All of these factors were swirling around in boardrooms and human resources departments at the end of 2019, and some companies had, or were in the process of, empowering their employees to work in a more flexible fashion according to their role, lifestyle, or the specific task that they were trying to achieve that day.

There was an increasing assumption in many forward-looking organisations that work was not necessarily a place to which you went, but something that you do in whatever place is best suited to the task at hand. Then Covid-19 hit, and brought with it a dramatic and essential rise in concerns about staff well-being and safety.

The questions that we will address in the remainder of this paper are how might employee priorities have changed over the last year; how these may (or may not) align with organisational aims; and how real-estate strategies might change as a result of Covid-19.

Where did most office workers want to work prior to Covid-19: In town centres, despite the commute



Source Savills What Workers Want 2019

24%

of offices offer eight square metres of space or less to each staff member

45%

of office workers in the UK believe that sharing a desk negatively affects their productivity

👉 78% of staff in a high quality workplace say they can work productively 👉

2 What has the last year taught us about how people work, and how & where they would like to work in the future?

While working at home over the last 12 months has undoubtedly kept the economy going, and more importantly limited the spread of the virus, there are still significant questions in many employer’s minds as to whether people are as productive at home as they are in the office. Indeed, this is the primary issue that has held back a wider adoption of agile working over the last decade.

The jury is still out on this question, though on the positive side the last year has seen considerably more research into this subject than we have ever seen before. In a speech on home-working last year the Bank of England’s chief economist commented that while people in the UK had on average worked 8% more hours during lockdown, only 12% said that their productivity while working at home had improved. He went on to comment, rather more worryingly, that 25% said that their productivity had fallen.

Of course, 2020’s experiences were unique in the sense that working at home was not an option but an obligation, and many people who were working at home had additional responsibilities such as home-schooling. However, on the face of it, it would appear that even with a longer working day, very few people felt that they were working more productively than they would in their normal workplace.

For some employers this will undoubtedly put the question of agile working firmly back into its box once normality has returned. However, our view is that agile or flexible working will increase in the future, and will be part of a wider recognition of the diversity of people, lifestyles and types of work that take place in the modern world.

Savills undertook a survey of more than 20,000 office workers across Europe during the first lockdown in the early Summer of 2020. The findings of the survey point to an aspiration for a more blended and agile future for work, rather than a binary home or office solution. However, even a slight rise in the

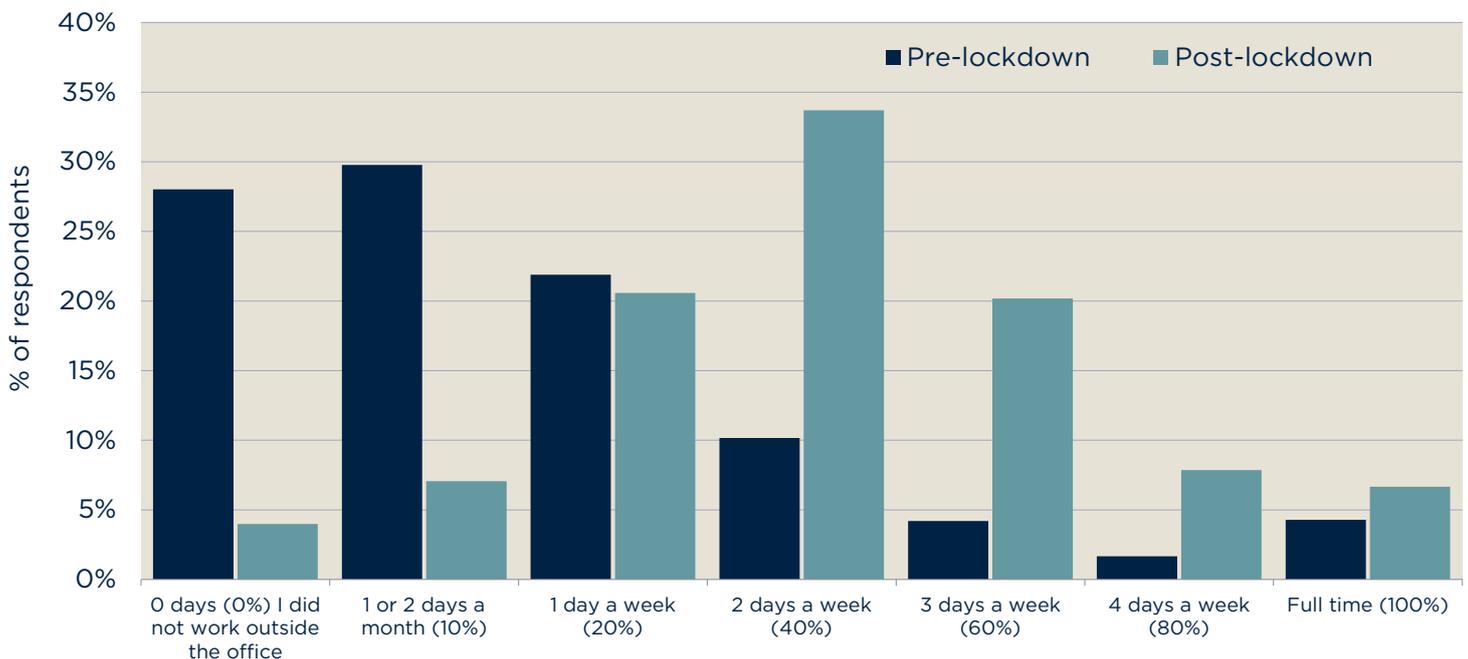
number of days worked from home will be a dramatic change from the past, and as the chart below shows, 69% of respondents to our survey said that they would like to spend two or more days a week working remotely in the future (compared to 20% who said that they had done this in the past).

This aspiration appears to be consistent across all of the large staff surveys that have been undertaken over the last year, with the largest of its kind being the Leesman survey of 160,000 office workers globally last year. 48% of the respondents to this survey saw themselves working from their main office two to three days per week in the future, and 15% on four to five days per week. Given that the same survey suggested that pre-pandemic 54% of respondents had had little to no experience of working from home, even regularly working from home two days a week in the future will represent a pretty seismic change in working practices.

Interestingly, the Leesman survey produced a rather more optimistic view on productivity than that referred to earlier. 83% of respondents to that survey believed that their home environment enabled them to work productively, and only 64% said the same about their office environment. This probably says more about the quality of office environments and the control (or lack of it) that people have in them, than any other statistic. Good offices, and the Leesman+ badge is attached to higher-performing workplaces, scored more highly on productivity with 78% of staff who work in a Leesman+ office saying that their office enabled them to work productively.

Clearly home-working works better for some than for others. The same should also be said about working solely from the office. Employees with less complex or diverse work roles report being able to work more productively from home. Also, those whose roles are less collaborative report higher productivity at home than in the office. Finally, there are the issues around

The working from home genie will not go back into the bottle: How many days per week did you work remotely before the lockdown period, and ideally how many would you like to in the future?



Source Savills Office FIT 2020

“ For all staff the workplace will need to be compelling so employees seek it out as their preferred destination”

the home environment, which range from the amount of space an individual has to dedicate to work, to whether they have childcare or other responsibilities at home.

Of course, there is more to working life than just measurable productivity. When we asked respondents to our first Office FiT survey in 2020 about personal growth, work/life balance and a sense of belonging to an organisation, even more nuance emerged. Only 13% of respondents felt that working at home solely would support their personal growth, and only 2% felt that this would enhance their sense of belonging to an organisation. However, 53% stated that a mix of work locations would be ideal for personal growth, and the same proportion felt that they needed to be in the office for that sense of belonging. Even when it came to the issue of work/life balance, a slim majority felt that a mix of work locations was better than solely being in the office or at home.

Looking ahead, we should also be mindful of the fact that different people have different needs and aspirations depending on their age and career stage. Most of the survey evidence that has been produced over the last year has suggested that people believe that they can concentrate better at home (perhaps a reflection on the open-plan office), but that the office is better for career advancement, collaboration, networking and mentoring. Younger staff are also less likely to have dedicated spaces for work in their homes, and this combined with their need to learn and build networks will mean that in the future they will need the community that is

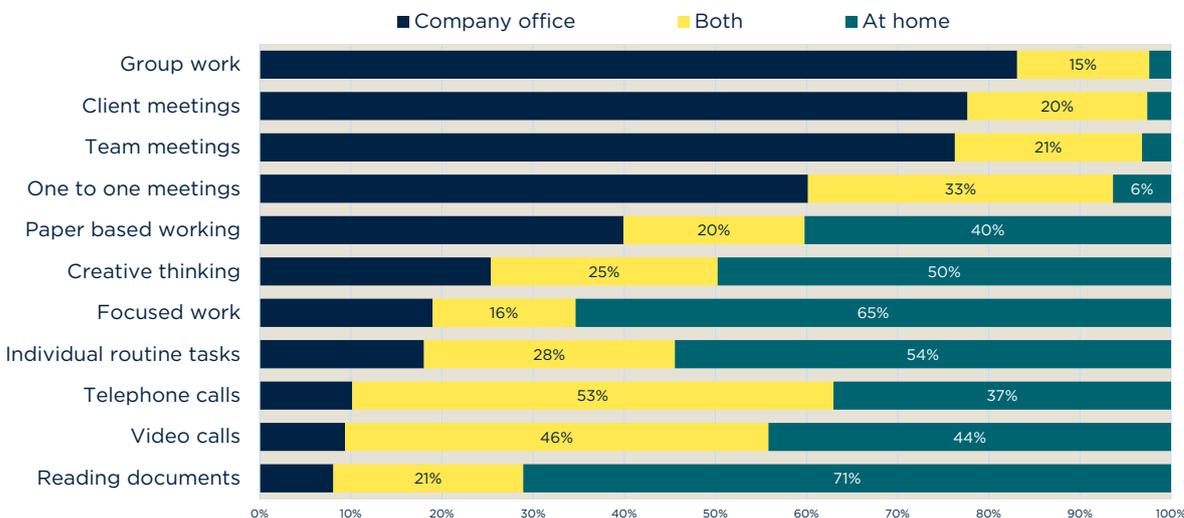
more easily created in a traditional office environment more than some of their older colleagues.

For all staff the workplace will need to be compelling and offer a level of experience so employees seek it out as their preferred destination, and give people something that the home does not offer. We have to create environments that provide the rationale for a workplace with qualitative, interactive, multi-sensory experiences that put collaboration and culture at the centre of the environment.

The office not only is vital for organisational culture and success but it will play huge role in people’s recovery from this crisis, offering normality and reconnection after a sustained period of abnormal times. Home working will remain in part, however office life post vaccine and based on previous crises and events, is likely to broadly resume as before, with enhancements and benefits to suit how people want to go forward.

Flexibility will be a key word across all aspects of working lives with a need for flexible attitudes from all parties and in overall real estate strategies. One thing we do know is that we cannot predict the future but we can prepare based on what we have learnt to date.

Different places for different tasks - Agile working: Where do you think you would perform the following activities most productively?



Source Savills Office FiT 2020

69%
of office workers would like to spend two or more days per week working remotely in the future

53%
of office workers believe that being allowed to work in a more agile way would enhance their personal growth

“We would caution against making radical changes that might involve significant capital expenditure at this time”

3 The office and estate strategies post-Covid

With a return to normal working practices now part of the UK government's roadmap for recovery from late June 2021, now is the time to consider what we have learned from the last year about how people wish to work, and also to consider how estates strategies might change as a result of what we have all lived and worked through over the last year.

We would caution against making radical decisions that might involve significant capital expenditure at this time, as until staff and students have returned to our offices and campuses we cannot be sure how much behavioural change has actually taken place. However, many of the challenges that were facing both corporate and academic estates before this crisis will remain, and in some cases the new ways of thinking and market realities of the post-Covid world might offer new opportunities.

In this final section of the Spotlight, we set out below some key questions and opportunities that we believe are worth considering over the next six to 12 months.

Embrace Agility

High performing workplaces support what all employees do regardless of the diversity of roles, lifestyles and personality types that are present in the modern workplace. While some organisations were resistant to agile working in the past, we believe that this stance is no longer acceptable.

Over the last year many workers have re-profiled parts of their home to create work-specific settings, and this ability to control your working environment in the future will be seen as a perk of working for better organisations. Our research has shown that where employees perceive that they have higher levels of control over their work environment, their satisfaction with that environment also rises. This control can range from having the ability to open windows to using an app to control local comfort levels.

Survey work will be needed at an organisational level to understand the range of different tasks that people undertake as part of their role, and what tools and environments they need to perform that role to the best of their abilities. New challenges will emerge as workplaces become more agile and video-dependent. We will continue using video conferencing because of its convenience and familiarity, it cannot replace face to face collaboration but convenience is likely to prevail. Workplaces will evolve towards a mixed-mode with in person and remote communication and live video conversations occurring in all areas of the work environment. It will be different from the telephone and in person exchanges pre-Covid offices. Calls are going to be longer, with greater numbers of participants, with a mix of remote and present attendees. Not all of these can occur in acoustically isolated conference rooms and are likely to be in open office environments, and the demand for acoustic control will go beyond noise-cancelling headphones and headsets. Acoustic design, ideally from the outset, should be a primary concern.

Agile workplaces will also require some further investment in technology to ensure that they are utilised in the most efficient way possible. Many employers are concerned that once they empower their staff to work in a more agile fashion they will experience congestion in the workplace in the middle of the week, and massive under-utilisation of office space on Mondays and Fridays.

Solutions to this change will vary from creating a highly structured rotation of staff for effective utilisation through the week to encouraging self-

management. In both situations we expect to see more use of space booking apps in many organisations. At the most simple level these will ensure that people coming into the workplace can either identify a location to work or book a seat. But more than that, they can identify a colleague's location, enable them to select a larger space for collaboration or book the appropriate environment for whatever is needed. Other systems will do more to support a smart workplace and building by monitoring temperature, air quality, noise and energy consumption and allow user feedback to FM teams. From a business perspective, these can provide empirical data on space utilisation and allows modification where it is required to improve the workplace experience.

While our What Workers Want survey in 2019 showed a clear linkage between the usage of such apps and people's satisfaction with their workplace, it is also important to consider reasons why people might not like them. If they become perceived as Big Brother monitoring attendance then they can be counter-productive, and we have encountered examples where both staff and unions have been resistant to their roll out when the rationale for their implementation has not been explained in advance.

Flex Your Space

A major trend that was underway in corporate real-estate prior to this crisis was the rise in the use of flexible workspaces and leases. Serviced office operators such as WeWork and IWG were actively chasing larger businesses as clients, and this led more traditional landlords to consider providing some of their office space on a flexible basis.

With the post-Covid world of work likely to be more flexible, more estates directors will be considering flexible offices for some of their future needs. The rationale for flexible workspace is a persuasive one, and while it is not likely to be the sole option for larger organisations (our experience in the corporate space is indicating that around 20% of floorspace being occupied on flexible terms is becoming the norm), it does satisfy a lot of pre-existing and new challenges.

Many employers are also seeing the provision of some additional flexible workspace as a tool to satisfy worker's post-Covid desire for more flexibility in their working lives. For example, in the last few weeks both the UK government and the Japanese conglomerate NTT have announced major deals with the serviced office provider IWG. In both cases the rationale for these deals has been explained as a way to give employees the ability to work from their homes, their traditional office, or a flexible third space that sits between the other two environments.

Universities move to a relatively unique calendar, and this creates other periods of high and low levels of usage of their workspace. One solution to this might be to have a portion of the office space provided by a flexible workspace provider on a monthly lease, which can be handed back to that provider during relatively fallow periods of the academic year. Of course flexibility does come at a price, and typically the costs per square foot of flex space will be higher than owned or traditionally leased space. Furthermore, there is a degree of uncertainty built into adopting a partial flexible space provision plan i.e. what happens in the space that you were leasing in June is not available when you want it again in September? While the facilities on offer in many serviced workspaces might be better than those that are currently on offer on parts of the campus, is this outweighed by the disruption to your staff of having to change workplace on an unpredictable calendar?

“ The current recession might present an opportunity for Higher Education institutions who have struggled to find suitable space in their city centres ”

Universities are also fairly unique in that many still own the majority of their office space. While this might create a reason not to consider using flexible space from a third party, it should not rule out a discussion of flexible workspace. Indeed, we believe that one of the most significant opportunities for universities to embrace flexible workspace is as a provider.

Where the university has space that is permanently or temporarily under-utilised, then leasing it on a short-term basis to third parties might offer both an added source of income as well as other benefits. There are a number of routes to offering space to the open market on a flexible basis, ranging from leasing that space to a flexible workspace operator to operating it yourself as a flex provider. In the latter situation there are an increasing number of companies who will do the heavy-lifting for you by ‘white labelling’ the space so that it appears that the university is the ultimate landlord, but all the mechanics of fitting-out, leasing and managing that flex space are undertaken by a third party.

Flexible workspace is not only for office space, though this remains the majority of the global market at the moment. We also believe that there is an opportunity to provide laboratory space on a flexible space as that sector in the UK is currently very under-supplied.

Another benefit for universities of considering sharing some of their less heavily utilised space with other organisations might be around knowledge-sharing and community. Historically the higher education sector has been at the forefront of the delivery of incubator spaces on campuses, research and science parks across the world. Many private-sector organisations would value the opportunity for their employees to work in closer proximity to students and academic staff, and the ability to lease spaces on campus where idea-sharing could be facilitated would be an exciting new option for companies in knowledge-based industries. Some companies are already delivering such space on their own campuses, with businesses such as Facebook already offering incubator space in their own offices to start-ups and innovators with whom they would like to work in the future.

Finally there is the opportunity to use shared workplaces for greater community interaction. A rising corporate interest in social inclusivity has led some businesses to explore whether they can use their existing estates to foster a better connection with the local community. Corporate initiatives that we have seen include offering communal areas of their offices out of hours to local schools for homework clubs, and event spaces to community organisations who would normally have to pay commercial providers for such space. Both of these options are viable for higher education institutions, and would bring life onto the campus during fallow periods, while enhancing the linkages between the university and its local community.

Capitalise on a downturn to deliver new spaces for the future

While Covid-19 has created a number of new debates and challenges for organisations and estates directors, it has also had a more typical recessionary effect on property markets. The amount of available office and retail space in our towns and cities has risen significantly over the last year, and this might present an opportunity for higher education institutions who have struggled to find suitable city centre space in the recent past to acquire centrally-located buildings for their future.

The scale of the opportunity is significant. For example, in the central London office market the amount of vacant office space on offer to lease has

risen by nearly 60% over the last 18 months, from 12 million square feet at the end of 2019 to 19 million square feet in early 2021. While the scale of the rise in the amount of vacant office space is not quite as dramatic in the key regional cities outside London, we have seen an almost 20% rise in the level of available office in those locations over the last 12 months. For cities such as Bristol and Cambridge which had been struggling with a shortage of office space for much of the last decade, there will now be a short period when a wider variety of options will become available for institutions who are looking to expand or rationalise into better space.

The steady rise in online shopping at the expense of department stores, shopping centres and high streets, has also accelerated over the last year and also presents new opportunities for universities who are looking for more space in the centre of their home town or city. The UK currently has 142 million sq ft of vacant retail space, equivalent to 12.6% of retail units. Even in the most successful retail places there is an increasing proportion of vacant units that are empty for long periods or even permanently, with 40% of vacant units having been empty for three or more years. This problem is exacerbated in most towns and cities across the country and accounts for 60 million sq ft, most of which is no longer needed. Furthermore, with changing consumer trends we estimate that by the end of the decade almost 308 million sq ft of retail space will be redundant, increasing to 492 million by 2040.

Many of these retail spaces are large and have a limited variety of alternative uses (a theme we examine in more detail in our latest Re:Imagining Retail report). However, these redundant retail spaces are often very centrally located in mixed-use environments, and a close walking distance from university campuses. We have already seen interest from medical and life-science companies for redundant department stores in cities such as London, Oxford and Cambridge, and we believe that universities should also be looking at such spaces to satisfy medium to long term needs for the expansion of their campuses.

While examples of large-scale change of use from retail to education are still limited in the UK, the US with its longer-standing oversupply of malls is ahead of the game in how many of its universities are seeking to fully integrate themselves into retail spaces. They have taken on the repurposing mantle with evidence of assets such as shopping centres successfully integrating education uses. One of the best examples is Austin Community College in Texas, which took over the failed Highland Mall in its entirety and has since delivered a 400,000sqft campus.

Not only would such a strategy satisfy the space needs of an expanding or evolving institution, bringing such uses even closer into the town and high street could improve relationships between the local community and that institution.

The old questions are as important as the new

Many academic institutions were asking the right questions of their estates prior to this crisis. The desire to make better use of spaces, to create high-performing places, and to integrate better in the community was already well ingrained in many estates strategies. The post-Covid-19 era has not negated any of these strategies, and in our opinion, has made some of them more deliverable. Getting staff and students back onto campus in a happy and safe fashion will be the first priority for everyone. Thereafter, we expect that agility and flexibility will become common on both HE and corporate estates.



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