

Tenant preferences in the UK office market

In-depth research into the attitudes and priorities of tenants seeking best-in-class office space.



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Introduction

Navigating the dynamic UK office sector

The office market in the United Kingdom is in a state of flux. The sector is grappling with multiple headwinds of inflationary pressure, rising interest rates, structural changes in work habits, low sales volumes and renewed governance pressure. This confluence of factors is reshaping the landscape of what tenants seek in a workplace. To understand the state of play, CIM conducted market research with senior decision-makers at some of the UK's leading organisations. Understanding the key threads of insight is of benefit to all stakeholders across the sector, from tenants to owners and everyone in between.

First, **hybrid working** (page 3) has become the norm, as the global COVID-19 pandemic and shifting individual behaviours have altered perceptions of the traditional work dynamic. Occupancy rates among non-vacant stock are still nowhere close to pre-pandemic levels, peaking at 34% in January 2023. However, there is a growing desire to embrace a middle ground where collaborative office-based work returns at least in part. This has accelerated the trend towards 'placemaking', where design, comfort, amenity and community overlap, as employers seek to re-establish a physical work environment that staff are eager to return to.

Changing notions of what is considered an ideal office space has fuelled a growing discontent amongst tenants; the result being a more lively conversation around **relocation** (page 6). In many decisions to move, a building's sustainability performance is a crucial determining factor. Greater emphasis is placed on environmental credentials, operational efficiency and alignment with occupiers' ESG commitments.



When it comes to **attracting and retaining talent** (page 9), commercial real estate plays a role. A quality office building is central to the employee value proposition, highlighting the importance of a comfortable, sustainable and amenity-rich space for maintaining a strong team. Another landscape-defining trend is the increased pressure to accelerate progress to **Net Zero** (page 10), with significant implications for the office market. Tenants expressly consider their office buildings' sustainability as part of their Net Zero plans, and largely expect evidence from landlords that the buildings they occupy are being run sustainably.

This sentiment around sustainability is also influencing decisions around **rental costs** (page 11), with the majority of tenant decision-makers willing to pay a premium for greener office space. This trend underscores a fundamental shift in the values influencing tenant choices, highlighting a growing preference for workplaces that align with environmental objectives and corporate sustainability goals. With operational efficiency becoming a key decision factor, it's clear that the era of 'green offices' is upon us, and this is perhaps the one notion that neatly binds together all of our studied focus areas.



Who did CIM survey?

200 UK directors and senior decision-makers who occupy large commercial tenancies exceeding 50,000 sqft. All respondents are involved in key real estate decisions. The research took place in April 2023.

Key Findings

To adequately understand the state of the UK office market and the impact of market conditions, we must consider occupiers' perceptions, priorities, attitudes and expectations. CIM's research does so, covering five key areas of tenant preferences: hybrid working, relocation, attracting talent, the pathway to Net Zero and associated views on rental costs.

1. Hybrid working

76%

of respondents' businesses were currently using a **hybrid** working model, with colleagues' time split between the home and office.

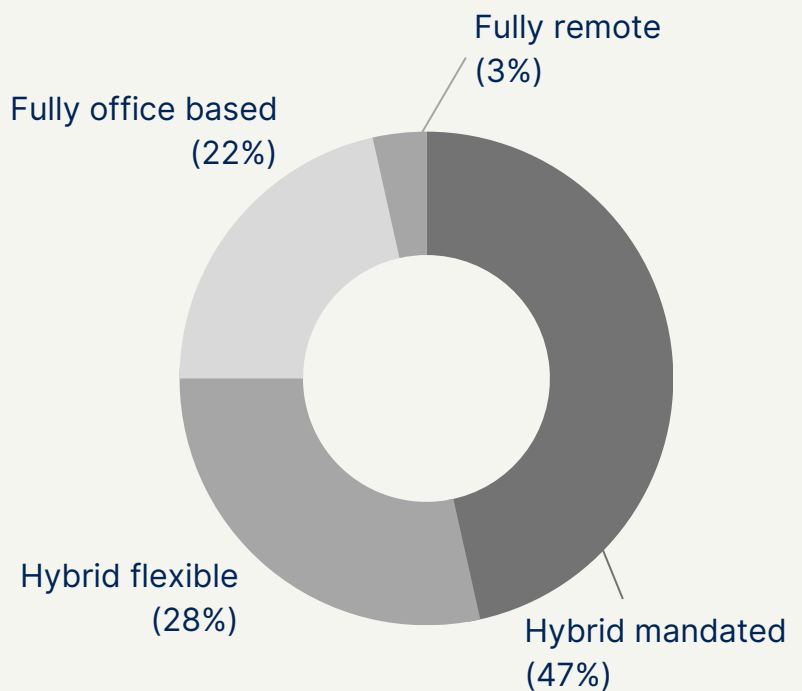
47%

of those businesses were employing a **'hybrid mandated'** model with staff required to attend the office a set number of days, while;

28%

were employing a **'hybrid flexible'** model where staff can choose when and how often they attend the office.

How does your business and workforce currently operate?



Note: all figures are rounded up to the nearest whole number.

75%

said their business was actively encouraging employees to return to the office on a **hybrid** basis.

23%

said their business was planning for all colleagues to return to the office **full time**.

Are you actively encouraging employees to return to the office?*



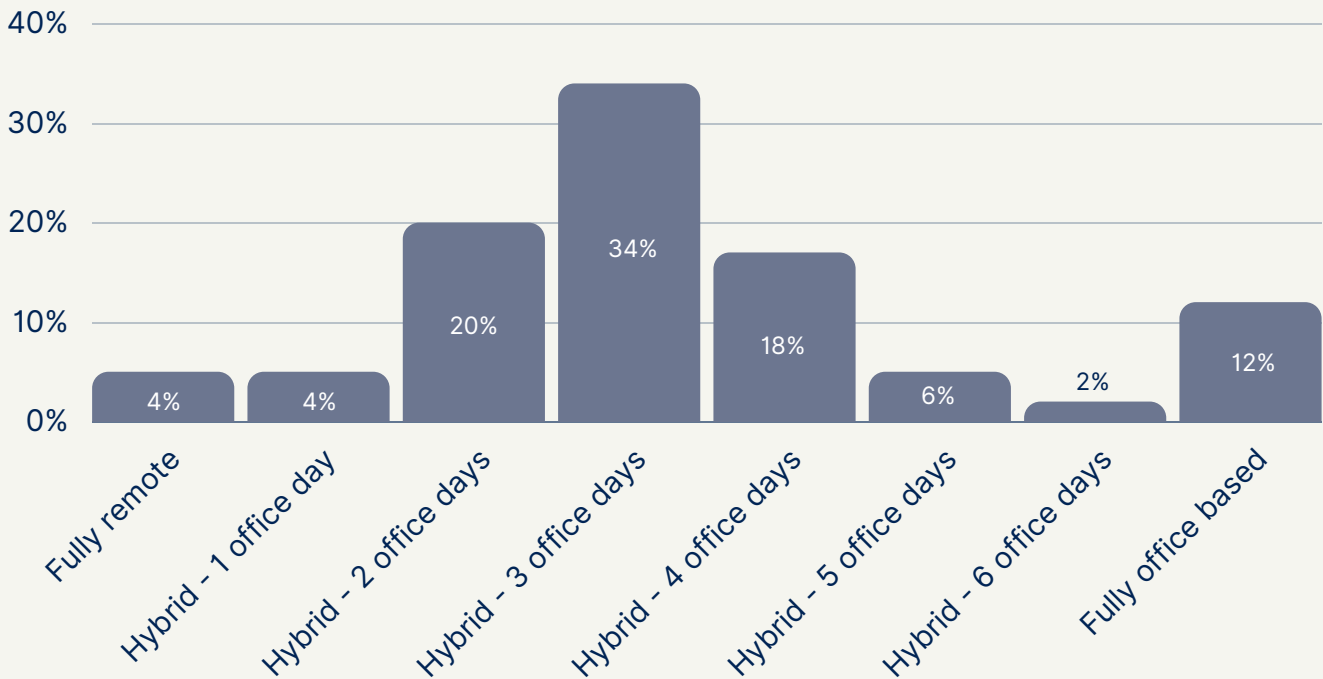
**Respondents whose workforce operate fully remote or hybrid*



72%

of respondents were expecting their business to transition to mainly **office-based** working – at least three days a week – within the next two years.

What is your preferred method of operation for your workforce in 2 years?



Enhance the tenant experience with CIM's PEAK Platform

PEAK's Indoor Environment module tracks thermal comfort and relative humidity against ideal conditions and setpoint controls. In real-time. Across all zones, floors, and tenancies.

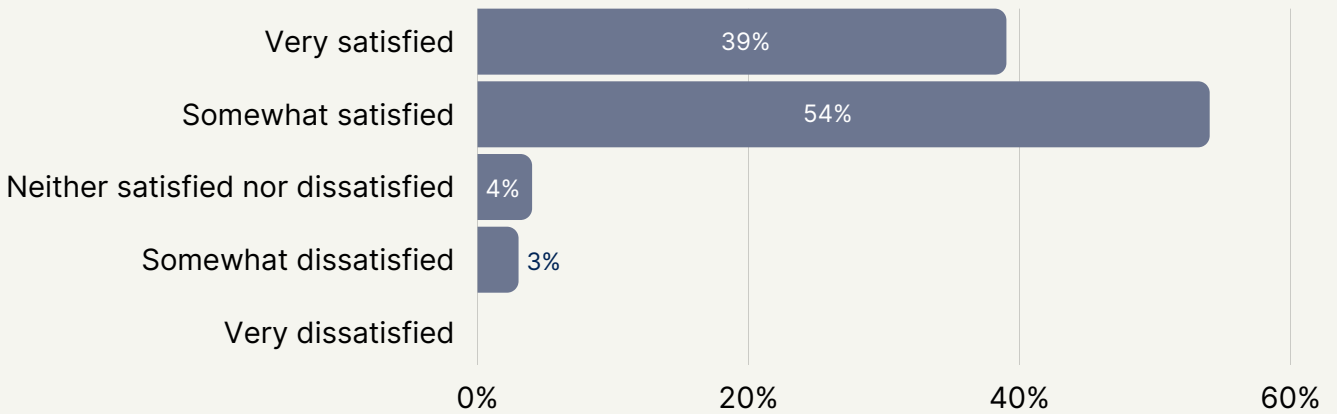
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2. Relocation

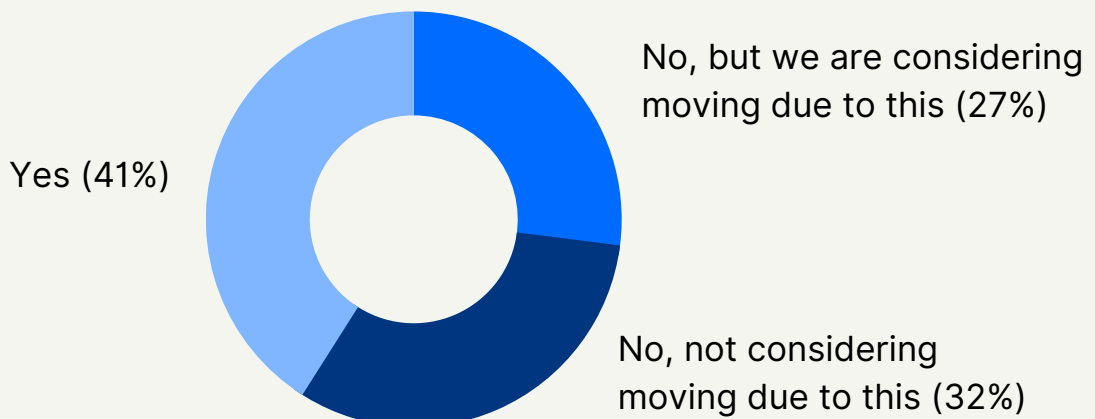
39% of decision-makers were **very satisfied** with their current workplace. 54% were 'somewhat satisfied'.

How satisfied or dissatisfied are you with your current workplace?



68% of respondents had moved or were considering moving their business due to a **poorly performing** building that contradicts company **ESG** policy.

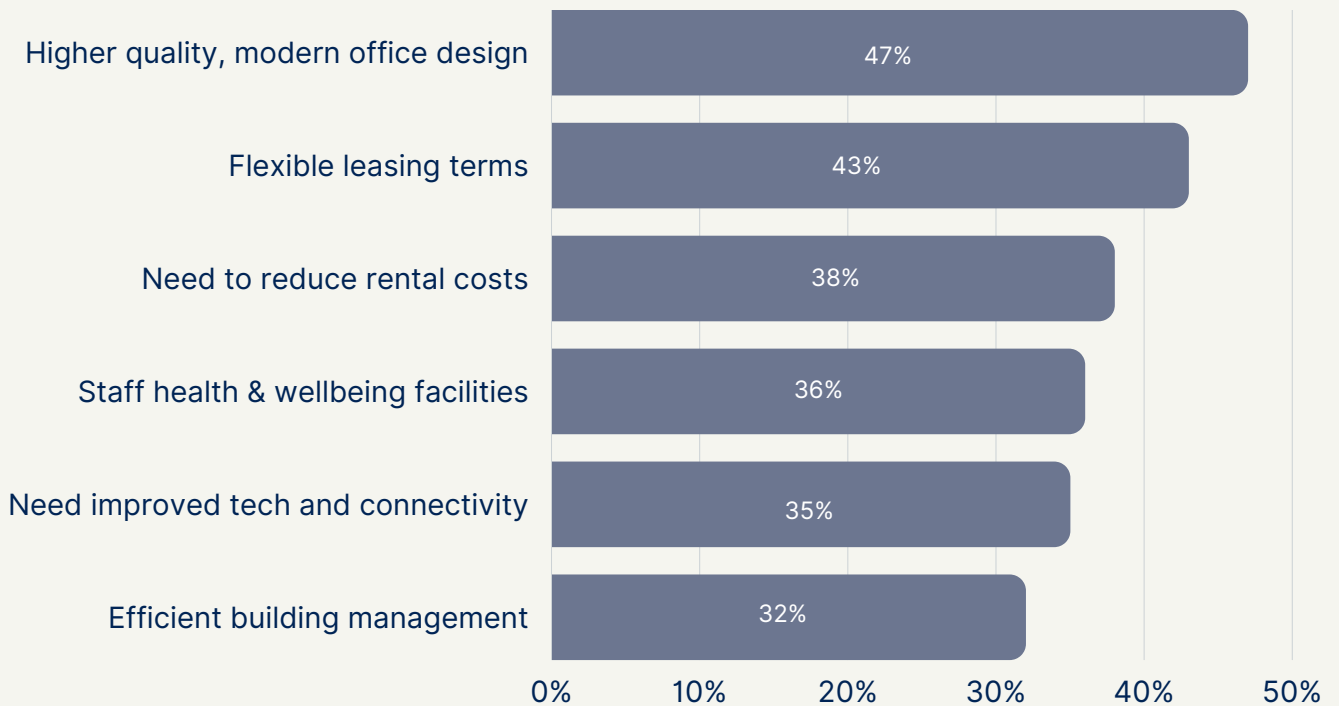
Have you ever moved office space due to the premises being deemed as unsustainable and contradicts your company ESG policy?



Outside of office size, the top factors influencing relocation decisions were:

- Higher quality, modern office space **design** (47%),
- Flexible **leasing** terms (43%),
- Need to reduce rental **costs** (39%) and,
- Better staff health and **wellbeing** facilities (36%)

What factors would be important considerations if your company was to move office?*

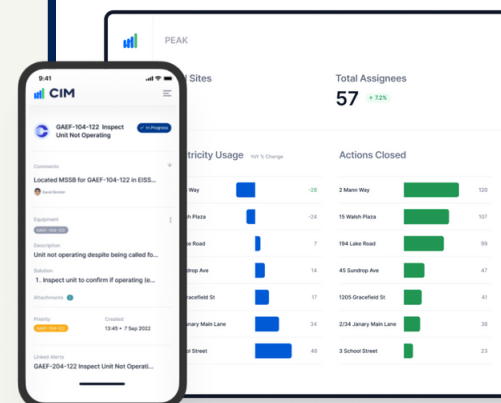


**Respondents selected all that applied*

Leverage the PEAK Platform to minimise relocation risks

Reduce operational costs, drive efficiency of building management, boost sustainability ratings and minimise disruptions.

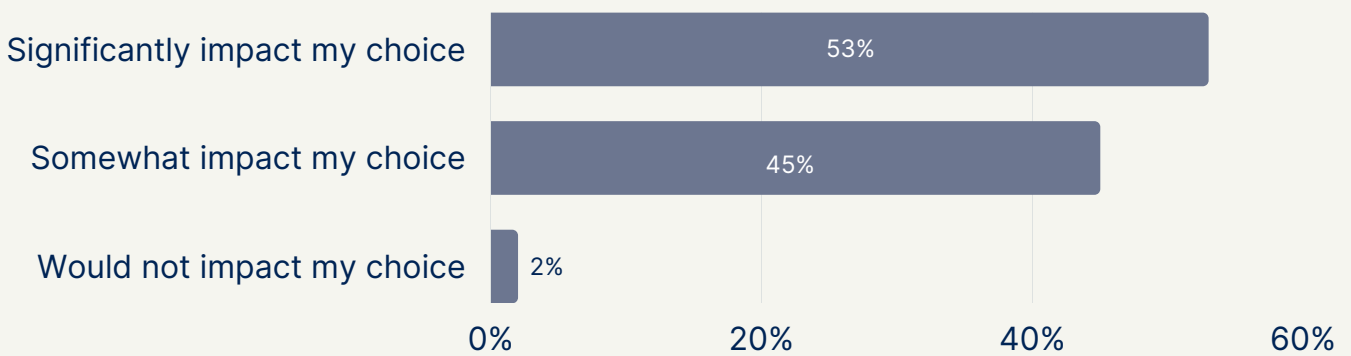
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53%

said reducing day-to-day **operational** and **energy** costs would **significantly** impact their decision on new office space.

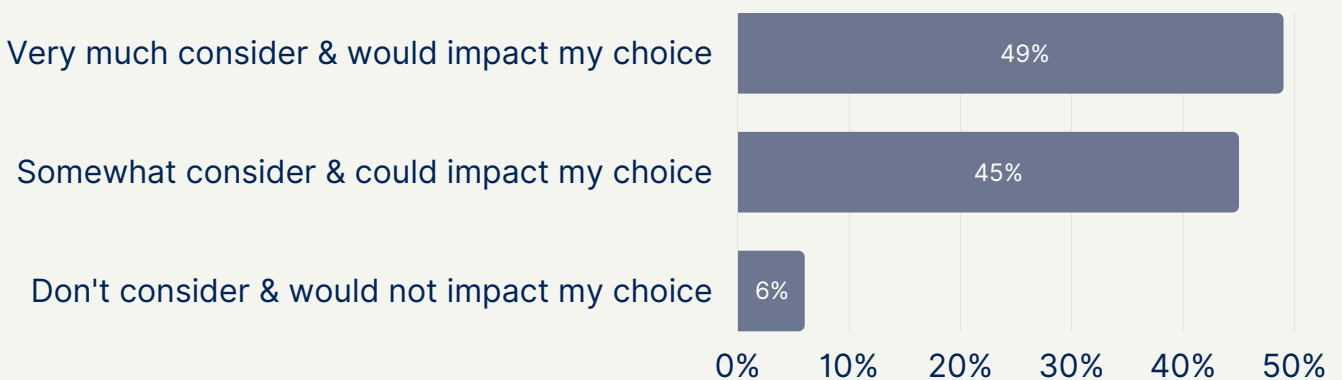
To what extent would the opportunity to reduce day-to-day operational and energy costs influence your choice when choosing an office space?



49%

said a new building's **environmental performance** and overall **sustainability** would **very much** influence their choice of office space.

How much do you consider a building's sustainability credentials when choosing an office space?



3. Attracting talent

82%

of respondents said the **office building** was an important part of the employee **value proposition**.

89%

of decision-makers said **Net Zero** was an important part of the **employee value proposition**.

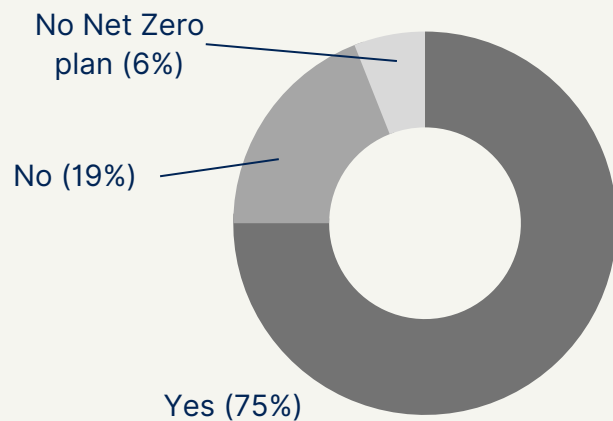
What are the top office features contributing to your employee value proposition?



4. Pathway to Net Zero

75% of respondents said they considered their office buildings' sustainability as part of their **Net Zero plans**.

Is your office building's sustainability included in your Net Zero plans for the future, if you have them?



55%

of respondents said they **'expected'** to see evidence from landlords of a building's efforts to reach Net Zero.

4%

said they were **not interested** in seeing evidence from landlords of a building's efforts to reach Net Zero.

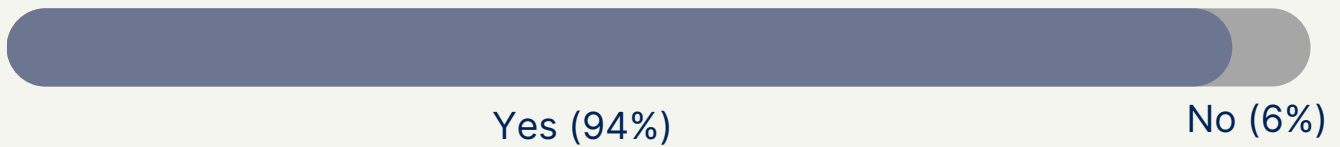
What are your views with regards to landlords offering a property's proof of path to Net Zero?



5. Rental costs

94% of decision-makers said they would accept **paying more** for a **greener** office space.

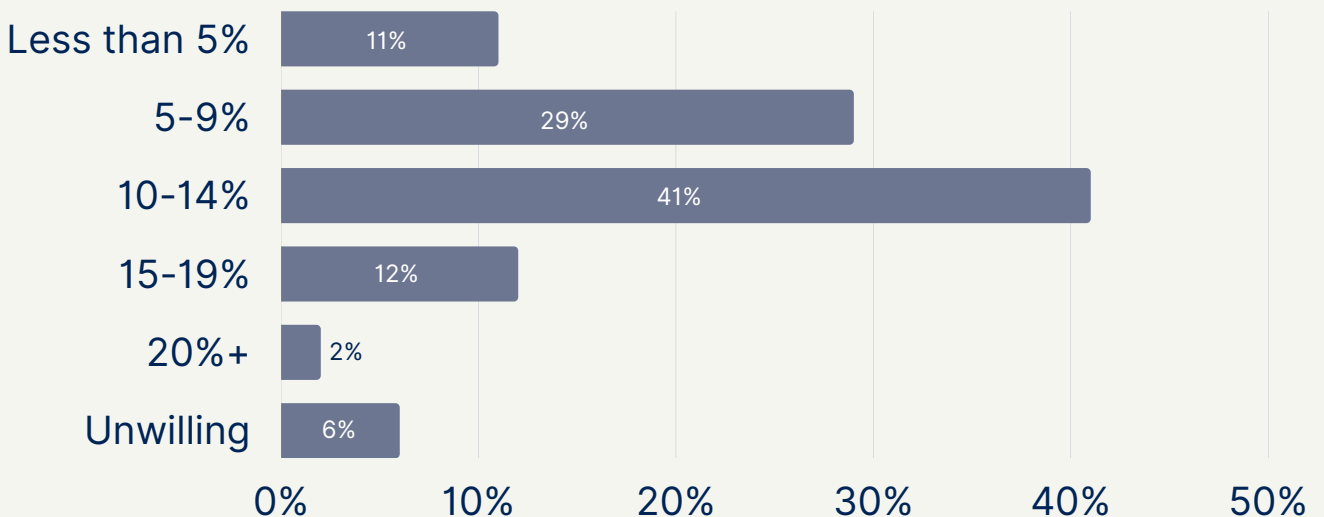
Are you willing to pay more for a sustainable greener office space?



41% are prepared to pay **10 to 14% more** for a **green** office space.

6% were **unprepared** to pay more for a greener office space.

How much extra per year, if anything, are you willing to pay for a sustainable greener office space?



Analysis

What Do These Findings Tell Us?

The UK office market is subject to conditions that are often beyond its control. In some cases, these conditions change overnight, leaving buildings on a much different footing to what was considered standard practice just days prior. That said, it's clear a growing number of occupiers view greener buildings as a central part of their current and future strategic plans.

Remote and hybrid working were steadily increasing prior to the pandemic. According to [government figures](#), 12% of the population worked at least one day from home the previous week between January and December 2019. Unsurprisingly, these figures rose dramatically throughout 2020 and 2021, yet haven't returned to the same level since restrictions were lifted. It's not an overstatement to suggest the working week is now fundamentally different for most businesses given how common it is for employees to divide their time between the home and office, albeit with some required to spend certain days 'in'. Whether this situation remains is up for debate, as most respondents (75%) discounted the idea of fully remote roles and some businesses (23%) were even reintroducing a return to the office full-time.

Hybrid working is likely to spur a new evolution for the workplace. If most respondents (70%) expect their business to mandate at least three days a week at some point over the next two years, it's likely occupier expectations will change considerably as colleagues spend more time on site. Greater emphasis will be placed on how a building supports worker productivity, wellbeing and comfort, but closer attention will also be given to its impact on the environment and what can be done to optimise performance, improve energy efficiency and lower emissions.



These issues are far from trivial when looking at respondents' attitudes to poor performance, with only 39% of respondents being very satisfied with their current workplace. Over 40% had already moved due to a building that was not up to standard or misaligned with an ESG strategy, and a further 24% said they were considering relocation for the same reason. Based on these figures, it's highly likely most businesses would prefer not to commit to a long-term agreement when there are other sites better suited to their needs, particularly in London where empty office space has reached a 15-year high of 31 million square feet. Our research further supports this with 43% of respondents stating Flexible Leasing arrangements, along with 47% ranking modern office spaces as key decision drivers when relocating. Again, the tone around sustainability is strong when it comes to relocation, with a third of respondents citing 'efficient building management' as a key factor when considering a move.

The findings also indicate that sustainability is now considered an important part of hiring and retaining the brightest and best, as 89% of decision-makers in the research cited Net Zero as an important aspect of staff attraction and retention. As the Harvard Business Review also points out, with labour in short supply throughout many industries, employee attitudes around sustainable business practices are compelling companies to take the issue seriously: *"Articulating a 'nobler mission' is a big motivator for employees and a powerful weapon in the war for talent"*. It would also be remiss to undervalue the office space itself as a tool for attracting talent, with 82% of respondents citing the office building as an important part of the employee value proposition.

In any case, significant improvements will be necessary for the UK to meet its Net Zero timeline, particularly critical within the existing built environment. Given that 80% of today's buildings are expected to still be in use by the middle of this century, the office sector will need the right tools to align older designs for use in a low-carbon economy if owners and occupiers are to respond to a more discerning workforce. Building occupiers are taking note, with three quarters of surveyed decision-makers considering their office buildings' sustainability part of their Net Zero plans. Further, 55% of respondents said they expected to see evidence from landlords of a building's efforts to reach Net Zero.

The idea that companies would pay more for a greener building is particularly important in today’s economic climate. CIM’s research has shown an overwhelming majority (94%) would accept higher rents if it meant working in a more efficient building. Over 40% said they would pay up between 10% and 14% extra. The implication here should be clear: it’s within the interests of all relevant parties to seek improvements to building performance where possible. For owners, this will drive higher rental premiums. For occupiers, it will bring Net Zero within reach, improve employee wellbeing and, in providing a higher-calibre building, make a more convincing case for ‘earning the commute’.

Boost sustainability performance with PEAK

We're actively helping the world's built environment to achieve Net Zero emissions and accelerate progress toward ambitious targets.

[Learn more](#)



Conclusion

From insight to action: How can businesses address these findings?

To close, we offer actionable next steps in response to the research findings. These recommendations apply to: businesses wholly occupying single tenant properties, owners responsible for base building operations within multi-tenant properties, and facilities management providers.

Adopt a proactive stance on sustainability - our research indicates in no uncertain terms that leading UK organisations are prioritising sustainable practices, presenting both a challenge and an opportunity. Office occupiers should proactively integrate sustainability into their real estate strategy if they are to remain competitive, given their surveyed peers have demonstrated an unwavering focus on accelerating progress towards Net Zero. Specifically, businesses should embed sustainability criteria into their real estate selection process, and, once selected, execute technology-led activities to ensure operational efficiency of their tenancy.

Prioritise quality office space to attract the best talent - the study demonstrates a strong correlation between the quality of office space and talent retention. Accordingly, occupiers must consider the office environment a critical aspect of their employee value proposition. Organisations that prioritise comfort, air quality, amenity, and sustainability when selecting an office space are more favourably positioned to attract high-quality candidates and retain existing ones. Companies are encouraged to leverage software for the tracking of thermal comfort and relative humidity against ideal comfort conditions and setpoint controls. This, combined with the provision of sustainable, amenity-rich, tech-enabled spaces will enable an elevated and attractive office experience.

Implement asset monitoring for operational efficiency - tenants with in-house responsibility for facilities management should seek out best-practice technologies for enhanced property operations. AI-enabled asset monitoring software with automated fault detection and diagnosis (AFDD) will deliver on many of the critical elements uncovered in the research, namely improved sustainability, reduced energy costs, boosted operational productivity, and a healthier work environment for team members. Adopting such advanced technology also creates a competitive advantage by establishing your organisation as a forward-thinking entity, open to innovation and digital transformation.

Empower your operations supply chain - equipping the operational supply chain with the right resources is crucial, particularly where there are individuals with limited technical background. Tools that promote a centralised digital workflow improve productivity and collaboration. Not only does this ensure your tenancy or building is competently managed, it also frees up capacity for other strategic priorities, namely placemaking. This is increasingly important, as our research supports the hypothesis that many teams are progressively increasing their presence in the physical office. This shift necessitates an increased focus on office placemaking activity to maintain an environment that is not just functional but enjoyable, fostering a sense of community and belonging. Empowered Facilities Managers can better cater to these needs.



About CIM

CIM delivers innovative building analytics software that helps run large buildings at their peak performance. Our award-winning SaaS solution, the PEAK Platform, integrates building intelligence and machine learning to improve efficiency, sustainability and comfort across property portfolios. CIM's customers include large real estate investment trusts, superannuation funds, governments, major cultural institutions and property portfolio owners and operators globally.

The platform empowers property teams to work smarter and more collaboratively - generating significant operational efficiencies across properties or entire portfolios. Critical operational activities are automated and the completion of key tasks are accelerated by leveraging digital workflows across the entire supply chain.

What does the PEAK Platform give you?

01

Prioritised alerts with detailed fault identification & solutions to limit alarm fatigue.

02

Effortless 'Click to Assign' workflow, so contractors can fix issues before they escalate.

03

Deep dive & interrogate building performance, today and historically.

04

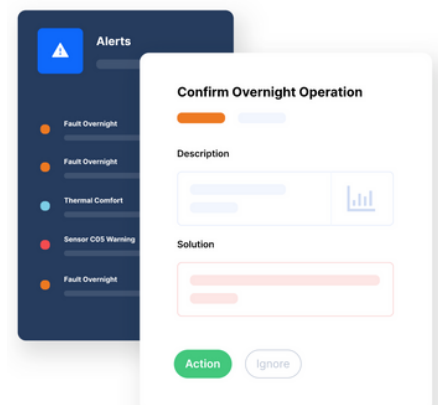
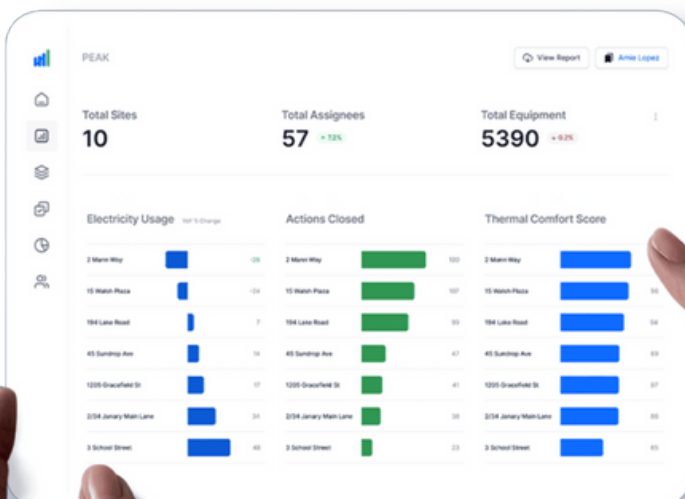
Centralised tracking of contractor performance across multiple buildings.

05

Address issues like temperature and humidity before a tenant complains.

06

Deliver sustainability wins to drive environmental impact.



Supercharge your
property operations to
generate significant
operational efficiencies.



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experts at CIM today.**



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