

## What will be the role of office buildings in the future?

We are in a period of unrivalled technological change. Advances in technology are changing the way we work and live, and businesses are changing the way they operate. Established norms can no longer be taken for granted.

Throughout the centuries, office buildings have been central to the way businesses operate and are now among the most valuable buildings in the country. In the context of wider technological changes, could office buildings be exposed to disruption?

Dexus Research has been investigating answers to this question as part of its 'Customer of the Future' series.

Office buildings will be exposed to change as the office worker becomes more mobile. Technologies such as notebooks, smartphones and the cloud enable employees to be more mobile. Employees can work from a wider range of locations, whether it be at the office, in transit, in a café or at home. Video-conferencing will become more efficient, allowing people to communicate effectively over long distances.

The effect of these technologies will reduce an employee's physical ties to particular places like office buildings.

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Given these changes, will we end up with cities full of empty office towers while everyone works from home?

There are good reasons why office buildings exist. Throughout the past 100 years the economy has transitioned from an industrial base to a service based orientation. Growth in the service sector combined with a cycle of urbanisation has led to the development of clusters of office buildings in our cities.

However, to answer the question properly, it is necessary to go back to the most basic theory of why 'places' matter.



According to a 2015 study by Deloitte, "The Purpose of Place Reconsidered", places matter because they either generate wealth or provide people with worthwhile experiences.

For example, people value a gold mine because it generates wealth. Conversely, people value a beach because it provides worthwhile recreational experiences.

### So where do office buildings fit into this spectrum?

Office buildings 'generate wealth' by offering an environment where employees can collaborate and work together efficiently.

In the future, a company's competitive advantage will increasingly depend on the productivity of their workforce and a key driver of productivity – the effectiveness of their corporate culture.

In turn, productivity intrinsically depends on collaboration. Studies have shown that when employees collaborate, they work 15% faster on average and are 60% more innovative. Businesses with a collaborative strategy are twice as likely to outgrow their competitors (Deloitte).

Most office buildings are designed to bring employees together in various forms of collaboration.

Similarly, office buildings usually offer 'worthwhile experiences'. They tend to be located in accessible urban areas that offer (for the most part) a vibrant environment with shops, restaurants and recreational facilities close at hand. Having other employees around fulfils a need for social interaction and networking opportunities.

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Office buildings are likely to be needed in the future providing they are productive places to work and offer great experiences within and around them.

Different work locations offer different benefits. For example CBD office locations rate highly for business influence. Suburban locations rate highly for convenience. Working from home rates highly for flexibility. Each workplace has a role to play.

### Why wouldn't everyone work from home?

Working from home provides flexibility so can be good for productivity. However, the experience of some companies is that too much of it can reduce the level of collaboration and make it harder for individual employees to identify with the corporate culture and goals.

Companies like IBM and Yahoo have constrained their work-from-anywhere policies in order to bring people together.

But can't everyone simply beam in via video-conferencing? In theory, collaboration can occur remotely via useful technologies such as video-conferencing. Indeed, uptake of these technologies is rapidly increasing. And we should expect that in the future virtual reality may make remote communication much more effective.

The flip side to this is that face-to-face collaboration has been shown to be more productive than remote collaboration. One reason for this is that people like social interaction. It is a basic human need. In addition, face to face communication builds better relationships and gets the message across more effectively by means of a broader range of (non-verbal) cues.

The rapid expansion in co-working spaces and adoption of collaborative working environments is evidence of the power of collaboration.

Office buildings have a future, in fact they will be needed more than ever. Providing they are conveniently located and provide a collaborative environment with worthwhile experiences, office buildings will have a role to play for years to come.



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