



OREGA

OREGA – FUTURE OF THE OFFICE REPORT 2024

THE YEAR FLEX
WENT MAINSTREAM

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SPACE
TO BE
YOU.

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Chief Executive Officer

INTRODUCTION

Two years on from the end of the pandemic in a time of global turbulence, an energy crisis and now a new government, we wondered how all this has impacted both business leaders and their employees in their attitudes to the economy and their methods of working.

And as the UK's leading provider of flexible workspace under management agreements, we also wanted to understand the importance of flex space in their business strategies.

Rather than speculate we decided to research and commissioned survey company Survation to carry out our third independent survey of over 2,000 UK office workers and 500 business leaders. We want to know what companies are planning for their real estate strategies, what is most important to them about their office space and how they want to work in the years ahead.

We were interested in their attitudes to technology, the environment and advance of AI.

We have again included office workers in the survey so we can learn what is important to them about both where they work and what they expect from their office environment.

The research was carried out in summer 2024 and builds on our surveys carried out in 2022 and 2021.

We hope this report will help landlords, investors and advisers understand both the current and future needs of British businesses and those they employ, helping us all to create the best workplaces for the future.

FLEX SPACE COMES OF AGE

In our previous survey in 2022, we found that well over half of business leaders said the pandemic had led the company to rethink existing leasing arrangements and a substantial 59% of businesses surveyed said they would consider some form of serviced office. Many firms did not know what they might need in the long term, so having the freedom to upsize or downsize was crucial.

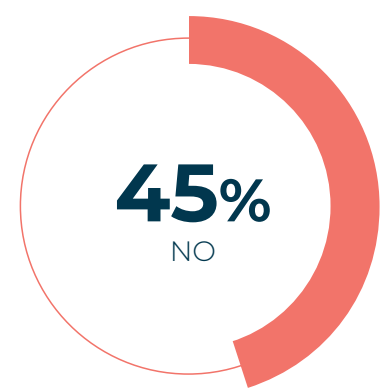
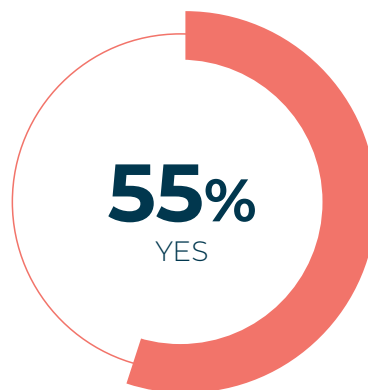


This is borne out by our research this year, which found that 55% of businesses said they were in some form of flex space, as opposed to 45% who were not. This is a significant endorsement for flex space and indicates that using flex has now become a mainstream property strategy.

Of those not yet in flex space, 52% said they would likely consider taking some flex space in the future, as opposed to only 21% who said this would be unlikely. This was higher in London where 65% of respondents said they were very likely or somewhat likely to move into flex space and the North West where 59% said the same.

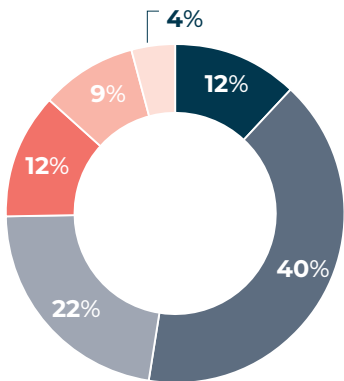
In terms of sector, 63% of the financial / professional services and IT businesses said they would be very or somewhat likely to consider taking flex space in the near future.

Are you in flex space?





To what extent would you be likely or unlikely to consider taking some form of flex space?



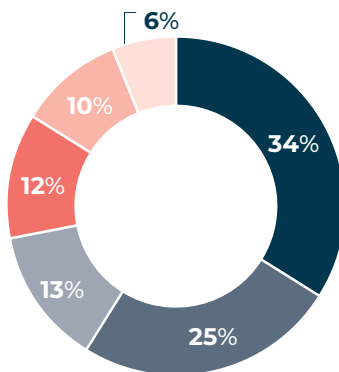
- Very likely 12%
- Somewhat likely 40%
- Neither likely nor unlikely 22%
- Somewhat unlikely 12%
- Very unlikely 9%
- Don't know 4%

These figures illustrate that flex has now become a mainstream option and part of a wider property strategy for many companies.

This was borne out by further research; we asked businesses whether they saw flex space as a viable option to replace traditional leasing, or an equal option with traditional leasing. 34% said they saw it as a viable option to replace, with a further 25% as an equal option. Only 10% said flex space was a “poor relation”.

This is a significant change to perceptions from only a few years ago, when using flex space or a serviced office was seen as a lower step on the ladder to getting more permanent lease-based office space.

Compared to traditional space, which of the following do you most see flex space as?



- A viable option to replace traditional space 34%
- An equal option 25%
- An essential element of a balanced real estate strategy 13%
- An innovative way of looking at real estate 12%
- A poor relation 10%
- Don't know 6%

We then asked those businesses currently in flex space the most important reasons why. Their answers were flexibility, location, price and “our staff like it”. As well as the flexibility to alter space requirements more easily, businesses have been able to locate to well-designed and centrally located offices that they might not otherwise have been able to afford. This has helped enable them to both attract and retain the best staff.

Interestingly, being part of a community was not high on the list of reasons – yet again debunking the myth of some operators that businesses want to mingle with each other. Businesses seem keener on getting the best quality space and location for their own business purposes.



THE DRIVERS FOR CHOOSING OFFICE SPACE – KEEPING EMPLOYEES HAPPY IS MORE IMPORTANT THAN COST

We asked companies the top drivers for their decision making about choosing their offices. This year, for the first time, the top driver for companies choosing the right office space was wellbeing of staff. 87% of business leaders said the wellbeing of staff was a key consideration in their decision making. This was closely followed by the quality of space at 86%, followed by the cost of office space and ease of travel access at 83%.

This is the first time in our surveys that cost has not been the number one factor and indicate that concerns about looking after and retaining staff, including providing them with the quality of space they now demand, is the highest priority for business leaders.

Quality of IT and location of the office were close behind.

Connecting with other businesses in the same building was much lower down the list of priorities, as, perhaps surprisingly, was having a prestigious address to boost image.

Businesses seem much more concerned about keeping their staff happy in quality and in easily accessible space, rather than mixing with potential competitors.

How important are the following considerations when making decisions about your office?

Wellbeing of staff

87%

Quality of space

86%

Cost of the office space

83%

Ease of travel access

83%

Quality of IT

82%

Location of the office

82%

Quiet areas for staff to concentrate

80%

Communal spaces for staff to work together

79%

Ability to design your space around specific needs / branding

80%

Customer service / concierge

70%

Flexibility to upsize or downsize as your needs change

72%

EPC ranking

61%

Local amenities (gyms, shops, cafes)

60%

Connecting with other businesses in the same building

54%

Prestigious address to boost your image

52%

WHO IS MOVING?

BUSINESSES APPEAR TO BE STAYING PUT

Over a third of Businesses plan to keep the same office size and space

Unlike our survey two years ago, when well over a third (37%) of businesses said they planned to reduce their office space, British businesses now seem to be staying put. 35% of businesses surveyed said they planned to keep the same office size and space, with a further 29% saying they planned to keep the same size but reconfigure their space or move to new premises.

There is also additional good news for flex providers, with businesses saying that if the office meets the criterion tenants need, they are likely to stay.

A fifth (21%) said if their requirements were met, they would stay between 1 – 2 years in the space, 33% said between 3 – 5 years and 36% said more than five years.

If your office requirements were met, how long would you anticipate staying in the office



This shows a growing positive attitude to those offices which have the qualities businesses are looking for. Finding the right office in terms of location, cost and quality is increasingly difficult in today's market. It's no wonder if the office works, companies are prepared to commit and stay in them.



WHAT BUSINESSES AND EMPLOYEES REALLY WANT FROM THEIR OFFICE SPACE



We asked why the office remains important to employees and employers alike. Both told us they still want to continue working in the office, if not five days a week.

Businesses still feel the office is central for their business, with 83% saying it was an important place for staff to focus and be productive, followed by 81% who said the office was an important place for staff to collaborate and communicate. 80% said it was important for creativity and inspiration and for access to technology. Only 26% said it very important as a social hub.

When thinking about reasons for staff to attend the office, how important or not are each of the following?

Focus / Productivity



Place to Collaborate / Communicate



Place for creativity / inspiration



Access to technology / filing systems



Career development / training



Client interface



Social hub



The benefits of the office are also replicated by the views of the workers in them. On a score of 1 to 10 on the importance of the office with 10 being high, 75% said having a place to collaborate and communicate was the most important (scored 7 or above) followed by focus and productivity (69%) and then the ability to have access to technology / filing (65%). 62% saw it important for career development and training.

Employees seem to see the office to be a place to concentrate and work hard to improve their careers rather than as a place to play.

How important or not important are your reasons for attending the office

Place to collaborate and communicate



Focus / productivity



Access to Technology / filing systems



Career progression / training



Creativity/inspiration



Client interface



Social hub



Other

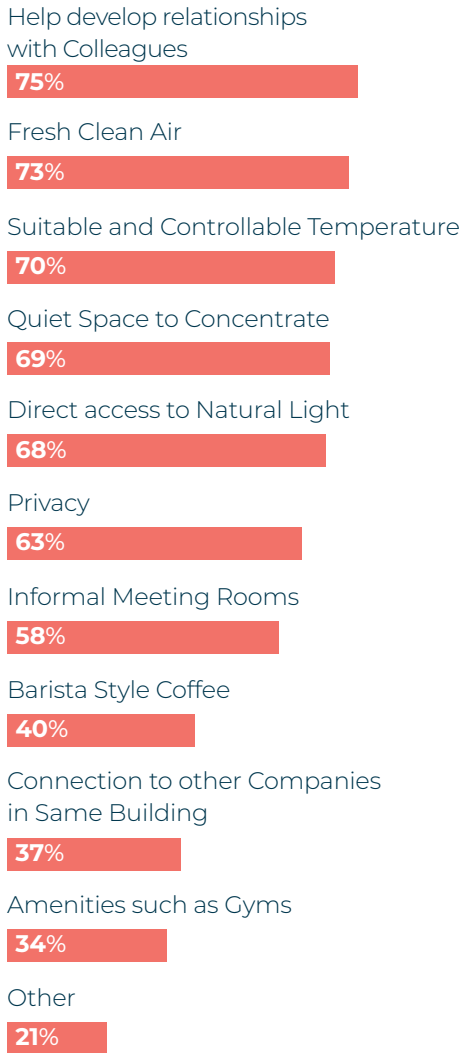


Fresh Clean Air and a Quiet Space to Concentrate

Employees were also keen to point out what was most important to them about the office and the facilities they most valued. High on the list (with a vote of 7 or above) was fresh clean air (73%), suitable and controllable temperature (70%), and direct access to natural light (68%). But the ability to develop relationship with colleagues (75%), a quiet space to concentrate (69%) and privacy (63%) scored highly too. This backs up our survey two years ago which had similar findings.

Still down at the bottom of the list were facilities such as barista style coffee services, gyms and connections to other businesses in the same building. In this respect attitudes do not seem to have changed over the past two years.

On a scale of 1 – 10, where 1 is not important at all and 10 is very important, how important are each of the following as factors in getting the most from your office?



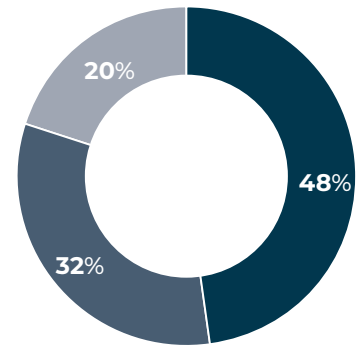
Percentage of respondents scoring 7 – 10

This reinforces our previous findings that developers don't necessarily need to add fancy or expensive amenities into their offices. It also contradicts the perception among many service office providers that workers want to mix and have exposure to workers in other businesses.

Another finding from our survey was that even employees who worked in the office two or three times a day were still keen to have their own desk and only 34% said they were happy with hot desking – but wanted a locker. 3% did not know.

Going further, workers were asked that if all their expectations were met in their role (e.g. salary, having a good boss), would a poor-quality workspace cause them to look for another job? Nearly half, 48%, said yes as opposed to 32% who said no and 20% did not know.

If all your expectations were met in your role, would a poor-quality workspace cause you to look for another job?



- 48% yes
- 32% no
- 20% don't know

73%

Of occupiers said that fresh, clean air was the most important consideration for them.

48%

Said that a poor quality workspace would cause them to look for another job.

69%

Said that quiet space to concentrate was important to them.



A SUSTAINABLE OFFICE – STILL IN DEMAND



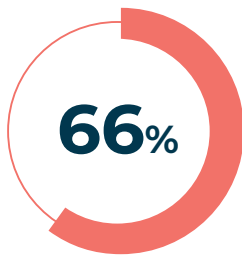
With all the talk about ESG over recent years, we asked businesses and employees about their attitudes to sustainability. Employees were asked on a scale of 1 to 10 whether sustainability is an important consideration when selecting office space. 64% of the employees surveyed said sustainability was an important consideration in selecting where they work (7 or above), with 16% saying it was extremely important (scored 10). Only 11% said it was not important (scored 3 or below).

Employees already made it clear that clean air and natural light were important to them, so having a sustainable workspace now seems essential to retain the best staff.

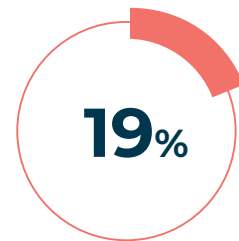
Business owners seem to be heeding this and have upped their game. When asked how important sustainability is as a condition of selecting their office space 65% said yes (scored 7 or above) with 21% saying it was very important (scored 10). Only 16% said it was not important (3 or below).

Businesses now seem more confident about their sustainability. We asked businesses how sustainable their offices were and a majority 66% said they were, with only 12% said they were not and 19% said they were neither sustainable nor unsustainable.

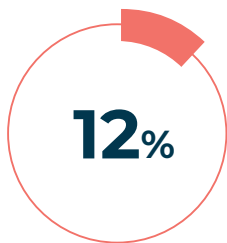
Which of the following best describes your workplace?



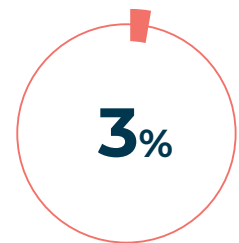
Very + Somewhat Sustainable



Neither sustainable nor unsustainable



Very + Somewhat unsustainable



Don't know

The sustainable office appears here to stay.

THE EVOLVING NATURE OF THE OFFICE AND WORKING PRACTICES



The move to a hybrid way of working (both working in the office and remotely) is here to stay. We asked employees on average how many times they came into the office to work, and the majority (57%) said either 2 – 3 or 4 days a week.

33% said they come in every day. This is certainly up from 27% last time we conducted the survey two years ago, but significantly down from the 73% that came into the office five days a week before the pandemic. Interestingly none of the workers we surveyed are working from home fulltime – a sign that total homeworking, for most industries, seems very much relegated to being a phenomenon of the pandemic and just after.

67%

Adopt a mixture of working from home and in the office

33%

Work in the office every day

On average, how many days per week are you spending in the office?



Comparison of working patterns pre and post pandemic



POST PANDEMIC 2022



TWO YEARS POST PANDEMIC 2024

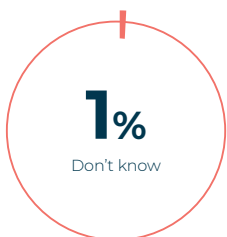


- In the office every day
- A mixture of working from home and in the office
- WFH every day

We then asked what businesses leaders what they think about these trends? Overall, most employers remain fairly happy. Although 31% of employers would ideally like their employees to attend the office every working day, a total of 58% said they were happy with either 2-3 or 4 office working days a week.

Interestingly the percentage of business leaders supporting hybrid working was the highest (67%) in London, perhaps due to the extra travel costs to the capital. Similarly of those working in financial/professional services and IT, 69% said they were happy with 2 – 4 days in the office.

What is your ideal number of days per week for employees to attend the office?



This is also borne out by their comments on productivity, where 48% of business leaders said their businesses had actually improved in productivity due to hybrid working, a figure raising to 66% in the North West. Overall, only 10% felt productivity had declined in this period and 40% said it had had no impact.

New methods of hybrid working also seem to be favoured because of its impact on mental health. Employers were asked what their main priority was for their staff attending the office. 87% of businesses said wellbeing of staff was very or quite important, heading the list of considerations.

We also asked those businesses that said they would prefer more workers to be back in the office as what they were doing to attract workers back in. 45% said they were offering flexible hybrid working models so that workers could choose which days they come into the office and 42% said they were making changes to the physical space of the office workspace to make it more attractive to workers. Only 7% said they did not prefer more workers to be in the office.

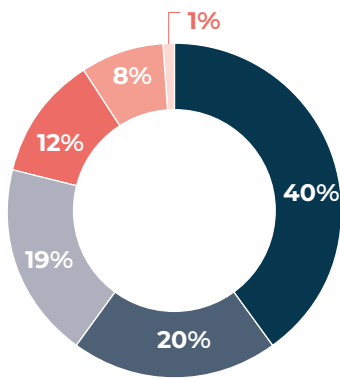
If you would prefer more workers to be in the office, what are you doing to attract workers back? Please tick all that apply.



BUSINESS ATTITUDES AND FEARS

We canvassed business leaders on what they thought were the most damaging threats to their businesses. Top of the list were inflation and energy costs (54%) and (52%) followed by global economic disruption in third place (34%).

To what extent are you concerned or unconcerned about a change in government?



- Fairly concerned
- Very concerned
- Neither concerned nor unconcerned
- Fairly unconcerned
- Very unconcerned
- Don't know

We then asked businesses how concerned they were about rising costs. 79% said they were concerned about rising energy bills, followed by 73% concerned about rising service charges and rents. Rising business rates (71%) and rising regulatory costs (69%) were not far behind. Only 8% of businesses were not concerned about rising energy costs.

Most businesses seem to have certainly felt the pinch.

Despite this, businesses seem optimistic about the prospects for their companies, with 72% saying they were very or quite optimistic, as opposed to 9% saying they were very or quite pessimistic. 9% were neither optimistic nor pessimistic. This is more confident than our survey two years ago when 70% said they were optimistic, 8% said pessimistic and 21% said neither.

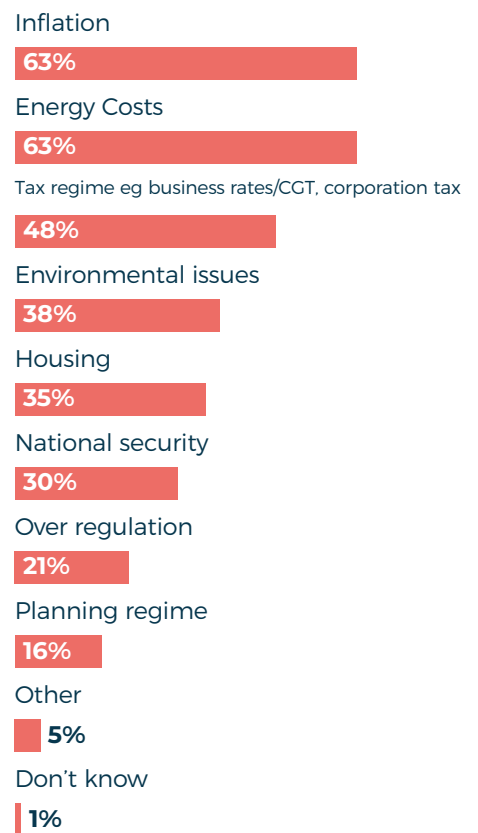
This confidence reflects the attitudes of their employees, where 68% said they were optimistic about the prospects of their company in the year ahead and only 9% were pessimistic. 18% were neither.

New Labour Government

Although a change of government was only eighth on the list as the most important issue to threaten their businesses, this does not mean businesses have welcomed it. We asked businesses their views on a change of government and 60% of business leaders said they were fairly concerned or very concerned at this, with only 20% unconcerned. 19% said neither.

Concern was highest in the West Midlands and London where 65% and 64% respectively said they were very or fairly concerned. This fell to 59% in the North West.

Which of the following would you like to see a new government tackle?



We then asked businesses what they would like the new government to tackle and perhaps unsurprisingly given the threats to their businesses they listed, top of the list was tackling inflation and energy costs, followed by the high tax regime. Environmental issues came fourth at 38%. 35% said they would like the housing situation to be tackled, with another 16% saying the planning regime.

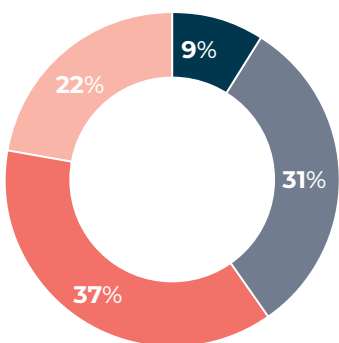


Artificial Intelligence

We also asked businesses about their attitudes to AI. Although 68% of businesses said some or most of their teams use AI in some form, it is only central to activities in 9% of the businesses canvassed. And 22% of businesses – so more than one fifth of businesses – do not use AI at all!

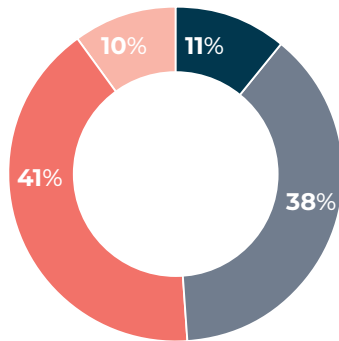
London businesses appear to be using AI the most. Although only 11% said using AI was central to activities, 79% of business leaders said most or some of their teams use AI and only 10% do not.

To what extent is your business using AI?



- AI is central to our activities
- Most teams use AI
- Some teams use AI
- The business does not use AI at all

London businesses



- AI is central to our activities
- Most teams use AI
- Some teams use AI
- The business does not use AI at all

Although AI has still some way to go, it is certainly on its way forward. The majority of businesses (65%) said they see AI as an opportunity. This grew to 75% of those in finance/professional services and IT.

However, 25%, a quarter of businesses canvassed see it as a threat. 10% don't know.

90%

Of London businesses are using AI at least to some extent.

9%

Of businesses say that AI is central to their activities.

CONCLUSION



So, what can investors, landlords and occupier businesses learn from our survey?

Firstly, Flex has come of age. 55% of businesses surveyed said they were / had some form of flex space as opposed to 45% who do not. And of those not yet in flex space, over half, 52% are likely to consider taking some flex space in the future. Businesses are now considering flex as part of their overall property strategy- attracted by the flexibility, location, price and the fact their staff like it. It is certainly no longer the “poor relation”.

Secondly, the office still has an essential role to play in the world of work and this is recognised by both business leaders and their workforces. The office remains seen by both as a place to harness focus and productivity, to collaborate and communicate, to help creativity and inspiration and to provide access to technology.

But offices also need to be sustainable. Employees put a premium on working in natural light, with good fresh air and controllable temperatures. Nearly half said that if their workspace was poor quality, they would look for another job, despite having a good boss and a good salary. Can today’s business leaders and their offices live up to the expectations?

Thirdly, hybrid working has become further embedded, with most employees attending the office 2-3 or 4 days a week.

Although more employers now would like to get back to 5 days in the office compared to just after the pandemic, they do seem accepting of the new working methods and are helping facilitate these as an important method of attracting and retaining the best staff. Nearly half said their businesses had actually increased in productivity due to hybrid working.

Fourthly, businesses appear cautiously optimistic. Although not expanding their office footprint, 64% said they would keep the same amount of space or reconfigure it, with much fewer thinking of reducing their space than in our previous surveys in 2021 and 2022.

And finally, although 40% of businesses are fairly concerned about a change of government, only 20% are very concerned about this. The main threats to their businesses are rising inflation and energy costs and these are the main issues they want the new government to address.

Overall, 72% of businesses and 68% of their workers are either very or fairly optimistic about how their companies will fare in the next year. The office will remain an important part of how businesses achieve their aims – as a medium to attract and retain the best workers, providing quality, well located and sustainable space in which to work and to improve the wellbeing of staff. Flexibility is now also a key consideration.

The UK market certainly has not given up on the office- but both business leaders and employees expect more from it. It will be interesting to see how the sector evolves further to accommodate such demand in the years ahead.

59%

Consider flex to be an equal option or viable option to replace traditional leasing.

52%

Of businesses would be likely to consider flex.



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