Recent advancements in workplace design and smart building technology are slowly beginning to transform the workplace experience. However, we’re only in the first inning of a massive shift in the commercial real estate industry; one of the last industries to be fully disrupted by advances in technology, shifting demographics, increased globalization, and the accelerating rate of change in the world.

The way we work has changed forever; yet the places (in particular, office buildings) we work haven’t changed much at all in the past 50 years. The lobby is a bit more modern, the elevator cabs refurbished, the lights now on sensors, and the bathrooms equipped with automatic sinks, but your grandfather would still acclimate just fine if he started interning at your company tomorrow.
Cities and neighborhoods around the globe are quickly upgrading their technology to support the infrastructure requirements of this new “Smart Age.”

With more than 70 percent of the world’s population expected to live in cities by 2030, major policy shifts and corporate incentives increasingly favor urbanization, becoming the catalysts to a global urban renaissance.

The rise of civic analytics in recent years has also allowed more device data to not only be leveraged to improve the city’s infrastructure, but also democratize its access to residents.¹ Do you care to know the average office rent rates in your city? DataUSA is a great digital initiative that has made all U.S. census data public, searchable and analyzable by anyone.² Even utilities are more accessible than ever — more than 78 cities across the United States have adopted public WiFi³, and many others are adopting smart grid technology. San Diego was one of the first cities to partner with Google for their Smart Meter initiative, which allows users to track their power usage via the internet.

Unfettered access to data is providing today’s urban planners with the information they need to rethink the future of our cities, which in turn will provide the building blocks necessary to make significant improvements to the way we live and work. In the next-generation city, office buildings will not only need to become smarter, but also more accessible to support the changing demands of work and the world’s growing nomadic workforce.
The Future of Work

Global market forces, giant leaps forward in technology, and unprecedented climatic shifts are defining the 21st century.

Combined with rapid globalization and political instability, we are entering an era of unprecedented change; one in which Moore’s Law seemingly applies to everything. In this “Age of Accelerations,” human capital is a company’s most precious resource. The war for talent is driving corporations to rethink their workplace strategy and create experiences that attract, retain, and develop their most gifted and valuable workers.

Millenials, who have spearheaded the mass adoption of workforce mobility, will make up 70 percent of the workforce by 2030 (they already account for close to 50 percent). According to an annual PwC study, they value choice, flexibility, and experience in the places they work above all else—including salary.

If today’s college student can choose where, when, and how they learn, then today’s workforce deserves the ability to do the same. As work-life balance is replaced by work-life integration, flexible workplace environments will increasingly be regarded by CEOs, workplace strategists, HR leaders, and real estate executives as the best “talent” solution, thus becoming the new industry standard.

Commercial Landlords Must Play a Bigger Role in the Future

The pressure to offer next-generation experiential workplaces doesn’t just fall on today’s organizations and the C-Suite—it’s now shared with commercial landlords. The landlord-tenant relationship has shifted dramatically the past few years, from being primarily transactional to strategic and human focused.

Most companies cannot afford to spend billions of dollars to build amenity-rich office environments. They now expect their landlords to offer turnkey, flexible, amenity rich, and experience-driven workplace solutions. Established brands like Regus and WeWork have proven the value of flexibility and paved the way for a new type of real estate consumption model. However, co-working is just the first step towards a much larger macro shift in the industry.

For the workplace to truly evolve, it must seamlessly integrate physical space, services, and technology to create an enhanced user experience. Most importantly, it needs to become part of a larger ecosystem—one that coalesces into the entire office building or corporate campus.

The key question that needs to be answered by both landlords and employers is, “How should we be developing a strategy that addresses the multi-generational needs for an on-demand, community-enabled, and experience driven office environment?”
Ten years ago, did you ever think you’d feel comfortable hopping in a stranger’s car? What about allowing a stranger to sleep in your bed, let alone make a business of it?

Goods and resources are no longer defined by ownership or hierarchy, but rather by technology’s ability to link demand with supply. Breakthroughs in technology, and the power of the data it captures, have given today’s consumers and businesses a much deeper understanding of asset utilization. Sharing platforms allow us to utilize goods and services more efficiently, with enhancements in productivity hinged on distributed networks of capital, labor and communities; rather than relying solely on centralized institutions to deliver them.⁵

**PREDICTION #1**

By 2030, the world’s largest commercial landlord will “own” no assets.
The sharing economy has major implications not just for consumers but for the utilization of hard assets, in particular commercial real estate. Sharing-based technology platforms—such as Airbnb and Uber—have given owners of houses and cars the ability to create new streams of revenue for themselves, and high-quality, ownerless experiences for their customers.

Although “sharing economy” is a mainstream term today, the concept has been around for more than 250,000 years, dating back to when Adam and Eve took a bite of the proverbial apple. In fact, our survival as a society has been built on sharing and collaborating for thousands of years; from global trade routes, to the first credit union, to collaborative consumption in the form of flea markets, garage sales, or secondhand shops. We function in an ecosystem that’s inherently and intimately interconnected. In 2013, the sharing economy was valued at $15B. By 2025, it’s expected to ring in at roughly $335B.

Put simply, sharing is the economic and social model of the 21st century, which means that we won’t have to physically own as many goods or assets anymore. Why own when you can “rent” a better experience, on-demand, as soon as you need it?

For a traditionally asset-heavy industry, such as real estate, this means “ownership” will be redefined. According to recent research from JLL, 30 percent of all commercial office space is projected to be consumed as “flexible space” by 2030. Just like Airbnb is the largest “hotelier” and owns no physical room inventory, we predict that the largest commercial landlord of the future will own no physical space.
PREDICTION #2

All office buildings will be “smart buildings.”

A recent study by Deloitte confirmed that sensory deployment in the commercial real estate industry is likely to grow at a compound annual rate of 78.8 percent between 2015 and 2020, growing to nearly 1.3 billion sensors. By 2020, nearly 50 billion connected devices will have the capability of plugging into an office building.
For an office building to become *smart* by 2030, it has to become much more than being certified *green*.

Taking cues from “the world’s greenest building”, The Edge in Amsterdam, we’ll need to build a smarter controller, one that orchestrates all of the interactions between the building and its tenants. This new “superintendent” needs to anticipate the needs of its inhabitants — giving them what they need, when they need it, while seamlessly connecting them to a network of on-demand space and services that can keep pace with the changing requirements of their business. Similar to the App Store, this “Services” store, will provide building residents access to a marketplace of digital services that transform the workday experience.

For every building in the world to become like The Edge, a technology platform and standardized infrastructure will need to be developed that centralizes communications, aggregates data, and brings the experience of the building to the fingertips of its users.

A standard technology ecosystem for smart office buildings also creates a tremendous opportunity to redefine how physical spaces can be restacked to better serve its tenants. The commercial office building of tomorrow will be a self-sufficient ecosystem that’s comprised of offices and retail, but also dedicated residential, wellness, hospitality, and social community spaces that are seamlessly integrated with each other.

Residents within the smartest office buildings will not only be able to access and consume work-life-play services and amenities, on-demand and under one roof, but the operating platform will learn and better predict these needs over time. Just like IOS or Android powers our “smart phone” today, this foundational operating system will power the “smart buildings” of 2030.

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Sensory deployment in the commercial real estate industry will grow 78.8% annually between 2015-2020.

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By 2020, nearly 50 billion connected devices will have the capability of plugging into an office building.
PREDICTION #3

“Third Places” will be the #1 preferred workspace category.

More than 55 million Americans are freelancers. Known as the “creative class,” this emerging group of nomadic workers currently makes up 35 percent of U.S. workers and is projected to comprise 40 percent of the workforce by 2030. As this sharing-based workforce becomes increasingly mobile, distributed, and technology-driven — where does this new class of workers get things done?

Today, 65 percent of office workers believe they would be more productive if they could telecommute or work anywhere except in a traditional office environment. According to the Staples Second Annual 2016 Workplace Index, 64 percent of respondents said their workplace had contributed to stress levels, and 13 percent said they had taken a stress-related leave of absence from their job.
We predict that the demand for **Third Places**—community gathering spaces that are not work or home, such as coffee shops, co-working spaces, and eventually, Convene—will ultimately become the #1 gathering grounds for cross-connecting people, cultures and organizations.

Standing desks, Friday office lunches, natural light, and comfortable, inviting breakrooms are a big improvement, but even in the coolest work environments, employees still feel the need to get away. These are important considerations for any company to acknowledge, especially as they look to design a workplace strategy that drives employee engagement and productivity.

For the Third Place work culture to be effective, organizations will need policies to support new ways of working—moving away from always present, to always connected, with more flexibility and choice when it comes to the work environment.

How can choice be moved outside the four walls of a building? Real estate players that don’t rise to the challenge will miss out on the opportunity to redefine the industry and create the workplace “campus” of the future. Today’s version of a fancy hotel lobby or contemporary library will not be enough to sustain a creative class that requires work-life integration and is increasingly distributed across knowledge neighborhoods around the globe.

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65% of office workers today say they would be more productive working outside their traditional office environment.
PREDICTION #4

The majority of Fortune 500 companies won’t hold long-term leases.

Today, most Fortune 500 companies have large physical headquarters locations and hold long-term commercial leases outside of their primary, gateway markets. While some of them have begun outsourcing their temporary space needs through short-term lease arrangements, and/or by investing in membership-based contracts to on-demand space providers such as WeWork, Regus, or Convene, large-scale outsourcing is not yet an official part of their long term real estate strategy.
The 2030 strategy for most leading global organizations will shift toward a networked, “hub and spoke” model. The largest occupiers of tomorrow will maintain at least one global corporate headquarters location in a key gateway market that will serve as a “Center of Excellence,” brand showroom, and innovation center. These “corporate hubs” will bring employees and clients together to drive engagement, enhance culture, train employees, share institutional learnings, and support growth through innovation.

The notion of the “new HQ” is already being paved with GE and Apple. Between GE’s “Innovation Point” and Apple’s “Apple Park,” even the antiquated “HQ” language has been avoided in the naming of the buildings. Both companies have invested heavily in thoughtfully designing to the exacting degree the next generation workspace, focused on leveraging hospitality, technology, wellness, and experiential amenities to enable a highly collaborative and innovative workforce.

When it comes to Fortune 500 companies building out the right “spokes,” the need to “right-size” at a moment’s notice through a boom or bust period can only be achieved through outsourcing to a network of high quality serviced workspaces. With the rise of co-working, serviced offices, and on-demand meeting spaces becoming more widespread, executing a flexible real estate strategy that seamlessly connects a corporate headquarters to a network of on-demand workspaces becomes much easier. After all, the nimbler the workforce, the more creative (and connected) the headquarters will need to be.

By 2030, we predict the pendulum will swing dramatically, and 80 percent of a Fortune 500 companies’ real estate requirements will be outsourced and consumed on-demand while only 20 percent will be executed via traditional long-term lease obligations.

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Both GE’s “Innovation Point” and Apple’s “Apple Park” have avoided using antiquated HQ language in the naming of the buildings.

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The nimbler the workforce, the more creative — and connected — the headquarters will need to be.

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PREDICTION #5

The average commercial lease term will approach one year.

If the average life expectancy of a company birth to death is only 7.3 years and 52 percent of the year 2000’s Fortune 500 firms are no longer listed, how will the commercial real estate industry adapt to the fact that their tenants may not survive as long as the leases they’ll sign?

In today’s Age of Accelerations, the only way to fight complexity is with speed and agility. If you’re a company that’s not leveraging technology to drive innovation and become agile, you’ve already lost. Industries that can’t adapt are dead or dying, and this applies to the commercial real estate industry now more than ever. Commercial landlords have no choice but to evolve their offerings to meet the rapidly changing requirements of their clients whose businesses are experiencing unprecedented disruption.
Commercial real estate landlords will inevitably need to provide more “short duration” space and hospitality service options to keep up with the dynamic nature of the occupiers it seeks to retain. Just as travelers and apartment dwellers can find more “flexible-stay” options with Airbnb and VRBO, occupiers will need to be able to find a larger array of spaces with more flexible commercial lease terms across the globe. Agile organizations of all sizes will continue to seek shorter duration space solutions that can scale up or down based on their short-term business performance—a highly correlated cause-and-effect relationship.

Historically, tenants were forced to consume their real estate via long-term leases with commercial landlords. Today, their needs have changed. We’re starting to see a massive shift towards shorter duration commercial leases in 2017. Combine this with the rapid growth of co-working and the shift toward on-demand consumption, and we predict the average lease terms for commercial office space will reach one year by 2030. We also expect to see even more lease fragmentation options offered by next-generation landlords and flexible workspace providers—micro-office consumption by the month, day, and the hour—becoming the accepted norm.

The average life expectancy of a company from birth to death is only 7.3 years. 52% of the year 2000’s Fortune 500 firms are no longer listed.
From Spaces to Places

Massive shifts across demographics, urbanization and technology have revolutionized the world, but have also created more complexity than ever before. The way we work and the physical environments that we work in will increasingly blur into how we live and play. Therefore, the future of work, driven by new ways of working, is really about how to build physical workspaces that support work-life integration in any given day.

In the age of “smarter” cities, where transportation is autonomous, workers are distributed, and technology becomes ubiquitous, commercial office buildings need to increase their focus on the human experience by providing tenants with more on-demand spaces, services, and technology. This office building of the future will be designed to operate much more like a full-service lifestyle hotel or luxury residential tower.

In other words, the office of the future won’t just be a desk that we go to, but a place that we are inspired to be in.

The workplace will soon become the single most important asset through which companies attract and develop higher levels of talent, increase collaboration, innovation, and most importantly, business results. Since more than half the world’s population already lives in cities today, we believe that urbanization will continue to spark new forms of community and inspire new “tribal” social networks that cross pollinate unique disciplines and cultures and forge new ways of fueling the participatory economy.

Our future workspaces won’t just be desks, but places we are inspired to be in.
The easiest way to improve how the world works is to improve how businesses work.

Within this context, we predict the largest commercial real estate shift of the next 20 years will be brought about by an industry leader that fully integrates a work-life-play ecosystem, powered by technology, that can flex to anticipate the needs of any commercial tenant.

We believe that this new offering will include:

- Seamless end-user technology
- Best-in-class hospitality
- Lifestyle amenities and services
- Premium pre-built modular offices for teams up to 100
- High-touch meeting, event, and collaboration spaces
- Community-as-a-service

This “landlordier” (derived from “hotelier”) of tomorrow will build integrated work-life destinations instead of desks—where people truly enjoy the experience of their office environment, find purpose in their work, and are motivated to solve the big challenges of our time. The Googles, Facebooks, Apples and GEs of the world are already beginning to lead the way, but only for those who work under their roofs.

To truly democratize the “Google-plex,” companies that can’t afford to “build” will need to lean on partners such as Convene, who team up with leading landlords such as Brookfield, RXR, The Durst Organization, and Blackstone to infuse hospitality services, flexible workspaces, and technology into office buildings around the country. We’ll need to create a new, Airbnb-like category of flexible, “commercial” ownership in a traditionally fixed-asset industry. Together with our global partners, we must change the way the world works by creating places (not spaces) that transform the workplace experience, inspire creativity, and bring happiness to our work.

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