

## **Handley House**

### **A rich mix: reimagining single-use workspace assets**

#### **Introduction**

As we approach the end of 2022 and look ahead to the new year, several key trends loom large for clients around the world. At Handley House, through enquiries we've received, conversations we've had and conferences we've attended, we've seen a shift in dynamics and discourse within the property sector. Across Asia, Europe and the US, owners and investors are facing a common conundrum: what to do with single-use workplace assets that are failing to perform in the post-Covid landscape.

From East to West, monocultural workplace developments are suffering, with rising vacancy rates, dwindling demand and falling rents. Since the end of the pandemic, visitor numbers in districts focused solely on workspace have failed to bounce back as quickly as other locations. In London, for example, The City is down 15% on footfall compared to pre-Covid levels, whereas Kings Cross, a far more diverse area, has seen a 5% increase.

Over the past ten years, single-use retail has faced a similar challenge. In response to the rise of online shopping, department stores and malls have needed to evolve to create a compelling reason to visit. And so it is today, with the growing popularity of remote working, physical workspace needs to be reimagined in order to survive. As tenants reduce their office footprints in an effort to cut costs, landlords and developers the world over are asking the same question. How can the single-use model be adapted to protect balance sheets and secure future viability?

#### **Stick or twist**

As we see it, there are two options. The first involves sticking with single use, but really optimising and owning that single use through investment and innovation. Only by making a monocultural asset incredible, and creating the very best space imaginable, will owners and investors achieve commercial success. Bluewater is a prime example, and one of the few single-use retail developments to succeed in recent decades. Remaining true to its original vision, Bluewater has focused on creating an exceptional experience, which in turn has attracted the best tenants, driven up customer numbers, and delivered long-term value creation.

The second option is to accept that single use can no longer deliver sufficient financial returns and shift to a mixed-use model. And here again, the parallel with retail is instructive. Just as many single-use malls were repurposed to incorporate leisure, hospitality, entertainment and F&B, so monocultural workspaces need to be expanded to embrace a wider range of uses. This process can involve the repurposing of individual buildings to cater for a broad mix of user groups. Whole areas, too, can be redeveloped to provide greater choice and opportunity. Whatever the context or scale, by converting single use into mixed, by offering a variety of amenities, developers can lay the foundations for truly sustainable spaces and places.

I often think of the rich mix of uses that surrounds the Handley House studio in central London. Our local area is dominated by offices that still charge premium rents. But their viability is ensured by the sheer diversity of institutions and facilities within a half-mile radius. On our doorstep there's a school, a cultural centre, a conference centre, residential developments, restaurants, retail and civic spaces. And it's this breadth of functions that supports the corporate assets and enables them to thrive.

## **Global perspectives and possibilities**

At Handley House, our global workforce comprises 39 nationalities working in 40 different countries. Focusing on three geographies (North America, EMEA and APAC) and three sectors (Consumer, Work-Ed and Movement), we have unparalleled insight into global trends and developments. This structure enables us to support clients around the world, and draw on lessons from different markets to help solve creative and commercial problems. We've also recently enhanced our creative and analytical capabilities to maximise the impact of our work.

Through our work in Asia, we've seen the astonishing possibilities of mixed-use workspace. The multiple uses and experiences at the Alibaba Urban Campus in Nanjing, China, or the Songdo International Business District in South Korea, for example, demonstrates the power and potential of the ecosystem workplace approach.

We've also witnessed first-hand the evolution of multi-use retail in Asia – from the ubiquitous tower-and-podium format, to the remarkable developments of Hangzhou Joy City in China, or Siam Discovery in Bangkok. I personally believe the success of mixed-use retail, both in APAC and EMEA, should provide strong reassurance for single-use asset owners currently pondering their options.

In this paper, we outline the challenges and benefits of converting single-use assets into mixed-use spaces. We also discuss key design considerations for mixed-use developments, and the costs and implications of do-nothing scenarios. The workplace landscape is changing; and while the expansion into mixed-use may seem challenging, we believe it's the surest route to a successful and sustainable future.

**Tom Cartledge, CEO, Handley House**

## **The right balance**

As part of the Handley House Group, Pragma provides insight, analytics and strategic advice to property operators and investors. Increasingly, we're receiving 'requests for help' from owners of single-use campus environments. With vacancy rates going through the roof post-Covid, these places urgently need to pivot and diversify to a more viable mixed-use model.

Be they purpose-built business parks in the US, or mono-focused finance centres in Europe, single-use spaces around the world are experiencing different versions of the same problem. Some might offer a modicum of ground-floor retail. Others might house an F&B outlet or two. But these environments are not providing the breadth of experiences required to meet present-day user demand. As a result, they are failing.

Previously, corporate centres could offer cheap space and big floorplates, enabling companies to locate their workforce in one place by occupying whole floors or entire buildings. But this is no longer the direction of travel for modern businesses. Research shows a growing preference for smaller office spaces with premium fitouts, while a compelling balance of uses is essential to entice post-pandemic employees back into the office. Recent reports highlight a marked discrepancy in rent per square foot between centres such as Canary Wharf, which is perceived to be predominantly corporate, and mixed-use locations such as London's West End, where rental values are 50% higher. And it's a gap that appears to be widening.

## **Costs, challenges and intangible value**

Of course, repurposing assets and spaces to create a mixed-use proposition is no small undertaking. One of the major challenges clients encounter is the pressure to demonstrate short-term profitability, and the difficulty evidencing added value. For large-scale assets in particular, the upfront costs of repurposing are significant. And the value-generating potential of certain mixed-use interventions – such as schools or galleries – is often intangible. This makes it harder for investors to see where they will make their returns.

Indeed, at present a lot of the research around mixed-use repositioning is qualitative. What's needed is hard, measurable evidence – something we're currently working on with our Pragma Pulse analytics tool. The idea behind this innovation is to provide quantitative data that not only demonstrates the value of commercial performance, but measures social and environmental dimensions as well. This will enable project teams to back design proposals with data that provides robust profit forecasts and predicts future trends, strengthening the case for action.

And for those stakeholders who remain hesitant, the cost of doing nothing needs to be driven home. Because without intervention, the single-use office campus will continue to struggle, with an inevitable drop in demand and value. Similarly, pivoting to quick-win solutions – i.e. just adding a dash of retail or leisure – will not provide the long-term strategy required to deliver success. It's a range of carefully selected uses in combination, not single uses in isolation, that delivers value over time.

## **Creating sustainable, mixed-use communities**

At its best, a genuinely mixed-use environment can help to create a diverse, inclusive and sustainable community. Wembley Park in west London is a great example. One of the largest regeneration projects in the UK, the project blends workspace, residential, education, leisure and retail, creating a vibrant and dynamic destination around the iconic Wembley Arena. With a 31% uplift in footfall since 2019/20, the area is providing tangible benefits for local residents and visitors. Crucially, its residential quarters comprise houses as well as flats, with different formats and price points covering a full spectrum of life-stage requirements. This breadth of

choice encourages young professionals to put down roots and remain on site as their families expand. The strategic thinking is clear. Rather than simply offering a disparate set of uses, the development is creating a community; a place where people live, work and play. In this way, it fosters loyalty, identity and belonging, which are the main drivers of social cohesion.

MediaCityUK in Salford, Greater Manchester, is another mixed-use exemplar. The development is home to the BBC and ITV, while supporting a range of smaller local businesses. It also contains a strong cultural component, with the Lowry theatre and Imperial War Museum North. In addition, the project owners have repositioned a struggling retail centre, providing a boost to footfall through a renewed focus on leisure. With visitor numbers up 35% on pre-Covid levels, Media City is further evidence that the right balance of functions delivers strong project performance.

Above all, these developments remind us that inclusivity is key. By ensuring housing, retail and other core uses are accessible and affordable to local people, by creating opportunities for all, the campus environment can become a truly enabling venture with community at its core.

**Andrew McVicker, Director, Pragma Consulting**

## **Designing for diverse experiences**

For a designer, activating the ground floor is one of the keys to unlocking value through mixed-use redevelopment. The towers above might be high, but the most crucial elements are located on the ground-floor plane, where developers can control that vital point of entry and interaction. As the saying goes, 'get it right downstairs, add value upstairs', with ground floor activation a vital factor in successful multiple occupancy.

Back in the 1980s and '90s, big empty lobbies were popular among single corporate tenants. But this is no longer a viable proposition. Today, people want to see an active frontage; a vibrant, multi-use ground floor area that offers a range of activities. By adapting a building's ground floor, by investing in gateway elements, façades, public realm and adjacent uses, developers can draw people in, stimulating interest and engagement.

In the process of converting single-use assets into mixed-use spaces, the ground-floor and lower-floor areas provide a vital opportunity to create relevant public areas. Commercial buildings that are currently doing well are often those where developers have explored and repurposed lower levels – knocking out floors, creating double-height spaces to accommodate multiple uses. It's the quality of these environments, and the varied experiences they enable, that provides the crucial point of difference.

## **Flexible space, adaptable frameworks**

Flexibility of space is a prerequisite of successful mixed-use repositioning. For employees in particular, workspace can no longer be fixed or one-dimensional; it has to flex to enable a wider range of opportunities. Greenspace in which people can wander. Spaces for creativity, collaboration, exercise and yoga. Wellness areas and relaxation zones. At Benoy, we're increasingly seeing demand for floorplates that can be repurposed to support these diverse activities.

Within mixed-use developments, the growth of the build-to-rent (BTR) model is also driving demand for more flexible open space and amenities. Promoting a new mode of living, BTR units typically comprise reduced living space, which creates additional design considerations around access to high-quality public realm. In addition, BTR forces designers to understand how people live in close proximity, how builders work in close proximity, and the elements of flexibility required to make these situations possible.

And at a macro-level, we see flexibility being applied in adaptable frameworks. The Kings Cross redevelopment in London, for example, advanced plot by plot over a 20-year period. Rather than follow a fixed and wholesale design scheme, this more fluid approach – also being deployed at Canada Water – enables developers to adapt to shifting trends and expectations. In this way, they can ensure their schemes are entirely relevant at point of delivery.

## **Global design influences**

Benoy's work in mixed-use redevelopment spans multiple global locations, including China, Singapore, Hong Kong, the US and the Middle East. Through our projects in these regions, we've witnessed emerging design trends, innovations and best practice examples, which we use to inform and inspire our work. In Chicago, for instance, The Loop is the city's official downtown area and central business district. One of 77 designated community neighbourhoods, The Loop offers an exciting mix of workspace, retail, F&B, entertainment and architectural history and heritage. Crucially, its unique blend of culture and commerce provides lessons in how to create a 24-hour urban area and engage a local community.

In Singapore, meanwhile, the Downtown Core project shows how prime office space, supported by complementary uses and a live-in population, can create a thriving commercial district. This project also demonstrates the potential for mixed-use to enhance environmental performance through vertical greening, biophilic design and innovative energy schemes.

And finally, in Nanjing, China, one of Benoy's own projects: the Alibaba Urban Campus. This unique development aspires to attract the best talent to live and work on site through cutting-edge design and technology. Creating a true ecosystem of business and people, the Campus pushes the boundaries of vertical stacking for uses and amenities, while connecting end-users and consumers through community showcase space. A glimpse of the future possibilities of mixed-use development.

**James Dixon, Director, Benoy**