

# REDEFINING FUNCTIONS



**ANNA GARBULA-WĘGRZYNOWSKA, COUNSEL, REAL ESTATE AT DENTONS, WRITES ABOUT THE TRENDS THAT WILL SHAPE THE DEVELOPMENT OF THE OFFICE MARKET.**

While the outbreak of the pandemic initially brought uncertainty for the future of the office market, in fact, it has created a fresh demand for new office space, such that meets tenant's expectations regarding the new normal. The function of the office was redefined and the sector had to adjust to the new work regime, including hybrid and work-from-home models and sanitary requirements. With that came a need for tenants to transform their office space into more user-friendly. Yet, the uncertainty which stemmed from the ongoing pandemic led office space developers to think twice before starting new developments.

## A NEW LEASE OF LIFE

Having been through almost two years of the pandemic, the office market is reviving in 2022. During the pandemic, certain new trends formed while some old ones accelerated due to the pandemic. Although it has impacted the link between work and office, it is clear now that physical offices are not the sign of the past and that demand for them will continue to grow. However, the traditional office will be different. For years, the main function of the physical office was to provide good conditions for work. With a hybrid working model, the social function of the office has gained importance. The office has become a place to meet with colleagues, creatively exchange ideas and socialize. Now, the physical office must fulfill needs that cannot be met in the remote work regime, such as building team spirit, strengthening personal relations, and helping the interactive group work. This will translate into demand for employee-attractive space with relaxation rooms, fitness rooms, space for teamwork, brainstorming, and informal meetings.

## FLEXIBLE GROWTH

Demand for flexible space will be another trend in 2022. Tenants will look for space that can be easily tailored to meet their evolving needs. A number of companies will decide to implement core & flex office strategies—a mix of traditional office space leased on a long-term basis and flexible space that can be easily increased or decreased. Co-working spaces were originally used mainly by start-ups and freelancers but now more and more mid-size and big organizations lease part of

their homes. The strategy leads to a decentralization of city life. The concept, which is another trend that has emerged during the pandemic, is often described as a "return to a local way of life." In the post-pandemic world, workers increasingly shun the long commute to work. Proximity and accessibility are valued as factors that increase life quality. Switching to cycling and pedestrian transport will boost residents' health and well-being while slashing carbon-dioxide emissions, which is always a worthy aim in an era of climate change. For the office market, this trend will translate into applying a hub-and-spoke model with one central office hub and smaller spokes—satellite offices, as well as various core and flex office strategies.

Investors will seek developments with in-built green strategies and designed features that favor user comfort, especially in terms of natural light and fresh air. Investors and tenants will pay greater attention to modern technical solutions that deliver safe and healthy work conditions. En vogue will be climate-smart solutions and "new-normal" amenities aimed at increasing the well-being of users, such as air purification systems and touchless doors and dispensers. In addition to "old" green certificates, new ones, such as WELL Core&Shell and WELL Health-Safety Rating, will become more popular.

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**Fifteen-minute cities** will form another trend for 2022. The 15-minute city strategy aims to create cities where their residents can fulfill six essential functions—living, working, shopping, healthcare, education, and entertainment—within a 15-minute walk or bike ride from their homes.

their required floor space on a flex-basis. Developers are beginning to include co-working space in the pool of amenities in the buildings. Contrary to the earlier prognosis, the co-working sector is expected to expand in the next few years. In 2022, several new openings of coworking spaces are planned in Warsaw and regional cities.

## ESG

The general increase of awareness regarding climate issues and business responsibility will translate into greater investor attention to sustainability and environmental, social and corporate governance. ESG may be a strong trend in 2022. Interest in buildings developed in line with ESG requirements and princi-

ples is set to increase. Investors will seek developments with in-built green strategies and designed features that favor user comfort, especially in terms of natural light and fresh air. Investors and tenants will pay greater attention to modern technical solutions that deliver safe and healthy work conditions. En vogue will be climate-smart solutions and "new-normal" amenities aimed at increasing the well-being of users, such as air purification systems and touchless doors and dispensers. In addition to "old" green certificates, new ones, such as WELL Core&Shell and WELL Health-Safety Rating, will become more popular.

## LOCAL LIVING

The so-called "15-minute cities" will form another trend for 2022. The "15-minute city" is an urban concept developed by Professor Carlos Moreno, garnering him the 2021 Obel Award. The 15-minute city is a strategy to ensure that urban residents can fulfill six essential functions—living, working, shopping, healthcare, education, and entertainment—within a 15-minute walk or bike ride from

## CHALLENGES

While the office sector's prognosis is positive, 2022 will not be free of challenges. The market will be affected by rising inflation leading to the growth of prices of construction materials and utilities, most significantly electricity. The potential successive new ways of the pandemic, coupled with the shrinking pull of the available workforce, will make things even more difficult. With the present slowdown in construction, caused by the pandemic, several major projects have been suspended or postponed. However, at the same time investors are still looking for top-class, high technology, "green" office buildings. This, coupled with the increasing costs, will lead to a supply gap in 2023-2024 in Warsaw and some regional cities.