

The Fourth Revolution

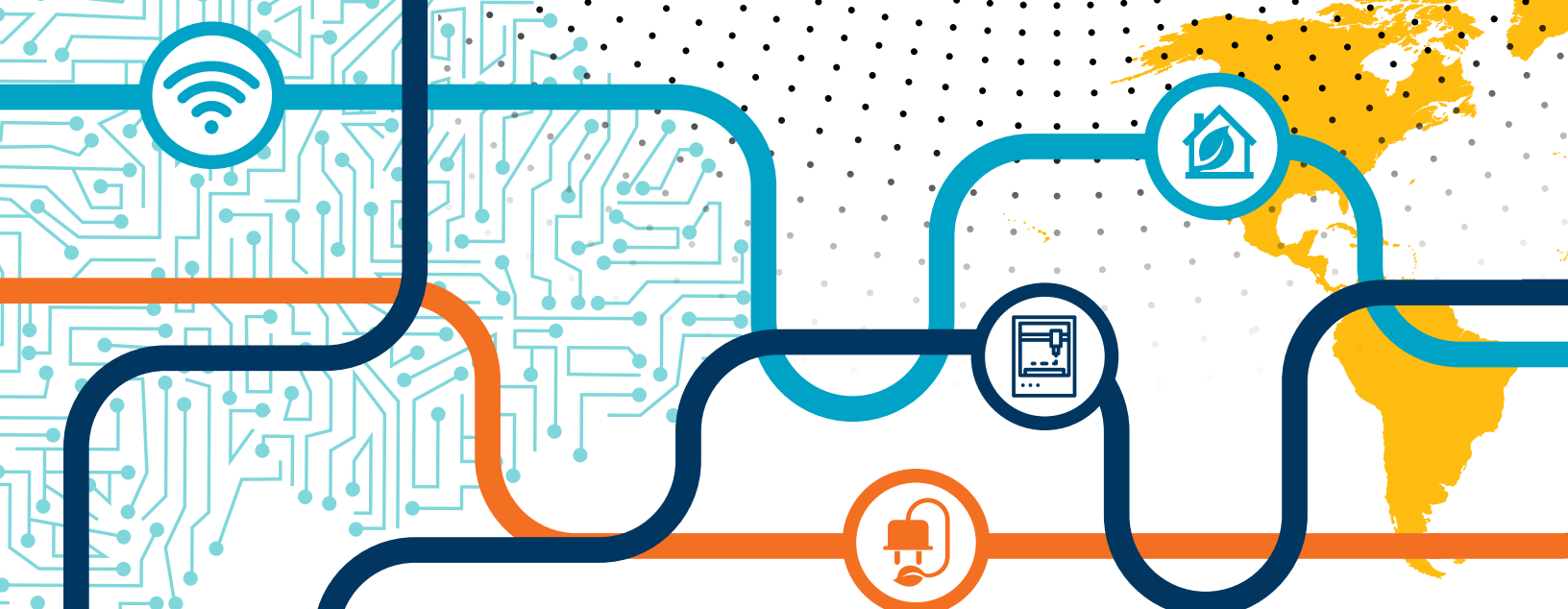
We are on the cusp of a Fourth Industrial Revolution. Developments in previously disjointed fields such as artificial intelligence (AI), robotics and 3D printing are all building on one another. These technological advancements will interact with broader socio-economic, geopolitical and demographic developments to change the future of business and work. Here we set out three high-impact changes and what they mean for corporate real estate.



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1 Technological Trends

Growth in cheap computing power and the ubiquity of the mobile internet have already had widespread impact on existing business models. Technological trends whose potentially far-ranging implications have not yet fully materialized — such as 3D printing, artificial intelligence (AI) and the Internet of Things (IoT) — are expected to be well underway in certain industries in the next few years.



The likes of Cisco are already investing heavily in Innovation Centers such as open Berlin, an ecosystem for research and technological development, and plan to launch their Global IoE Innovation Center in Barcelona this year.

➔ User-centric and on-demand offices

The IoT and smarter building systems will lead to a user-centric approach to the workplace, with highly adaptive settings and seamless mobility allowing customization by individuals and teams. Connectivity will be key, and good connectivity ‘ratings’ for buildings will become essential. The on-demand, user-centric ethos will mean the rise of workspace-on-demand platforms, which will lead to occupiers sharing third-party properties.

➔ Real estate to support innovation

As traditional industries embrace their digital transformation, a race to innovation will ensue. This will lead to an increase in corporate-sponsored tech accelerators, which will likely co-locate with clients. As AI takes over parts of their workload, many professionals will shift to high-value work enriched through data from multiple sources. This will result in fee-earning talent being deployed to client sites. Both of these trends will contribute to the use of the office as an anchor, rather than a permanent workspace.



Very popular with some business is “Liquid Space” which lets you book rooms and resources live on an app. This brings the self-service, sharing economy into buildings as part of experience expected by people in the future.

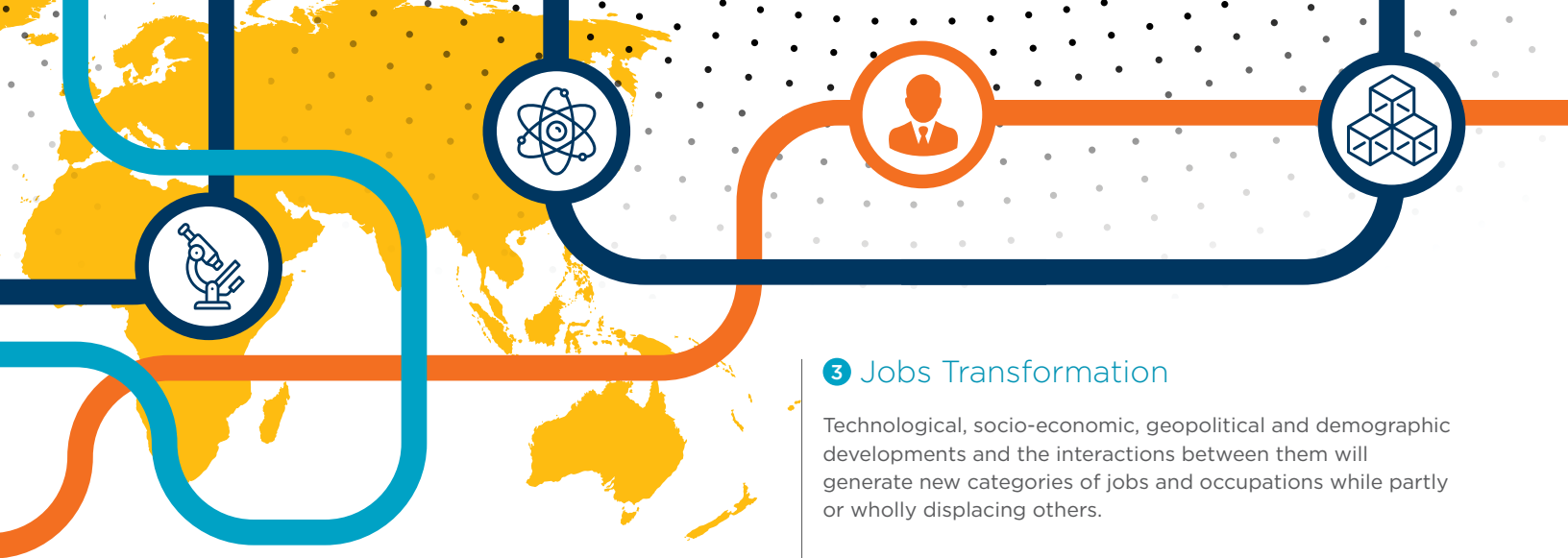


AT&T’s foundry “where ideas are made” and SAP’s App Haus—pushing digital creation are already pushing things forward, bringing colleagues and clients together in innovation surroundings.

➔ Technologies to accelerate the green agenda

The advance and commoditization of technologies will accelerate the greening of buildings. As the cost of improving the environmental performance of real estate falls in line with the lower costs of technological innovations (such as efficient heating systems, or solar panels) occupiers will demand greener buildings, and be willing to pay a premium for them to achieve longer term operating benefits and tax/levy avoidance.

Ultimately, the property corporate organizations require will be smarter, greener and more flexible.



2 Demographic and Socio-Economic Shifts

The center of economic gravity is shifting, and along with it the production of knowledge. Corporate organizations will benefit from new customers and new talent. But to do this, they will have to become even more global.

➔ Changing center of economic gravity

For 2014-2030, projected growth rates for major players such as China (+5.9%), and India (+6.7%), as well as fast-developing regions such as Sub-Saharan Africa (+5.8%) and the Middle East and North Africa (+4.9%) will continue tipping the world's center of economic gravity toward the East and South. The projected population of Delhi by 2030 will be 36 million, which is the same total population of the 20 largest U.S. cities combined. These rapid-growth markets will become increasingly important venues for conducting global business.

➔ Shifting knowledge base

A shift in 'knowledge production' has already seen China overtake the US in the number of doctorates awarded in science and engineering and China is soon expected to overtake the US as the largest global spender on research and development. While major developed

regions will continue to have educational and research capabilities going forward, momentum is shifting. This will result in greater outsourcing of services to the richest rapid-growth markets.

➔ A more diverse consumer base

By 2022, McKinsey estimates the upper middle class will account for 54% of urban households, up from 14% in 2012.

The rapid expansion of middle income populations, particularly in the Asia Pacific region, will be matched by an increase in consumer spending. As a result, the East will cement its place as a prime market for global companies. Marketplaces will become highly competitive and crowded and companies will have to position their brands and portfolios to meet the needs of a diverse consumer base.

For all companies with global ambitions, global shifts will force major adjustments in strategy.

3 Jobs Transformation

Technological, socio-economic, geopolitical and demographic developments and the interactions between them will generate new categories of jobs and occupations while partly or wholly displacing others.

➔ The transformation of jobs

Calculations from the World Economic Forum indicate a net employment impact of more than 5.1 million jobs lost to disruptive labor market changes over the next five years. The biggest employment decline will be in office and administrative roles, with technological trends expected to make many of them redundant. Science, Tech, Engineering and Mathematics (STEM) jobs, on the other hand, are expected to grow.

➔ An acceleration in the War for Talent

The worldwide competition for qualified talent is already at its highest level since the pre-recession period. As firms spread their operations globally and tap into local talent pools they will create highly diverse, multicultural and multi-generational workforces. Increasing worker mobility and technological advances

will allow for cross-border collaboration and bring workers from many different backgrounds together.

➔ A decrease in space

The decline in administrative jobs means demand for office space could fall. The growth in telecommuting, acceptance of video-conferencing, and preference for digital over paper - combined with a geographically spread workforce - means people will spend more time working from satellite offices anywhere. Retailers will be further disrupted by digital which will make certain types of retail real estate uneconomic and the focus shifts to the experience centers and flagship stores. Certain sectors such as banking will continue to move to a more virtual world, making some physical branches unnecessary.

The office of the future will have much more to do: It will be smarter, better connected and greener. It will attract and retain an increasingly diverse and mobile workforce. It will help carefully position brands in new and competitive marketplaces. And it will foster innovation and knowledge creation. The future will require a concerted effort for adjustment by corporate organizations and their real estate advisors, and it starts now.



No longer is it the case that one industry only recruits from one talent pool - companies are competing with each other to recruit the best talent. Banks are now one of the biggest employers of software engineers: one global investment bank employs more than 5000 software coders.