



LONG LIVE THE office

WORKING FROM HOME WAS PART OF THE NEW COVID WORLD IN 2020 AND MAY CONTINUE IN LIMITED WAYS, BUT OFFICE WORKERS AND BUSINESS OWNERS ARE ALSO KEEN TO RETURN TO THE PHYSICAL OFFICE BECAUSE OF ITS IMPORTANCE TO BUSINESS CULTURE, AND THE PRODUCTIVITY AND SOCIAL BENEFITS IT OFFERS.

IT IS ONE YEAR SINCE THE PRIME Minister asked New Zealanders to “go early and go hard”, avoiding wider social contact by setting up workstations at home where possible.

While there were some benefits, people often found Zoom calls lacked the nuances of actual interaction with people in the same room, and employers became concerned about productivity.

Paula Bennett, a director of the Bayleys Strategic Advisory team and commercial sales broker, noticed a change in people's thoughts about working from home after the initial novelty wore off.

“In the first few weeks after the first lockdown, corporates and businesses were thinking they wouldn't need so much office space, and there would be so much more flexibility.

“I noticed within weeks they were

saying ‘hold on’. At the beginning we saw a rush to reduce office space, now we're seeing people slow down and ask how long COVID will continue and whether they want to actually spread their footprint a little more.

“I'm a burst worker. I get through more work in an hour when I'm focused. Then I get up and walk around and talk to people to test ideas. You can bring up problems and issues and you can talk it through. Workplaces are really starting to think about that.”

Bennett describes herself as a “translator” across geographical regions like Auckland and Wellington where she has worked, and across politics and business.

“I deal with both government and corporate clients. Even the government, which has one of the biggest office

footprints in the country, is thinking of having people work one or two days at home rather than all week.

“And they're looking at spreading to places like Porirua outside of central Wellington to adjust to the needs of the workforce and be closer to where people live. Of course, they also have seismic reasons because you can't have everyone based in the centre of Wellington.

“We're in really interesting times there are a lot of unknowns including where and how we work,” Bennett says.

She sees “amazing positivity” in the business community despite the ravages of COVID on the revenue of some exposed companies.

Attracting people back to offices means business owners are thinking about the things that are important to employees, she says.

They include such things as providing or facilitating childcare, coffee stops, gymnasiums, and the many other amenities that have become part of the modern office environment.

The Bayleys Strategic Advisory team provides strategic real estate advice, and negotiates complex real estate transactions, across all real estate asset classes.

“The team stands outside the traditional commercial transaction work such as the four-week sales campaigns that may be appropriate for most transactions,” Bennett says.

The team works with private and public sector clients throughout New Zealand to deliver personalised advice and solutions, and has a professional skill set across multi-disciplinary backgrounds in law, politics and governance, finance, planning and development.

The Bayleys Strategic Advisory team includes Stephen Rendall, Paula Bennett and Ryan Johnson, national director Commercial & Industrial.

Rendall is Bayleys' national director Strategic Advisory as well as national director Office Leasing.



PAULA BENNETT, BAYLEYS'
DIRECTOR STRATEGIC ADVISORY

Prior to joining Bayleys, Rendall was a partner in the Real Estate and Construction team at Russell McVeagh, one of New Zealand's leading law firms.

“I think people want to work in community environments, which is what offices have provided from the time of their widespread inception, which is probably 70 years and counting,” he says.

“I think the convenience of people working from home is overstated. People need space from the family home to do their work professionally.

“It can be really challenging to juggle working from home with children and other dependents in the house, as any

parent will tell you post-lockdown,” Rendall says.

“The physical separation of Mum or Dad being away at work is also much easier for young children to understand. Parents can focus on work when they're ‘at work’ and fully engage with family life when they're at home,” he says.

“And there's the added attraction of big cities that are interesting places to be, with bars, restaurants, civic attractions like libraries and art galleries, shopping, and events. In Auckland there is the attractive and busy harbourside environment too.

“Offices that provide great facilities and access to city amenities will become increasingly important as people return to the workplace,” Rendall says.

“Some studies have shown that working from home can create psychological challenges, depression and feelings of isolation. Employers have a duty to factor these possibilities into their workplace decision-making strategy.

Career progression was also an issue, with research showing people choosing to work from home may be hampered because organisational culture could only



be established and maintained through genuine human interaction, he says.

The kind of workplaces of the future include the \$1 billion Commercial Bay development, an example of how the NZX-listed commercial development company Precinct Properties set out to make an integrated inner-city office, retail and hospitality precinct with quality food and beverage facilities and retail laneways in areas close to Britomart and the harbour transport links, Rendall says.

“Those are the places where there will be success for office owners in future. We see growth in those kinds of assets. It’s a case of how to best service workers’ needs,” says Rendall.

Rendall says there are some competitive leasing deals that can be done at the moment, although the office market hasn’t softened as much as expected, and certainly not as dramatically as some cities overseas.

“There has been softening in sectors more exposed to industries directly affected by COVID such as near the education precinct along Symonds Street, rather than the waterfront areas.”

The Symonds Street education precinct saw vacancy levels rise from five to 17 percent during 2020, with the expectation these levels will reverse trend and begin to firm again once international students can return post-COVID.



STEPHEN RENDALL, BAYLEYS’
NATIONAL DIRECTOR STRATEGIC
ADVISORY AND OFFICE LEASING

The overall central Auckland vacancy rate increased during the COVID lockdowns in 2020 from 4.5 to around 13 percent (including sub-lease stock), but this increase was due to a variety of factors including the completion of major new developments, some downsizing, and staff moving to remote or satellite working models.

For example, the increased vacancy in the Midtown precinct can be attributed in part to the completion of a refurbishment project at 246 Queen Street which added ~8,000 square metres of high quality office space to the office leasing market.

The Midtown precinct also saw large occupier DLA Piper vacate around 3,000sqm at 205 Queen Street and move to the new PwC Tower at Commercial Bay, developed by Precinct Properties.

As well as the attraction of A-grade buildings, tenants were also often interested in refurbished historic office

properties that offered architectural interest, Rendall says.

Brendan Graves, Bayleys’ associate director corporate leasing, says New Zealanders have been ahead of other nations in returning to work.

Businesses had shown flexibility and agility in coping with the new COVID reality, and there was an emerging sub-lease market, while some large occupiers were taking a long view on space requirements and had yet to decide on future space requirements. Communication between landlords and occupiers had become more pro-active, Graves said.

Global research had shown that about 70 percent of workers like some flexibility, but the office remained popular as the place for collaboration, social interaction and embedding corporate culture, Graves says.

Larger corporates were making a “flight to quality” in newer offices with landlords ready to discuss particular needs.

The services of Bayleys’ advisory teams and external design and architectural firms had experienced a tick up in demand as tenants and landlords engaged in discussions, Graves says.

He says the office will not only survive but it will thrive with higher levels of amenities and a newfound appreciation of social contact after our experiences during the COVID pandemic and lockdowns.