

Historically, office employment densities in London have been consistently increasing. It is most likely that office employment densities reached as high as 10sqm per full-time equivalent job before the outbreak of the coronavirus pandemic (hereafter 'the pandemic'). Ostensibly there was no logical reason for this trend to not continue and plateau at a point of maximum efficiency. However, the pandemic has resulted in an abrupt disruption of this trend. This blog piece assesses not only the magnitude of the pandemic's impact on office employment densities, but also suggests what trends might be seen in the future.

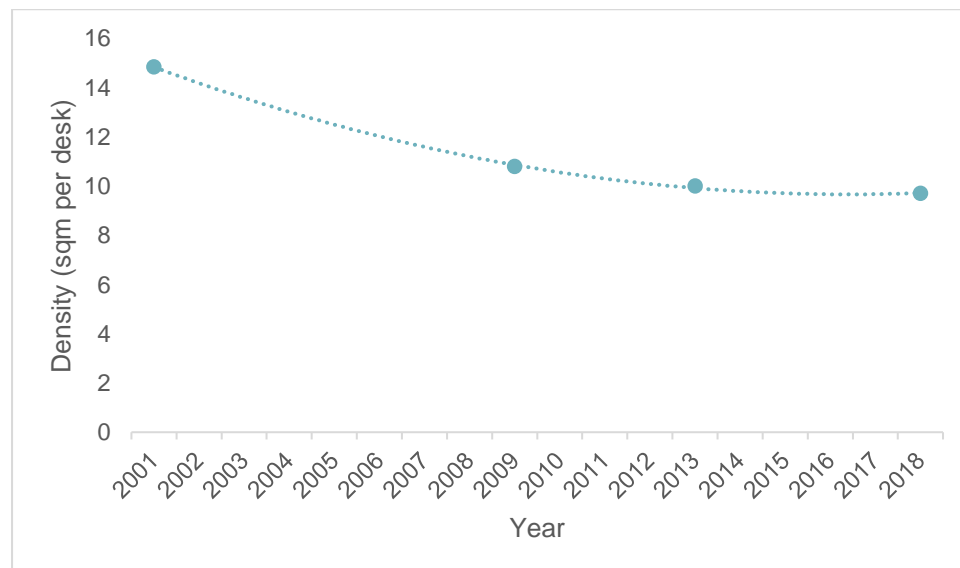
The pre-pandemic trend:

The City Corporation have found that office demand in London has continually increased due to its globally renowned status as a business and financial centre.¹ Alongside this growth, factors such as increasing demand, cost optimisation measures, and evolving workplace designs all contributed to consistent growth in office employment densities across London before the pandemic.

In addition, increasing rental costs and a global economic crisis have forced organisations to maximise the efficiency of the office spaces they were inhabiting. A 2020 survey found that approximately 62% of Chief Financial Officers were actively seeking costs reductions related to improving efficiency at the time.³ In a similar vein, workspaces pushed to include design measures such as hot desking systems and open plan layouts to accommodate more employees within a smaller space, demonstrated by a 26% increase in open-plan offices in London between 2012 and 2017.⁴

Figure 1 - Since 2001 there has been a continual trend of more employees occupying a smaller amount of office floorspace

Benchmark employment density of UK offices over time (2001 – 2018)



Source: Leesman (2022) Leesman+ Certification

Impact of the pandemic:

¹ City of London Corporation, 2019. City of London office market analysis

³ Garter, 2020. Gartner CFO Survey Reveals That 62% of CFOs Plan SG&A Cuts This Year Due to Coronavirus Related Disruptions

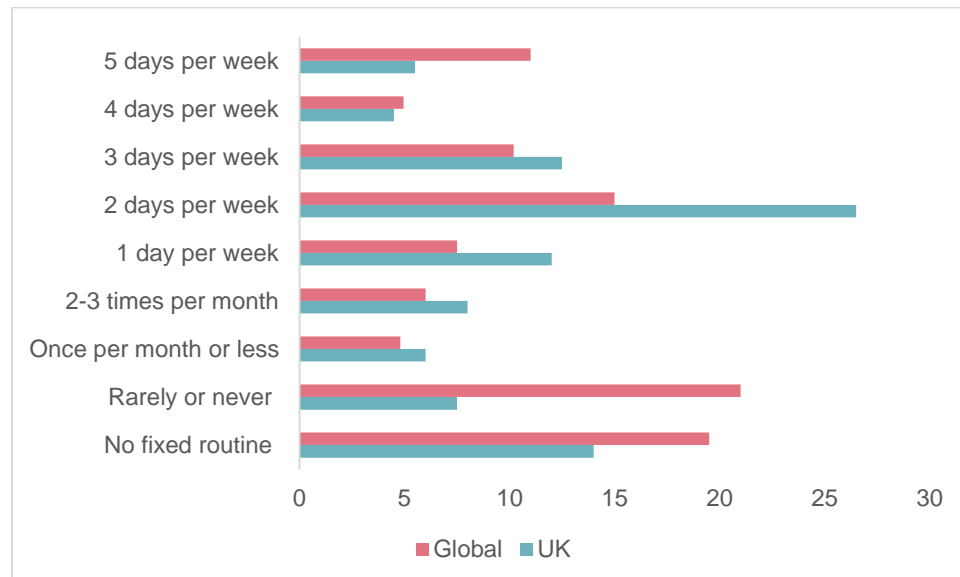
⁴ BCO, 2020. BCO specification guide 2019

According to the latest research, London’s global status as a leading financial centre has not changed due to the pandemic or as a result of political reasons. The City Corporation suggests that London ranks in joint first place with New York as the most competitive business destinations.⁵ The report measures the areas of innovative ecosystems, reach of financial activity, business infrastructure, access to talent, and the regulatory environment. However, 2023 represents the first year that London has not been the sole leader in terms of global competitive advantage as it ranked joint first place with New York. Evidence does not suggest that this is a result of sinister processes, such as a decline in the quality of London’s office spaces or a knock-on consequence of political shifts such as Brexit, rather that New York has caught up through substantial growth in tech investment. Despite this, it is clear that alternative global financial centres (New York, Singapore, and Frankfurt) are catching up and diverting office demand away from London.

With lockdown measures implemented by the UK government came the forced uptake of remote work. The continued use of hybrid working applications such as Microsoft Teams or Zoom have now become engrained into the running of the workplace. This resulted in continued work from home patterns across London in particular, with the region having a greater proportion of homeworkers than any other region in the UK in 2022 (37%).⁶ The proportion of workers in London that engage in homeworking has grown by approximately 23 percentage points since 2019. Additionally, as illustrated in Figure 2, data suggests that the UK is leading the way relative to the global average in terms of adopting hybrid working patterns, as opposed to completely remote or 5-day working weeks.

Figure 2 - Most employees in the UK plan to be in the office two days per week

Weekdays employees plan to be in the office (Q3 2021 – Q2 2022)



Source: BCO, 2022. *The Future of UK Office Densities*

According to the BCO’s *The Future of UK Office Densities* report, the most common working pattern in the UK in 2022 (over 25%) is working in the office two days per week.⁷ Recent findings from the

⁵ City of London Corporation, 2023. Our global offer to business: London and the UK’s competitive strengths in support of growth

⁶ ONS, 2023. Homeworking in the UK – regional patterns

⁷ AWA, 2022. AWA Hybrid Working Index

AWA Hybrid Working Index finds that if total days in the office per week is presented as 5.0, employees pre-pandemic spent on average 3.8 days in the office, and post-pandemic employees now spend 1.5 days in the office, however this data is from 2022 and it is likely that there has been an increased return to the office throughout 2023. Additionally, the report states that out of all regions studied, the UK has the lowest number of desks per 100 people, with on average 63 desks per 100 employees. This supports the above findings that the UK is leading the way in adopting hybrid working patterns in the post-pandemic era through a faster uptake of systems such as hotdesking.

Figure 3 - In 2022, there were significantly fewer desks per 100 employees in the UK compared to other geographies

Desk provision per 100 employees across geographies



Source: Interpreted from: AWA, 2022. AWA Hybrid Working Index

Future density scenarios:

Recently, Central London Forward have presented three different return to the office scenarios:⁹

1. Employers place some additional pressure on employees to attend the office, for example at least three days a week or 65% of 2019 rates.
2. Back to the office scenario – over time employers are successful in enticing workers to return and working patterns resemble what was seen pre-pandemic.
3. Workers attend the office the same amount that they are currently (50% of 2019 levels).

Interestingly, in all three of these scenarios, the level of inhabited office floorspace in London is not projected to return to pre-pandemic levels until 2030 at the earliest (2041 at the latest). This would suggest that employment densities will continue to decrease for a significant time.

However, in recent years there has been a “flight to quality” within the London office market creating a particular demand for new or refurbished prime office space. This has been driven by factors such as a desire for low-carbon office space. Additionally, the pandemic has strengthened the need for a high-quality office space to encourage employees to return to the office. Employees have benefitted from work from home arrangements due to its flexibility, employees now place greater value on the social benefits of their office space, rather than its efficiency which can be

⁹ Central London Forward; ARUP; Gerlad Eve; LSE, 2022. The future of office in central London

replicated at home. As a result, there is now greater demand for stylish collaborative spaces rather than highly efficient, busy workspaces that were common pre-pandemic.

If this flight to quality continues demand for best-in-class office floorspace in London will undoubtedly outpace its supply. It is possible that employment densities could then rise once again to make the most out of this scarce best-in-class office floorspace space in London. These best-in-class spaces will have the potential for high employment densities thorough hybrid-working arrangements and hot-desking systems.

According to the ARUP study, the work-from-home arrangement has provided employees with the opportunity to engage in other activities while benefiting from increased office attendance and higher spending. The findings suggest that employees now place a greater emphasis on the value of well-designed collaborative spaces in the office, as they seek to optimize their in-person interactions rather than relying solely on the efficiency of remote work.

BCO research conducted through a series of member surveys has found that looking into the future, a sweet spot of 10-12sqm per desk is reasonable.¹⁰ This starting point will need to be adjusted to accounting for hybrid working patterns, and continued uptake of hotdesking. Occupancy across the working week is expected to be approximately 60%, which in turn reduces employment density.¹¹

Some commentators have suggested that this figure is too conservative to base design specification guidelines for office space on. For example, some have argued that the continued uptake of hybrid working patterns and hotdesking is inevitable, and therefore office employment densities in London should be expected to increase to around 9sqm per office worker, back in line with what was recorded in 2018.^{12,13}

¹⁰ BCO, 2022. The Future of UK Office Densities

¹¹ BCO, 2022. The Future of UK Office Densities

¹² CAG Consultants, 2021, London Employment Sites Database 2021

¹³ WorkMind, 2022. The Future of UK Office Densities: New BCO guidance recommends more space per person