

Longer commute times could induce workers to prefer hybrid working as an alternative to daily commuting

Covid-19 and the city-by-city shift to hybrid working

Some companies are considering a hybrid combination of work from home and in the office. But where might this work best? Savills Hybrid Working Index analyses 21 global cities to assess how quickly each could embrace this transition

Words Paul Tostevin & Kelcie Sellers, Savills World Research

The pandemic has had many effects on the office market and people's working lives. Savills Hybrid Working Index analyses employee- and employer-focused factors to examine which cities could make a transition to hybrid working – a mixture of office and remote working – more rapidly. The shift to hybrid working is not a zero-sum situation. Most workers want to be in the office at least some of the time, and most firms are likely to mandate a degree of attendance to ensure mentorship for newer and younger employees and to boost creativity and collaboration among their employees. There are roles that are not suitable to be carried out from home in the long term: some forms of banking, for instance, which are subject to oversight and scrutiny which can only take place in an office environment.

We have developed an index to assess the factors that may influence the future balance between office and hybrid working. We look at employee-driven factors, such as the size of people's homes and commute times, as well as employer-driven factors, such as the cost and efficiency of offices, and workplace culture.

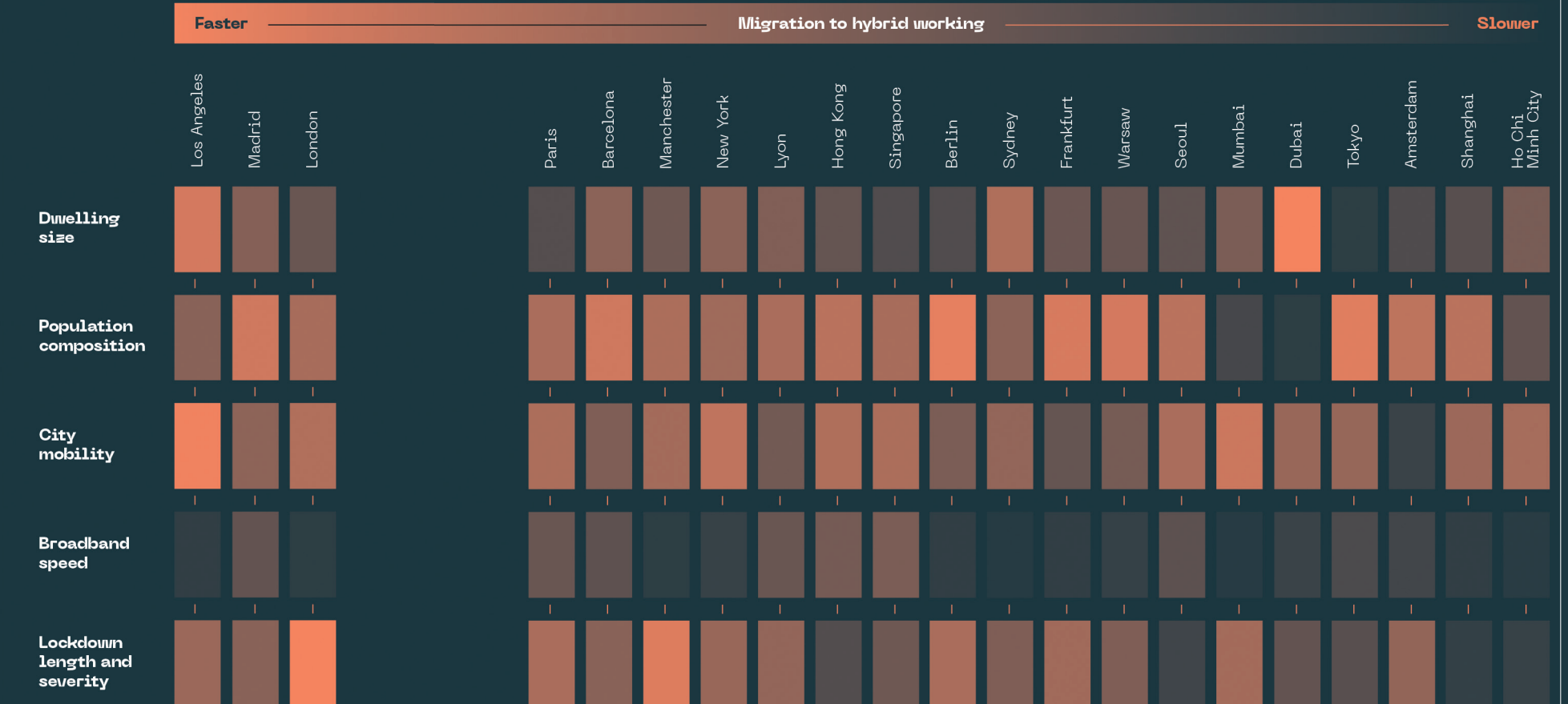
Hybrid Working Index: the employee perspective

Here, the key factors that may influence the adoption of hybrid working are: the size of homes, population composition, ease of commuting, broadband connectivity and length of lockdown

- Larger homes make it easier to provide dedicated space for homeworking. Locations such as Dubai and Los Angeles score highly on this indicator.
- Younger populations or those with smaller household sizes would be more likely to seek interaction and mentorship from the office environment. A location like Mumbai, with 50% of its working age population under 35, may see a slower shift to hybrid working as a result.
- Longer commute times by car and public transport could induce workers

to prefer hybrid working as an alternative to daily commuting. This may be an incentive for hybrid working in Los Angeles, New York and Mumbai, which all have relatively long average commutes. Cities such as Lyon, Berlin and Amsterdam, where it's easier to go into the office because of comparatively shorter commutes (often by bike), might find the office remains the most effective place to work.

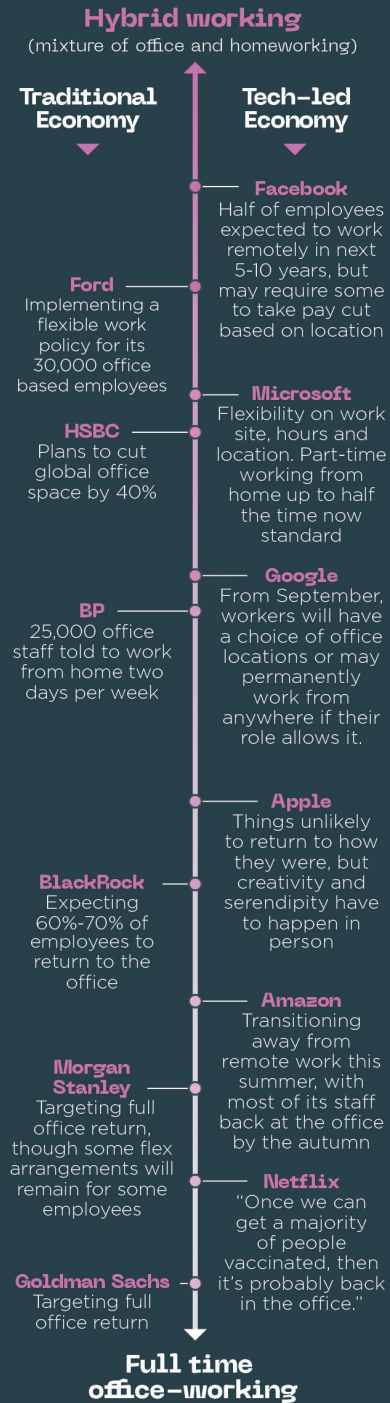
- Broadband speeds and digital connectivity are critical to working remotely. Faster broadband speeds could give workers more incentive to pursue hybrid working as they aren't reliant on the fast and reliable connectivity an office environment offers. Singapore leads the pack in this respect.



KEY: EMPLOYEE PERSPECTIVE	Category description	Faster migration to hybrid working	Slower migration to hybrid working
Dwelling Size	Average dwelling size in sqft	Larger homes	Smaller homes
Population composition	Working population % under 35, average household size	Older population (balancing care needs), large household size	Younger population (seeks interaction & mentorship), small household size
City mobility	Public transport and driving commute times, bicycle usage	Longer commute, less bicycle usage	Shorter commute, more bicycle usage
Broadband speed*	Average download and upload speeds for fixed broadband	Higher broadband speeds	Lower broadband speeds
Lockdown length and severity	Length of lockdown and degree to which office use was impacted	Longer lockdown (habits ingrained), greater impact on office use	Shorter lockdown, less impact on office use

Note *Half weighting Source Savills Research

What companies are saying about hybrid work intentions



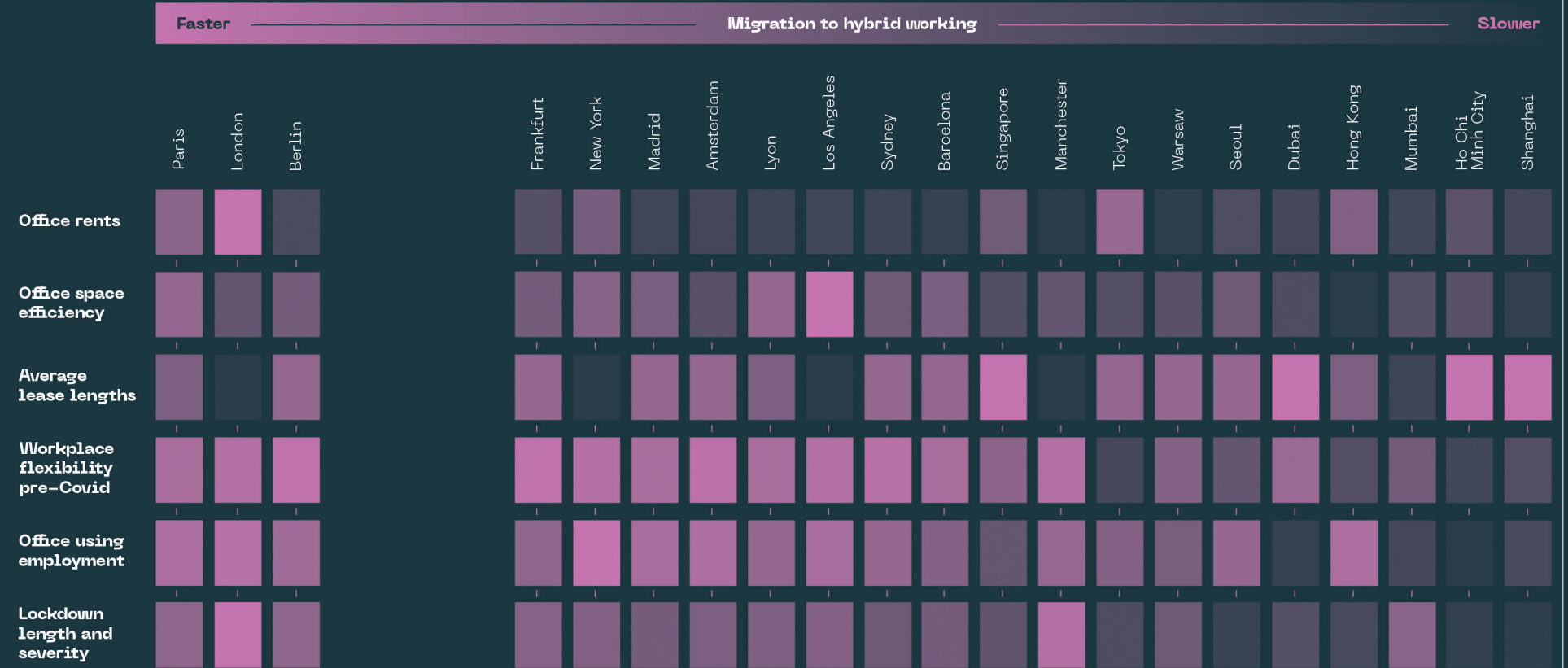
Note These intentions are correct as at 21 May 2021

Five key takeaways

- In general, long lockdowns meant extended periods of homeworking in the West, notably in the UK, US, Germany and France, giving employees a longer 'trial' of working from home. Not all lockdowns were equal. For example, most German offices remained open during their lockdowns. Asian cities experienced much shorter lockdowns (if at all) and some – notably in China – returned straight to full-time office working.
- Large homes and long commutes make sprawling Los Angeles ripe for hybrid working from an employee perspective, though comparatively low office costs, long leases and a diversified economic base mean employer incentives to cut space may be lower than some other cities.
- From an office occupier (or company) perspective, Paris, London, Berlin, Frankfurt and New York are primed for a faster transition to hybrid working, given comparatively high costs, already flexible working practices, and extended lockdowns.
- Smaller cities are likely to see a slower shift to hybrid working, given shorter commutes for employees and lower costs to office occupiers. Madrid ranks above compact Barcelona for a potential hybrid shift, London above Manchester.
- A less flexible working culture in Mumbai, Shanghai and Ho Chi Minh City mean that any transition to hybrid working may be slower, while efficient use of space (higher office densities) makes the office cost-effective to occupiers – though changing employee expectations may challenge this in the longer term.

Hybrid Working Index: the employer perspective
The cost and efficiency of offices, workplace culture, lockdown length and the nature of office-using employment may influence the adoption of hybrid working.

- While a push for efficiencies in the use of space prior to Covid-19 meant fitting in more employees, employers may now be looking to organise space differently, with a greater emphasis on collaborative places and more room per employee. This could offset any shedding of space where hybrid models are adopted. Locations such as Paris, London, Tokyo and Hong Kong have higher office rents, which could prompt firms to examine a hybrid working strategy.



KEY: EMPLOYER PERSPECTIVE	Category description	Faster migration to hybrid working	Slower migration to hybrid working
Office rents	Office rents in USD per sqft	High office rents	Low office rents
Office space efficiency	Office sqft per employee	Less efficient use of space (lower density)	More efficient use of space (higher density)
Average lease length	Average lease term in years	Shorter leases (easier to shift strategy)	Longer leases (harder to shift strategy)
Workplace flexibility pre-Covid	Businesses with flexible working policies pre-Covid, business culture flexibility	Flexible working practices common pre-Covid	Flexible working practices less common pre-Covid
Office using employment	Proportion of total employment working in offices	Larger proportion of office using employment (more office workers)	Smaller proportion of office using employment (fewer office workers)
Lockdown length and severity	Length of lockdown and degree to which office use was impacted	Longer lockdown (habits ingrained), greater impact on office use	Shorter lockdown, less impact on office use

Source Savills Research



Connection, culture &
guide the evolution

collaboration will
of the workplace



The need to bring people together and provide opportunities to work in multiple locations will shape the future of the workplace. Companies will need clear goals to make a successful transition that provides synergy between employer, employee and the goals of the organisation

Words Yetta Reardon Smith,
Associate Director, KKS Savills

We've all learnt from the work-from-home experience but, ultimately, most companies agree that culture can be irretrievably eroded if people do not have the opportunity to come together. For employees, the return to the office is also about the need to get back to something that is recognisable; to regain a sense of who they are and to belong to a community again – whether that's corporate or personal.

For companies, this transition is when they need to be absolutely clear about their goals, their aspirations and policies, and the need to shape the workplace around them. This is a critical time for companies to manage the adjustment and support behavioural change for employees.

A responsive strategic framework can help a business demonstrate the value that a dynamic workplace contributes to any organisation; it can meet the main challenges of aligning the physical and digital workplace with its people.

RESETTING THE BALANCE

Companies need to think about three aspects. First is flexibility, and how to support that in the office. Second is managing the initial return to the office and making sure that people perceive the workplace to be safe and prepared, and that their needs are being met. The final factor is risk: the risk of a two-tier culture with flexible working for those in and out of the office; the risk of cybercrime with working at home; and the risk of not managing the change associated with this transition.

Flexibility should be embedded in the office set-up. Workers need a choice of work settings – they are coming into the office to be with people so that needs to be fostered in. In addition, they will need quiet spaces and focus spaces. For convenience, employees will now want to combine being in the office for meetings with areas that mirror the focus of the work-from-home environment.

Virtual calls will continue in the office environment, so companies will need to manage their meeting room strategies or they will find themselves in a position where everybody is at their desk with headphones on or talking over each other.

The mix in the office between virtual and in-person has to eliminate presenteeism. Pre-pandemic, those people who were not physically at work suffered as they were usually a minority. This will change.

The configuration of rooms, the size of screens and the etiquette around meetings is also set to develop with a need for improved acoustics to minimise disruption and curated backdrops to engage with virtual images. There are many furniture solutions on the market that will allow minor reconfiguration in the short term.

AGILE WORKSPACES

The likely midweek rush from Tuesday to Thursday will need to be managed by implementing team policies about who is in to cover the week, but also to create the 'buzz' we crave as social beings. Flexible solutions can support this busier period. Bigger meeting rooms can be created midweek for large team meetings, while screens and dividers can devise smaller settings for quieter days. Companies must be aware that wider corridors and circular motion flows around amenity spaces are also important to office design.

While settings should balance needs, employees should use space considerately, thinking about what they are going to be doing and using it appropriately. This requires planning and behavioural change.

MANAGING EXPECTATIONS

Management of how the office is to be used is vital. People respond to rules, and companies will have to consider what is the right model for them if they are adopting different working environments. If people understand what is expected, navigating the new workplace will be less stressful. They can plan their tasks and focus on what matters to the organisation and themselves.

Companies also have to remember that they are not going to get it right first time. This is going to be an evolution and 2021 is the year of transition. The human aspects of the pandemic have been huge. Companies must be mindful that each person will have had different experiences. Businesses should see how people are responding and make intelligent decisions about adapting the workplace, ensuring that those both in and not in the office, do not feel exiled.

The office is certainly not dead, but it will definitely change and there will not be one solution for all. The need to bring people together has been highlighted by the pandemic, as have the opportunities that exist to work in multiple locations, delivering solutions that can work individually and collectively. Unsurprisingly, there will be greater hubs for collaboration and innovation in a flexible environment, providing synergy between the employer, the employee and the commercial goals of the organisation.

The physical workplace creates a vital ecosystem for people to thrive



Image: Getty

THE WORLD AT WORK

The pandemic has revolutionised the way people view their office across the globe. We look at how office life is evolving in China, the US and France



USA

Hybrid working is expected to have a significant impact as US cities emerge from pandemic restrictions. “Pretty much everyone is looking at some form of a hybrid workforce within the dynamic of how they are going to operate,” says Rebecca Humphrey, Workplace Practice Group Leader, Savills North America. “But the complexity of that varies significantly based on that company, their culture and where they’re located.”

Despite the options, the general view is that net levels of space will broadly stay the same, as two or three days in the office will likely become the norm.

Lines can’t even be drawn between so-called old- and new-economy sectors. “Companies within financial services that are in growth mode, targeting entry-level employees, will need to consider hybrid working, while an established financial

services company that is not growing as much has more flexibility,” says Kevin Kelly, Senior Managing Director, Savills.

Meanwhile, tech companies that have more publicly promoted home working are putting down roots. “We’re also still seeing tech companies lease large amounts of space in key markets through this,” says Sarah Dreyer, Head of Americas Research. “They’re definitely saying a lot about flexible hybrid models, but also taking a lot of nice space in key markets on the other hand.”

One broader impact of having more agile workers might be an increased focus on relocating outside of big cities such as New York, San Francisco and Los Angeles. “This will reduce costs as workers struggle to keep up with big city living costs,” says Kelly. Popular routes of migration include California to Texas, and New York to Florida.

China

In China, the pandemic has had little impact on office life. A much shorter lockdown and a company leadership style that favours presenteeism from employees saw office life bounce back quickly.

“Most people want to come back into the office,” says James Macdonald, Head of Savills China Research. “I think there’s also a sense that you are more likely to get promoted or you can only show your worth if you’re there visibly in front of your boss as well.”

This approach is aided by good public transport, shortening commutes in the main cities, and the inability to work well from smaller – sometimes shared – living arrangements.

That said, Chinese cities still face some of the underlying structural changes that, in other countries, have been accelerated by Covid-19. “Some industries where employees spend a lot of time out of the office with clients or on projects – construction, engineering

firms, consultancy firms – are looking at hybrid models or more hotdesking,” says Macdonald. China also experienced faster adoption and cultural acceptance of tech solutions such as facial recognition and QR code check-ins at offices, facilitating a speedier return.

The reality is that the pandemic has also had a significant economic impact, which is causing companies to reduce property costs. They are doing this by using space more efficiently or considering cheaper decentralised locations. For example, Shanghai has more than 20 sub-markets, and others being built, often with millions of square feet of offices creating new business communities. “The need to have that 10-minute walking distance to go meet your client is not always necessary given the greater adoption and convenience of online meetings,” says Macdonald. “You can be a little bit further away, but still in the same city, for those more important in-person meetings.”

“China experienced faster adoption of solutions such as facial recognition and QR code check-ins at offices”

“In Paris, around 84% of employees wish to make more use of teleworking in the future”

France

In Paris, when it comes to teleworking, or remote working, there appears to be a meeting of minds between workers and their bosses. Around 84% of employees wish to make more use of teleworking in the future, while 87% of corporate decision-makers plan to increase its use.

These results, from a panel of respondents from both sides conducted by the Savills Research team in Paris, focused on the high value-added services sector. However, they are seen as indicative of the general impact of the pandemic on working patterns in the city.

“Working from home will be obviously more widely adopted than before the crisis,” says Cyril Robert, Head of Research France – Commercial, Savills. “It will not be the main solution, but there is a desire from both sides. We will see how it will be translated in the facts, but I think it will likely be two days per week.”

Robert says there will probably be a consequent impact on how office space is used. It looks to be possible

to reduce the number of workstations by 25-40%, but overall space is expected to be less heavily impacted as more space is allocated per person. Employees are also expressing the desire for more natural light and access to outdoor space, which is not always the norm in Parisian offices.

Paris’s future office landscape could also be affected by City of Paris climate-led initiatives. Both directly, with targets for green buildings, but also more indirectly, with planners mulling the 15-minute city concept where people can find all the amenities they need to work and live in their neighbourhood.

“That’s a long-term trend that is more difficult to imagine at this time,” says Robert. “For instance, for a big firm, it means you don’t have one office building where everybody is able to meet, but you have several offices where people are free to go to work or not. That means a total revolution in terms of how organisations work.”



Image: Getty