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RESEARCH

# IPF Research Awards 2023

## Productivity and the Office Worker



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This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF makes a contribution to the Programme and gratefully acknowledges the support of these sponsoring organisations:



## INTRODUCTION

In 2023, the IPF Research Programme launched its second grants scheme to provide financial assistance to promote real estate investment research. No specific themes were suggested and prospective applicants were encouraged to examine issues that would advance the real estate investment industry's understanding of and implications for asset pricing, risk-adjusted performance and investment strategy. The scheme was also open to individuals, working within institutional organisations, where the grant may be used to fund data acquisition.

The Grant scheme was first run in 2021 when three applicants were awarded grants. This time, an appraisal of proposals received by the deadline of 31 August 2023 resulted in the provision of grants to seven submissions, with limited supervision afforded by a sub-committee of the IPF Research Steering Group during the research period.

Each paper is available to download from the IPF website. We hope you find them a diverse and interesting read.

The following paper has been written by Darren Yates, Lorna Landells, Elijah Lewis and Emily Bates, *Remit Consulting*.

### **Richard Gwilliam**

*Chair IPF Research Steering Group*

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# Productivity and the Office Worker

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## Executive Summary

- This report looks at issues surrounding office workers and how we measure their productivity. Whilst this is not a comparison of home working with in-office working specifically, the pandemic and the rise of hybrid working has increased the focus on office workers' productivity.
- For property investors, office productivity should matter given that the office is competing with multiple other workplaces and needs to demonstrate value to occupiers and employees, as a place where they are productive and can conduct business in an efficient, healthy and environmentally-friendly way.
- The timing of this report is therefore largely influenced by the rise of hybrid working and its impact on the office sector, although the UK's 'productivity puzzle' is another major reason for undertaking the analysis.
- Of the many research reports we examined for this study, there is no clear consensus or consistency on where or how office workers are more productive. It is apparent that there is no workable definition of productivity being applied to office workers, and we have tried to provide a possible version within the report.
- There has been an increased focus on the quality of office space, with occupiers looking for modern, tech-enabled, and environmentally sustainable buildings which boost employee wellbeing and productivity.
- Productivity as we know it has become intertwined with advances in technology. As far as offices are concerned, technology provision can be divided into three broad areas: buildings, people and Artificial Intelligence. The number of smart buildings is increasing, largely due to the growing requirements for data analytics, while technology is also a key part of the office-worker's ability to meet objectives and targets. Artificial Intelligence has a role to play in maintaining and, arguably, enhancing productivity. The rapid emergence of software such as Microsoft Copilot, Google Gemini, and OpenAI ChatGPT, are revolutionising tasks within the office worker's domain.
- Remit's office worker survey in late 2023 provided good news for the office market, with 69% of respondents saying they enjoy going to the office. The ability to focus/be more productive in the office was also cited as a key reason for going to the office.
- These sentiments were borne out in the face-to-face interviews we conducted with a number of property professionals as part of this report. The overwhelming consensus was that the office is here to stay - it remains a critical hub for businesses in terms of team-building, collaboration, corporate culture and client engagement.

- However, the office is only one component which can help boost productivity. Research shows that overall employee engagement and satisfaction tend to suffer if the exceptional workplace experience fails to align with the experience of working with teams and managers.
- Productivity matters because the UK has fallen behind its international peers since the global financial crisis in an increasingly competitive global economy. However, our research suggests that the notion of productivity remains very subjective, both in terms of how we benchmark ourselves and others.
- From our research it is also clear that one definition of productivity for the office worker would be over-simplifying the reality. Whilst we have endeavoured to provide a definition which is more applicable than the traditional understanding of productivity, one size clearly does not fit all.
- For the individual to achieve optimum productivity it is clear that measurable (SMART) objectives and targets need to be set and monitored. These should be driven from the top down, with the ultimate purpose of the outputs circling back up through the business hierarchy to positively impact the bottom line.

## Scope of this report

This report looks at issues surrounding office workers and how we measure their productivity. Whilst this is not comparing home working with in-office working specifically, the pandemic and the rise of hybrid working has increased the focus on the office workers' productivity. The timing of this report is largely influenced by the rise of hybrid working, yet this is not the sole focus of this research.

Of the many research reports and reviews we have examined for this study, there is no clear consensus nor is there any consistency about where or how office workers are more productive. What is apparent is that there is no workable definition of productivity being applied to an office worker, and within this report we explore if it is even possible to have an acceptable definition, but also posit a potential starting point.

## Why look at office productivity and why now?

There are numerous studies and statistics presented to us through the national press and other media, yet many of these provide conflicting stories about office workers and their level of productivity. Rarely is the sample size and make up mentioned and percentages are boasted without any access to the raw data.

The UK's weak productivity growth since the global financial crisis (GFC) and particularly since the pandemic has brought this issue into sharper focus. Indeed, the pandemic changed our view of office work for ever.

However, despite a plethora of academic studies, the results are still conflicting. For example, a study into the productivity of more than 10,000 employees working in the IT sector in Asia during April 2019 and August 2020 suggested that the employees were working hard: total hours worked were 30% higher than before the pandemic, including an 18% increase in working outside normal hours. Nonetheless, this extra effort did not translate into any rise in output even though both employers and employees felt they were producing as much as before. By calculating productivity based on output per working hour, the study revealed that, despite the extra time on the job, **productivity declined by 20%** (Gibbs, Mengel, & Siemroth, 2020).

Another study by the Economist in early 2022 showed that remote working in the first 18 months of the **pandemic boosted both work-life balance and productivity for senior business leaders, but not for lower-level employees** (Economist Impact, 2022).

This was supported by another two-year study of over 800,000 employees conducted in 2021 that discovered that people experienced stable or even increased productivity after introducing working from home. As employees no longer had their daily commute to work and long in-person meetings were eliminated, an approximate **70 minutes a day was saved**, 30 of which were used for work (Kazi & Hastwell, 2021; Bloom, Chui, & Bush, 2023).

The above study sounds an optimistic note for productivity during the pandemic, however the reality subsequently appears to have fallen below expectations. While productivity did accelerate in 2020 and 2021, the figures are skewed because of a significant number of

lower-skilled workers dropping out of the workplace, which artificially boosted the average (Williams, 2022).

Other research conducted by Atkin, Schoar and Shinde (2023) found that, when randomly assigned, **productivity fell by 18%** for those who were assigned working from home, compared to those in an office.

The above represents a snapshot of the wide range of contradictory findings from research into productivity and supports the notion that more detailed and structured research and analysis into productivity is required. The overall conclusion for each report is summarised in the table below.

#### Summary of research reports

Report	Area of study/sample	Did homeworking boost productivity? Y/N
(Gibbs, Mengel, & Siemroth, 2020)	10,000 employees working in the IT sector in Asia during April 2019 and August 2020	No
Economist Impact, 2022	Survey between August and October 2021 on how new hybrid working habits affected their personal and professional lives. Both survey samples were drawn from ten cities in the US, the UK, France, Germany, Singapore and Australia, and across a range of industries.	Yes for senior business leaders, but not for lower-level employees
(Kazi & Hastwell, 2021; Bloom, Chui, & Bush, 2023).	Two-year study of over 800,000 employees conducted in 2021	Yes – time saving, some of which was used for work
(Williams, 2022)	Based on post-pandemic global productivity data sourced from various banks – JP Morgan Chase, Goldman Sachs	Yes - but figures are skewed as many lower-skilled workers dropped out of the workplace.
Atkin, Schoar and Shinde (2023)	235 data entry workers in India	No – when randomly assigned, productivity fell by 18% for those WFH compared with office workers.

#### Return to the Office: Is it the right move?

In its outlook for 2024, Scoop’s Flex Index report assembles views from a variety of contributors offering diverse opinions on the year ahead. These predictions range from a sharp increase in office occupancy as more businesses realise the benefit of having people in the office, while another view is that executives will be forced to admit their ‘return to the office’ (RTO) mandates did not improve productivity by the end of 2024 (Flex Index, 2023).

The report went on to suggest that **flexibility continues to be a key driver for employees**, who have confirmed this to be a priority in job selection and retention, often voting with their feet (see also our interview responses below). A number of prominent commentators predicted that flexible working was to be essential for young people (Slumbers) and would be

willing to leave their jobs to join more ‘progressive’ firms, but in reality a very significant part of that flexibility is the ability to actually attend an office on a regular basis.

It appears to be primarily the companies with under 500 employees who have embraced flexibility, whilst the corporate mammoths have tended to set RTO mandates (Flex Index, 2023). The report also says that of the executives interviewed, **only a third who were operating a RTO mandate believed this had a positive impact on productivity**. Moreover, RTO mandates are unlikely to provide a quick-fix to productivity and engagement issues, which will remain at the forefront of management concerns due to the sluggish economic environment (Flex Index, 2023).

These findings are supported by further surveys conducted on the attitudes to RTO mandates.

Korn Ferry (2023)	62% of professionals surveyed say their employer is mandating a return to the office, while more than half (58%) say going back will have a negative impact on their mental health. When asked if they would prefer a job with a higher salary but no flexibility to work remotely, or a job with a lower salary but flexibility in where they work, 72% said they’d take a lower salary if they could work from home. The top reason they want to work remotely: avoiding the hassle of getting ready and commuting to the office (61%).
KPMG (Holt, 2023)	Survey conducted in August and September 2023 revealed that a majority of CEOs (64% globally and 63% in the UK) predict a full return to in-office working by 2026. 87% of CEOs (83% in the UK) surveyed expressed a likelihood of linking financial reward and promotion opportunities to a return to in-office working practices.
HR Magazine (Machell, 2023)	50% of UK working parents are looking for new roles because of their employers’ RTO mandates ... study found 60% of parents struggled to juggle work and childcare ... more than half (53%) of parents have felt pressure to be in the office following the pandemic. On average, UK employers are requesting an additional two days per week in the office, resulting in higher childcare costs equating to an average of £166 per week more than before.
Gallup Survey (Wigert & Agrawal, 2022)	8 in 10 people work remotely, while only 2 in 10 are completely on-site. In fact, the data shows that just 6% of respondents want to work entirely on-site moving forward.
McKinsey’s Survey (Dua, et al., 2022)	Found that ‘when people are given the option to experience flexible work, 87% of them take it’.
Future Forum (Future Forum, 2022)	95% of people surveyed want flexible hours, compared with 78% of workers who desire location flexibility. The survey also found that 72% of employees who were not satisfied with their level of flexibility would most likely look for a new job in the next 12 months.

For an organisation to be truly innovative and successful, the employer must attract the right talent who must be engaged and productive.

### Why should office productivity matter to property investors?

In an age of ‘work from anywhere’, the office is competing with multiple other workplaces and needs to demonstrate value to occupiers and employees, as a place where they are productive and can do business in an efficient, healthy and environmentally friendly way.

The nature of the office environment has changed dramatically over the last few years. There is a vociferous debate about issues such as attendance, office design, facilities,



amenities, and the future of the office market. However, the **research around productivity is in its infancy, both contradictory and controversial** and there is a tendency toward subjective assessment – with a paucity of hard research.

Factors behind this include a difficulty in defining what the office worker’s productivity really is. The current focus on quality and quantity of office space, attracting talent, and mandatory attendance is underlined by increasing profitability. Ultimately, it is the productivity of the workers which will have the biggest impact. **Next to property, staff costs are the biggest outlay** and yet the true productivity of the workforce in an office (or working remotely) has not been analysed satisfactorily. As highlighted above, research is contradictory and arguably skewed according to the desired outcome.

The combined effects of the rise in remote working, an increased focus on ESG targets and the recent economic slowdown have created **serious headwinds for the office sector**. Investment volumes have slumped and capital values have fallen sharply on the back of the interest rate hikes designed to bring down persistently high inflation. Moreover, a growing number of offices are at risk of becoming stranded assets.

As a result, there are urgent questions to answer around how offices might counter (and even capitalise on) these trends – some cyclical but others more structural and permanent – and retain their position as a viable and investable asset class.

With this in mind, the project will examine ways in which offices and the people who work in them might become more productive. Firstly, the project will seek to define ‘productivity’ given the variety of definitions and meanings to different organisations and individual job roles. The project will also analyse the potential ways in which offices can **enhance the productivity of individual workers**, in addition to examining how buildings themselves can be made more productive and efficient. The analysis will examine the role which technology and systems can play in helping people and buildings be more ‘productive’.

## What is productivity?

**There is not a single universally accepted definition of productivity**, as it depends on so many variables, covering the context and perspective, which could include economic, business, personal or technological for example.

These different elements highlight the varied nature of productivity, which may cover granular tasks at the individual or team level, right up to regional and national economies.

In an economic and business context, the most commonly used definition relates to the degree of **efficiency in the use of resources to produce goods and services**. At the macro level, measuring national productivity through metrics such as GDP per capita is widely recognised.

A traditional definition of quantity of output over level of input is difficult to apply to an office environment. For the office worker the outputs can be nebulous in nature and therefore difficult to measure or count. Does a single report to a client count as an output?

Does a telephone call closing a deal count as an output? With such a variety of roles, tasks and timeframes, one size does not fit all.

However, **measuring productivity accurately can be challenging**, and different metrics, such as output per hour worked, are used to assess productivity levels. It is worth noting that published productivity rates vary between countries, not to mention between regions and cities in the same country.

According to the Organisation for Economic Cooperation and Development (OECD), productivity is the ratio between the volume of output and the volume of inputs. In other words, it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output.

Within this, productivity measures can be classified as single factor productivity measures (relating a measure of output to a single measure of input, e.g. labour productivity) or multifactor productivity measures (relating a measure of output to a bundle of inputs, e.g. multifactor productivity). Productivity is considered a key source of economic growth and competitiveness.

The importance of productivity was summed up by Nobel Prize-winner Paul Krugman who said, **“Productivity isn’t everything, but in the long run it is almost everything**. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.” (Krugman, 1984)

Productivity definitions from a number of major UK and international financial and work-focused organisations are summarised in the table below, although this is by no means an exhaustive list.

Organisation	Definition
Chartered Institute for Personnel Development (CIPD, 2023)	Productivity is usually defined as the ratio between outputs and inputs. In other words, how efficiently inputs are being used to produce a given level of output, or how much output can be produced from a given level of inputs. Typical inputs in a modern economy are labour, capital, land and energy. Typical outputs are the many goods and services measured by gross domestic product (GDP).
Office for National Statistics (ONS, 2023)	Labour productivity measures how many units of output are produced for each unit of labour input and is calculated by dividing output by labour input. The preferred measure of labour input is hours worked ('productivity hours'), but workers and jobs ('productivity jobs') are also used. Output refers to gross value added (GVA), which is an estimate of the volume of goods and services produced by an industry and in aggregate for the UK.
Organisation for Economic Co-operation and Development (OECD)	Productivity is commonly defined as a ratio between the output volume and the volume of inputs ... it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. There are different measures of productivity, the one that is used depends on the purpose and/or the availability of data. One of the most popular measures is the use of Gross Domestic Product (GDP) per hour worked rather than merely output per employee.

International Labour Organisation (ILO)	Productivity refers to how efficiently resources are used; it can be measured in terms of all factors of production combined (total factor productivity) or in terms of labour productivity, which is defined as output or value added divided by the amount of labour used to generate that output.
UK Research and Innovation (UKRI)	A measure of how well a society transforms work and other resources into products and services that improve people’s lives. Historically, productivity has trended upwards over time: more goods and services have been produced for the same level of input of resources, allowing living standards to rise.

UKRI estimates that if UK productivity had grown in line with its pre-GFC trend, the economy would be approximately £300 billion larger than today. UK productivity is lower than many comparable countries such as France, Germany and the US, with some estimates suggesting it is up to **20% lower** (UKRI, 2023).

**Productivity is at the heart of the Office versus Remote Working debate** and, the latest official data in the table below shows that the UK continues to struggle. For Q3 (July to Sept), preliminary estimates of UK output per worker were 0.1% lower than a year ago, while average output per hour was 0.3% down (ONS, 2023).

The UK’s productivity has been a major issue in recent years, given its relatively weak growth compared with many other advanced economies since 2007. However, some analysts believe that the main issue with UK productivity figures is a question of measurement rather than performance per se. This is commonly referred to as the UK’s ‘productivity puzzle’ (ONS, 2023). The longer-term trends in output per worker and per hour are shown in the graphs below.



Source: Office for National Statistics (ONS)



Source: Office for National Statistics (ONS)

However, there remains the issue of definition for an office worker. As part of this research project, we interviewed a selection of management level professionals with responsibility for office workers and the consequent output and financial targets. Not surprisingly, this revealed a wide range of views on exactly what productivity is. The full detail, analysis, and specific sound-bites from these interviews are included in a later section below, but some common themes have enabled us to suggest a workable definition.

The definition of productivity for an office worker can be summarised as:

**The completion of a predetermined set of goals and objectives, set by the organisation, within a specified timeframe, using available resources in the most efficient way, which contributes directly or indirectly to the financial strength of that organisation.**

By applying this definition it should be possible to directly measure employees' productivity, regardless of their roles. Key to measuring will depend completely on having clearly defined, measurable SMART targets which are set and monitored on a regular basis.

## How do we enhance productivity?

If we accept that productivity is measured by the satisfactory completion of an agreed set of objectives within a specified timeframe, then an organisation needs to examine the optimal framework required for employees to deliver. Aside from obvious provision of salary and equipment, the factors which impact productivity include: quality of office, technological provision, flexibility, and career progression.

### Quality of Space

- There has been an increased focus on the quality of office space, with companies looking for modern, tech-enabled, and environmentally sustainable buildings. Anecdotally, the take-up of Grade A space has increased as a proportion of

the total and, while precise data on trends over time is difficult to obtain, Savills' latest report titled 'Optimising Offices' states that **52% of London office take-up in 2022 and 2023 involved buildings rated BREEAM Excellent or Outstanding** (Evans & Steele, 2023).

- Various studies show there is a rent and capital value premium for office space with strong green credentials – the so-called 'green premium' and research published by Knight Frank in 2021 showed that Very Good, Excellent and Outstanding BREEAM ratings on prime central London offices boosted rents by 3.7-12.3% (Ormond, 2021). MSCI research from late 2022 showed a **25% price premium for London offices with sustainability ratings** from organisations such as BREEAM and LEED (Leahy, 2022).

#### Hybrid Working & Flexible Space

- Many companies have adopted hybrid work models, allowing employees to split their time between working in the office and remotely. As businesses sought these more agile and adaptable arrangements, the popularity of flexible office solutions provided by firms such as Work.Life and Regus, has increased significantly. Some companies have opted to combine traditional office space with flexible options to accommodate the peaks and troughs of office working.
- According to research conducted by Global Workplace Analytics (Lister, 2021), the savings which can be achieved by just 50% remote working can be as much as \$11,000 dollars per employee, per year due to a reduction in absenteeism, a consequential reduction in office space, a reduction in employee attrition, and of course **an increase in productivity of 15%**. Although this research analyses over 6,000 data points and applies transparent calculations to support the figures, the productivity element as a standalone item is less clearly defined. That said, the study produces a strong argument for the adoption of hybrid working.

#### Technology

- Productivity as we know it has become intertwined with advances in technology. As far as offices are concerned, technology provision can be divided into three broad areas as follows:

#### Buildings

The number of smart buildings is increasing, largely due to the requirements for data analytics, e.g. to monitor energy efficiency, carbon emissions, etc. Typical technology within new buildings includes:

- Automated booking systems
- Desk monitoring
- Lighting, including natural light, airflow, and other M&E systems
- Access control
- Wayfinding, desk booking, access to in-office/nearby amenities, cleaning (vacuum robots)



All elements listed above are **critical to the productivity, not only of the building itself but of the office worker, the building and property managers, and indeed the investors**. Professional occupations comprise approximately 26% of the UK workforce, making the office the most common working environment, with (prior to the pandemic) the average office worker spending approximately 3,500 days in an office in their lifetime (ONS, 2021; GOV.uk, 2022; RICS, 2023).

As of February 2023, an approximate 34% of the buildings within the UK have smart technology (RICS, 2023). However, the global market of smart buildings is expected to rise rapidly throughout the coming years, reaching an estimated \$409 billion by 2030 (a steep increase from \$80.60 billion in 2022) with a compound annual growth rate (CAGR) of 22.8% (Fortune Business Insights, 2022).

The American Society of Heating, Refrigeration and Air-Conditioning Engineers (ASHRAE) discovered that providing building occupants with a customisable mobile app, that gave them greater power over deciding on the temperature and lighting of their space, improved productivity by 0.5-5% (JLL, 2016).

A study conducted by the World Green Building Council (2017) supports this, as 'human centric' lighting (lighting which imitates the natural circadian rhythm of daylight) was found to **increase productivity by 23%, alongside an additional rise by 11%** when air quality was improved. This was replicated by CBRE who introduced human-centric lighting to their workplace and experienced an 18% increase in productivity and accuracy improved by 12% (OSRAM, 2017)

Finally, smart buildings have been found to have some degree of power in both attracting and retaining employees. For example, a collaboration between MIT Sloan Management Review and Deloitte, on a global scale, reported that 'significant numbers of employees and executives are ready to leave companies that are not keeping pace with digital change' (Kane, Palmer, Phillips, Kiron, & Buckley, 2016). This highlights the role smart buildings play in increasing productivity, but also in retaining and attracting these motivated individuals.

It is worth remembering, however, that in each of the above studies the exact definition of productivity remains unclear.

## People

Technology in the office is not the sole domain of the building itself, but is an intrinsic part of the office-worker's ability to meet objectives and targets. Among the technological facilities that are essential to the worker are reliable IT provision (see later section regarding Remit survey results and interview outcomes). Other elements which are deemed essential include:

- Multiple monitors
- Printers and copiers
- Range of standing desks
- Ergonomic chairs

For example, studies carried out in the US have asserted that **dual monitors increase productivity by up to 50%** (Global Workplace Analytics) (Lister, 2021). Furthermore, citing an average worker's claim for health issues initiated at work at \$28,000 per annum, any widespread improvement in employees' wellbeing brings an additional monetary benefit.

Also key to productivity are systems which facilitate the day-to-day management of employees and workflow such as HR systems, document and time management, Intranets, and other analytical tools, e.g. Business Analyst, Power BI. Maintaining access to these systems and assisting workers with technology issues is also a critical component to productivity. Providing a pro-active IT department, with customer-focused floor-walkers, promotes greater continuity of production.

Additional studies have reviewed the make-up of the working day and its impact on productivity. Johnson (2017) found that the majority of his sample group found **distractions were actually beneficial to the office worker, improving productivity.**

Interestingly, the Draugiem Group (WE Forum, 2017) stated that the length of the working day was of less significance than its structure and that those who took 'mini-breaks' within the working day were more productive than those who did not. The findings of the study suggested the ideal work to break ratio is 52:17 minutes respectively. A key discovery, however, was that the activity undertaken within any break has a direct impact on productivity: taking a walk for 15 minutes has a far greater benefit than, for example, scrolling social media or checking emails for 15 minutes.

Critical to office workers post-pandemic is the technology to support agile and flexible working.

#### Artificial Intelligence

This section would not be complete without mention of the part Artificial Intelligence (AI) has to play in maintaining and, arguably, enhancing productivity. The rapid emergence of software such as Microsoft Copilot, Google Bard, and OpenAI ChatGPT, are revolutionising tasks within the office worker's domain.

The most obvious office usage of generative AI will cover basic administrative tasks.



Predictive AI will further aid productivity by using its analytical capabilities to forecast and predict future outcomes which would otherwise take considerable man-hours.

A report from the thinktank Autonomy found that **potential productivity gains** from the use of AI could reduce the working week from 40 to 32 hours for 28% of the workforce – 8.8 million people in Britain – while maintaining pay and performance (Garcia, Kikuchi, & Stronge, 2023). This could be achieved by bringing large language models (LLMs), such as ChatGPT, into workplaces to augment workers’ roles and create more free time. Some **89% of the labour force in London could have at least a 10% reduction in work time**, due to AI-led productivity gains.

In a recent interview with Fortune magazine, Christopher Pissarides, an economics professor who specialises in labour economics and the impact of automation, re-stated his belief that AI tools such as ChatGPT will significantly improve people’s quality of work and productivity, helping to bring about a four-day week for many workers (Bloomberg, 2023).

Undoubtedly, **the intent behind the introduction and implementation of AI is to boost productivity**. However, technology may be ubiquitous but is not necessarily a panacea. A couple of decades past, the production of written content relied on a single shot at getting it right; repeated editing and tweaking were not only time-consuming to achieve, but also unproductive. The unexpected consequence of this, though, was the need to get it right the first time, ultimately resulting in less time spent on a document, for example, rather than more. Consider the ancient Egyptian scribes and the painstaking production of hieroglyphics! We may believe we have

created time-saving, productivity boosting tools, but, in reality, the time-saved is soon filled.

The rapid emergence of software such as Microsoft Copilot, Google Bard, and OpenAI ChatGPT, are revolutionising tasks within the office worker's domain.

## Productivity: The People Factor

### Perception versus Reality

When talking of productivity, it is essential to consider the individual office worker's perception; **is the belief of productivity the same as reality?** For example, a 1991 study into the effects of fatigue on performance at radar screen monitoring, demonstrated an inverse correlation between perception of productivity and the actual reality (Evans, Mackie, & Dennis Wylle, 1991).

Moreover, the idea of instant gratification may come into play here. A study conducted in 2006 discovered that the 'most prominent part of work is interruption', with 44% of these coming from individuals interrupting themselves, rather than through external distractions (Robison, 2006). This could be a consequence of working on the smaller tasks that have been building up rather than completing the work that may be more important or even intended to do. Such activities may be primarily driven by the instant gratification received from completing these mini tasks, allowing the individual to feel productive when, in reality, they are not necessarily being so.

This individual has been anecdotally coined the 'busy fool': someone who is always busy but not necessarily being productive or effective. This is supported by the Pareto principle which states that **approximately 80% of value created arises from only 20% effort or input**. This, therefore, further supports the idea that there may be a chasm between what is actually productive and what the individual office worker's perception of this is.

Productivity, at an individual level, is always going to be impacted by Maslow's Hierarchy of Needs. Maslow set out the basic working needs of individuals, such as job security, salary, social, etc, which are mutable both by individual and by time according to internal and external forces at play. For example, in the current economic climate, security and level of income have moved up in importance and social needs will have diminished.

These factors all need to be considered when examining the productivity of an office worker and who better to ask than the people themselves.

### What do office workers want?

Remit issued a short survey in late 2023 comprising 14 questions, which sought the views of office workers from all sectors on what they want from an office space. From the 175 responses, we gained some useful and interesting insights. While the survey ranged across the UK, the majority of responses received was from the Greater London area.

The outcomes from this survey provide a high-level summary for investors and occupiers of what office workers want most and what they care about least. These results will help inform prioritisation of what will actually make the most difference in **attracting people back to the office and potentially boosting productivity**.

Whilst the survey's questions were broad in content, the issue of productivity was prominent amongst the responses.

The full analysis of the survey can be obtained here:

<https://return.remitconsulting.com/office-worker-survey> but some key takeaways from the survey include:

#### Do you enjoy going to the office?

- Real estate investors will be relieved to hear that **69% of respondents said they enjoy going to the office**. This jumps to 77% when filtering for just entry level/non-leadership role positions, or 75% when filtering for those under 35. This shows the importance younger workers are placing on the ability to learn from colleagues and potentially network.
- However, 21% said 'maybe', suggesting there is a **substantial subset of people who need persuading** – this is a sizeable population that could enjoy attending if the office better suited their needs. It should also be noted, though, that this group will include the nuance of occasional preferences.
- Only 11% gave an outright 'no' – this suggests that **virtually all businesses need some form of office space**.

#### If your employer said you needed to come back to the office full-time, would you consider leaving your job?

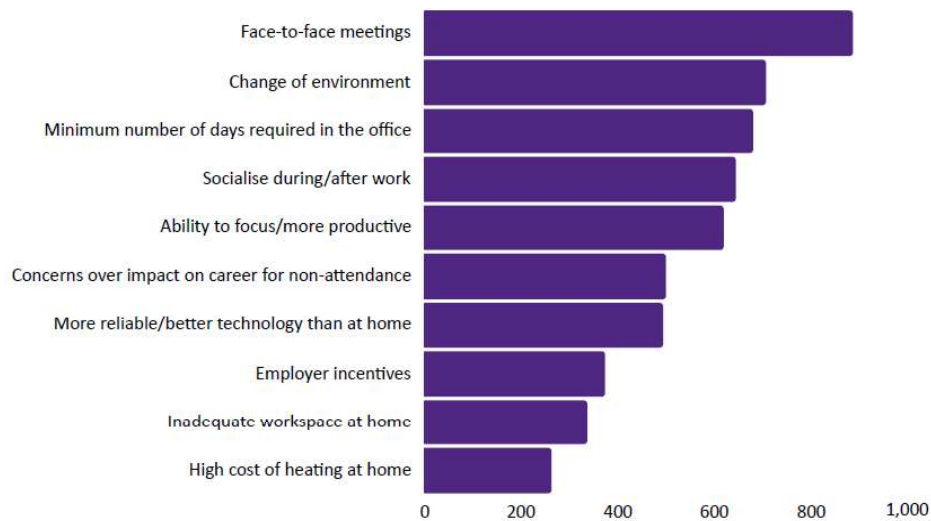
- A majority (59.2%) said they would consider leaving their job if their employer mandated full-time office attendance; this shows a sea-change in office workers' priorities and their relationship with the office. Interestingly, the age groups between 35 and 54 are the ones that would most consider leaving, with 67% voicing that view. This is another reflection of a change in priorities and lifestyle brought about by enforced home-working, such as childcare and work/life balance.

#### What are your main reasons for going to the office?

- Socialising and the ability to focus/be **more productive in the office** scored relatively highly, confirming that occupiers and office designers must consider the need for quiet working environments as well as spaces for people to unwind together.
- As might be expected, other key reasons for going to the office focused strongly on the team element, management, mentoring, and collaboration.
- However, based on a ranking of importance, having face-to-face meetings was comfortably the number one reason for going to the office (52.2% of respondents ranked it as #1). While the likes of Zoom and Teams have enabled long-distance collaboration, it seems there is still a heavy preference towards in-person meetings.



## What are your main reasons for going to the office?



The graph represents an overall ranking of weighted responses.

Source: Remit Consulting Office Worker Survey, November 2023

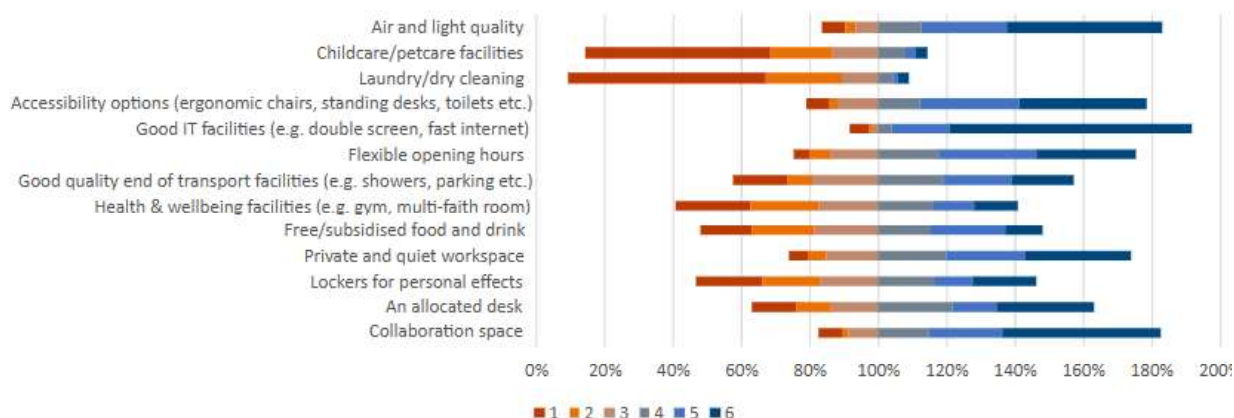
### What factors deter you from going to the office?

- Inadequate end-of-transport facilities ranked highly. Clearly this should be on the minds of developers and investors if they want to attract people to their offices.
- The office environment was also a key deterrent - in terms of noise, distractions and lack of desks - ranking first for 10.2% and second for 20.4%.

### Which amenities do you consider important to have in an office?

- **Good IT facilities were ranked as the most important amenity** to have in an office (71.3% rated it as essential). Often having multiple screens is seen as an attraction, but more importantly, if the IT provision is inadequate, it becomes a strong deterrent to returning to the office.
- Collaboration space and air and light quality were ranked as the next most important by 46.2% and 45.4% of the sample respectively, supporting the findings shown earlier, that face-to-face meetings and in-person interaction is the main reason for attendance in an office.
- Accessibility options (37.7%) and **private and quiet workspace (31%)** were also priorities. When you are competing against the flexibility of home-working, being adaptable and having spaces for that quiet and focussed work is essential.

Which amenities do you consider important to have in an office? Please rate importance, 1 being of no importance and 6 being essential.



The bars on the graph represent the total responses for each amenity.  
Source: Remit Consulting Office Worker Survey, November 2023

Clearly office attendance features highly on all our respondents' list of wants, for varying reasons but frequently for the very **activities which enhance productivity**: co-worker collaboration, quiet space for focussed work, and so forth.

### What part does the office play in aiding productivity?

One of the most interesting pieces of analysis of office working post-pandemic is a recent report by Cushman & Wakefield entitled 'Beyond the Org Chart' (2023). The report examines how employee 'human capital' (formal networks) and employee 'social capital' (informal networks) have impacted on overall organisational capital.

One of the key findings of the report was that the return to the office significantly boosted workers' network diversity and density, which helped **facilitate more productive and innovative work**. However, the study also found that while the physical design and location of a building do influence employee experience, a high-quality workplace design alone cannot compensate for interpersonal relationships.

Interestingly, newer buildings with higher fit-out quality were associated with positive increases in employee engagement towards the organisation and brand, but unexpectedly there was a negative correlation for newer buildings with higher fit-out quality when it came to evaluating the link between workplace characteristics and experiences with teams and managers.

As a result, overall engagement and satisfaction tend to suffer if the exceptional workplace experience fails to align with the experience of working with teams and managers. While this implies that organisations may need to design a highly specified workplace for many of their employees, **this alone will not suffice in attracting and retaining key talent and thereby encouraging productivity**.

The workplace itself does play a crucial role for organisations aiming to foster a strong sense of connection to the company’s culture, brand, and mission, as well as attract and retain talent. These two points highlight the holistic approach required to achieve high performing teams and workplaces. **In a nutshell, if the best office in the world is not matched by the quality of colleagues and managers, then firms will likely be less successful.**

The return to the office significantly boosted workers’ network diversity and density.

## Recent Market Trends

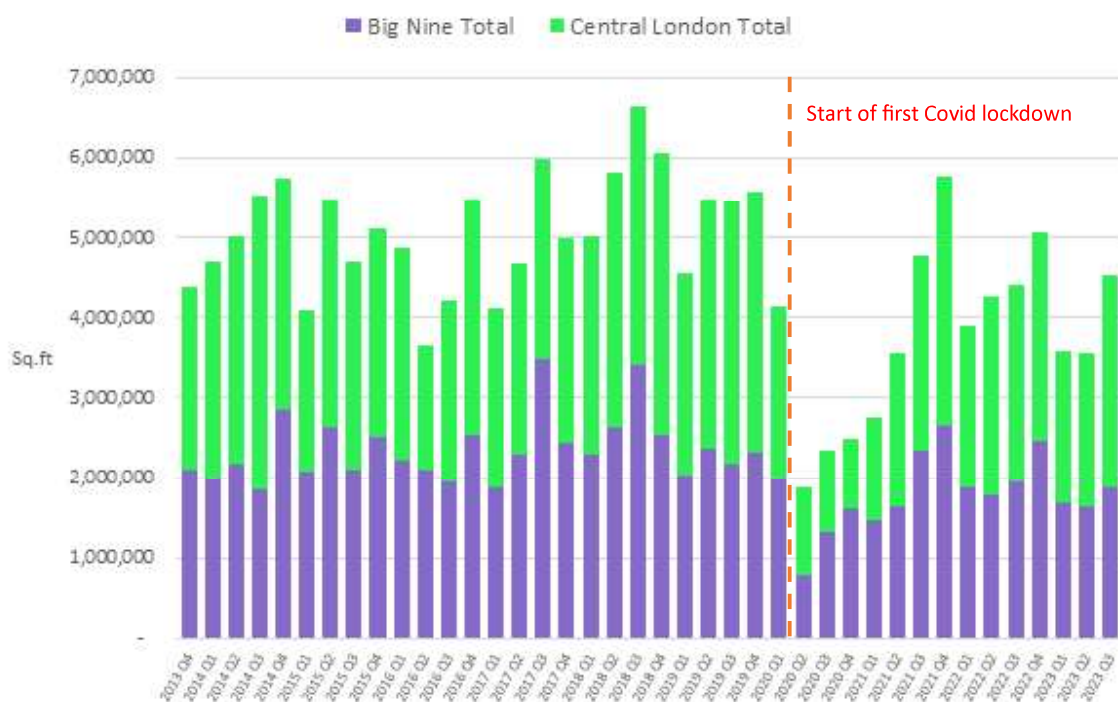
Clearly, if there is a need to attract office workers back into buildings, there should be consideration given to the wants and needs as outlined above. The current position and suggested implications are shown below.

### Occupational Market

The pandemic initially led to a slowdown in office leasing activity, as businesses had to adopt remote working policies in the face of Covid lockdowns. Companies became more cautious about making long-term commitments to office spaces, resulting in a decrease in overall take-up as the graph below shows.

Various agents’ reports show that, while leasing activity has recovered from its low point during the pandemic, occupier activity remains below the long-term average. The office market is polarised, with a growing number of obsolete buildings, which are effectively stranded assets.

Office Take-up in the UK (sq.ft)



Source: Avison Young

However, there is a lack of high-quality space in the CBDs of the UK's major cities, putting rents under upward pressure in these locations. Of particular note is the significant shortage of laboratory space in the rapidly growing life sciences sector.

#### Companies Downsizing?

The rise of remote work has prompted some companies to re-evaluate their office space needs, leading to discussions about downsizing or adopting more flexible arrangements. In addition, **many employees have expressed a desire for greater flexibility in where and how they work.**

While some companies have reduced their office footprint, the extent has varied across industries and individual firms. Sectors such as technology and finance have adapted well to remote work, while others, such as those requiring physical presence e.g. client-facing government departments, faced different challenges.

Arguably, the media has over-simplified the 'downsizing' message in some cases. For example, Clifford Chance's scheduled departure from Canary Wharf for a new office in 2 Aldermanbury Square (321,000 sq.ft) has been presented as a dramatic downsizing. However, in reality, 390,000 sq.ft of the 700,000 sq.ft at its existing Upper Bank Street office had been sublet to Deutsche Bank since 2015.

This shift in approach to office work is influencing the design of office spaces, emphasising collaboration areas, hot-desking options, and technology infrastructure to support remote connectivity.

#### Investment

Offices remain the weakest performing commercial property sector in terms of returns and capital values and investor sentiment is generally negative, notably for secondary assets. There is limited appetite to spend the money needed to meet occupiers' requirements and future EPC legislation, unless the building is in an absolute prime location with positive supply-demand dynamics.

Office yields have continued to drift out since the summer, with Knight Frank's December Yield Guide reporting negative sentiment for all office segments except for London's West End. As a result, the slide in office capital values has continued, falling by 1.9% over the month in October, led by the City and Rest of the South East (source: MSCI October Index). However, demand for best-in-class assets remains strong, leading to a small number of office sales at sub-4% yields in recent months.

## IPF Consensus Forecasts – Total Returns



Source: IPF, September 2023

### Evolving Office-Worker Priorities

Office-worker priorities have focused increasingly on spaces that foster collaboration, innovation and employee well-being, as outlined above in this document. Many occupiers now see their real estate as a strategic asset, which is vital for attracting and retaining employees and clients. Corporate real estate also needs to align with ESG objectives, especially in the current legislative climate.

Although amenity is a key factor in decision-making for occupiers and investors, our research suggests that the amenities within the building far outweigh those in the immediate surrounds.

Landlords and developers have responded to these changing demands by investing in amenities, flexible layouts and the technology. As at late 2023, a growing number of firms had mandated a 'return to the office', although the majority of these are for a minimum of 2-3 days per week and are often just a formalisation of existing policies.

In contrast, Annie Dean, head of Team Anywhere at Atlassian and supporter of flexible working, predicts that, by end of next year, company directors will need to admit that these **mandates had no beneficial impacts on company productivity**, as we have expanded on in the above section.

Legal & General commissioned a poll of more than 2,000 full-time office workers in the UK to explore attitudes towards remote and hybrid working. The headline results were 75% work from home at least some of the time, they work an average 2.5 days a week remotely and 4% said they can work remotely all the time. **A majority (59%) also agreed with the statement: "I am more productive working in the office than at home."**

Our own recent Office Worker Survey and the interviews we conducted for this project demonstrate the **continuing importance of the office as a business hub**. While office



demand is down on pre-pandemic levels, there is a consensus that economic and demographic growth will continue to drive stronger demand for office space going forward.

The interviews conducted as part of this research highlighted many of the issues covered above. The full detail is outlined below.

## Interviews

Having read the contradictory and often biased results of many of the studies around productivity to date, we felt it was imperative we seek an independent and current view from individuals who have no vested interest in supporting a particular standpoint on productivity. Therefore, in addition to our analysis of existing academic and 'official' research, we spoke to people directly to **gain a better understanding of the issues around productivity**.

We carried out interviews with ten professionals in managerial positions to try and gauge their opinions from a personal, corporate and market perspective.

To ensure consistency, each interviewee was asked the same ten questions, which covered the type of work they do, how productivity is defined and measured, home working versus the office and potential barriers to productivity. In addition, we asked them for their views on the future of the office.

The interviewees were primarily experienced people in mid- to senior level leadership positions, albeit in a variety of roles, which included HR, Finance, Legal, Office Agency, Research and Fund Management. Some wear more than one hat, in that they are both a business/team leader as well as a protagonist in the property market, so they also have a deep understanding of the investor and occupier perspective.

The answers to each question are summarised below:

### 1. What kind of work is carried out in your office?

All interviewees were involved in 'traditional' office work which might be expected of the service sector. Most of their time is spent at a desk (work or home) or in meetings with colleagues or clients, with a small proportion of time spent 'on site' which might include in-person visits to assess a building for occupational or investment purposes. All participants mentioned **a need for 'focus' or 'quiet' time** at some point during their working week, in order to reflect or compile a written report.

### 2. What do you think of when I say the word "productivity"?

The over-riding message from the answers to this question is that, ultimately, productivity relates to the **financial value generated** in terms of turnover, profitability, deals done, clients won and market share. For the legal sector and other professional services firms, the long-standing measure of utilisation – the proportion of time spent on billable activities – remains a key measure of productivity.

However, all the participants recognised the importance of taking a **more ‘rounded’ view when it comes to defining productivity**; that it may be defined differently depending on individual roles (e.g. core business v support services) and that market conditions, employee motivation and training can also significantly influence productivity. Being productive (achieving goals) in the ‘right’ way is also important.

Several interviewees raised the notion of looking at longer time horizons when considering productivity. While the bottom line is clearly crucial, building long-term relationships with clients is also important as it helps drive a ‘return’ on your career as you move through it. Productivity is about getting the deal done and the invoice issued, but it would be less rewarding if these elements were the sole focus, without building a long-term relationship and providing a good level of client service. **Productivity could also involve people generating ideas** for a five-year strategy – difficult to quantify, but nonetheless valuable.

One interesting comment related to the importance of analysing longer-term performance (productivity) in assessing candidates for promotion, particularly in respect of senior leadership positions, for which **‘softer’ skills are as equally important** as hitting hard financial targets. Good deal-doers don’t necessarily make the best leaders!

From a HR perspective, there is also an important **human element to productivity**. The reality is you cannot necessarily translate a human being into an Excel spreadsheet, which then calculates how productive a team is. Perhaps the best definition is to think of an end goal and analyse how quickly and effectively that goal is achieved - whilst behaving in a decent way. However, there is also a recognition that productivity will mean something different to everyone.

### 3. [Do you have ways in your company/yourself of measuring productivity \(e.g. KPIs\)?](#)

For our sample of interviewees, the main assessment of productivity was carried out through their company’s **appraisal system**. Appraisals are also used to identify any additional training and support needed to achieve business objectives and enhance career development.

Our contributors (their companies) are less likely to have specific measures of productivity, such as hard or SMART objectives, and are more likely to measure productivity in terms of overall team/company success. As business leaders, they have a clear vision of where they want the team/company to go and what they and the team need to do to get there.

This tends to be managed subjectively through half-yearly or annual appraisals and one to one discussions. It tends to be evident when someone is being effective (or not) as there are detailed job descriptions, so responsibilities and accountabilities are clear. Everyone works to these and managers make an assessment at appraisal time **based on qualitative factors, rather than hard figures**.

At the more personal level, some people tend to have a list of things they need to do in the working day and feel productive if they achieve those things. **Measures of productivity can also vary by role.** For example, asset managers are more likely judged on meeting business plans over the financial year, while fund accountants are invariably tied to quarterly deadlines. Front of house staff meanwhile maybe judged more on how efficiently they deal with meeting room bookings or how they treat visitors.

In terms of measuring the day-to-day productivity of their teams, a number of our interviewees look at how long it takes people to produce the work asked of them, how responsive their staff are and how good they are at moving forward with the small items that contribute to the bigger picture.

For one interviewee, the biggest indicator of productivity is the **strength of a client relationship on completion of a project.** A lot of the work involves targeting cold clients with the aim of building long term relationships and winning the right to go and talk to the client about a potential project and, ideally, making a formal presentation.

**Several interviewees said our meeting had made them start to think more about productivity, what it means and how to measure it.**

4. [How do you define the goals? How do you define whether these goals are achieved?](#)  
**Goal setting** is carried out mainly through the corporate appraisal system, while the judgement about whether they have been achieved or not is determined by line managers and tends to be subjective.

However, there has been a shift away from long, detailed forms to more discussion-based appraisals, with standardised questions to provide guidance to managers and a degree of consistency across teams.

**Assessing whether goals have been achieved is more straightforward for some tasks.** These might include reaching a target for a capital raise by a certain date, producing quarterly reports and accounts or delivering a construction project on time and on budget. All these tasks have clear targets and deadlines. For other tasks such as longer-term business plans, dates and deadlines can sometimes be manipulated or extended.

5. [Do you feel that more time equals more productivity?](#)  
Most interviewees said **more time does not necessarily equal greater productivity**, as how we use our time and how efficient we are have more impact. However, one interviewee said that productivity cannot be completely separated from time, while another suggested that more time spent means more delivered for the client – although someone who is burning the midnight oil is probably not as productive as they were in the mid-afternoon.

The consensus was that **results matter most**. However, in a difficult market, it is satisfying for team leaders/employers to see people working hard. Sometimes that does mean spending more time on tasks, but it is preferable for people to work more intensively for a shorter period than for long hours. Ultimately, 'beasting' staff is not the ideal way to get the best out of people, nor is it helpful for retaining talent.

6. [Do you feel that more effort equals more productivity?](#)

Again, there was broad agreement that **more effort does not necessarily boost productivity**, although a couple of interviewees offered a slightly different perspective. One participant said trying harder may boost achievement, while another said that if you equate concentration with effort, you are more likely to achieve greater productivity.

One interviewee suggested people can spend more energy doing tasks that ultimately are unproductive and we are all familiar with the situation where we devote effort to doing less important tasks at the expense of more important ones. The same interviewee used a sporting analogy to suggest that we are conditioned (in part by the media) to believe that hard work brings rewards. For example, it is common to read stories where successful players and managers are those with a strong work ethic and put in long hours at the training ground.

As an aside to this comment, for an office-worker failing to see **reward for their effort** can result in the much-discussed notion of 'quiet quitting', and in consequence reduced productivity.

7. [Do you believe that you are more productive at home or in the office?](#)

On balance, while home working is beneficial for certain tasks, our interviewees believe they are **personally more productive in the office**. And, clearly, roles which are more 'front of house' or people-focused require a greater office presence. These responses can be partially explained by the fact that our interviewees were all in leadership roles.

Home working was preferred for administrative tasks and exercises where concentration was required (e.g. spreadsheet analysis). Despite customised home set-ups, **office equipment is often superior** (e.g. two screens, larger desk, more effective printer).

Our participants appreciate the flexibility offered by home working, but have more energy and are generally more productive in the office where there is a **greater sense of other people working**, which they found appealing. Working at home in isolation is sometimes difficult and there can be too many distractions, such as talking to family members, doing personal admin or taking the dog for a walk.

Office working is also very important for the **flow of information around teams** and bouncing ideas off colleagues. More than one interviewee used examples of office conversations leading to new business or a quick resolution to a problem, which might not have happened had they not been in the office. Open plan offices facilitate the

sharing of ideas and information – and can make a positive contribution in terms of productivity.

While research suggests an occasional break from work is beneficial to productivity, a number of conversations highlighted the potential for interruptions for a ‘quick chat’ in the office as being negative, although the only strong aversion raised about going to the office was the commute. However, several interviewees used commuting time to check emails and ‘decompress’ on the way home.

8. Do you believe that your office workers are more productive at home or in the office?

There appears to be a high level of confidence among these particular business leaders that their colleagues are productive whilst working from home. However, several interviewees mentioned that their colleagues were often present in the office anyway.

Much depends on how focused and motivated each person is, as no one is watching you when you're sitting at home and it is easy to get distracted. Clearly a high level of trust is critical when adopting a **flexible working policy**. However, several interviewees mentioned the need for graduates/new starters to spend more time in the office from a learning perspective, alongside their more experienced colleagues.

One Board level interviewee reported a very **positive experience from home working** during lockdown, despite initial concerns. Staff were extremely busy, utilisation was very strong and the evidence suggested that working from home is not a barrier to productivity. The interviewee would therefore find it hard to accept an argument that people must be in the office in order to be productive. However, a successful business is much more than constantly delivering work; it is also about training the next generation, sharing experiences and accidental conversations – all of which is reinforced in the office.

9. What obstacles do you see as preventing greater productivity?

The **quality of IT** was the main issue of concern for the majority of interviewees. In the service sector, a huge amount of work is dependent on IT systems, whether this is within the Microsoft Office environment – Word, Excel and Teams – or the file management systems and cybersecurity. The concern about IT extends to outside the office, with one interviewer citing difficulties in working on the transport system, which reduces productivity whilst travelling.

A **lack of training** can also hinder productivity, including the **inability to use technology** and see a solution quickly. Experience is important, given that experienced people can adopt a role more quickly, whilst **inexperienced colleagues tend to make more mistakes**. Other barriers to productivity may include a **lack of planning, avoiding difficult decisions/discussions**, not using a telephone or meeting face to face.

In areas such as finance and investment management, **compliance and regulatory requirements** can be time-consuming, particularly for fee-earners, so this poses a challenge for productivity. A major goal is to ensure that fee earners have as much time available to focus on clients rather than administration, so strong support services are also essential to ensure greater productivity. Productivity of support staff was not specifically discussed in the interviews, although there was a general consensus that the way productivity should be measured varies from role to role; it is clear that efficient support staff are critical to the productivity of the core business.

**Too many (long) meetings** can hinder productivity. While most meetings are useful, the idea that every meeting needs to fill its allotted time is a potential barrier to productivity, especially when many people are involved.

Our own **behaviours** – such as disregard for others' time – can also act as a barrier to productivity. Examples could include unnecessary requests to attend meetings, the length of meetings and not being clear as to their purpose. Arguably, we don't pause enough to consider the impact of interrupting colleagues, which may affect others' productivity.

**Hybrid working** can restrict collaboration, which may be a precursor to productivity and can also generate more meetings – which stifles productivity. Having a **team spirit** helps productivity, particularly among the younger team members, while the 'come and go' environment can often reduce productivity and teamwork.

#### 10. [Where do you see the office sector going?](#)

It is important to note that not all interviewees are active in the property industry, but all were asked the above question and therefore the following are their **opinions as voiced in the interviews**. Please note these views are not necessarily echoed by Remit Consulting.

There was a consensus among the interviewees that the office is here to stay, with a strong focus on collaboration, learning and teambuilding. Meanwhile, the growing importance of ESG and wellbeing among employees and clients will maintain pressure on the quality of offices and ensure that sustainability is at the centre of office design.

In fact, **the office as a hub is becoming more critical to businesses** and many tenants are ready to pay more for it. Firms see property as critical for helping, attracting and retaining employees – not to mention clients. As a result, given that property tends to account for a lower proportion of costs than staff, occupiers will pay higher rents for the 'right' office. At the same time, the 'wrong' office is simply no longer required and the income will likely disappear altogether.

Higher quality offices have a big role to play in getting people back in person and firms are increasingly using better quality offices to achieve this.



Office design is moving rapidly, with buildings not much over a decade old being superseded by newer buildings. Things have moved on considerably in terms of look and feel, lighting and experience, so that offices now tend to have more of a hotel feel. If you enter a building today that does not impart a sense of wellness, good aesthetics, good design and experience, it is at a disadvantage in the market. Nowadays, **office design is more focused on recruiting, retention, productivity and wellness.**

In addition, the demographics of the international business community are changing and there is a new generation of business leaders emerging. They are more concerned about these 'softer' issues than previous generations and the trend is only going one way.

Various interviewees mentioned previous meetings where the need for additional office space was regularly discussed, but those conversations have completely stopped. However, while firms are experimenting with new formats and designs to attract people back to the office, there appears to be no rush to downsize.

Hybrid working is here to stay but HR and senior leaders are concerned that the younger generation risk missing out on conversations and interesting work because those conversations do not tend to occur through a group Teams call: these happen when you are in the kitchen, or when you are sitting next to someone and overhear something, or someone just sees you in their eyeline and they walk over to you. **Most interviewees mentioned that it is much easier to deal with people 'in person' than over the telephone or through remote video calls.**

Currently, many job applicants are asking about home working policies during the interview process, but career progression (or lack of) may bring a change in attitudes over time. People may tire of home working, so demand for office space will continue and potentially rebound, albeit not to pre-Covid levels.

Other interviewees also spoke about the importance of real-world networking and suggested that 'youngsters' are at a disadvantage if they spend less time in the office and will eventually be drawn back to real life meetings in order to build their networks.

However, one put forward the argument that this assumes that the networks required to be successful in the future need to be physical and, with today's youngsters so entrenched in their virtual networks, relationship-building in the future may well be different to what today's leaders have experienced.

Interviewees' conversations with other business leaders across different sectors suggest that most employers who run teams want people back in the office because they feel it is more productive. However, remote working is entrenched because people like the flexibility and the difficulties in hiring staff in many sectors are forcing employers to be supportive.

**Offices are not 'dead', but they will be used more efficiently**, and this means that tenants can ultimately pay more in rent per sq.ft. The sector is clearly in a period of painful readjustment which has some way to run, but rental growth is expected for the best quality space. In contrast, there are great swathes of offices which are obsolete and will need to be demolished or converted to alternative uses.

The market is currently undersupplied for good quality space, so well-located grade A offices with **strong green credentials will continue to attract occupier interest**. Rents are rising in some parts of the market and there have been one or two exceptional rents achieved in London - which has retained its global appeal - with upper floors in City towers also achieving record rents for example.

One interviewee thought AI will have a very significant impact on the office market over time and cited two clients who were prevaricating over taking new office space due to questions about future staffing requirements. The interviewee thinks there is a big threat to offices where jobs involve repetitive roles, such as: 1) accounts processing 2) lease and contract analysis 3) preparing contracts. However, while AI can help eliminate human error and reduce associated staff costs, it is not yet ready to provide 'opinions'.

**AI will play an increasing role in boosting productivity** and could potentially be transformative for many businesses, not just in terms of serving clients, but also in internal operations. Examples include speeding up the completion of timesheets, automating billing systems and the drafting of contracts. AI will also be able to provide insights into how people are using an office, from people circulation to analysing the employee experience. However, the potential impact of AI on headcounts is, as yet, difficult to estimate.

Another interviewee believes parts of the economy are heading towards a four-day week. This will help reduce energy consumption in offices and will also reduce wear and tear on mechanical and electrical (M&E) services and increase the longevity of the investment. This will be easier with single-tenanted buildings, while multi-tenanted buildings will need everyone to agree to close the office one day in the week. This will boost tenant and landlord ESG credentials and will result in lower service charges, which should be passed on to tenants and may even allow landlords to raise the rents slightly (tenants tend to look more at total occupancy costs). Employees will also be happier!

The market is currently undersupplied for good quality space, so well-located grade A offices with strong green credentials will continue to attract occupier interest.

Potential Impacts of Government Policy on Office Workplace Trends  
(or indeed vice versa)

Government policy can drive, or in fact may need to evolve to accommodate changes in workplace trends, a few examples of which are summarised below.

#### Four-Day Working Week

The concept of a four-day work week has gained attention as a **potential way to improve work-life balance and productivity**, with some economists arguing it could provide a significant boost to the latter. While this is not yet official government policy, many companies have experimented with shorter working weeks and there are campaigns at national and international level to bring it about. To date, the government has resisted attempts by local authorities (such as South Cambridgeshire Council) to move to four-day working weeks and has issued guidance to the public sector. While there may be a boost to productivity, widespread adoption of a four-day working week would require careful consideration and would likely entail significant changes in parts of the economy. Other movements are proposing a reduction in the working day rather than the working week and research into the economic and wellbeing impact of this is ongoing.

#### Right to Request Flexible Working (from day one)

In the UK, employees have the right to request flexible working arrangements, including working from home. Currently, this right usually becomes available after 26 weeks of continuous employment. However, the new Employment Rights Bill (Flexible Working) means that the law will change from Spring 2024 which will make it easier and quicker for employees to request flexible working. A number of other countries such as France, Australia and New Zealand have also mandated the ability to request flexible working, meaning that the era of five days a week in the office is well and truly over.

#### Childcare Policy (extension of free childcare)

On the whole, the provision of free childcare has had a positive impact on society by enabling more parents (especially women) to remain in the workplace. The Government is now expanding provision during 2024 and 2025 so that working parents of all children over the age of nine months will also be entitled to 30 hours of free childcare per week. While there has been anecdotal evidence that some carers have lost employment due to increased remote working, analysis suggests that there is now a severe shortage of childminders which will likely be exacerbated due to the expected increased demand for childcare on the back of these latest reforms. This could hinder the implementation of the policy and therefore the ability of some working parents to return to or remain in the workplace.

#### Transport & Infrastructure

The pandemic had a major impact on the use of the transport system. While the use of motor vehicles at the weekends has returned to pre-Covid levels, passenger numbers using the public transport system during the working week (buses, trains and the London Underground) remain circa 15-20% down. Unusually, the rail travel weekend numbers, according to Network Rail, are significantly higher than previously, possibly due to the trend towards sustainable travelling. However, as the income from weekday travelling season ticket holders is down, the overall revenue for the railways is approximately 30% lower than pre-pandemic.

This has significant implications for the level of funding available to maintain and expand the transport networks, with the government having to provide significant financial support, notably to the train operating companies and Transport for London (TfL). Despite the reduction in traditional commuting, people still need to travel for both leisure and work. However, the big policy challenge is how to plan transport systems that keep people moving and support economic growth at the same time as meeting net zero targets. **It also needs to be done in a way that adapts to changing work patterns and the evolving needs of society.**

## Implications for the wider urban landscape

The growth in remote working has been seismic and has significant implications – and indeed questions - for the wider urban landscape. **What types of offices should we build and where?** The same question applies to housing, healthcare, schools, transport hubs and energy supply. How does this impact on the distribution of goods and services and the drive towards net zero?

This shift in where work is conducted impacts on demand for locally-consumed services, such as grocery shopping and restaurants. According to a report by Giann di Fraja et al (2021), it is estimated that working from home will reallocate £3 billion in retail and hospitality spending from city centres to residential neighbourhoods in England and Wales (de Fraja, et al., 2021).

The reduced need for daily commuting makes the link between where workers live and work more tenuous; it also facilitates moving to more affordable housing in smaller cities, villages and rural areas. Distance to the office is still relevant but much less so than before the pandemic.

However, it is clear that policy makers need to consider the ‘bigger picture’ and **ensure that policies evolve to support the recent shift to remote working** across a whole range of areas, not least in urban planning and transport, but also in respect of tax, social policy and the environment.

The growth in remote working has been seismic and has significant implications – and indeed questions – for the wider urban landscape.

## Areas for further research

Many of the different elements in this report merit further research but there are a few which we believe deserve much more detailed analysis, including:

- The advent of a **four-day week** (or more compressed working) – how might it transform the economy, improve productivity and impact on the way offices are occupied and managed?
- The potential impact of **AI** - notably how will it affect the quality and quantity of office roles in the future and will it enhance productivity?
- More research on the **localised impact of increased remote working** – who are the winners and losers in the redistribution of demand for goods and services?

- Career development for **younger workers** – does increased remote working hinder office workers’ ability to learn, develop professional networks and progress in their careers?
- Greater use of technology to map **how people move around offices and interact with each other.**
- Technology-based surveys on **productivity in the home versus the office.**

## Conclusion

Productivity matters because the UK has fallen behind its international peers since the GFC in an increasingly competitive global economy. However, our research suggests that the notion of productivity is very subjective, both in terms of how we benchmark ourselves and others.

As we have covered above, the definition of office worker productivity can be stated as: **the completion of a predetermined set of goals and objectives, set by the organisation, within a specified timeframe, using available resources in the most efficient way, which contributes directly or indirectly to the financial strength of that organisation** with the measurement of that productivity reliant on having clearly defined, measurable SMART targets. Such a definition and means of measuring can be applied regardless of office worker role or task.

From our research, it is also clear that one definition of productivity for the office worker would be over-simplifying the reality. Whilst we have endeavoured to provide a definition which is more applicable than the traditional understanding of productivity, one size clearly does not fit all.

For the individual to achieve optimum productivity, it is apparent that measurable (SMART) objectives and targets need to be set and monitored. These should be driven from the top down, with the ultimate purpose of the outputs circling back up through the business hierarchy to positively impact the bottom line.

### What part does the office environment play in this process?

Much of the debate within the media around home-working has been negative, with supposed tensions between management and subordinates. However, for the interviewees in our survey, there appears to be a significant degree of trust in their colleagues over home-working and that they can be as productive at home as in the office. That said, **the advantages of regular office attendance are self-evident.** Overall, our interviewees had a mature and rounded view of what constitutes productivity – of the wide variety of roles in the office and that a longer-term view is sometimes required.

The quality of the office plays a key role in facilitating direct communication and provides a useful platform for collaborative working, culture building, and creative output. Hybrid working is undoubtedly here to stay, but all our research supports the notion that the office is far from dead.

However, findings from the Cushman report (‘Beyond the Org Chart’) suggest that while the return to the office did boost certain elements of productivity and innovation, the study also

found that **interpersonal relationships are equally or possibly more important than a highly specified office building**. Regardless of the quality of the office environment, there is no substitute for the strength and quality of team and management culture.

Building efficiency and technology are clearly integral to the office's contribution to the productivity of the individual and at corporate level. Our research found that reliable and relevant **technology is a key factor not only in supporting productivity, but in attracting and retaining talent and indeed clients**.

If an office worker's productivity can only be measured by their ability to achieve goals and targets, the office environment has to be conducive to their needs and support the widely differing tasks that are performed within an office.

A key finding from this research is that there is no one-size-fits-all building in relation to the office sector. Indeed, the building forms only one component of the office environment and **the demands of differing types of office workers have to be considered so as to boost productivity**, increase occupiers' performance, and consequently add value to the assets.

### Where do We Go from Here?

Remit's Office Worker Survey (2023) clearly demonstrated **a continuing desire to attend the office**, with 93% of respondents ideally attending an office at least once a week. This suggests that most, if not all businesses would benefit from some form of office space.

Government intervention in areas such as transport infrastructure, compressed working week and affordable childcare have a key role to play in determining the future of the UK's offices. Only time will tell as to the future direction of policy due to the uncertainty around the outcome of the forthcoming general election.

ESG will continue to be a major driver of the office market for the foreseeable future, creating both headwinds and opportunities for investors and leading to significant polarisation in the sector. To date, **research suggests that buildings with strong green credentials and high-quality amenities will out-perform in both sales and rental terms**.

We have seen mixed results from mandated returns and these will continue to be influenced by the quality of office environment and indeed **quality of leadership and corporate culture**. Nevertheless, it is vital for corporates to develop a meaningful long-term strategy to manage their real estate assets, notably in respect of building in flexibility to their spatial needs which may evolve over time in order to accommodate changing demand patterns from employees; a sudden and unplanned increase in office attendance, and therefore desk requirement, may impact adversely the company budget. For example, a change in mandate from, say, two to three days per week mid-fiscal cycle would be severely detrimental to a budget built on the assumption that half the office space could be released.

The shifting patterns of demand for offices currently has significant implications for the broader urban landscape. This includes the type and location of future office development, in addition to other real estate use classes, such as schools, hospitals, and residential.

**The overriding conclusion is that the office will remain a critical hub for businesses. It is clear that the office environment provides a vital foundation to support a strong team element, management, mentoring, and consequentially to boost productivity.**



Guiding Principles for Office Investors – Remit <b>STOMPP</b>		
<b>S</b> PACE	<p>Think not just about the space, but what goes on within the space and create a space which optimises efficient and productive working for the occupier.</p> <p>Does it help to promote productive and healthy relationships within it?</p>	✓
<b>T</b> ECHNOLOGY	<p>Build smart buildings with the best technology ensuring the most efficient buildings in the financial, environmental and social sense.</p> <p>Facilitate the occupiers' implementation of their own and shared systems.</p> <p>Are you sharing ideas on the best technology with your tenants?</p>	✓
<b>O</b> CCUPIERS	<p>Place a healthy relationship with the occupiers at the heart of the investment and asset management; understand their drivers and objectives.</p> <p>Can aligning values with your occupiers help maximise returns on investment?</p>	✓
<b>M</b> ANAGEMENT	<p>Use the best technology and the best people to manage the buildings.</p> <p>Have you reviewed your technology and asset/property/facilities managers recently?</p>	✓
<b>P</b> LACE	<p>Ensure your buildings provide a sense of place and destination, creating a synergy with its wider surroundings.</p> <p>Does it make a positive contribution to its ecosystem?</p>	✓
<b>P</b> RODUCTIVITY	<p>Have you incorporated the idea of productivity into your investment and asset management processes - is the building productive for all its stakeholders - investors, occupiers, visitors and the local community?</p> <p>Is it 'productive' in the sense of environmental, social and financial value?</p> <p>Does the building promote enhanced productivity and wellbeing?</p>	✓

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Greg Carter	Gerald Eve	Partner, Tenant Rep
Ben Clark	UBS	Lead Asset Manager
David Hutchings	Cushman & Wakefield	Head of EMEA Investment Research & Strategy
Michael Pain	Carter Jonas	Head of Tenant Advisory Team
Tina Paul	Clearbell	HR Director
Les Peters	BDO	Director, Property & Facilities Management
Sophie Schuller	Cushman & Wakefield	Lead Applied Research
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