



Making hybrid working work: Amplifying opportunity and reducing risk for businesses – Space



There's no shortage of commentary on the future of offices and how the pandemic has changed the office working routine. The mass work from home experience will undoubtedly have an enduring impact on how offices are used in the future.

The headlines often highlight the extremities of that discussion, either promoting the view that offices are no longer needed or arguing that we cannot function without them.

Offices will always be relevant, but the pandemic accelerated certain working trends and has changed the role they play. Businesses must reimagine their working practices and adapt their office space to support these changing working arrangements.

For the majority of office-based businesses, there has been a shift to hybrid working. Technology has been the launch pad for enabling much of the change to date, with virtual communication and cloud-based systems. Organisations are also becoming increasingly people centric.

Hybrid working does leave many employees wanting something different from their days in the office. Our clients are finding creative ways to utilise space effectively and to encourage collaboration. Consideration needs to be made for downsizing, re-locating, team spaces, attractive communal areas and using technology to allow efficient hot-desking.



Reducing office space

One consequence of a shift to hybrid working may be that businesses decide they need less office space. Beneath the key question of what will work best for the business and their people, there is a potential cost saving. What are the options?

If a business owns its office space, there could be an opportunity to sell the property. If there is limited demand for office use in that location, there may be opportunities to repurpose the space. Recent changes to planning legislation allow more flexibility for change of use. We have worked with clients to do just that, recently acting for a client who sold an office block for conversion to a residential development.

If the office is held under a lease, as is the case for most businesses, there are likely to be restrictions on the ability to offload that space. The first step is to check the lease expiry date and whether there is a break clause which might be used to bring the lease to an early end. Break clauses are fraught with pitfalls, so legal advice should be obtained in good time to ensure that the correct procedure is followed.

Another option to consider would be whether the lease can be assigned or some or all the space can be sublet. Both alternatives are likely to need landlord consent. The precise requirements will be set out in the lease. The processes can be time consuming and costly, but in some cases preferable to holding on to a lease of offices that are no longer needed.

The final option is to negotiate with the landlord to give up the lease. This might appeal in situations where the landlord has other plans.

Physical changes to reflect new ways of working

Changes in future working practices will mean that some office environments need to adapt. Meetings which would have been conducted face to face are now more likely to feature a mix of some people in the office and others joining via video. Does the office have enough video enabled meeting rooms to facilitate that, and is the network infrastructure strong enough? Some offices may also need to provide dedicated spaces for recording podcasts or videos.

If businesses are expecting to use the office to reconnect people and work on collaborative tasks together, are the right spaces available in the office to enable that? One might expect a greater need to offer informal breakout areas. A report by architects MoreySmith certainly indicates that this is what employees expect: 57% of workers miss collaborating in the office and half want social spaces in the workplace to lure them back.

Offering attractive workspaces and opportunities to socialise will be instrumental to winning the war on talent. Offering free fruit, choirs, clubs and green spaces are proving popular to incentivise people back to city offices and helping retain them. Companies that support physical wellbeing may have the edge: MoreySmith also found that 35% of people want better bike storage and showers to help them return to work.

A more fluid mix of people coming and going from the office and consequent reduction in space may also mean switching to a hot desk system with locker facilities for personal items.

Whatever changes are needed, the lease should be checked for restrictions. Landlord consent is likely to be needed for certain changes.



A rise in short term leases

Before the pandemic, we had started to see an upward trend in short term leases, which like hybrid working, has only accelerated in the last

18 months. Not only this, but we are also currently acting for technology and media businesses on short term lease transactions for offices that are already fitted out. A trend which we believe is set to continue.

Traditionally, landlords would provide an empty shell, with tenants responsible for an often expensive office fit out. However, short term leases, for two to three years, provide tenants more flexibility than the traditional five to ten year lease and the added advantage of an immediate move in. This flexibility and convenience obviously comes with a higher premium, but with businesses less able to predict what their need for space will be in 5 years' time, it provides an ideal solution for many. For newer or fast growing businesses, or for companies wishing to reduce space as they adapt to hybrid working, a short term lease should be considered.

WeWork and other similar co-working office facilities have also risen in popularity and can provide alternative options for businesses not willing or unable to commit to long term leases.

Beyond offices

With a shift to hybrid working, the consequent reduction in people working in offices and increase in people working from home (or nearer home), will also have a broader real estate impact.

In the residential sector, the desire to live in a location which makes travelling to the office easier may drop down the list of priorities. For example, the need to be near a mainline station may not be so important as it has been. Equally, people may be prepared to travel further to get to the office if they are only making that journey twice a week instead of five days a week. Looking at estate agents adverts it is apparent that the benefits of having a study or other suitable space to work, is seen as important to buyers and is likely to feed into future house design.

With more people working from home and remaining in their local environment, there may be a welcome boost to local high streets resulting to an increase in footfall and potentially some regeneration of those areas. Local leisure facilities may see an increase in use as people have more leisure time in their local environment.

Recommendations

For businesses that get hybrid working right, there is a huge opportunity to save costs while also being more attractive to employees in a world where talent recruitment and retention is one of the biggest challenges. There is however a balance to be struck between the benefits of enabling people to work remotely and the advantage of bringing people together to work in the same location. That equation will have different inputs for different businesses and people. In some cases, the outcome may be a decision that an office is not required. Other businesses will push harder to have people back in the office.

Our top tips for utilising your space to suit hybrid working:

- **Consider how hybrid working will impact your space requirements.**
- If leasehold, **check for lease restrictions and obtain landlord consent, before making any changes to office space.**
- **Consider reducing office space.** If the building is owned there might be an opportunity to sell the office space. If limited demand, there are opportunities to repurpose office space making it more attractive to buyers. If the office space is under lease there are unfortunately more restrictions. Check the lease expiry



date and seek legal advice if looking to exercise a break clause. Consider subletting some or all of the space, with landlord consent or negotiate to exit the lease entirely.

- **Reconfigure the office space to suit new working arrangements.** Reduce desk space and increase informal breakout areas to allow for collaboration.
- **Switch to a hot desk system and provide lockers** for personal items to support a greater percentage of home working.



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