

REAL ESTATE

60pc of leaders expecting business complexities to rise as workplace contexts evolve: Knight Frank

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The release of the "(Y)ourSpace" report marks the third edition of the firm's flagship research campaign investigating the future of the workplace. Image credit: Gartner

By AMIRAH KEATON

London's Knight Frank is entering the debate about the future of office spaces worldwide with a data-backed delivery.

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Surveying 640 corporate real estate professionals globally, the release of "(Y)ourSpace" marks the third edition of the firm's flagship research campaign investigating the future of both work and the workplace, executed in partnership with Chicago-based commercial real estate advisory firm Cresa. Among the residential and commercial property consultancy's insights are figures that paint a picture of how elements such as new market entry, digitization and diversification are impacting the direction of key real estate decisions today.

"This latest edition arrives following a period of great reflection and evaluation for the occupiers of commercial real estate," said Tim Armstrong, global head of occupier strategy and solutions at **Knight Frank**, in a statement.

"The World Health Organization has downgraded the pandemic, which is no longer considered a global emergency, yet, far from simplifying corporate real estate strategy, fresh additional considerations are increasing the complexity of corporate real estate strategy," Mr. Armstrong said. "Given this complex backdrop of additional influences, now is an appropriate time to gauge once more how occupiers think about their future corporate real estate strategies.

"A valuable data set emerges that brings much-needed real-world perspective into the debate about the future of work, workplace and corporate real estate."

For the report, Knight Frank surveyed almost 650 corporate real estate leaders from March 2023 through April 2023. The initial launch of Knight Frank's findings draws upon the views of the 357 corporate real estate professionals operating at a multi-market level in either regional or global positions to give audiences a macro-view of where corporate real estate sentiments are shifting for the next three years.

(Y)our Space, Volume Three

As workplace dynamics continue to evolve, with remote and hybrid schedules more readily available, 59 percent of professionals surveyed by Knight Frank are anticipating a resulting rise in "business complexities" to span the next three years.

Nearly nine of every 10 respondents have identified at least one route to business shifts that will have real implications for real estate portfolios. Entrance into new geographical markets ranks highest at 45.1 percent, followed by subsequent digital transformations, which land at 41.7 percent.



Nearly nine of every 10 respondents have identified at least one route to business shifts that will have real implications for real estate portfolios. Image credit: Knight Frank

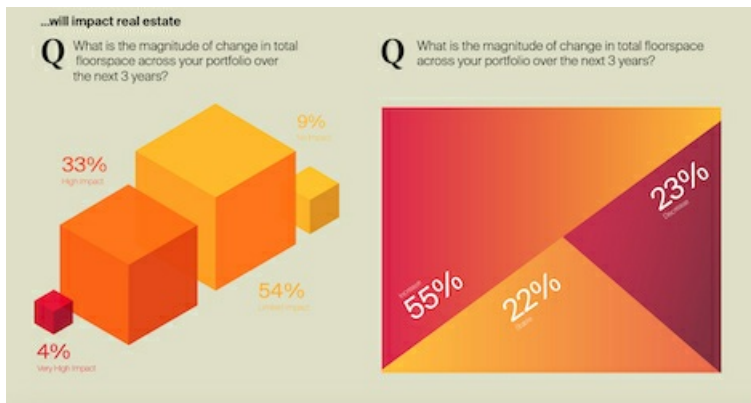
As far as the degree to which other business priorities, nearly three of every four respondents have acknowledged that environmental, social and governance (ESG) strategies and commitments will have some level of influence over a company's real estate decisions over the next three years.

Half of Knight Frank's pool claimed ESG will impact decisions to a "moderate extent," while 22 percent claimed ESG policies will impact decisions to a "great extent."

"The COVID-19 pandemic upended workstyles and brought a seemingly existential crisis to the idea of the office as a place of work," Mr. Armstrong said, in a statement.

"The ensuing debate, too often centering around sensationalist, broadsheet headlines and those with vested interests, had a revolutionary tone," he said. "Yet, within global markets, the reality was often very different."

Of note, most of Knight Frank's respondents expect a limited magnitude of change to total commercial floorspace held across their portfolios over the next three years.



Of all global professionals, 55 percent foresee increases in office space and other corporate real estate portfolio items over the next three years. Image credit: Knight Frank

In fact, 55 percent foresee increases in office space and other corporate real estate portfolio items over the next three years, while 22 percent predict total floorspace counts to remain stable, and 23 percent prepare for a decline.

Knight Frank shares that findings challenge narratives involving the slow decline of the physical workspace.

"What we have seen on the ground has been a deliberate process of experimentation, followed by evaluation, and subsequently, the informed evolution of work styles, workplaces and corporate real estate strategy."

"This process is ongoing," he said. "Occupiers are at different stages in their journeys... making many examples drawn upon within the public debate outliers, rather than accurate representations of market tone."

Broadening commercial real estate's reach

In terms of companies whose business strategies and real estate portfolios are also closely linked, independent of offices or workspaces, a growing niche within the luxury hospitality sector offers an example of the varying sides of commercial real estate demand.

The expansion of these properties offering enhanced lifestyle offerings and amenities is directly correlated with the evolution of consumer lifestyle preferences in general ([see story](#)). Those working differently and spending more time in the home appear partially responsible for driving the recent proliferation of branded private residences ([see story](#)).

QUOTE - Paul White, Senior Vice President, Residential Development, Four Seasons Hotels and Resorts

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