



Picture of health

The growing role of wellbeing in commercial
real estate investment decision-making

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Urban Land
Institute

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This report is a ULI UK Sustainability Forum initiative and also forms part of ULI's global Building Healthy Places initiative. The ULI UK Sustainability Forum delivered a diverse programme to champion an inclusive, equitable future through social, environmental and economic stewardship in the real estate sector, making good sustainability practice the behavioural norm.

ULI UK Sustainability Forum

ULI Building Healthy Places Initiative



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Executive summary

Providing a workspace that promotes better health and wellbeing has become a fast-adopted trend within the UK real estate industry. It is being embraced by building owners and developers despite little concrete evidence yet that incorporating wellbeing features can increase rents or a building's liquidity.

The momentum for the trend is part of wider changes in the workspace towards flexibility and shared space, as well as companies looking for improved office environments as a way to meet the expectations of the younger generations in the competition for talent.

This report summarises the conclusions of research carried out by ULI UK that looks at how different parts of the real estate industry are factoring health and wellbeing into their investment decisions. It is based on a survey as well as 17 interviews with a range of participants including investors, developers, fund managers, consultants, valuers, and

analysts. Five case studies from the UK and continental Europe also demonstrate many of the ideas currently being incorporated by tenants and building owners.

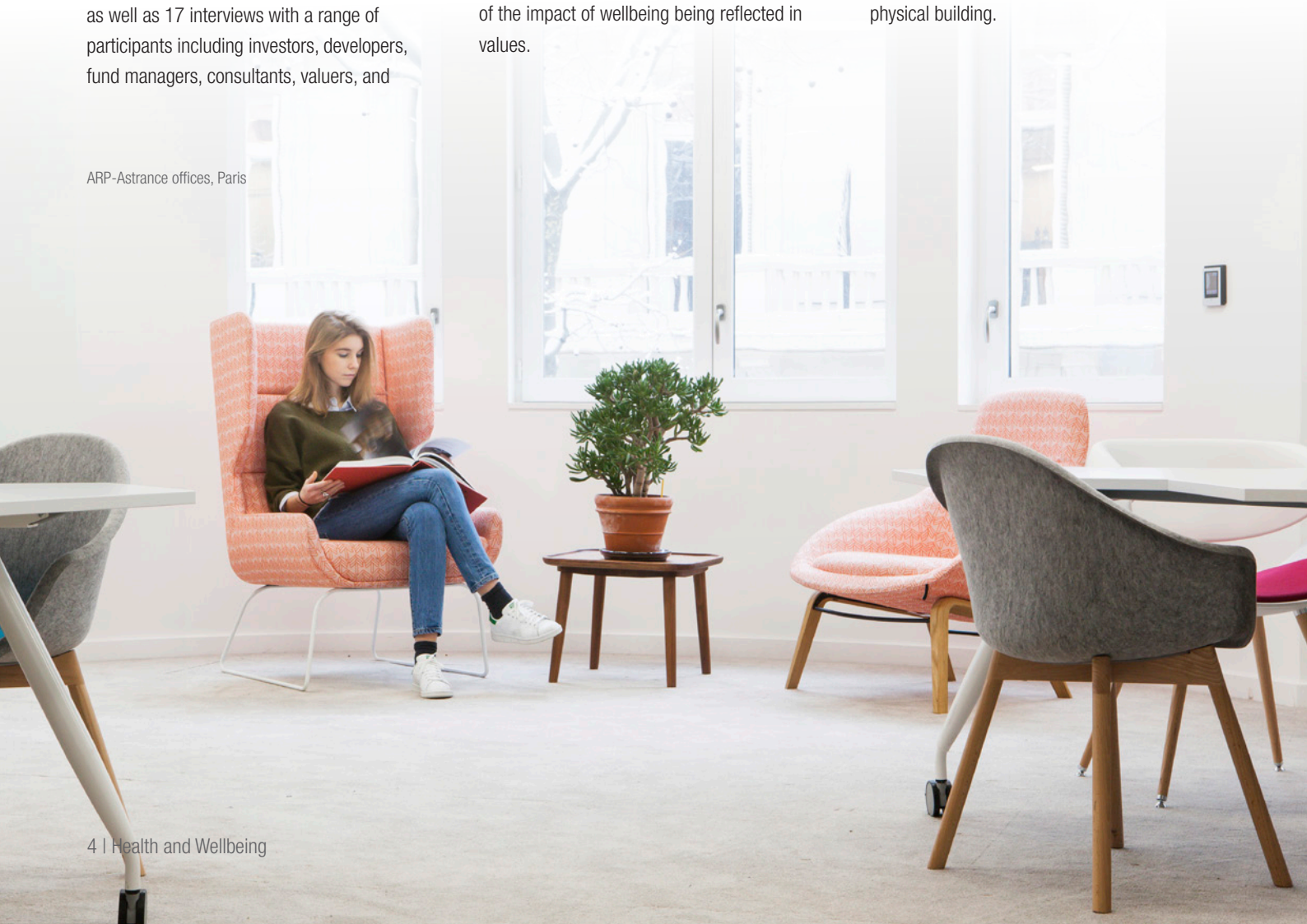
The survey results, which form part of this report, reinforce the idea that investors and developers have yet to see strong performance reasons to invest in wellbeing. The two most important factors when thinking about investing into wellbeing were ensuring the company's business competitiveness and falling in line with the company's own policies.

For those surveyed, wellbeing investment is mainly influencing decision-making in the areas of design, fit-out, and development stages. Less influence was being seen in leasing and lease renewal activities or when buildings were bought or sold. This might partly reflect the fact that there is still less evidence of the impact of wellbeing being reflected in values.

Even though the positive evidence for wellbeing was mainly anecdotal, for owners and developers it was providing an opportunity to stave off the possibility of obsolescence in some buildings. With more focus on features such as shared social space, gyms, and cycling facilities, as well as increasing natural light and promoting active use of the space, owners and developers were more confident that wellbeing changes could rejuvenate some older buildings. They also added that such buildings needed better management to keep tenants engaged and active.

Certification and technology were also becoming more popular in the bid to offer healthier spaces. However, measuring the success of wellbeing was also tied into a tenants' human resources (HR) indicators, such as absenteeism and staff retention, making this topic much more wide-ranging than the physical building.

ARP-Astrance offices, Paris



Introduction

This report aims to take a first look at how health and wellbeing is influencing investment decisions across the real estate industry. It looks at the trend's drivers and whether the current investment case supports further adoption.

Whether through a gym membership, fitness tracker, or plant-based diet, people's drive to be healthier is seemingly unrelenting. Therefore, it might be of little surprise that this focus is reflected in how people view their workspace. As a movement, health and wellbeing finds itself at the intersection of a number of megatrends that are influencing what people expect from their working environments.

“Everyone wants a good day at work. The younger generation might have been an initial driver, but this benefits all of us.”

One main driver has been the mainstream industry's adoption of flexible working formats. WeWork and other co-working brands led this move, which has prompted a revolution in offices that not only favours flexible working but also sees building community as an integral ingredient to the success of these places.

This flexibility is changing how traditional real estate needs to be managed to be successful: a more intensive operating model is required, more capital expenditure and day-to-day management to foster the right culture. Technology is also enabling this trend.

Although wellbeing is not a by-product of these changes, it has become the beneficiary. Wellbeing also needs a flexible working environment, requires strong operational management, and can be supported with technology. This, along with a continued focus by the industry on environmental, social, and governance (ESG) integration, means wellbeing has moved easily into the slipstream of these other, broader real estate changes.

While wellbeing has quickly found its footing because of the power of consumers, this report also addresses questions about the investment case for incorporating wellbeing into buildings and how to measure its impact.

The ULI UK Sustainability Forum undertook this report as part of its ongoing initiatives in urban wellbeing. It is based on 17 interviews undertaken with a range of participants including investors, developers, fund managers, consultants, valuers, and analysts. It also includes the results of a short member survey that asked about priorities for health and wellbeing and factors that were currently driving investment decisions. The survey attracted 92 responses.

In addition, two workshops provided input: a group of members from the ULI UK Sustainability Forum, and a roundtable debate on the ULI Business Case for Healthy Buildings as part of the ULI Europe Sustainability Council Day at the ULI Europe Conference in London in February 2019.

Outdoor space at EDGE Olympic, Amsterdam



Definition

It is important to understand what is meant by health and wellbeing. For this study, the following definition was used:

Health and wellbeing is the provision of an urban environment that minimises the occurrences of ill health or disease and supports a feeling of physical, emotional, and psychological wellness.

1 Drivers of health and wellbeing

This research shows that many of the drivers of health and wellbeing intersect with the wider trends affecting real estate. Its uptake is also being led by companies' need for talent and society's growing focus on a healthy lifestyle.

Customer is king, not the investor

The power of the customer is undeniable in many of the disruptive trends currently facing real estate, such as the push for flexible office space and the impact of e-commerce on retail real estate.

For real estate, changes to the bricks and mortar is most often driven by the investor, in essence, the money. This was seen clearly with the first wave of sustainability and its top-down pressure from investors to incorporate more environmental reporting and energy-saving initiatives.

For wellbeing, sometimes called the second wave of sustainability¹, this change has come bottom up. "The momentum is really in occupiers' changing needs, and some landlords are early adopters," says one fund manager. "Where maybe sustainability saw the push from the investors' side rather than the occupiers' side, [investors] are definitely supportive but they don't yet push for it; they need more education."

For another fund manager interviewee, the topic was very much on the mind of prospective tenants. "Some tenants are actively asking what you are doing on health and wellbeing, what's on your agenda, and we appreciate that." Another interviewee says that in its company's review with stakeholders,

including tenants, on whether its sustainability work was delivering value to the business, "the thing that came back was the wellbeing piece."

However, some cynicism also exists that tenants' interest in this trend has been picked up on by landlords for marketing purposes. "Lip service is too pejorative a term, but it's of the conversation," says one interviewee. "I'm in touch with the tenants and agents, and I know the sort of firms they want to attract are established with good covenants. These are companies that are increasingly aware of turnover costs, the impact of sick leave and mental health issues on productivity."

Others found pockets of tenants where this trend has not resonated. "There is still a gap between perhaps what some tenants want and some don't. In one building we own, we are providing more bike racks and showers, and the response from the tenant was pretty negative. They said, 'We don't think we really need them.' But we will ignore that, as you know another tenant will come in and want them," says the fund manager. In this case, the building was outside London, but the fund manager says the trend was in general strong from its tenants right across the UK.

War for talent

In a competitive economic world, the environment into which organisations are trying to attract and retain talent has become of crucial importance. "Commercially, the biggest challenge for companies is to find people with the talents you need. The voice of the individual has never been so strong – these are smart, curious, and socially responsible individuals. This is really all about people, and providing the best environment for them to be at their best and representing their interests," says one fund manager.

The talent is all too aware that it is in short supply, so the culture and environment, including its wellbeing credentials, are now part of the package. "People have higher expectations about how the workplace will take greater responsibility for their wellbeing and their life at work. Both [occupiers and investors] are driving the emphasis and the people are demanding it. I would be hard pressed to have a large occupier client or large investor client that doesn't have this at the highest level of their priorities," said one consultant.

In the UK, the NHS Long Term Plan specifically refers to the role employers have in supporting their staff to stay well and in work².

Higher-profile companies have started to address wellbeing on a larger scale, as part of their offering to attract talent. For example, Facebook and Google in the United States are moving away from campus-style buildings to have more satellite offices to be more appealing to staff. But the trend is filtering down to mainstream offices, particularly for companies that want to attract younger talent. "Our tenant base is in financial services, and it's really labour intensive for these knowledge workers," says another fund manager. "All companies are struggling to find the right talent, and it's not just about having a salary and a lease car. Millennials and the next generation are more interested in what does the employer do for me to live my life better."

For the employer, that focus on attracting and retaining the right talent through providing a healthier environment has wider consequences in a cut-throat economy. "The difference of six months to get your product out before your competitor can be the difference between life and death, so spending more on office space for the best productivity could be literally worth millions," says one analyst.

¹ Credited to Rick Fedrizzi, CEO and Chairman of International WELL Building Institute.

² NHS, The NHS Long Term Plan, 117, <https://www.longtermplan.nhs.uk/publication/nhs-long-term-plan/>.

Case study: **Hilson Moran, Neo, Manchester**

When Hilson Moran decided to relocate its Manchester office, the engineering consultancy realised this was also the perfect opportunity to “walk the talk” when it came to the advice it was giving its clients on health and wellbeing.

Its first step to choose the right building was made all the easier for having worked on its refurbishment. Owned by developer Bruntwood, the Neo building in Charlotte Street in Manchester’s city centre was already incorporating aspects that would support a healthy environment. For example, the building dedicates one floor for communal use by all tenants, and it had replaced the facade with floor-to-ceiling windows with high performance glass for light and energy efficiency.

Hilson Moran used the WELL Building Institute’s seven concepts to guide its fit-out: air, water, nourishment, light, fitness, comfort,

and mind. To improve the air quality, the firm installed filters, and it monitors air quality closely for a build-up of pollutants or carbon dioxide.

For the acoustics, Hilson Moran’s in-house team worked to bring down the reverberations that occur in any open plan office. Across a range of working space, acoustic enclosures are available for those seeking solitude.

The company was rigorous in its choice of materials used in the fit-out. Its aim was to reduce volatile organic compounds (VOCs), so the company focused on low-solvent content from carpets to paint. This included the kitchen units, which are made from straw bound together with potato starch.

It worked with fit-out architect Spaceinvaders to ensure that the space overall encouraged movement, such as placing the “refreshment”

area centrally as a place to eat, drink, and meet up. The main architect Bridge also reinforced this with a centrepiece staircase.

Hilson Moran wanted to make sure that the fit-out was not just physical, bringing in its HR team to update policies and initiatives across the company about mental wellbeing. All employees can access the building’s gym for a 50 percent discount, and they benefit from the fitness trackers that Bruntwood gives to all tenants.

Hilson Moran’s fit-out has since been awarded WELL Certified™ Gold, the first office workspace outside London to receive this status. Chris Birch, Director of Sustainability at Hilson Moran, said that in line with WELL’s approach as a living standard, Hilson Moran now continues to assess its progress and staff satisfaction. ►►►

A variety of workspaces at Hilson Moran’s offices, Manchester





Outdoor space at Hilson Moran's offices, Manchester

It uses the BUS Methodology from ARUP, which benchmarks occupier satisfaction against a sample of 650 companies. Employee satisfaction for Hilson Moran's old building scored in the bottom 10 percent, whereas its move to Neo has catapulted it to the top of the list, a position the company hopes it can maintain as its staff expectations rise in their new surroundings.

The company is also tracking staff data around the move, such as absenteeism and turnover, acknowledging that it will take a while to get statistically valid data. "The staff are happy and

that's a major thing these days, especially with costs associated with losing staff and recruiting staff, and all the learning curves that new staff have to go through. Staff retention has always been good in the Manchester office, but from my memory, I don't think anybody has left since we've been in the new office," says Birch.

He says that financially, the company did go beyond what it may have spent five years ago on an upgrade. This was particularly the case with the materials for the fit-out; with the WELL certificate still a fairly new concept when it

moved in 2017, the company found it more difficult to source materials aligned with its standards. This has now improved with WELL supplying European equivalents to the original U.S. standards.

"Our general view is that as a consultancy offering sustainability as a service, we have a stream of clients coming through our office all the time to see it as a WELL space. So, through this exposure, it has paid for itself as well as having all the wellness benefits," says Birch.

Changing occupier requirements

Although the war to attract talent is a primary driver in health and wellbeing, companies are also changing how they design their offices to retain staff. The workspace now has to contribute to the more holistic strategy of what makes staff happier – and therefore more productive.

“There is a better understanding that productivity is not just how many tasks you can complete,” said one interviewee. “Wellness is about being engaged and creative, you’ve got to take a more human-centric view of this. There are three foundations of workplace strategy: standard HR policy, the culture of the organisation – building really good

relationships with people at work that are open and collaborative – and workplace design that underpins that support.”

The argument starts with the physical environment. “It is a productivity issue through providing a healthier environment, better quality light, more natural light to help circadian rhythms and better-quality sleep. Having higher-quality air with less particulates in it means higher cognitive ability so better productivity,” says one consultant.

However, the argument also flows through into where and how staff engage with companies. Technology has enabled companies to support staff by offering them different types of

space in their portfolios in varied locations. “It’s turning the wellness conversation on its head. Instead of making the [head] office environment better and that’s where you have to come, [the conversation is now] where are you best suited to come to work today.”

For the staff, this helps them cope with a life where work and recreation time are increasingly blurring into each other. Having workplaces that respect the difficulty of balancing busy lives, whether that is yoga classes or just richer environments in which to work and socialise within the office and in the local area, is influencing where people want to work.

Office space at EDGE Olympic, Amsterdam



Case study: **Broadgate, London**

For UK property company British Land, its focus on health and wellbeing has been as much about people enjoying the space in between the buildings as it has been about working places inside the buildings.

As it approaches completion of the redevelopment of 100 Liverpool Street in 2020, the company has made sure that, once finished, the building will sit in the context of a healthier Broadgate campus environment.

Its inspiration to bring wellbeing into its placemaking was the book *Happy City: Transforming Our Lives through Urban Design* by Charles Montgomery, which reimagines the purpose of a city to increase the happiness of its occupants. “We got in touch with him to talk about what our role should be as a landlord – really trying to think of ourselves as a creator of place and space,” said Matthew Webster, Head of Wellbeing and Futureproofing at British Land.

It got the company thinking about three major levers: design, management, and community engagement, which then led the company to establish seven wellbeing principles. “We use this as a framework to brief and educate our own internal teams and then designers as well construction and property management partners,” says Webster. “What’s really important is to demonstrate that these are delivered in our projects and align well with what we are trying to do as a business.”

One principle is for social places: in Broadgate that meant making the most of the great public spaces the campus provides. British Land has enhanced these through the introduction of larger amounts of new seating, new retail, and



bars and restaurants as well as increasing the landscaping and greenery. Its approach has been to think more about street design and ensure active frontages as well as creating opportunities to dwell. “If you have blank facades, as humans we will put our heads down,” says Webster. “Active points of interest such as shopping displays and more interesting street scenes brings our eye level up, and that makes more social places.”

British Land also recently submitted a planning application to turn Exchange Square into a public park. The 6,000-square-metre area is currently largely hard landscaped with limited green areas, but over the course of the next 18 months will be transformed into a greener

space with water features, beautiful planting, more seating, a restaurant, and event spaces.

The physical design has been made more accessible across all areas to improve the ability to navigate and enjoy the campus. Those managing the estate have also been trained to deal with people across the full spectrum of human diversity, such as being dementia aware. The latest building to receive planning consent includes within its design a changing places toilet that meets the needs of a much wider range of people with disabilities than a standard accessible toilet. This will be only the second such publicly accessible toilet in the City.

“There’s no resistance. We’ve seen a lot of openness and the industry is embracing this. When we started looking at wellbeing aspects [for a recent development], the contractor started looking at wellbeing policies for teams on site. That resulted in less absenteeism, greater levels of energy, and it touches them on a personal level.”

Changing practices in wellness

The survey that formed part of this research looked at what factors were seen as important to respondents as well as what was currently driving real estate owners and managers to adapt their practices around wellness.

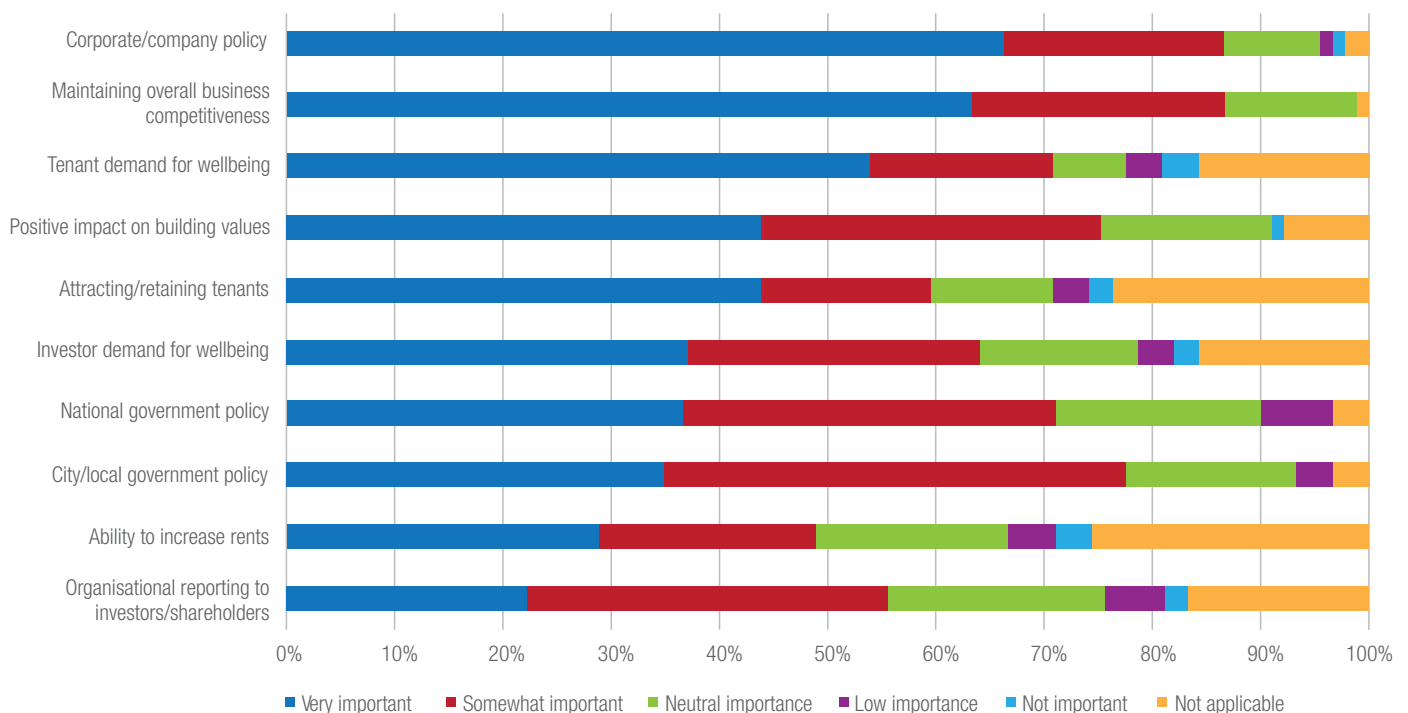
Overall, 63 percent of respondents ranked wellness as being important for business competitiveness and, related to that, 66 percent rated it as an important part of corporate/company policy (figure 1). These two factors are even more prevalent when the “somewhat important” rankings are added in. These results reflect the growing awareness of the important contribution wellness is expected to make to company strategy going forward.

One of the factors seen as least important was investor demand for wellbeing, at 37 percent, which was much lower than tenant demand, at 53 percent. This result in part reinforces the view that those occupying the building rather than the investors are leading the trend. In a similar vein, reporting to investors/shareholders was also seen as less important, at 22 percent.

In addition, fewer respondents see regulation through city or national policy as being important when considering investment in wellbeing.

Currently, those considering wellbeing investments thought it was less important to think about the ability to increase rents (29 percent) but did see activities in this area as being important to maintain or have a positive effect on building values (43 percent).

Figure 1: Overall importance of different factors for health and wellbeing



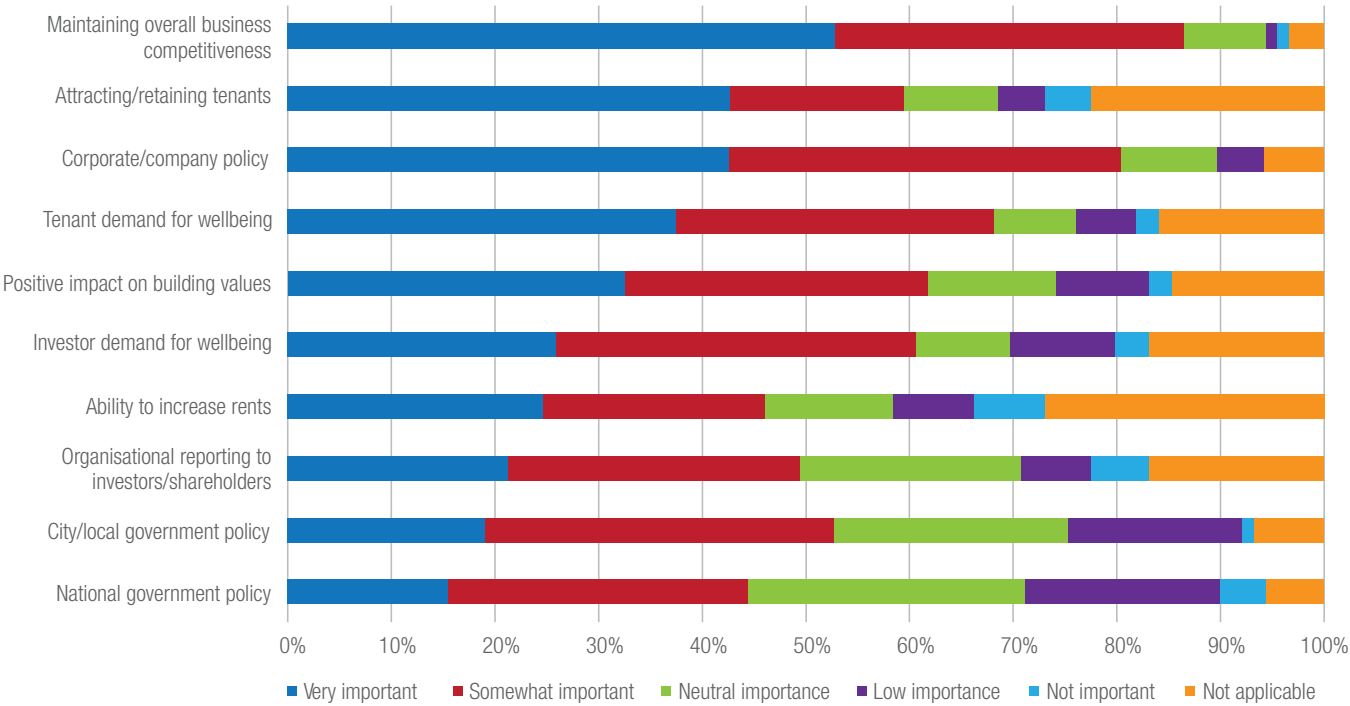
When it comes to what is actually driving an organisation’s investments in wellbeing currently, the ranking of the factors is similar to that in figure 1, but the proportions allocated to “very important” are lower (figure 2).

Maintaining overall business competitiveness is highest at 52 percent, demonstrating that incorporating wellness to differentiate a company or building from its competition is

currently driving investment. Company policy is still important, but 41 percent see it as an important factor in driving actual investment.

Tenant demand is seen as less of a factor driving current investment (37 percent), but the ability to attract and retain tenants stays fairly constant (42 percent).

Figure 2: Importance of factors driving companies to invest in health and wellbeing



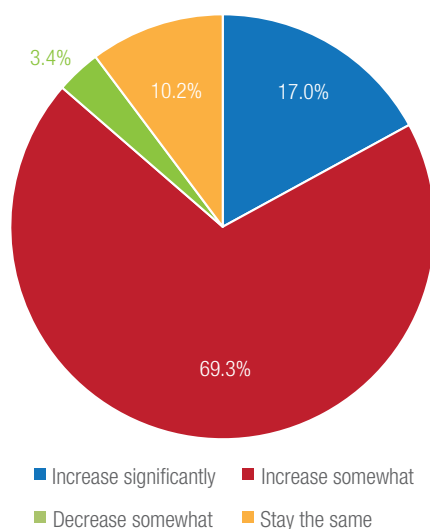
2 Incorporating wellbeing

With the interest in wellbeing increasing in different parts of the real estate industry, this research also looks how this is affecting levels of investment and how players are incorporating wellbeing into their projects.

Increasing investment

The results of the ULI survey indicate that the wave of interest in wellbeing is expected to translate into significant investment over the next three years. Figure 3 shows that 86 percent of respondents expect to increase their investment in wellbeing in the next three years, with 17 percent anticipating this increase to be significant.

Figure 3: Expected increase in investment in health and wellbeing in the next three years



The results of this question show the extent of the trend, with just 3.4 percent expecting their organisation's investment in the area to decrease and 10.2 percent expecting levels to stay the same.

When it comes to executing that investment, one debate among interviewees about incorporating wellbeing centres on where the responsibilities lie for such initiatives. Given that much of wellbeing is about changing the behaviour of those in the building, is it the responsibility of the landlords or the occupiers or both?

Those looking at the topic from a more traditional perspective see a clear division. "Landlords deliver on shell and core, and what they control is the ceiling height; is it going to be a concrete floor slab design which is good heat retention, what [are] the HVAC quality and the digital quality going to be?" asks one analyst. "Besides those big infrastructure decisions, buildings are being fitted out more and more by tenants."

However, for others, this line was blurring along with their changing role in becoming more intensive building operators. "It's not just design, it's how you operate. It's the visible and the invisible: the visible, the welcome and art work, how you are encouraged to take the stairs. The invisible is air quality, noise levels, look and feel. We have a wide influence over that by putting in wellness in our fit-out guide."

Structural improvements for many have included ensuring staircases are visible and increasing natural light where possible. One example was creating much larger windows for greater sunlight and a second was replacing the reflective glass with clear glazing "for natural light and to see the street scape".

From the survey, it was clear that the impact of current investment was mainly being felt in the physical aspects of the asset cycle. Figure 4 (page 14) shows design leading the rankings with a 51 percent rating in terms of level of influence. This could partly be because physical aspects are being seen as the easiest place to incorporate wellbeing ideas.

This response sits alongside the other practical activities where health and wellbeing can be more easily incorporated: fit-out at 38 percent and development at 36 percent. Marketing was also ranked quite highly at 37 percent. Where there is less influence currently is within the leasing/lease renewal activities at 14 percent although 31 percent also ranked those activities of significant influence.

Far fewer respondents (at 20 percent and 8 percent, respectively) see health and wellbeing influencing whether assets are bought or sold, which might reflect the fact that there is still limited to no evidence of health and wellbeing being reflected in values.

The resilience of the wellbeing trend is evident when respondents were asked to rank how influential wellbeing would be on the same set of activities in three to five years' time (figure 5). Although many factors of importance were the same when compared with figure 4, the proportion of respondents ranking a factor of high influence was significantly greater. Design ranked the highest at 58 percent, followed

by fit-out and marketing, both at 52 percent, indicating that the message of wellbeing is as important as delivery.

Respondents expect to see a bigger impact on buying and selling of assets at 30 percent and 21 percent, respectively, likely as wellbeing becomes a more important factor in successful offices.

Figure 4: Levels of influence health and wellbeing is currently having in the following areas

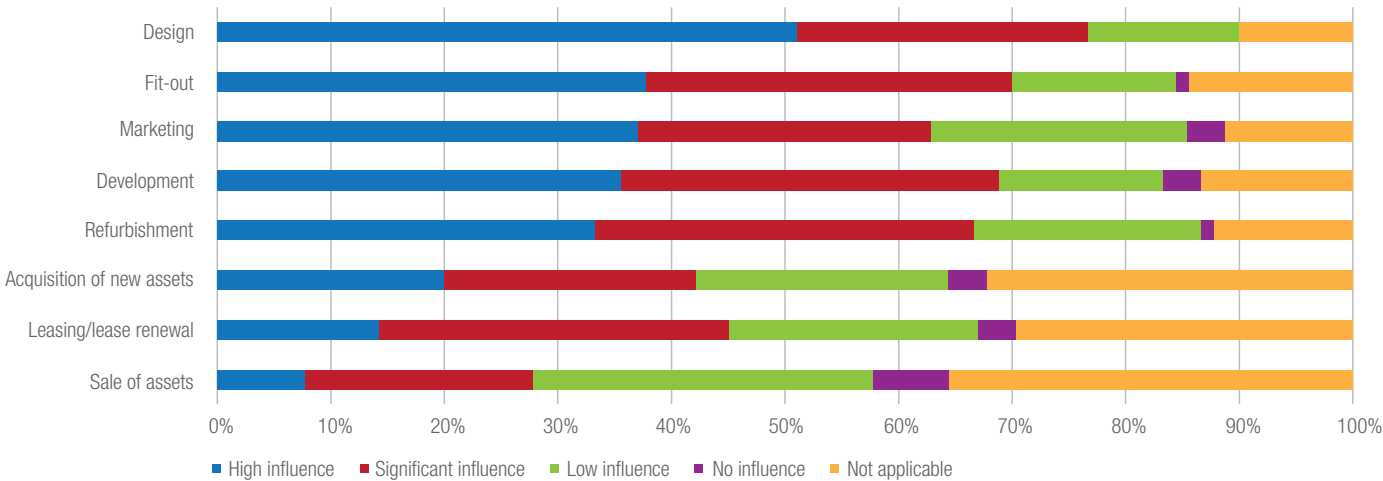
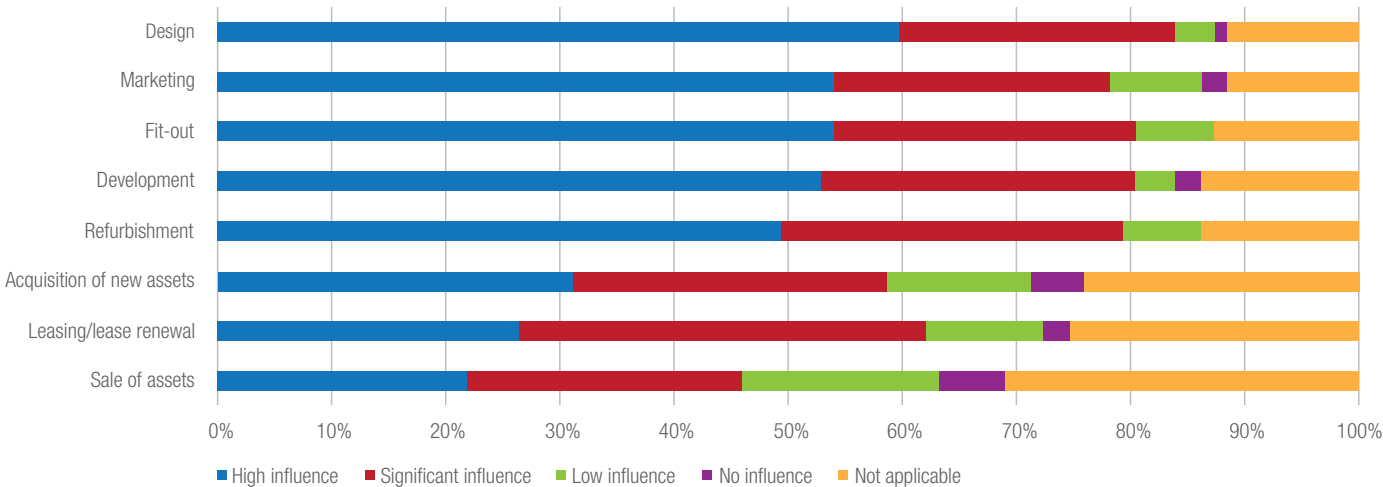


Figure 5: Levels of influence health and wellbeing will have in the next three to five years



Newer versus older buildings

While incorporating wellbeing was seen as much easier in newer buildings, many interviewees were hopeful this trend could help rejuvenate older buildings. In fact, the character and structure of some older high-quality buildings were noted as playing into the hands of wellness needs.

“There is an opportunity for developers. If the B and C grades space has good bones with shell and core capable of being upgraded,” says one analyst, “if you can bring that up to A-/B+ levels where you tick the boxes of light and air quality to attract those tenants, then, if it's priced as distressed, that's an interesting development angle.”

“We believe we have older stock that remains attractive for tenants, and we need to keep investing in these properties. The business case is easier than replacing.”

Older buildings, particularly outside London, often have the benefit of more space having been provided for car parking, which is increasingly less important, thus allowing the space to be repurposed. One fund manager says for one of its regional offices, it still has room to retain good levels of parking while installing cycling racks and showers. “We can also add an on-site gym in the basement, when the bricks and mortar allowed.”

Developers and owners are also taking greater care in a building's access to external space and how it relates to its locale, as well as what contribution the communal space can make to wellbeing.

The fund manager had also been working on making one of its buildings more attractive to pedestrians by moving the entrance from one end of the building to the other, thereby giving more access to the local town to encourage tenants to walk to the building and venture out at lunch and on breaks.

Within the shared area, they are creating more social spaces for tenants to engage and interact, including adding a ground floor café and making better use of an atrium by building in box meeting rooms on different floor levels, even if for some it is a place of respite after a less-than-healthy night out. “We're seeing it as space for every tenant in the building. Friday is exactly the time if people are hungover, and can sit in this space and pontificate about their week.”

These sorts of initiatives were also expected to change the balance of the composition of buildings. “There is a broader trend that the relationship between pure office floors and other space is changing. For example, having more gyms in multi-tenant buildings and more general shared space,” says a second fund manager.

But not all were convinced. “There is a balance to be struck. Creating spaces that are not directly rentable versus rental income. Clearly, we have a responsibility to maximise revenue and cash flow.”

Landlords were also thinking about softer aspects that occupiers would appreciate but were really low-cost easy wins. “There's what the occupier might see as cosmetic stuff to do across all buildings, providing fruit and having wellness days, and putting on mental health sessions. Those are things that we are becoming more aware of,” says one fund manager.

For the tenants, the most popular changes spoken about were the impact of acoustics and lighting – using circadian lighting or putting lighting control in the hands of users, if natural light was not available – including biophilia across the space, and ensuring more natural materials in furnishings.

Many of the initiatives from occupiers were often about trying to change behaviour through nudge theory. Even with good workplace design, a very small proportion of people are on the move or walking at any particular time. Movement can be encouraged with the placement of “attractors,” such as where the food or drinks are available. Many companies are investing in fitness trackers for staff to build a community around wellness.

By looking at the layout, one interviewee says that you can get participation from all those occupying the space, even if that participation is passive, rather than a few people attracted to classes, for example. “It is about how to begin to manage layout with active design, encouraging people to move more with access to water or healthy food and not sugary snacks. You are creating different behaviours; simple things like walking meetings can completely change the dynamics. It's not space and specification but behaviour and policy.”

A final important aspect – important for both landlords and tenants – is the visibility of the management. “The building management team needs to be front and centre where you can find them and they become an asset to the building. If the tenant knows someone is listening or that it's the same person not a treadmill of people, the more likely they are to be happier and satisfied. That then leads to [the] longer you stay [the] more you adapt and have a relationship.”

Case study: 22 Bishopsgate, London

While 22 Bishopsgate may be making its mark as the tallest tower on the skyline of the City of London, AXA Investment Managers – Real Assets, which invested in and is developing the building on behalf of an international consortium of investors, is also keen to demonstrate that it's what's on the inside that counts.

The 130,000-square-metre tower will dedicate over 13,900 square metres to shared amenities with a combination of environments and services that it says will enhance the working life and productivity of its tenants. "We refer to it as a vertical village. Everyone always talks about a hospitality environment and that's a given, but we are also keen to differentiate with what we are doing," says James Goldsmith, head of leasing at AXA Investment Manager – Real Assets.

Among the community amenities are a 1,858-square-metre food market as well as the Exchange, a 1,215 square metre knowledge area that will include an accelerator space, a broadcast media suite,

and event space. Its 780-square-metre gym will include a climbing wall 125 metres above ground level, and amenities will also include a wellbeing retreat area of 730 square metres.

To bring all these communal elements together, the building will have a management team that focuses on a club environment, "creating the heart and soul and spirit of the building," says Danny Lemon, who will manage the team as "Head of 22 Bishopsgate" when it opens. This could include running clubs, an art club, educational talks, and other ways to create an "engaging community in the building."

For 22 Bishopsgate, the more intensive management approach is about a shift in real estate thinking. "Typically, people talk about values of buildings being the bricks and mortar, but the value in the building now is really how you manage it," says Goldsmith. "The most valuable investments in buildings are not those leased to the fewest number of occupiers on the longest leases, actually, it's buildings which appeal to widest cross section of people and can adapt over time."

AXA Investment Managers – Real Assets believes the building can support companies' greatest challenge, which is to secure the best talent. "If you look at the environment [younger generations] want to work in, it is about career enhancement, it is about salary, but really and truly, it's about purpose. They want environments where they can learn, environments where they get to Friday evening or end of shift on Sunday and see what they have achieved at end of their working week," says Goldsmith.

With the amenities and mix of space, the company has considered the longer-term potential for a sustainable building versus leasing the shared areas as conventional office space. "We know if we create these spaces then that generates higher value through the rest of the building. It's not just about day one rent: it's about getting that diversity and mix of occupiers for the longer term."

And, in a case of walking the talk, one of the first occupiers when the building opens in 2020 will be AXA Investment Managers.

The planned food market at 22 Bishopsgate, London



Measuring success

While all the interviews indicated positive support for incorporating wellness, one challenge that needed to be overcome was the ability to measure the success of any initiatives. Considering the pace of change and the influence the trend is having on the bricks and mortar, gaining such traction without the ability to track performance and create justification through measurement is really unusual.

Interviewees ascribe this outcome to the human factor and the relatability, which has overtaken provability. “The reason is because it focuses on people rather than the building. Sustainability was seen as something impacting the building, not necessarily the people,” says one consultant. “If you were to focus on the big shift in the industry in the last few years, it is moving away from looking at the value of the interventions to the building itself.”

With 90 percent of a company’s costs coming from salary and benefits, according to Knoll Workplace Research, making changes with a human-centric approach would appear to be a good starting point. “The operating costs of a business are only 10 percent, whereas if you can make an impact on the 90 percent you can make a significant impact for the top-line business performance,” adds the consultant. “I think that’s why this has become such an important issue.”

One approach to measurement has been the emerging field of wellness certificates. These were in general welcomed, but some felt they encouraged “teach to the test”, which could result in “reducing it to the tick box and nothing to do with operations.”

Others appreciated the ongoing nature of the wellness certificates such as the WELL programme. “What’s interesting with wellness [is] that unlike sustainability certificates,

they require continuous updating so they are actually looking at buildings in a more dynamic way. You can’t be complacent and do an intervention and then walk away from it.”

Part of the issue with measurability, according to interviewees, is that this is a trend that crosses disciplines within companies. “The first challenge when you mention the wellness argument is that HR argue that’s their domain: policies, information campaigns, traditional HR. My job is to educate them that it’s also about the building: how to improve conditions, space configuration, an environment space that is a positive contributor to health and wellbeing.”

To assess wellbeing properly, the industry needs to search outside its usual spheres of reference. “I think the data is coming from more scientific aspects like the Well-living Lab, and the Harvard TH Chan School of Public Health is doing research on building components and how they impact productivity and cognitive performance. You have this body of research that is happening in parallel with drivers and research that organisations are doing themselves,” says one consultant.

Although HR can provide useful figures on absenteeism and staff retention, the industry needs access to more understanding of behavioural aspects, such as whether employees engage more and communicate more. Certainly, interviewees saw it as extremely important to seek customer feedback through surveys and reviews.

Technology to make buildings smart – whether about the bricks and mortar or how people are using the building – looks to be an important next step, particularly for on-the-ground operations. “Management is still a bit of a weak link,” said one fund manager. “We are asking [our property manager] how they are going to improve data management. Part of running

these buildings, getting data information from running the building such as services, charges, and rents, but to actually be able to get information on the tenants and monitoring that and being able to answer any questions they raise. That’s an issue that still has a way to go.”

Another thought traditional real estate providers should be learning about performance of space from coworking operators. “They are far more aggressive about how they use their buildings. They see that a group of meeting rooms are not being used to a level they expect; they reconfigure them overnight.”

Technology options are starting to grow. Apps are now becoming more common that put the controls for lighting and heating in the hands of employees; just having the control is as an improvement to their wellbeing. With these apps also tracking meeting room space and looking for unassigned workspace, they can also input into how the building is being used, maybe weeding out less conducive spaces.

Others are putting sensors under desks and in chairs to understand how much people are at desks or working together. However, all these ideas come with a health warning for the need to be clear about the outcomes that are being sought from understanding behaviour. “That’s one of the perils of social science research. I’m not saying there is always one way of doing it, but let’s look at the specifics and tailor what you measure. The risk is you provide some massive dashboard and it doesn’t drive any behaviour change,” says one consultant.

Case study: **EDGE Olympic, Amsterdam**

When it came to making EDGE Olympic a leading building for wellbeing, the starting point was always human nature. “It starts off with biological fundamentals, so understanding what we as human beings need,” says Sandra Gritti, Product Excellence Director for developer EDGE Technologies.

This is reflected in the 11,100 square metre building through the use of natural materials, outdoor space, natural lighting, and good air quality. Plants and greenery are spread throughout the space. “There is quite a lot of research that your heart rate normalises more quickly when surrounded by nature than if you are surrounded by hard environments,” says Gritti.

EDGE wanted to ensure good natural light but decided against using circadian lighting as high levels of lux cause too much glare. As an alternative, it opted for the ultimate source. “The sun gives us around 100,000 lux for free every day,” says Gritti, with the building instead designed to let lots of natural daylight through the glass facade and the open atrium, as well as promoting working outdoors.

EDGE Olympic has two large wi-fi-enabled terraces with workbenches and shady areas to encourage people to take their work outside. “We really try to set it up in such a way that people see it as part of their working space and not the lazy space you go to if you don’t want to work,” she says. It also promotes walking meetings, providing maps for 15-, 30-, and 60-minute walks in the local area where workers can combine business and exercise.

Another biological-driven component is air quality. EDGE Olympic has double the level of fresh air coming into the building compared with Dutch building regulations. This choice was made to reduce the detrimental effect high levels of carbon dioxide (CO₂) can have on cognitive ability.



Promoting active floor access through the central atrium, EDGE Olympic, Amsterdam

A second fundamental principle has been designing the building for positive social interaction. EDGE Olympic provides space for coworking, private offices, and large corporate spaces with the central atrium and prominent staircases serving as common meeting points, which have raised debate on

wasting valuable real estate space. “At end of the day, we believe if you don’t [create these sort of spaces] the quality of your real estate suffers substantially, as does the potential for interaction and for people to really get the most out of their office space,” says Gritti.

A focus on natural light at EDGE Olympic, Amsterdam



EDGE also believes there will soon be better proof of its benefits. “We are trying to do research through surveys and data collection to prove that having this additional air space through with the atria might give you less square metres to rent but it gives you higher performance per square metre in the quality of the real estate and individual performance. Hopefully, in the near future we can capture that individual performance in additional income,” says Gritti.

A key to the success of all aspects of the building is technology. EDGE Olympic has a dense network of about 7,000 sensor nodes which allows the company to collect data on performance aspects such as acoustics, humidity, and CO₂ levels. EDGE also works with tenants to get HR data such as absenteeism figures, and it is undertaking pre- and post-tests of real estate performance for tenants’ old and new space.

Technology is also putting more control in the hands of individuals. Those in the building can use an app to change their immediate light and temperature, as well as book meeting rooms and take advice on where to sit based on how busy the building is. The next phase of the app will be able to direct tenants towards workspaces with their preferences on temperature and quiet versus collaborative space.

The final principle is to encourage social connections and community through day-to-day management of the building, which has been outsourced to Epicenter. The Stockholm-based innovation hub has extended its consultancy work match-making large corporates with start-ups to taking on community management, fostering an environment of collaboration and knowledge sharing in the building.

Plants and greenery are present throughout EDGE Olympic, Amsterdam



3 Wellbeing – the investment case

The case for investors

While initiatives for wellbeing are being rolled out, a concrete investment case for incorporating these changes does not yet exist, according to interviewees. “The hard and fast commercials aren’t there yet, but there is lots of anecdotal evidence around these places performing better over the long term,” says one interviewee from a property company.

One issue is that the rationalisation for wellbeing in buildings is difficult to separate from the broader changes in how buildings are being used. “Property largely only reflects what they see from their tenants,” says one interviewee. “[Wellbeing] is another factor in technology change and the rise of flexi-space.”

In a bid to stave off the possibility of obsolescence in their buildings, developers and fund managers are noting that the new successful ingredients centre on flexible workspace, more social space, and a focus on healthier environments. “Companies with buildings in fringe locations [in East London] have been able to get something like £90 per square foot for their top floor. And, that’s all about providing an amazing building and tenants saying ‘I’m prepared to pay for that,’” says one analyst.

In regional cities, one fund manager says incorporating wellbeing aspects also helped with a defensive approach to make sure their buildings stand out. That said, the outlays of capital expenditure “have got to make things work”. “Even on one scheme we’re way above original budget, but there is quite a leap in the rent that we can get as we are going to create something this town doesn’t have. It’s a very competitive environment. Landlords are being more aggressive on cap-ex thinking they can knock the competition off its perch.” They also note that capital expenditure decisions are “much more socially and environmentally considered than they were a few years ago.”

The strategy for the fund manager was about capitalising on themes related to technology and demography, and they said this meant it was inevitable that wellbeing was part of this, particularly for building refurbishments. “It’s an area where investors feel more comfortable in this type of fund. It’s a bit like social equities investing; it’s definitely a positive.”

For one interviewee, the reasoning was still about reducing real estate costs with wellbeing initiatives smoothing out the cost cutting. “I think real estate is ultimately a financial beast: what’s the least amount of footprint and capex to provide a suitable quality safe working environment.”

However, the strongest argument given for the investment case is tenant satisfaction, which then leads to committed tenants. “Eventually, it goes into the investment cycle, feeding into the seriously important parameter, which is churn,” says one developer, who had already seen the benefit of wellbeing in the residential sector. “We want to create sticky tenants.”

Another added: “[Wellbeing] is very much like ESG. Intuitively you should have fewer voids, space should be vacant for shorter periods of time, and it should attract a rental premium, but we just don’t have the data.”

For most, whether it was about keeping tenants for longer or preserving the value of buildings, this trend was above all a long-term perspective. “Looking at the longer timeline, then you will start to really understand that wellbeing and wellness creates more resilient buildings and that’s why it makes sense from an investment point of view.”

“The key thing is when [wellbeing] starts to be a real price differential, in other words you get higher rents for buildings that have these qualities. I think that’s going to start to happen. We’ve already got a two-tier market with very average secondary space that is a lot cheaper.”

“The more you can service or cater, the stickier your tenants can be. The main difference is in the service levels, that is where you can really make a distinctive difference.”

The valuer's perspective

The importance of wellbeing factors within workspaces is also on the minds of valuation experts. Put two identical buildings side by side and give one some additional basic wellbeing amenities, then this is starting to make a difference. "It kind of all flows into the rent," says one. "The pricing is opaque, but it goes to the liquidity and speed of letting, which we are increasingly seeing."

Another agreed that it was "difficult to say yes or no" on whether it was yet affecting value, but for those buildings without any facilities in place but for marketability and to avoid longer voids, the basic amenities such as bicycles and showers need to be in place. "Those factors will possibly result in a slightly higher rental value."

Another example of commanding higher rents was for buildings in the City of London with outdoor space, which achieved around a £2.50 per square foot premium for those floors.

However, those looking for value through yield capitalisation at this stage will be disappointed. One valuer says it is key to achieve any value through the rent, particularly when giving up space for shared amenities, as the building's valuation is still very focused on the income stream and tenant covenants.

Looking at refurbishments, one valuer says advice to colleagues looking to preserve the value was often around repositioning the stairs and offering more facilities. However, another says that changes to encourage movement in

buildings, for example, were among "slightly softer" factors when it came to valuation considerations.

In some cases, it is the tenant that is helping make the difference. One "dreary" space in a 15-year-old building had been repurposed by another tenant. "With a modern spin, this building still looks fantastic and shows that it is capable of being repurposed within current occupier expectations."

Outdoor terraces at 100 Liverpool Street, Broadgate, London



Case study: **ARP-Astrance, Avenue Percier, Paris**

When ARP-Astrance began to plan its office relocation, it embraced the latest workspace trends and technologies.

Its 750 square metre area was designed by its in-house architects to be flexible with a variety of workplaces with different heights and an ergonomic design. It also included a wide range of meeting rooms that can be booked in advance via a mobile app, website, or QR code scanning, using Jooxter.

The space also incorporated more informal areas such as a workcafé, which as well as being a lunch spot is an area for regular events organised by the company. A silence room with a focus on relaxing furniture can be used for quiet working or for a restorative break. To encourage them to be active, employees are given a Gymlib subscription that gives them access to different sport and fitness facilities across the Paris area.

The company was also keen to bring nature to the office. Some of the biophilia around the workspace is aquaponics, which provides an ecosystem for plants and fish, as well as a wide range of indoor plants set into the workspaces. Materials and furniture are mainly natural materials, and some wallpaper patterns reflect nature, including trees, leaves, or clouds. In addition, the company recently organised an event bringing wild animals into the office, including snakes and spiders, as a counterpoint to office life.

Because of the company's growth, the fit-out regularly evolves. To rearrange one of the workspaces, ARP-Astrance turned to Kandu, a start-up created by French manufacturing company Saint-Gobain, which used high-precision sensors to assess how the space was performing based on sound levels, light, temperature, humidity, and CO₂.

A focus on natural materials at ARP-Astrance's offices, Paris



Aquaponics support natural ecosystems at ARP-Astrance's offices, Paris

The tools, looking something like a smart speaker, sat around the office space for two weeks before the results of the analysis informed how the new fit-out could be redesigned, considering these indoor metrics alongside feedback from employees to foster a healthy workspace.

In addition, sensors from Connected Space Management (CSM) measure how the space is being used, which has already resulted in some changes. "When we moved into this office, it was new for everyone to be flexible, and we didn't know how to use the space, so it was really loud. We helped this by installing phone booths so people can have calls outside of the workstation, but also explained how to use the wide range of spaces throughout the day," says Anne-Claire Barberi, International and Innovation Manager at ARP-Astrance.



ARP-Astrance's workspace received the OsmoZ certification in March 2018. This French-based system rates the quality of workspaces and helps promote and improve HR and corporate social responsibility policies around health and wellbeing. The certification process focuses on six societal issues: lifestyle, environmental health, collaborative processes, functions, life balance, and communication and social bonds.

In upgrading its space, the company saw itself as a pilot study before helping its clients with the same process. "We had just moved in and made a great improvement compared to the previous location, so it was meaningful to test this level to make sure we were compliant," said Barberi.

Overall, employees have been very satisfied about their new office location: based on a survey conducted a few months after moving in, 90 percent of respondents were satisfied with the workspaces, 100 percent with the overall working environment, and 78 percent of respondents were satisfied with wellbeing at work.



Telephone boxes provide privacy at ARP-Astrance's offices, Paris

Contributors

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