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Berlin-Hyp-Marktbriefing Future Office – Office of the Future

In the second Berlin-Hyp-Marktbriefing on 18.3.2021, Sascha Klaus, CEO Berlin Hyp and Ronen Journo, Head of European Management Services and Operations Hines, discussed the impact of "New Work" and the pandemic-related changes to the "New Normal" on office real estate, real estate investments and urban development. Over 150 people participated in the online panel on 18.3.2021. Here are a few selected topics and theses from the conversation:

*Ronen Journo
Head of European Management Services and Operations, Hines*



"The future of work is here, it is human centric, data insights driven, dedicated to choice, trust, safety, health, quality, wellbeing and experience. Space will be consumed as, when, and where it is required. Not binary but a rich ecosystem of destinations, spaces, settings."

Ronen joined Hines in 2020 to lead property management operations and customer experience in Europe. Ronen has over 25 years of experience in the sector holding roles at WeWork and Cisco previously. He is an expert in global workplace trends, technology and corporate real estate operations and will use this experience to create people-centric, and technology driven workplaces that are fit for the future. In addition to his role at Hines, Ronen will continue to sit on the board of several PropTech businesses, including SpaceOS, Basking Automation and Juce, as well as UK affordable housing provider Network Homes.



**Sascha Klaus,
CEO Berlin Hyp:**

"The office is the cultural centre of each company. It is the hub of social exchange and creative collaboration. That is why, we believe that also in future the demand for high-quality offices in good locations will remain unchanged, however, tenants' and users' requirements will change. This will happen over a period of time as a gradual transformation process, On top, some buildings might be converted from office into other asset classes. In any case, sustainability and even wellbeing aspects will become more and more important and prevailing."



Will offices face a mayor change due to the pandemic like retail?

Ronen Journo:

- “Many companies are gearing up for employees to work in the office max 3 days a week. C-19 has accelerated this trend but it actually begun 20 years ago.”
- “The office market is heading for a gradual correction over a 2-3 year period. During this evolution, secondary space will be offloaded. Landlords will subdivide it, change its use, retrofit it or offer it in smaller parcels and put it back on the market.”
- “Trophy office assets in major CBD’s will buck this trend (Hines’ approach). Quality locations and buildings with rich amenities incl. ESG credentials will succeed as human connection remains important. Offices that are on the edge of cities without amenity provision/appeal face the risk of becoming obsolete.”
- “Looking further ahead, 10-year horizon. The trend that will pick up pace is the ‘15 min city’. This concept is based on humanising cities i.e. walk everywhere to access everything you need. The focus will be on local community engagement and ‘greening cities’, including reducing car traffic and accelerating foot mobility/use of bicycles. The next generation of young professionals won’t be as amenable to long commutes given today’s technology.”

Sascha Klaus:

"I think we will have to adjust to the fact that the demand for office space as we know it today will change to a certain extend in the coming years: for sure qualitatively but also quantitatively. When we evaluate office properties, we look at basic criterias, such as location and infrastructure, but increasingly at future viability: which office concepts could be implemented, are there possibilities for conversions or third-party uses? Especially now, it is worth taking a closer look at how mobile working is organized, even on a small scale. Can business models be derived from this in the big metropolitan areas? Are people joining together to form neighborhood "office spaces"? Should residential projects think about shared home office amenities? Or is this an aspect for retail spaces that may become vacant for a potential conversion?"

What are the trends (in office concepts) of the international Giants?

Ronen Journo:

- “The trends are dependent on a number of factors. Namely where a company is in its business cycle, did it invest in tech pre-pandemic, did it have the right HR policies in place for remote working, what sector is it in etc. “



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- “We continue to see flexibility as a key offering to attract talent by companies large and small. This means the flexibility to work from an ecosystem of destination settings i.e. trusted to perform work and given choice.”

Is there a difference to small and medium sized enterprises (SMEs)?

Ronen Journo:

- “Typically, small and medium enterprises tend to need to protect cashflow, so moving to flex space makes sense as it is cheaper and convenient.”
- “That said, the recognition is abound that forming a culture is very important too. So we’re seeing many firms focused on the need to bring people together co-existing with remote working technology.”

Retail will face major changes and offices as well, is it a chance to “redevelop” cities, quarters and neighborhoods?

Ronen Journo:

- “We continue to see the rise of mixed used developments. This is how cities of the future will be shaped with many interlinking components focused on a human centric approach underpinned by ESG credentials with social equity at the core. This ongoing evolution requires a trio of factors - policymaking, governance and investment.”

How important is sustainability for office properties?

Sascha Klaus:

"Especially in more challenging times, quality becomes even more important. Sustainability is a key quality feature, not only for the environment but also for tenants and investors and also features, which support the wellbeing of the people within the work environment. With our Green Bonds, we have observed that what started as a niche has become an established investment class within a short period of time, amongst institutional and private investors. Sustainable buildings are more valuable, not only because of their lower operating and maintenance costs. This increases their chances of general demand, of being sold and let, as the high and up-to-date quality is visible, not only to owners, tenants and users. For companies, living sustainability is also an important footprint or proof of authenticity in the competition for hiring young talented professionals."



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Berlin Hyp is building a new corporate headquarters: What will Berlin Hyp's future office look like?

Sascha Klaus:

"We are currently looking at the office concept of the future, not only as a financier but also as an owner and tenant. We plan to move into our new corporate headquarters in 2024. This is a great opportunity to redesign our working environments right now with our new building. In my opinion, the office is definitely the cultural centre of a company. It is the place of social exchange and creative collaboration. I strongly believe in the synergy and inspiration between architecture, people and culture. This will be reflected in our new building. In the past few months, most of the work at Berlin Hyp has been done remotely. Now, we know much better what we are missing and what we will need in the future. This is currently being defined in a broad, participatory approach with our employees. Modern working environments, open spaces and opportunities to meet will be of great importance. Transparency and flexibility are also key aspects, so some areas should be able to be used for external purposes like exhibitions, for example.

PS:

Berlin Hyp will soon publish a study on the current and future outlook of the office as asset class. This will be available, similar to other publications like the Berlin Hyp Trendbarometer, on Berlin Hyp's website and will be announced via our social media channels.

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