

Cushman & Wakefield insight

office demand in a
post pandemic market

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AGENDA

Impacts of the pandemic on office market

- Market driver trends
- Occupancy trends
- Workspace change scenarios
- Recent experience

NEW ZEALAND ECONOMIC OUTLOOK

Inflation and rates up, business confidence and profit expectations down

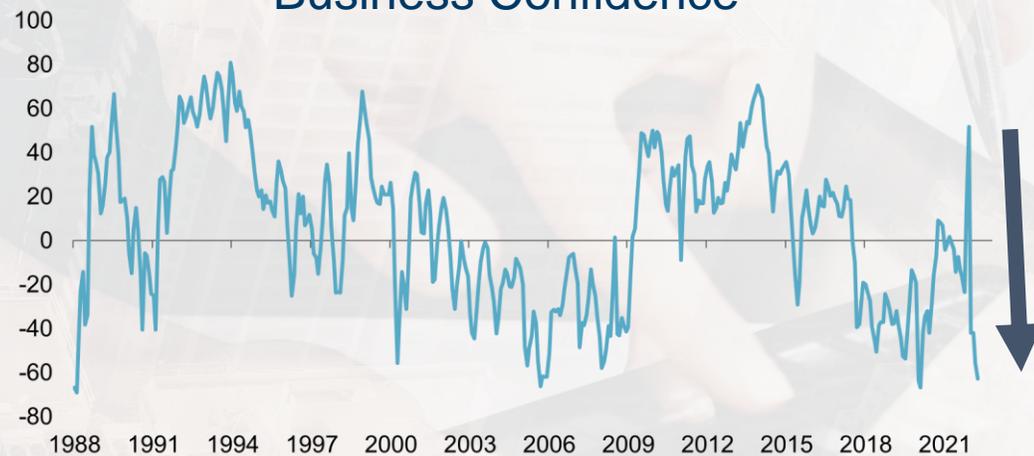
Inflation



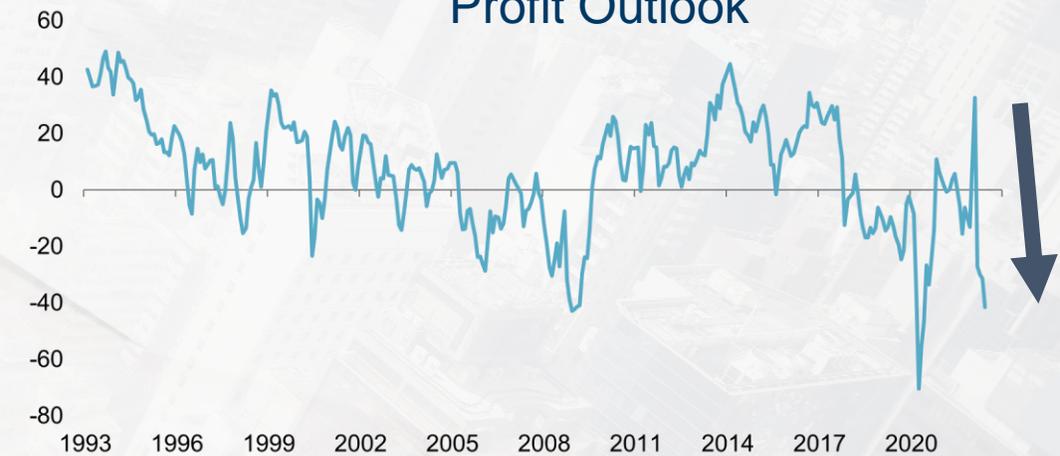
Cash Rate



Business Confidence

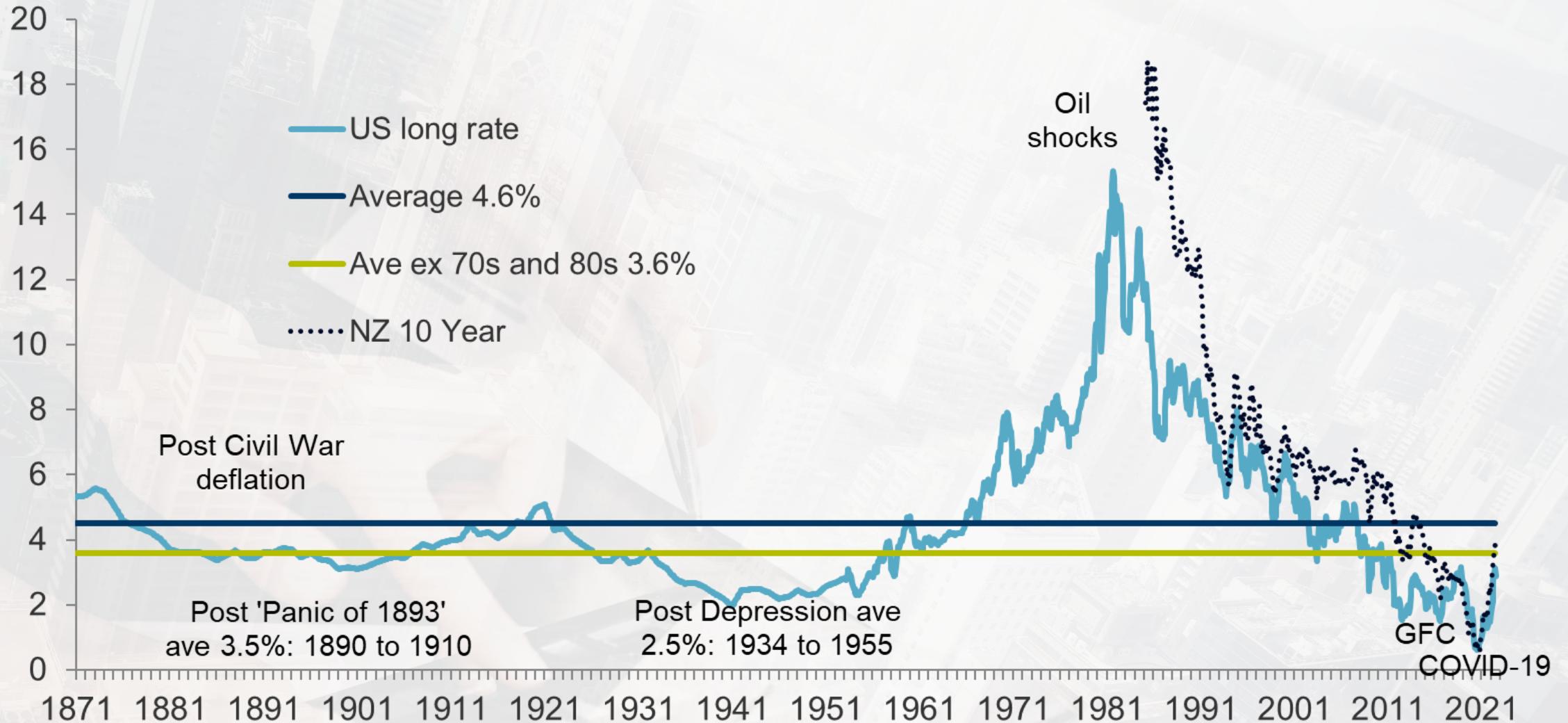


Profit Outlook



LONG TERM BOND YIELD HISTORY

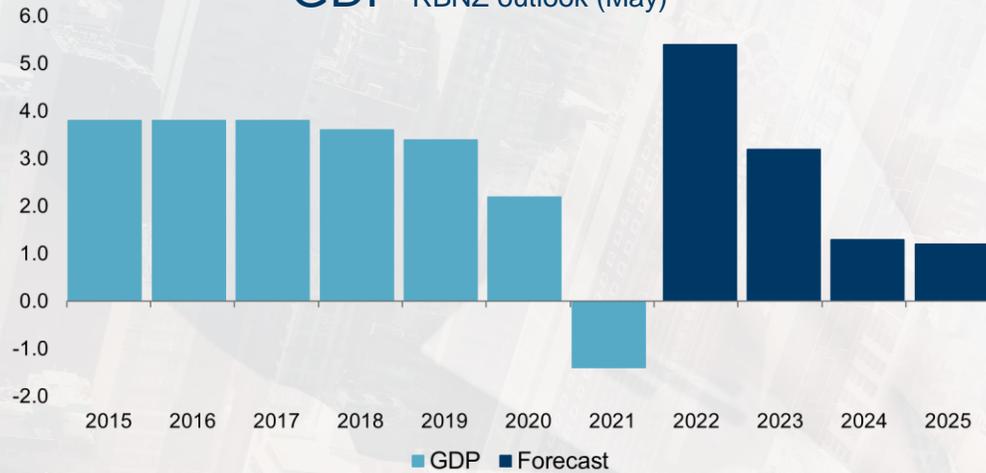
Interest rates and bond yields have been extraordinarily low as a result of COVID



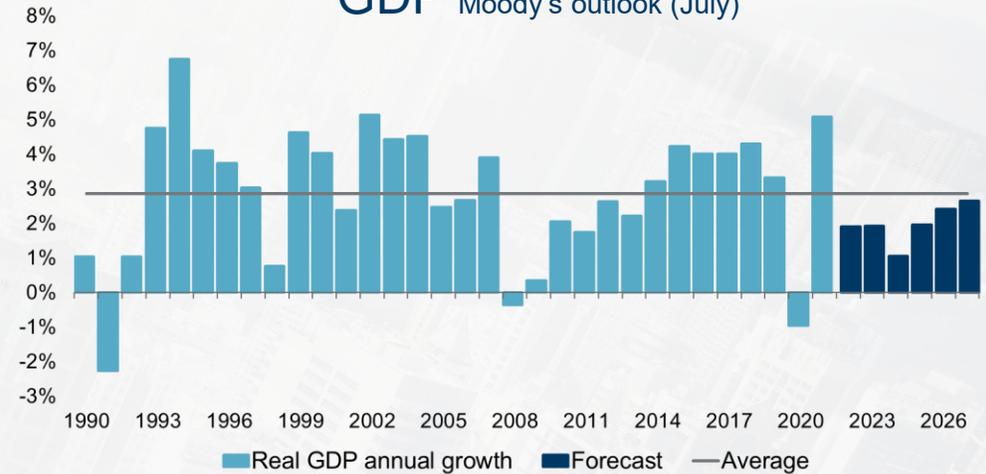
NEW ZEALAND ECONOMIC OUTLOOK

Economic growth and office employment still positive, unemployment to remain low.

GDP RBNZ outlook (May)



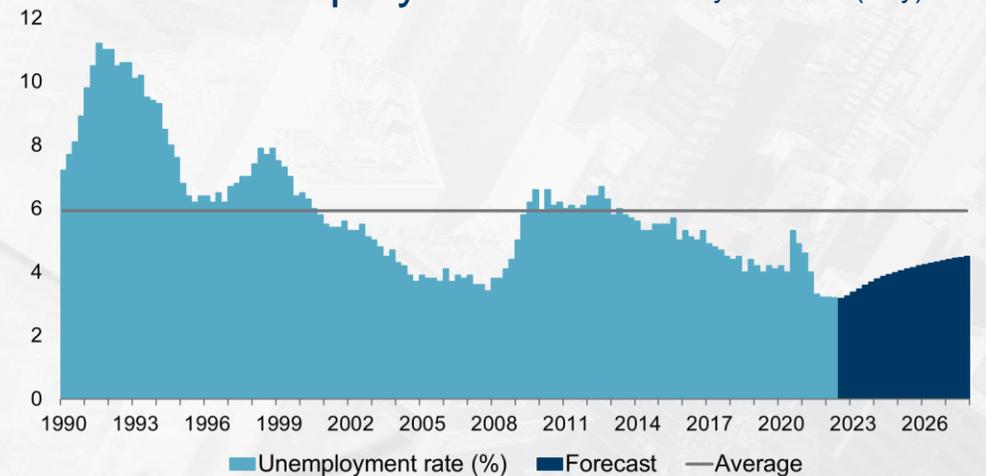
GDP Moody's outlook (July)



Office Employment Moody's outlook (July)



Unemployment rate Moody's outlook (July)



WHAT ABOUT WORKING FROM HOME?

Looks like its here to stay

A PwC study found only 9% of those who can work remotely want to go back to a traditional work environment full time.

Nearly 75% wanted a mix of face to face and remote work and the remainder wanted a completely virtual workplace.

PwC Global, “*Hopes and fears 2021*”, Feb 2021, <https://www.pwc.com/gx/en/issues/upskilling/hopes-and-fears.html>

A US survey by WFH Research conducted in May 2022 found that on average companies expected employees to work remotely 2.3 days a week..

Australian Financial Review, July 2022, <https://www.afr.com/work-and-careers/workplace/how-often-you-should-be-in-the-office-according-to-these-companies-20220503-p5ai36>



A NAB survey found over a typical 5-day work week, on average, one-third of work time is now from home (or 2 days) and that Australians would ideally spend 2.4 days at home, or 43% of the workweek.

NAB Group Economics, “*Working from Home – Opportunities, Challenges & What of the Future?*”, May 2021, <https://business.nab.com.au/working-from-home-opportunities-challenges-what-of-the-future-46083>

WHAT ABOUT WORKING FROM HOME?

Opinions are divided from management

More

WFH spectrum

Less

Atlassian requires staff to go to the office four times a year.

Bendigo Bank reportedly has a hybrid model with no mandated days of working in the office.

Telstra and Canva staff can also choose where they work (Canva staff must attend the office eight times a year).

Commonwealth Bank, not set requirement, work patterns should be negotiated by employees and their managers based on of business and customer needs.

Westpac has reported a traffic light system, currently set to amber, where employees who can work from home may do so, with no requirement to be in the office.

Optus ask staff to attend three days a week. The whole company must attend once a week on the same day, one day when business unit members must attend, and individuals choose their third office day.

Elon Musk reportedly told workers they were required to “spend a minimum of 40 hours in the office per week.” Those who did not do so would be fired.

Luxury Escapes requires employees to go to the office four days a week.

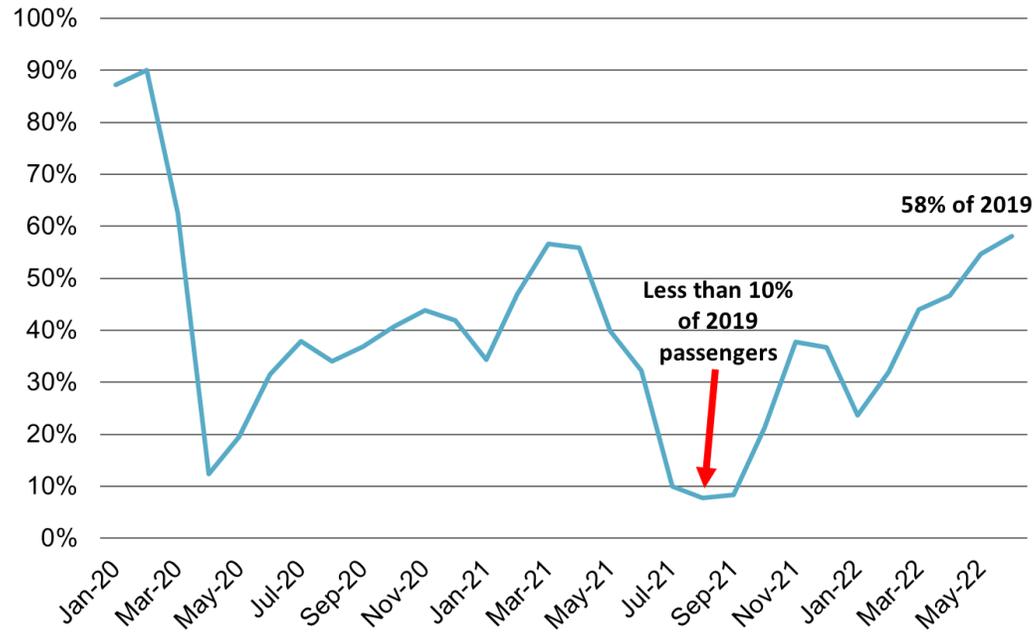
Source: Australian Financial Review, July 2022,

<https://www.afr.com/work-and-careers/workplace/how-often-you-should-be-in-the-office-according-to-these-companies-20220503-p5ai36>

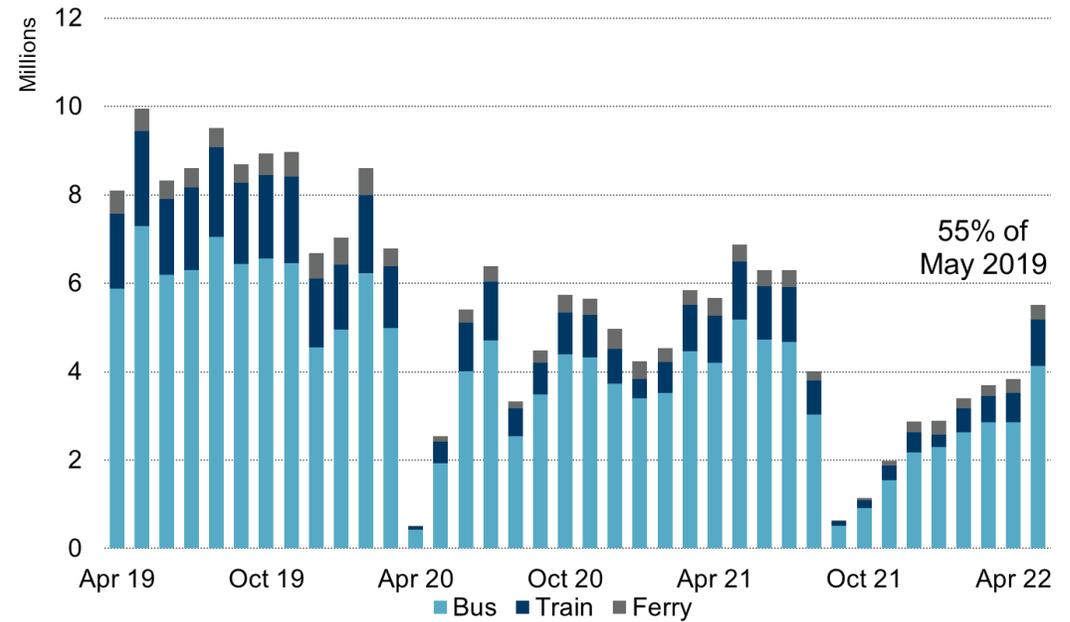
COVID STILL IMPACTING OCCUPANCY

Public transport numbers still down

Sydney CBD trains station exit numbers as a percent of the 2019 average



Monthly Auckland Metro boarding numbers



“We are hearing that our members are genuinely frightened at the prospect of getting sick at work and passing it onto their families.”

Australian Financial Sector Union, AFR, 19/7/2022

<https://www.afr.com/companies/financial-services/nab-and-westpac-yellow-carded-on-work-from-home-20220719-p5b2rv>

OCCUPANCY SCENARIOS

The following table shows a basic example of the original amount of space required for 100 employees at a workspace ratio (WSR) of 10 square metres (sqm) for the four scenarios.

At an 80% OCR and no change to workspaces, the workforce would need to grow by +24% to offset the reduced space requirement.

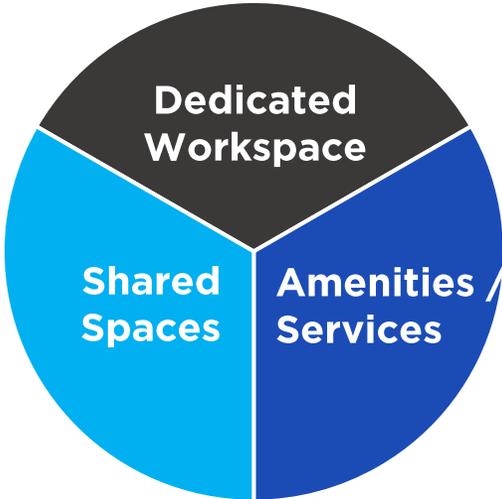
WSR =10		Square metres required			
No. of staff	OCR 100%	OCR 80%	OCR 70%	OCR 60%	
100	1000	800	700	600	
110	1100	880	770	660	
120	1200	960	840	720	
130	1300	1040	910	780	
140	1400	1120	980	840	
150	1500	1200	1050	900	
160	1600	1280	1120	960	
170	1700	1360	1190	1020	

Changing space allocations

CURRENT SPACE ALLOCATION



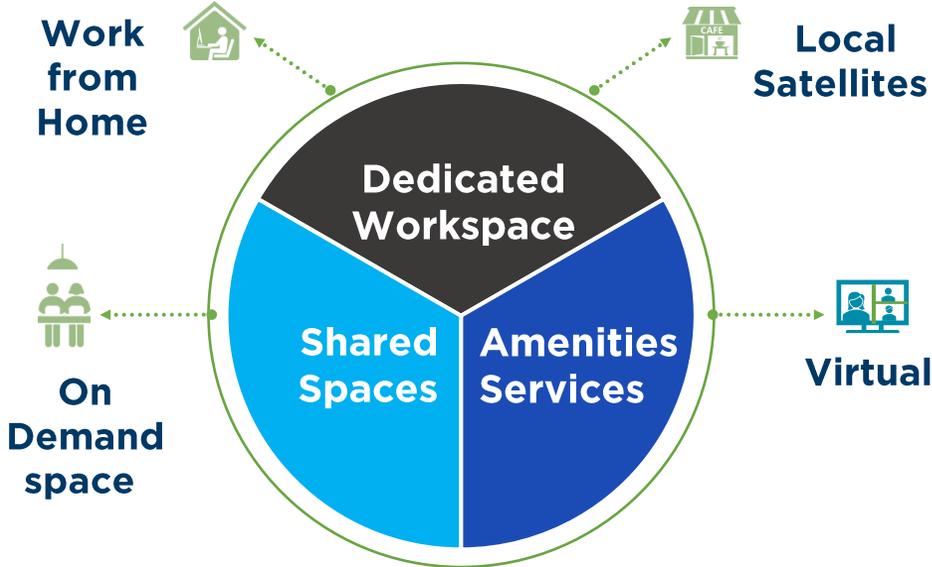
SAME FOOTPRINT, BETTER EXPERIENCE



REALIGN SPACE
Support the drivers for coming to the office

- Connection, collaboration and knowledge share
- Productive work separate from home life
- Access to better network connectivity, equipment and ergonomic workspace

LESS SPACE, BETTER EXPERIENCE

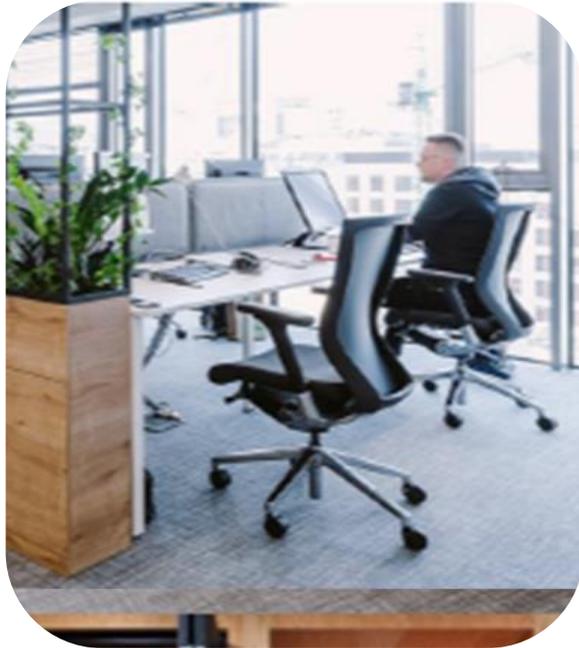


LEVERAGE AN ECOSYSTEM OF WORK ENVIRONMENTS
Enable employees' best work and drive efficiency

- Regain lost commute time in productivity
- Increased flexibility, work-life balance and wellbeing
- Choice of work environment aligned with need

Changing space allocations

INDIVIDUAL WORKSPACE



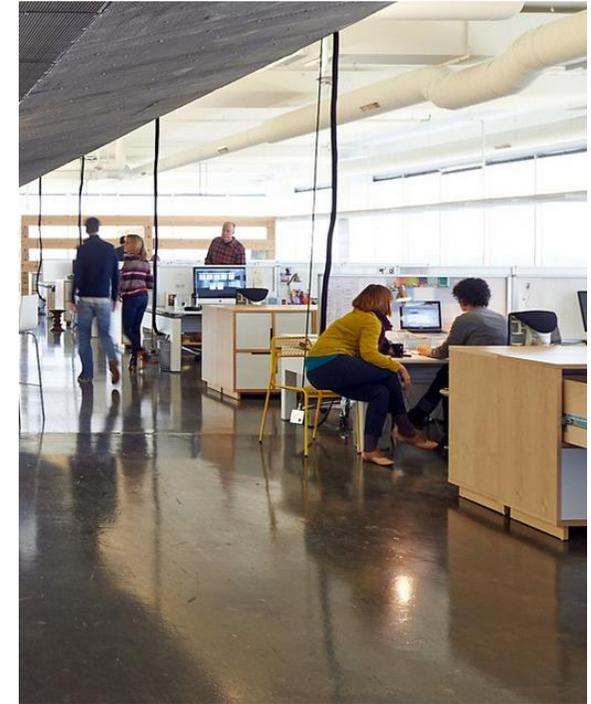
70%> 40%

COLLABORATIVE SPACE



20%> 40%

SUPPORT & WELLBEING



10%> 20%

WORKPLACE SCENARIOS

Four scenarios reviewing space requirements under different occupancy ratios and workplace structures:

Scenario	Individual	Collaborative	Amenity
Static	70%	20%	10%
Static Hybrid	60%	25%	15%
Agile Hybrid	50%	30%	20%
Agile	40%	40%	20%

WORKSPACE SCENARIOS

An increase in collaborative space can significantly reduce the impact of declining OCRs on office space requirements.

Average change = -10.2%

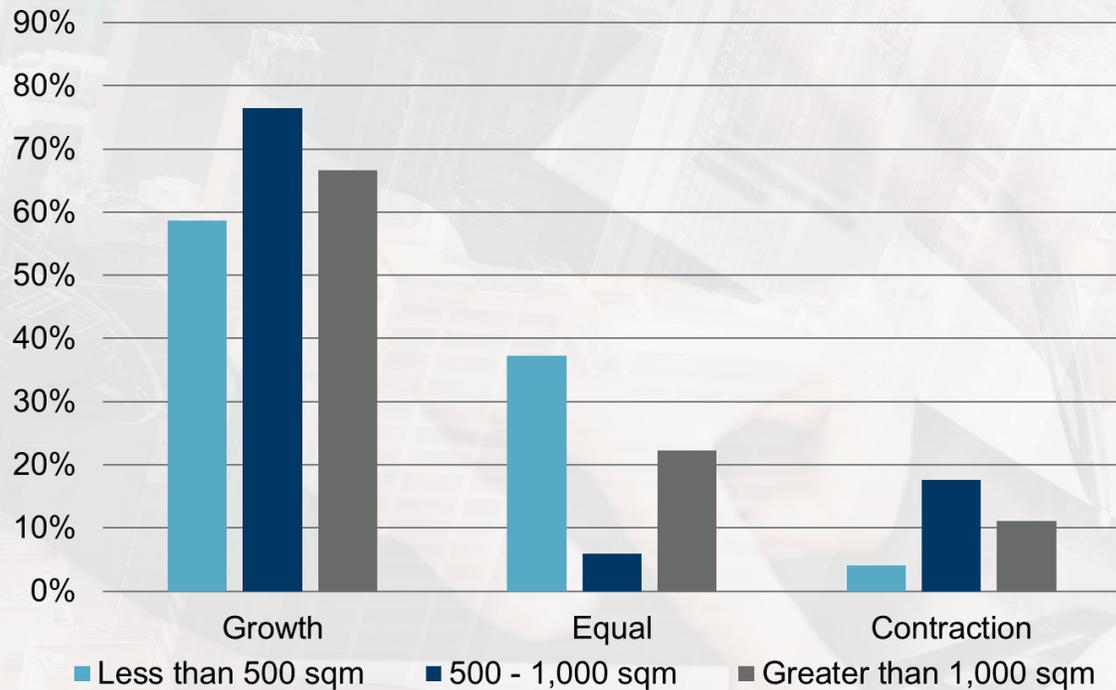
Staff No. 100	SQM/Desk = 8.4	Collaborative	Amenity	SQM Required	Change
Static		70%	20%	10%	Total
100%	840	240	120	1,200	
80%	672	192	96	960	-20.0%
70%	588	168	84	840	-30.0%
60%	504	144	72	720	-40.0%
Static Hybrid		60%	25%	15%	Total
100%	840	350	210	1,400	16.7%
80%	672	280	168	1,120	-6.7%
70%	588	245	147	980	-18.3%
60%	504	210	126	840	-30.0%
Agile Hybrid		50%	30%	20%	Total
100%	840	504	336	1,680	40.0%
80%	672	403	269	1,344	12.0%
70%	588	353	235	1,176	-2.0%
60%	504	302	202	1,008	-16.0%
Agile		40%	40%	20%	Total
100%	840	840	420	2,100	75.0%
80%	672	672	336	1,680	40.0%
70%	588	588	294	1,470	22.5%
60%	504	504	252	1,260	5.0%

SYDNEY LEASING TEAM DEALS Q4 21 TO Q2 22

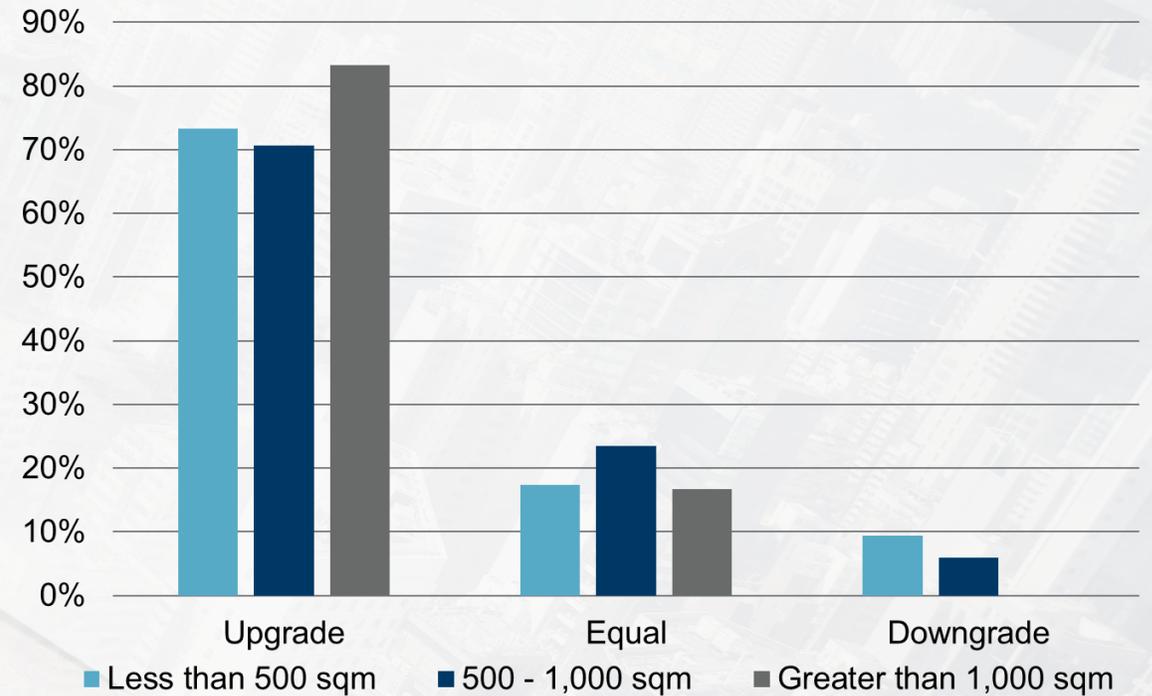


Tenants are generally expanding and upgrading

Space requirement



Quality



Based on deal numbers and amount of square metres leased.

CONCLUSION

- Economic drivers softening, but no recession yet, interest rates are 'normalizing'.
- WFH here to stay.
- Likely to lead to less people in the office, but greater space per occupant with an increase in collaborative space.
- Scenario analysis suggest space demand may drop due to WFH, however, available deal evidence suggests tenants are generally still expanding and upgrading space to help attract and retain talent.