

European Commercial – Summer 2019

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SPOTLIGHT
Savills Research

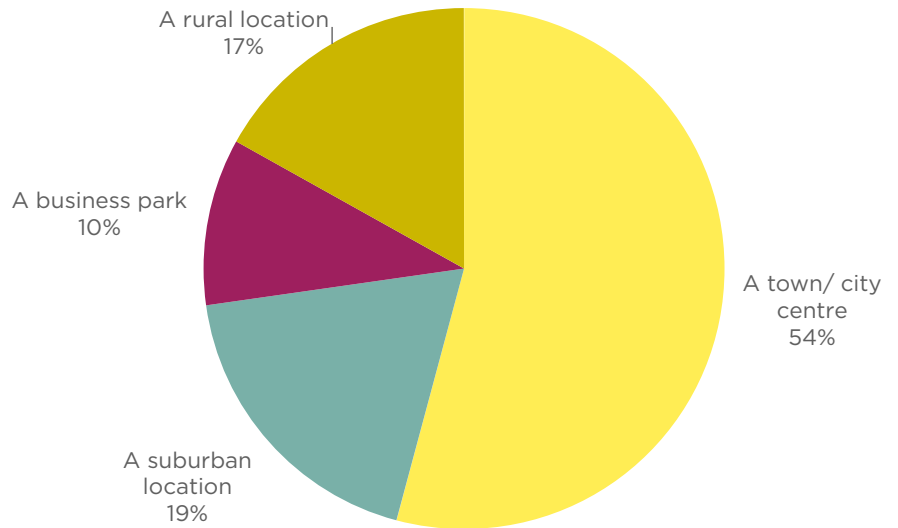
What Workers Want: Europe



● Talent Retention ● Productivity ● Wellness

“Employees are a company’s most valuable asset and employers need to strongly consider their employees’ preference for working in urban areas.”

Chart 1: Where would you like to spend the majority of your working time?



What Workers Want- Executive Summary

Savills’ What Workers Want survey investigates the wants and needs from the workplace of over 11,000 European office workers, covering 11 of Savills European office markets- France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden and the UK. The survey investigates what workers consider important, what they are dissatisfied with, and thus, what landlords and tenants need to improve, in order to attract and retain talent in the workplace.

We have broadened our analysis in our latest edition, covering how long workers expect to stay with their current employer, how technology can be used to draw employees to the workplace, how the workplace impacts workers’ productivity levels and the impact that the workplace has on workers’ mental and physical health.

Employers are most concerned with attracting and retaining talent within the workplace, and ensuring the workforce is at its most productive. The key findings from our survey show that the most important factors for a worker are length and cost of commute, having the ability to work in a variety of workspace and provision of quality IT infrastructure. As the war for talent and skills intensifies, businesses are increasingly using their real estate as a differentiator.

Where to work?

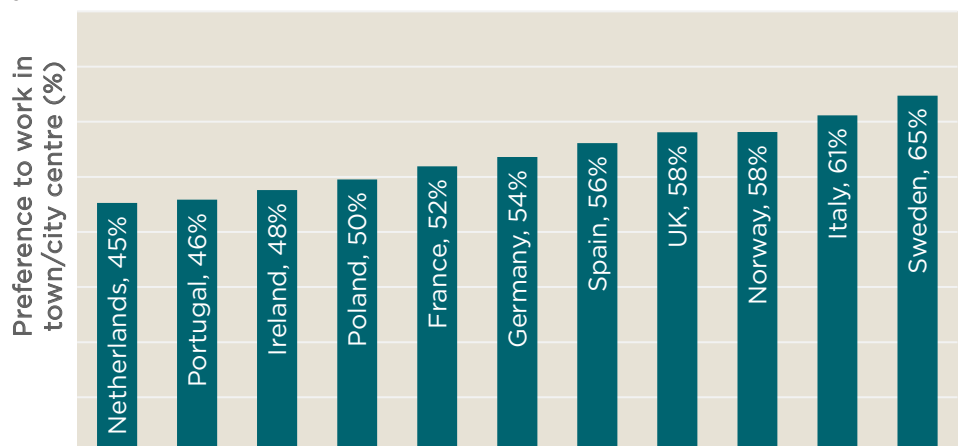
54% of European office workers would most like to spend the majority of their working time in a town/city centre. Local amenities, good public transport links, business clusters and “buzz factor” are all drivers behind the preference for city centre working (Chart 1). However, despite popular belief, our survey responses show that there is very little variation in preference by age. 57% of 25-34

year olds most prefer working in a city centre, against 55% of those age 55+. In fact, workers between the ages of 18-24 had the weakest preference for city centre living of all ages, and a preference for working in a business park or a suburban location.

At country level, Swedish (65%), Italian (61%) and Norwegian (58%) workers had the strongest preference to work in city centres (Chart 2). Given record

low office vacancy rates across Europe, tenants in CBD areas with upcoming lease events could find that landlords have increasingly more leverage in negotiating lease renewals. Employees are of course a company’s most valuable asset and for the benefit of cheaper rents outside city centres, tenants need to strongly consider their employees’ preference for working in urban areas.

Chart 2: Proportion of countries’ workers who most want to work in town/city centre



Open plan or private working?

Where would you like to spend the majority of your working time?

Dedicated desk
52%

Working from home
18%

Co-working
4%

Other
26%



80% of survey respondents work in conventional office space.



30% of workers in open plan offices feel that the workplace layout has a negative impact on their productivity, against only 11% in private offices.

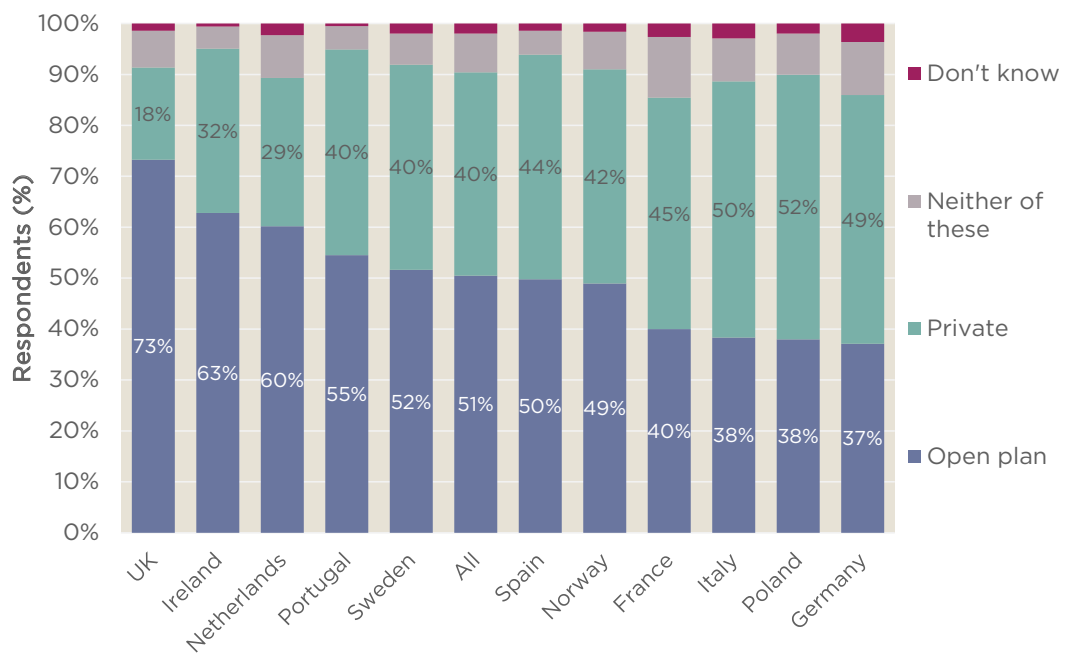
Landlords across Europe are increasing the provision of open plan office space across Europe.

51% of workers across Europe operate from an open plan office, with 40% working in private offices. Our survey results show that 73% of British workers work in open plan offices, whereas the majority of German and Polish workers work in private layouts (Chart 3).

With a seeming shift to more collaborative workspaces across Europe, open plan and private workspaces will have advantages and disadvantages for workers, particularly the level of noise. Employers will be concerned that 30% of workers in open plan offices feel that their workplace layout has a negative impact on their productivity levels, against only 11% of workers from private offices.

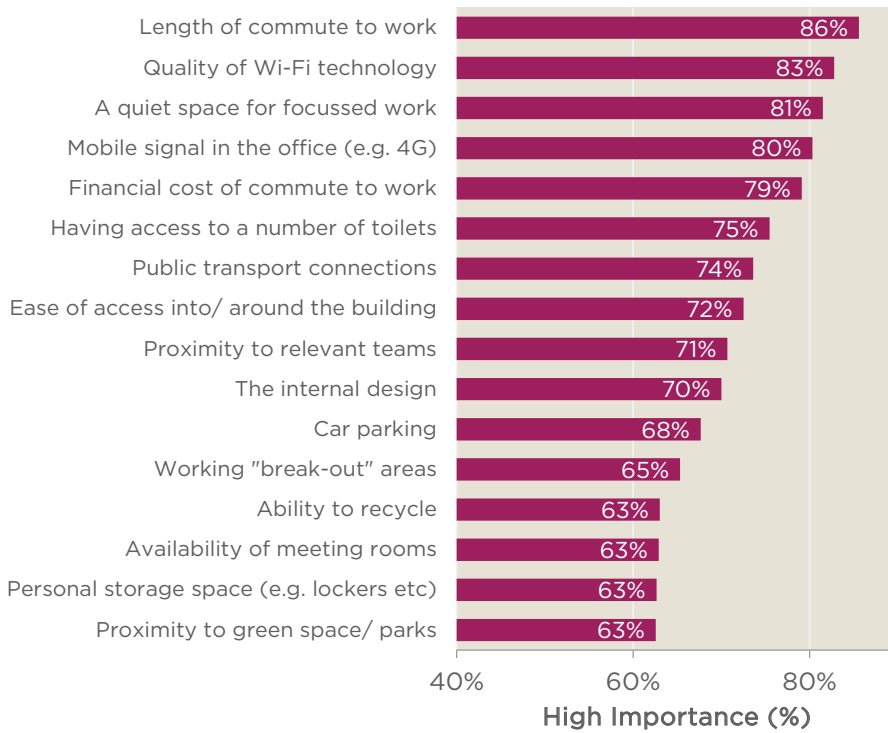
Over half (52%) of workers would most like to spend the majority of their working time at their own dedicated desk, as they enjoy the familiarity of their personalised workspace. However, workers have to invest time and money getting to the office, and with wireless connectivity from home a major disruptor for the workplace, the office must continue to reinvent itself to compete against the home. Only 4% of respondents want to spend the majority of their time at a serviced office/coworking space, whereas standing desks (6%), hot desking (7%) and even working from coffee shops (5%) were also preferences. What is important though, is for workers to have the choice of workspace around the workplace and have access to the space in which they feel most productive.

Chart 3: Do you work in open plan or private workspace?



What do workers want?

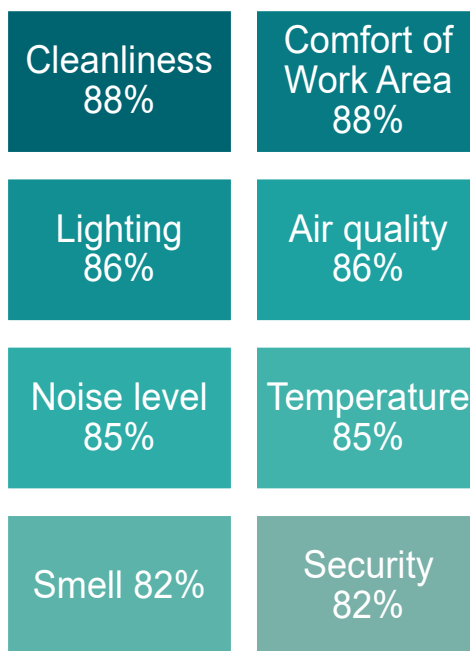
Chart 4: What are the most important factors for your workplace?



We asked our respondents what the most important factors were for their ideal workplace and it is a case of getting the basics right.

Cleanliness, comfort of working area, lighting and air quality were among the most important factors- a clean, comfortable, secure workplace is a basic requirement for office workers and we would expect these as standard in a workplace, otherwise workers would work from home!

Going beyond the basics, what are the most important factors to draw tenants in to the workplace? 86% of workers considered length of commute to work to be of high importance, more than any other factor, followed by the quality of Wi-Fi technology (83%) and having a quiet space for focussed work (81%) (Chart 4).



88%

of workers consider cleanliness in the workplace to be of high importance, more than any other factor.

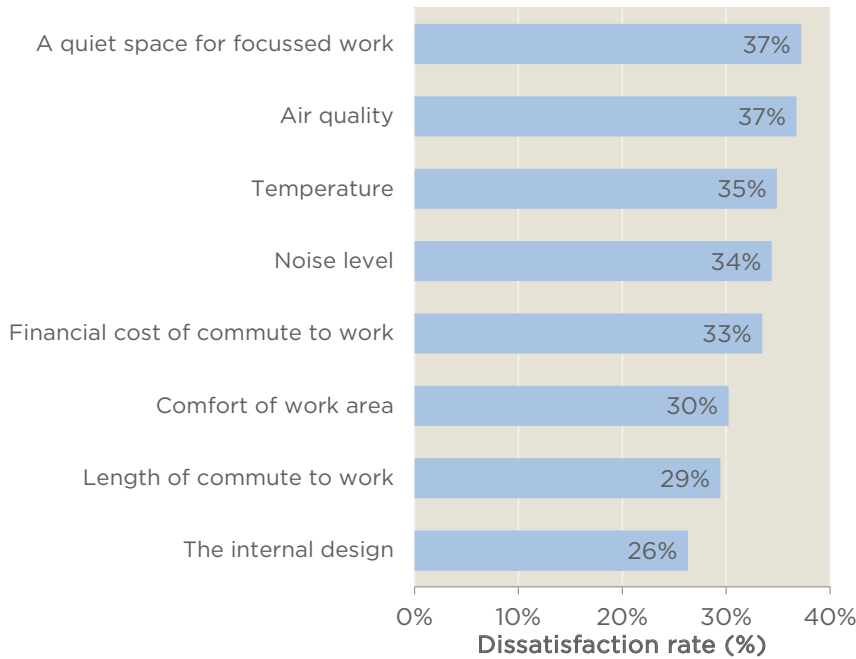


30%

of workers in open plan offices feel that the layout has a negative impact on their productivity levels, against only 11% of those working in private offices.



Chart 5: What are workers dissatisfied with?



In fact, the majority of the more important factors can be broken down into three main categories which we will explore - the commute, the quality of IT infrastructure and having a variety of space to work from within the workplace. Tenants will be most concerned with how these factors are aligned both with attracting and retaining the best talent and maximising worker productivity. However, workers also reported

what they were most **dissatisfied** with, that is, the proportion who consider each factor important minus the proportion who are satisfied with these factors (Chart 5). What should be a major concern for landlords is that four of the eight factors workers were most dissatisfied with, are classified as 'basics' within the workplace. Air quality, temperature, noise level and a comfortable working area should

be the factors landlords and tenants prioritise in order to keep workers satisfied.

Likewise, 58% of the office workers in private layouts were satisfied with the level of noise in the workplace, against only 47% of workers in open plan offices. So, tenants must beware not to leave behind employees who work more productively in quieter environments.

“What should be a major concern for landlords is that four of the eight factors workers were most dissatisfied with, are classified as ‘basics’ within the workplace.”

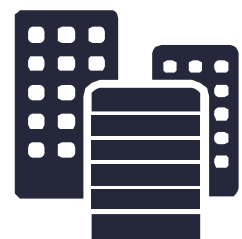
37%

of workers were dissatisfied with the provision of quiet space for focussed work, more than any other factor.



34%

of workers were dissatisfied with the level of noise in the workplace.



The commute

61%

of workers would not add more than 15 minutes to their commute each way for their ideal workplace.



Length of commute to work was the most important factor for workers' ideal workspace, with 86% of Europe's workers considering this to be of high importance.

Analysing commuting patterns across Europe, 44% of commutes take more than half an hour. French and Dutch workers' commutes take the longest, with approximately 50% of workers' commutes taking over 30 minutes. In Portugal however, only 32% of workers' commutes last over half an hour, which will make getting to work less of an influencer on moving jobs (Chart 6). As workers reported this to be the most important factor, HR departments will be paying attention to commuting patterns when choosing which office locations to expand into.

Indeed, 61% of respondents would not add more than 15 minutes on to their commute each

way for their ideal workplace, with 16% of these not willing to add on any time at all to their commute. This factor also plays into the landlord's hands when it comes to lease events. With the majority of European Central Business Districts' (CBD) vacancy rates currently below 5%, tenants with upcoming lease expiries will have little choice but to re-gear in order to avoid disrupting their employees' commutes.

The financial cost of commuting to work was also high on workers' agendas, with 79% considering this to be of high importance. Only 38% of Swedish workers were satisfied with the financial cost of commute to work, against 56% of Dutch workers who were satisfied, however, this was partly due to a high proportion of Dutch respondents who reported cycling to work.

55% of our respondents reported that they drive to work

as part of their daily commute. For these respondents, having sufficient car parking was more important than the quality of Wi-Fi technology and even the security of the workplace. The workplace must ensure it meets the demands of the user.

Of course, workers with shorter commutes are less likely to move jobs too. Only 60% of workers with commutes under 15 minutes expect to move jobs within the next five years, against 78% of those who have commutes in excess of an hour. Choosing a workplace with good public transport links, sufficient car parking and at an affordable cost for workers are of course important to meeting a range of needs. Human Resources (HR) and global heads of real estate are now increasingly collaborating when deciding on their company's next real estate move.

17%

of workers wanted to change their length of commute to work more than any other factor.

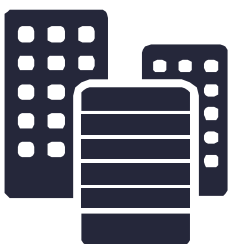
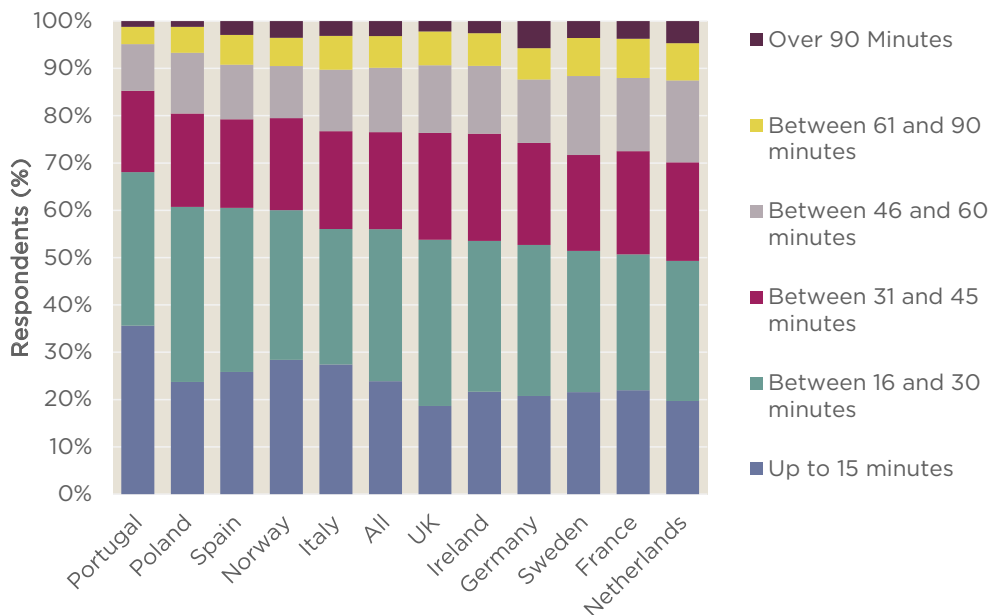


Chart 6: How long does your commute take (each way) ?



Attracting and retaining talent

What would you like to change most about your current workplace?

Length of commute 17%

My personal workspace 17%

Internal design/ fit out 16%

My line manager 15%

Location 13%

My colleagues 10%

Other 8%

External building design 5%

In the 2019 edition of *What Workers Want*, we asked workers how long they expect to stay with their current employer, as employers are finding that talent retention is their single biggest challenge across Europe. The alarming reality for employers is that 40% of Europe's workers expect to leave their current job within the next five years. Our results show that Swedish (52%), Irish (49%) and British (49%) workers are most likely to leave their current employer within this time (Chart 7).

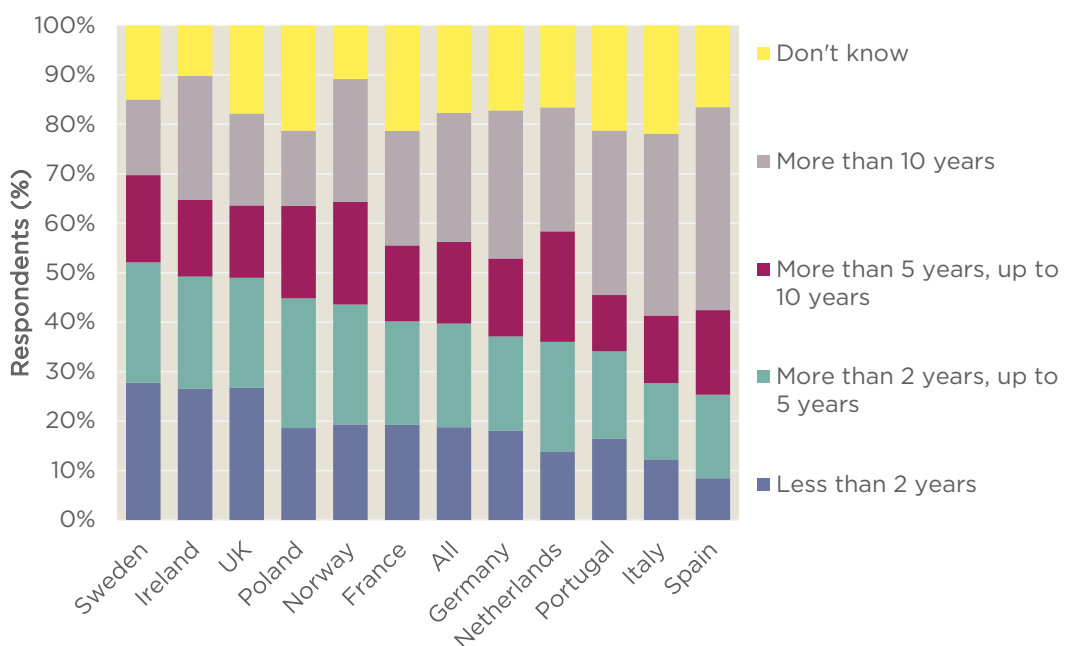
On the other hand, Spanish (25%) and Italian (28%) workers are the least likely to leave within the next five years. Naturally, Eurozone unemployment rates at a 10 year low will influence these results, plus the ease of hiring and firing workers due to domestic employment laws will deter workers from shifting allegiance. Indeed, 18% of workers do not know how long they expect to

stay with their current employer. Having the right real estate in the best location will be a key influencer on workers' decision making.

Indeed, the nature of employment contracts by sector has a role to play in this. Respondents within the Creative/Media (49%) sector are most likely to leave within the next five years, whilst Legal (36%) and Government (34%) sector workers are the least likely to leave during this time. Naturally, this will feed into sector covenant strength and ability to secure long leases with landlords at lease renewal stage. The length of commute (17%), personal workspace (17%) and internal design (16%) feature closely as the factors workers most want to change about their current workplace. With more flexible working styles including hot-desking and co-working, workers do not feel they have the ability to change and manage their own personal

workspace, despite the fact that the majority of workers prefer their own dedicated workspace. Interestingly, line managers (15%) and colleagues (10%) collectively account for a quarter of the responses that office workers would most like to change, so initially attracting the right talent will also have an impact on staff retention. We can categorise the three main factors people want to change as the location, the building and the people. However, if workers were offered the same financial package for a job elsewhere, workplace location (47%) the future colleagues (47%) and the working culture (40%) of the future job are the factors which influence decision making the most, rather than the internal design of the building (15%) or external building design (7%). Besides earnings potential, people, rather than places are the key determinants in workers moving jobs.

Chart 7: How long do you expect to stay with your current employer?



Productivity Trap?

Chart 8: Does hot desking increase your productivity?

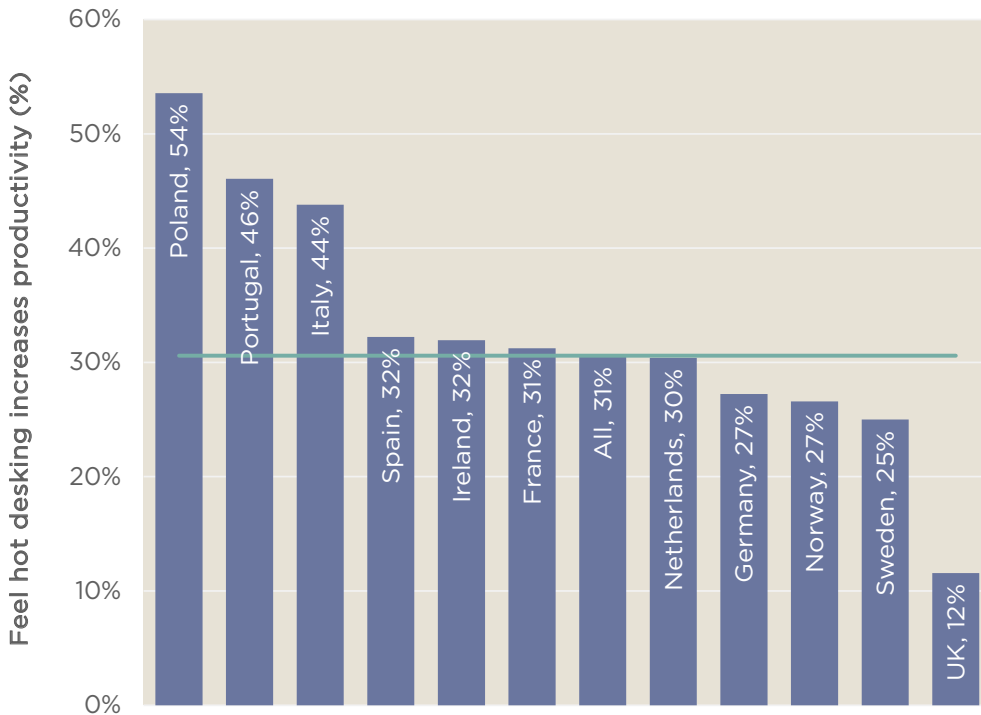
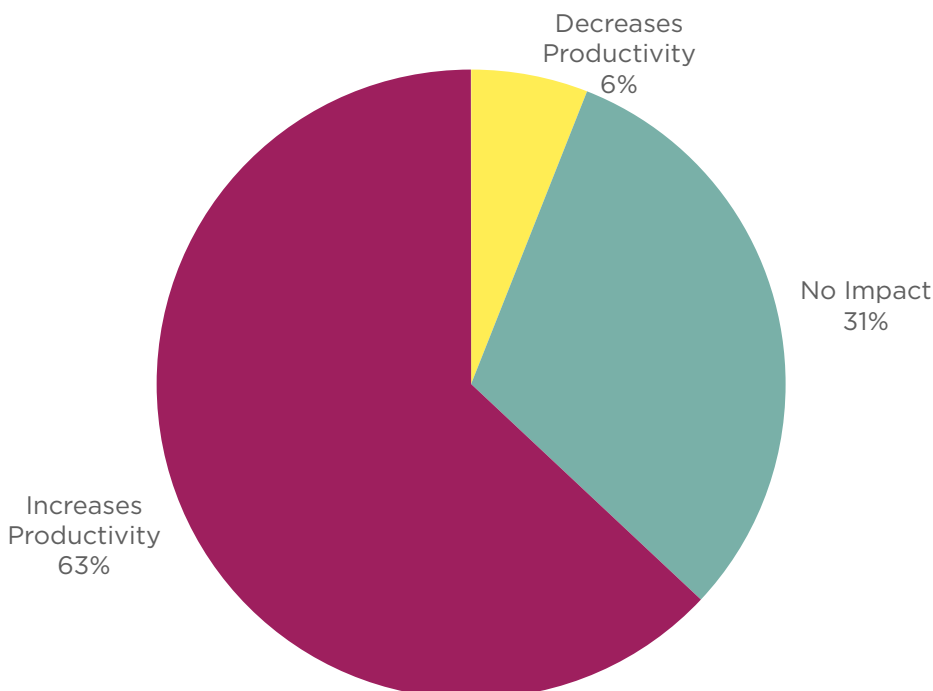


Chart 9: If your current workplace matched your ideal workplace, what impact would this have on your productivity?



As well as retaining talent, employers must be focussed on utilising their workforce most effectively in order to maximise productivity and the workplace has a key role to play in this.

Of the workers whose workplace permits hot desking, 31% feel hot desking has a positive impact on their productivity levels, though 30% believe hot desking has a negative impact (Chart 8). Logging in and out of phones, adjusting desk and chair heights and clearing desks at the end of the day can all limit productivity, however, being in a collaborative environment, where workers have the flexibility to work alongside different colleagues and share knowledge will of course increase output levels.

Workers in the Real Estate (42%) and IT (41%) sectors reported hot desking increases their productivity more than in Public Services/ Government (22%). Perhaps there is a sense of irony in that real estate advisors are advising companies to hot desk when other sectors' workers feel this has a less positive impact on their productivity!

What is striking is the impact that workers feel hot desking has on their productivity across countries. 54% of Polish workers believe hot desking has a positive impact on their productivity, against only 12% in the UK. In fact, 50% of British workers feel that hot desking has a negative impact on their productivity levels. Employers must engage regularly with their employees in order to find a working style to meet their needs. Asking workers how much time they spend in different areas of the office, 52% of workers spend 70% or more of their time at their desk. This of course means that up to 30% of these workers' time is spent elsewhere in the workplace, including meeting rooms, break out areas, quiet working areas and outside areas.

The concerning factor for employers is that 63% of workers feel that if the current layout/ design of their office matched their ideal workplace, this would have a positive impact of their productivity (Chart 9). Workers need a choice of workspace in order to allow them to realise their full potential.

Happiness in the workplace

Lydia Brissy, Director, Savills Research investigates why happiness is more than just a buzz-word.

The good news is that overall, employees seem to be happy with their workplace. Out of the 11,217 respondents from our European survey, 59% are happy with their current workplace and only 9% are unhappy.

Who are the happy employees, what do they like and what can be done to retain the 9% of employees that are unhappy with their workplace?

Men (62%) are more likely to be happy with their workplace than women (58%) and the percentage of satisfied employees increases with the employee's age. 63% of the respondents aged over 55 years old are satisfied with their workplace against 58% for the respondents aged between 18 and 34 years old. There is a wide discrepancy between countries; Dutch employees (73%) are significantly happier than workers from other nationalities, followed by Swedish workers (65%). On the other side of the spectrum, French (49%) and British (53%) are the least satisfied with their workplace.

The share of happy employees is more significant in the IT sector (66%), which explains why innovation centres and incubator

areas concentrate 62% of satisfied employees.

Employees working in city centres are the happiest (61%), whilst suburban work locations concentrate less happy workers (56%). Unsurprisingly, the average time to commute is an important factor contributing to employees' happiness. The shorter the commute time takes, on average, the happier the employee is. Under the 30 minutes threshold, more than 60% of the employees are happy with their workplace. Shorter distance to commute generally provides a larger range of transport modes, including notably the healthy physical options. On average, employees cycling, walking or jogging to get to their work are more likely to be happy than employees that take public transport.

The happy employee spends more time away from his desk and more time in alternative workplaces such as meeting rooms, break-out areas, quiet rooms or outside space than his unhappy colleagues. During lunchtime, the happy worker likes to have lunch away from the desk but staying within his workplace using the dedicated lunch facilities. On the other hand, the unhappy employee spends most of his working day, including the lunch break, at his desk. This is

likely resulting from the fact that unhappy employees are generally given fewer workspace options than happy employees.

45% of the happy workers feel that they have control over their office design compared to only 10% for the unhappy employees. In fact, 70% of unhappy workers believe they have no control over their office design. Overall, employees would like to be more involved in the design of their office space.

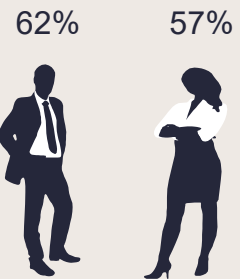
More than half of the employees surveyed think that their current workplace has a positive impact on both their physical and mental wellbeing. The happy employee clearly is more likely to stay longer with his current employer. 78% of the happy workers are prepared to stay for more than 10 years with their current employer.

Easy wins to retain workers

- 1) Provide a wide range of workplaces within the company and encourage workers to use them
- 2) Give employees more control over the office design
- 3) Provide lunch facilities within the floor space or within the building
- 4) Encourage/ provide incentives to use healthy physical modes of transport when possible

What does a happy employee look like?

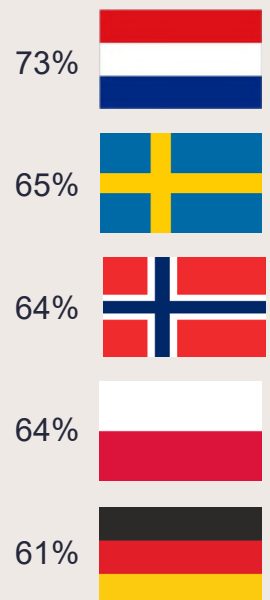
The happy employee is more likely to be a man of 55 years old +, from the Netherlands.



He is working in a small or medium size company from the IT sector.



His workplace is an innovation centre or an incubator space located in a city centre.

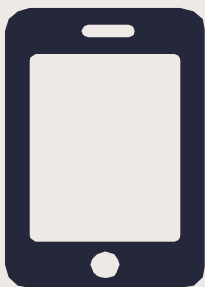


“The happy employee clearly is more likely to stay longer with his current employer. 78% of the happy workers are prepared to stay for more than 10 years with their current employer.”

What next for the workplace?

Will office smartphone apps be the next step for workplace as a service (WAAS)?

So what must the office do to remain relevant and compete with alternative working forms going forward? 47% of office workers reported that they would find a workplace smartphone app useful, boosted by workers in Portugal (65%) and Spain (65%) (Chart 10). However, a higher proportion of landlords in Portugal and Spain than in UK and Germany provide workplace smartphone apps as part of the service, so this is likely to be down to a lack of awareness of many of the benefits on offer. Services include immediate access in and out the building, booking meeting rooms, laundry services, engaging with work events and parcel deliveries. The next step will include tracking movement of colleagues within the building which will prove a useful tool for management to track movement and work out which teams should be located in close proximity to one another.



As the lines between live, work and play become blurred, workers are demanding more from their workspace at their fingertips. Quality of Wi-Fi technology was the second most important factor for the workforce, however this also featured in the top ten factors workers were most dissatisfied with. David Garland, Wiredscore explores why connectivity has become such a priority for tenants.

In a rapidly evolving digital economy where technology is increasingly central to operations, fast and reliable connectivity is the oxygen of modern business. This is being driven by three things: the widespread transition to cloud-based applications, smart devices and flexible workspaces.

Shown by the results from the study however is a clear disconnect between the understanding of modern occupiers that connectivity is

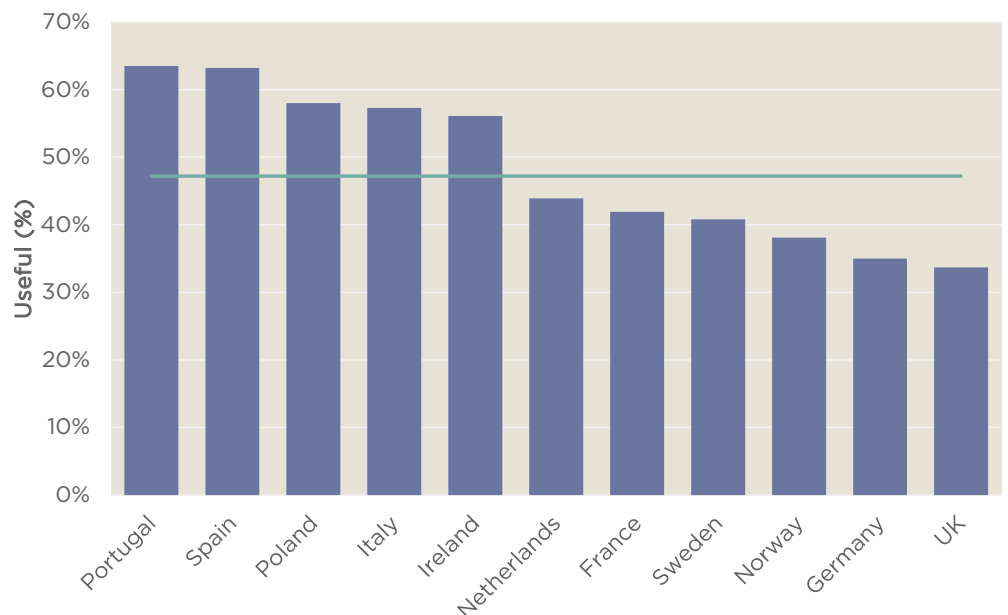
paramount to a successful tenant experience and low satisfaction rates with current levels of service. Only 3% stated that the quality of WiFi technology was not important in the office place. However, despite this, under 60% of respondents stated that they were satisfied with the quality of the WiFi provision in their office. The results for mobile phone signal are similar, only 3.9% of respondents stated that the quality of mobile signal was not important in the office place but only 63% were satisfied with their service.

These results have major implications. Whereas previously any disruption to an office's internet provision may have meant its workers were unable to send emails, the shift to cloud-based applications means any down time now results in a complete inability to access files or carry out basic tasks. Similarly, as businesses transition away

from landlines and increasingly operate purely through mobile, adequate signal in the office is now a necessity rather than a luxury.

The need for access to strong digital connectivity and mobile signal is only set to grow further as cities seek to introduce more smart buildings and intelligent office space, driven by the vast amounts of data at their disposal. However, landlords looking to update the digital infrastructure of their assets need to do more than just incorporate smart devices and apps into their buildings. Under half of respondents stated that they found their office apps useful. The smartest buildings are and will continue to be judged on their use of tech to meet their tenants' needs in the most effective and efficient way.

Chart 10: How useful would you find a workplace smartphone app?





The survey results show that there is a clear disconnect between the understanding of modern occupiers that connectivity is paramount to a successful tenant experience and low satisfaction rates with current levels of service. ”



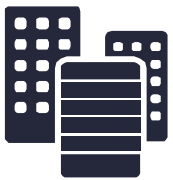
58% of workers consider plants and greenery in the office to be of high importance.



Only 36% of Europe's workers are satisfied with the parcel delivery and provision of collection lockers at their workplace.



47% of Europe's office workers would find a workplace smartphone app useful.



53% of office workers believe the workplace has a positive impact on their mental health.



23% of Europe's workers spend the majority of their lunchtime at their desk, no more so than in the UK (46%).

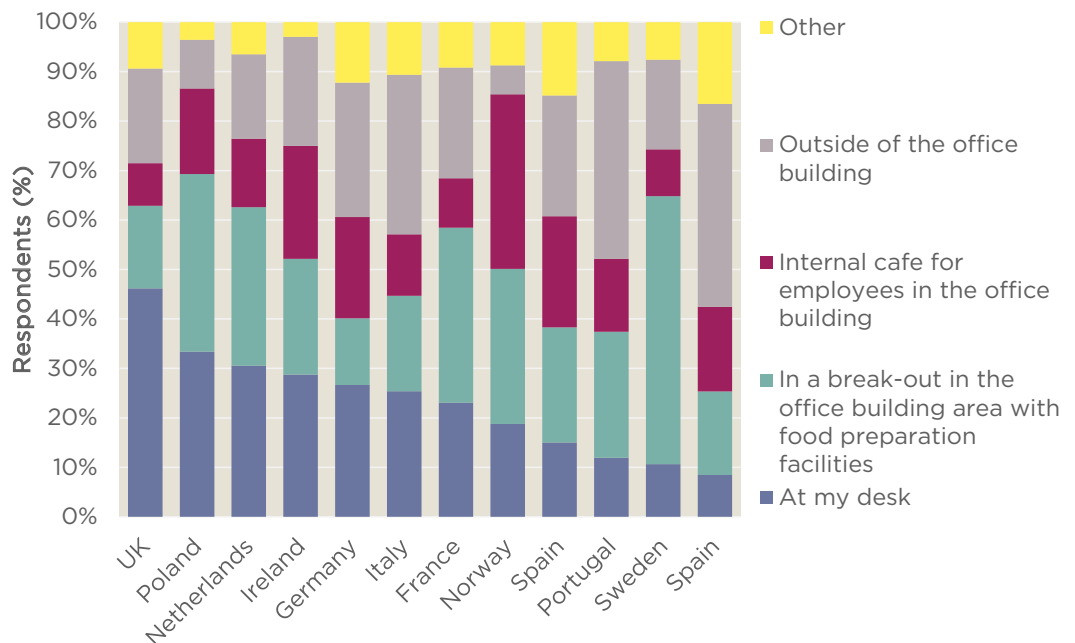
Over 50% of 18-24 year olds consider parcel delivery in the workplace to be of high importance, against less than 30% of over 55 year olds, with millennials shifting their purchasing patterns online. Parcel delivery service is an increasing demand of workplace as a service and landlords need to ensure tenants are able to utilise space on the ground and basement floors in order to be able to meet workers' needs, but only 36% of Europe's workers are satisfied with the provision of parcel delivery and collection lockers. The UK and Netherlands are the countries with the highest proportion of online retail penetration across Europe, however, workers from these countries are also among the least satisfied with the provision of a parcel delivery service in the workplace. Landlords and tenants need to be aware of the changing employee demographics thus, requirements from the workplace, otherwise satisfaction rates will continue to fall further.

The environment plays an important role in worker wellbeing. Indeed, only 29% of workers considered a smoking area to be of high importance! Landlords and tenants should reassess whether this space can be repurposed, particularly given workers in city centres are less satisfied with the air quality at their workplace. The majority of workers considered a) ability to recycle (63%), b) public realm (62%), c) environmental performance of the building (58%) and d) plants/greenery inside the office (58%), as important factors in their ideal workplace.

Despite 53% of workers reporting that their workplace has a positive impact on their mental health, 12% of Europe's workers reported that their current workplace has an overall negative impact on their mental health. Internal design, fit-out and colour of walls and furniture can all play an important role towards keeping staff content and productive in the workplace and should be easy wins for tenants.

Live, work and play are becoming increasingly intertwined. However, 46% of Brits spend the majority of their lunch time at their desk (Chart 11). Is this down to a lack of the right space in the workplace, "presenteeism", or other cultural factors? Smell was one of the factors workers considered most important in the workplace and eating food in open plan offices could have negative impacts on colleagues' productivity levels! In Norway, for example, over a third of respondents reported spending their lunch time in an internal café, which provides an opportunity to engage with colleagues outside a work environment. The respondents in generally warmer climates, including Portugal and Italy spend proportionally more time outside the office building, so developers should consider providing sufficient green areas and public realm with new office developments.

Chart 11: Where do you spend the majority of your lunch time?





Savills Commercial Research

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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