



**(Y)OURS**SPACE  
MANAGING **COMPLEXITY**

Business complexity  
& corporate real  
estate strategy

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## **BUSINESS COMPLEXITY & CORPORATE REAL ESTATE STRATEGY**

The post-pandemic era will force business leaders to remove the blinkers, think beyond Covid, and start to address a broader and more complex mix of challenges. Corporate real estate is very much part of the solution.

## REMOVING THE BLINKERS, RAISING THE STAKES

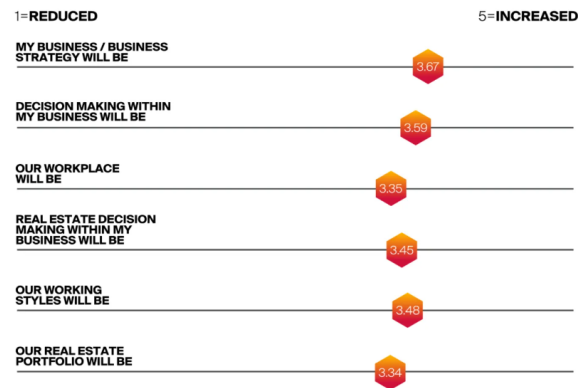
Some two years after the publication of the last edition of (Y)OUR SPACE, there is a palpable sense that the operating environment for business is more challenging and demanding. The legacies of the pandemic remain, shaping both debate and behaviour. Still, as the World Health Organisation downgrades Covid-19 as a global emergency, things could be more straightforward for business leaders. Whether new issues have emerged or removing the pandemic blinkers has served to re-highlight long-standing problems is a moot point. But the post-pandemic era is full of issues that demand change and require new strategies and solutions.

Business leaders have a packed strategic agenda, whether that's thinking about the disruption and potential adoption of next-wave technology; the balancing of business impact with business performance; the associated rebalancing of their workforces through diversity and inclusion initiatives; the resetting of operational models and creation of digital platforms to increase resilience in the event of new global emergencies; or, of course, the adoption of workstyles that serve the needs of employee and employer alike. As the pandemic recedes into our collective memory, leaders will have greater bandwidth to address these fundamental, performance-impacting concerns. As those leaders seek to manage in an age of complexity, they will use real estate to support, facilitate or advance the corporate response.

# AN AGE OF COMPLEXITY

Figure 1 Business and real estate complexity

Over the next three years the complexity of ...



Source: Knight Frank | Cresa 2023

Complexity is the state or quality of being intricate or complicated. In practical terms, this means businesses with more moving parts, points of view or strategic considerations.

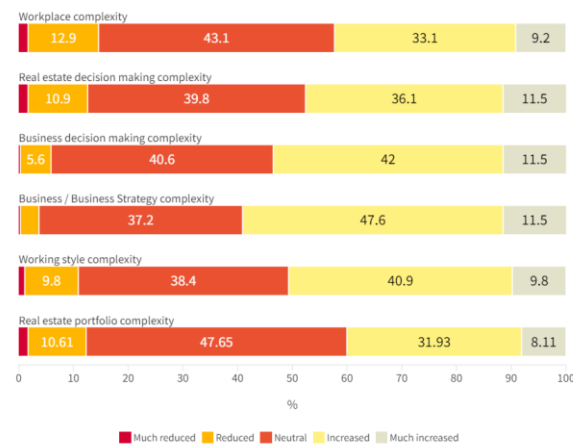
We asked (Y)OUR SPACE survey respondents to assess the perceived future complexity of various aspects of their business and real estate strategy using a five-point scale ranging from ‘much reduced’ to ‘much increased’. The average response across the sample for each aspect of complexity assessed is shown in Figure 1. Complexity is rising for each, as indicated by an average score over 3.

Regarding the complexity of their underlying business and business strategy, just 13 of the 357 respondents to our survey (3.6%) anticipate complexity being ‘reduced’ or ‘much reduced’ over the next three years. In contrast, 210 respondents (59%) believe complexity will be ‘increased’ or ‘much increased’. So, in effect, a perception of increased complexity is 17 times more likely for a survey respondent than a perceived reduction. Corporate real estate leaders are in no doubt. The operating environment is becoming more complex and more challenging.

So too, is decision-making. Around 6% of survey respondents anticipate reducing complexity, but more than half (53%) expect a more complex - and one would assume a more time-consuming decision-making process.

Much of this complexity in the real estate sphere derives from greater experimentation and possible long-term variation in working styles, given experiences during the pandemic. Future work styles have been the subject of much debate over the last 18 months, particularly with the emergence of so-called ‘hybrid’ workstyles. We shall return to this theme in greater depth in the Workplace Dynamics section of this report. However, it is essential to note that while many organisations are still experimenting, evaluating and sometimes mandating workstyles, our survey respondents are clear that these workstyles will become more complex over the next three years. 181 respondents (51%) see workstyle complexity being ‘increased’ or ‘much increased’, with only 15% expecting reduced workstyle complexity (Figure 2).

Figure 2 A more complex operating environment



Source: Knight Frank | Cresa 2023

# BUSINESS TRANSFORMATION

We asked survey respondents about their future transformation strategies. 86% of all respondents identified at least one route to business transformation over the next three years. Perhaps more telling is the range of anticipated strategies adopted to deliver change. The most popular of these are shown in Figure 3. Typically a respondent to the (Y)OUR SPACE survey expects to pursue at least three transformation strategies simultaneously. A transformation agenda is at work and further contributes to the rising complexity already noted.

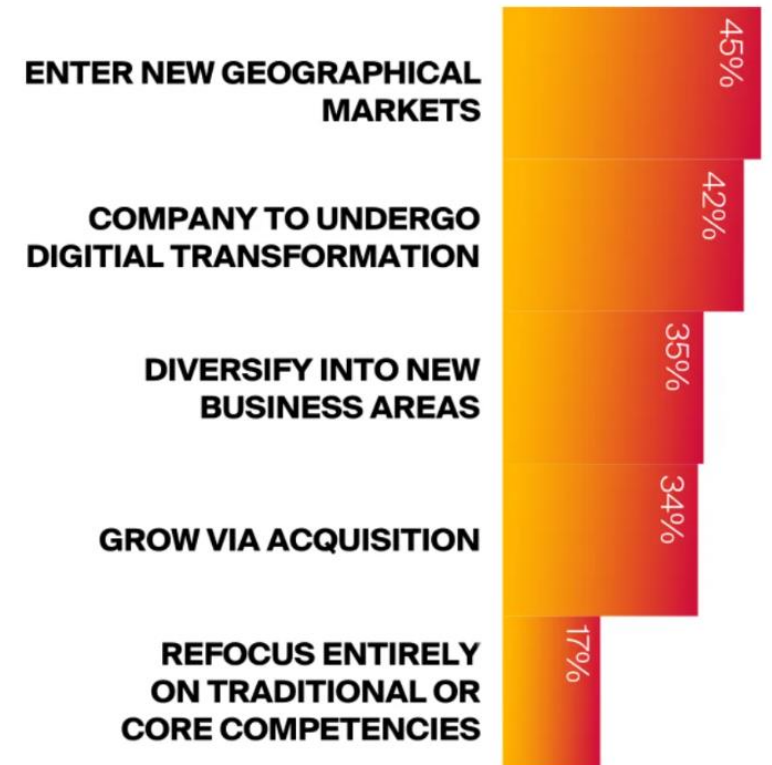
By far, the most popular transformation strategy was ‘entering new geographical markets’ - cited by 45% of all respondents. This strategy has real implications for the size and structure of future portfolios. It suggests that many occupiers will adopt a more offensive, expansionary posture to drive change and growth in their business. It leads to new market entrants and the associated demand for real estate worldwide.

Digital transformation strategies also feature highly - noted by 42% of all respondents. More significant, urgent digitisation is a direct consequence of the shifting dynamics ushered in by Covid, new customer expectations and a necessary resetting of corporate resilience. It compounds a journey that most businesses had already embarked upon pre-Covid. It requires all types of companies to go head-to-head with pure tech firms to secure the talent necessary to drive change. In so doing, the workplace will be mobilised to appeal to that talent. As a result, we will continue to see the design aesthetic of the tech workplace becoming more universally applied.

The impact of these various business transformation agendas on real estate is considered significant. Only 9% of respondents believe that future business transformation routes have ‘no effect’ on either portfolio or workplace strategies. Four times as many respondents see these transformation routes as having a ‘high’ or ‘very high’ impact on future real estate strategy.

Attempts at transformation will undoubtedly increase the complexity of a business. Real estate will be firmly in the mix as business leaders simultaneously embark on ‘run the business’ and ‘change the business’ agendas.

Figure 3 Top 5 routes to business transformation



Source: Knight Frank | Cresa 2023

# THE STRATEGIC USE OF REAL ESTATE

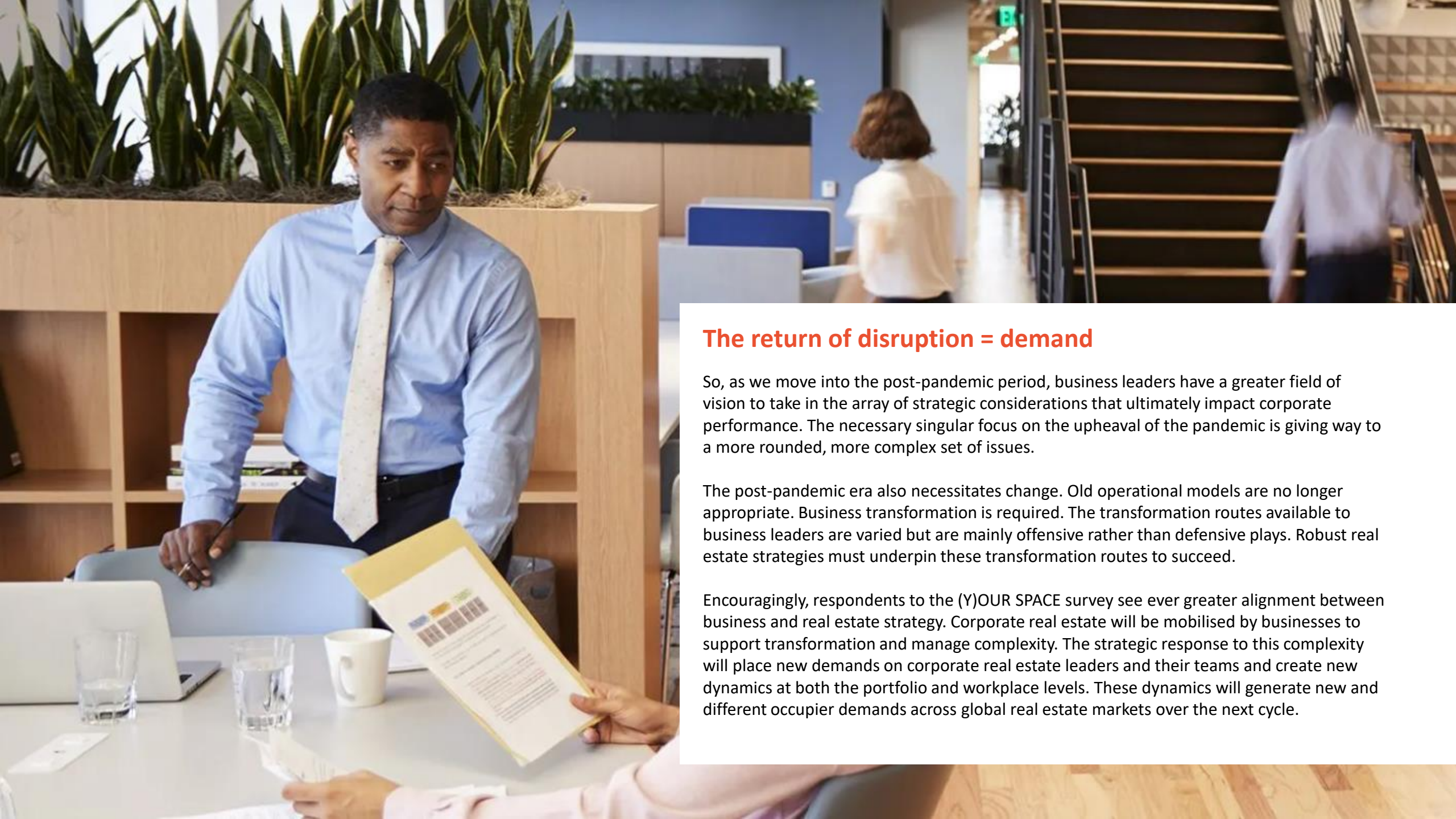
Some 94% of all survey respondents view real estate as being either ‘completely’ or ‘partially’ aligned to the broader strategy of their business. We are far beyond the days when corporate real estate was viewed dismissively as a factor of production or a necessary evil.

Of course, the pandemic generated a new and necessary debate about what and how much real estate businesses need. But it is a debate about how best to leverage real estate to support broader strategic goals rather than whether it is required. Ultimately, it is a debate about purpose. Over the three iterations of (Y)OUR SPACE, and despite the pandemic’s challenges, real estate’s purpose has become even more critical. In the 2018 survey, 86% of respondents viewed real estate as strategically important. That proportion rose to 90% in the 2021 edition and now stands at 94%. Larger occupiers are even more attuned to the strategic role of their real estate. 64% of the 65 largest companies who responded to our survey - each employing more than 50,000 people - all maintained that real estate was aligned ‘completely’ or ‘partially’ to business strategy.

Parallels with previous editions of (Y)OUR SPACE continue when one looks at those strategic items that real estate is most aligned to. As Figure 4 shows, the same top five emerge - albeit in different ranked order - in this latest edition as in the previous two. CRE leaders see real estate as being accretive to both the attraction and retention of staff and the increased collaboration of that talent.

**Figure 4** Top 5 strategic issues that best align with real estate

Edition 1 – 2018	Edition 2 – 2020	Edition 3 – 2023
Talent attraction & retention	Corporate brand & image	Talent attraction & retention
Corporate brand & image	Cost management & mitigation	Increased collaboration
Cost management & mitigation	Employee wellbeing	Cost management & mitigation
Increased collaboration	Talent attraction & retention	Corporate brand & image
Employee wellbeing	Increased collaboration	Employee wellbeing



## The return of disruption = demand

So, as we move into the post-pandemic period, business leaders have a greater field of vision to take in the array of strategic considerations that ultimately impact corporate performance. The necessary singular focus on the upheaval of the pandemic is giving way to a more rounded, more complex set of issues.

The post-pandemic era also necessitates change. Old operational models are no longer appropriate. Business transformation is required. The transformation routes available to business leaders are varied but are mainly offensive rather than defensive plays. Robust real estate strategies must underpin these transformation routes to succeed.

Encouragingly, respondents to the (Y)OUR SPACE survey see ever greater alignment between business and real estate strategy. Corporate real estate will be mobilised by businesses to support transformation and manage complexity. The strategic response to this complexity will place new demands on corporate real estate leaders and their teams and create new dynamics at both the portfolio and workplace levels. These dynamics will generate new and different occupier demands across global real estate markets over the next cycle.